



# **Financial Statements**

**For the year ended December 31, 2017**



**Fairtrade Canada Inc.**  
**Financial Statements**  
For the year ended December 31, 2017

**Contents**

---

<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Balance Sheet	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Summary of Significant Accounting Policies	7
Notes to Financial Statements	11
Schedule of Total Expenses	18

---

## Independent Auditor's Report

---

### **To the Members of Fairtrade Canada Inc.**

We have audited the accompanying financial statements of Fairtrade Canada Inc., which comprise the balance sheet as at December 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Collins Barrow Ottawa LLP**  
Chartered Professional Accountants  
301 Moodie Drive, Suite 400  
Ottawa, Ontario K2H 9C4  
Canada  
T: 613.820.8010  
F: 613.820.0465  
Email: [ottawa@collinsbarrow.com](mailto:ottawa@collinsbarrow.com)  
[www.collinsbarrow.com](http://www.collinsbarrow.com)

---

## Independent Auditor's Report (continued)

---

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fairtrade Canada Inc. as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

*Collins Barrow Ottawa LLP*

Chartered Professional Accountants, Licensed Public Accountants  
June 7, 2018  
Ottawa, Ontario

**Fairtrade Canada Inc.**  
**Balance Sheet**

**December 31** **2017** **2016**

**Assets**

**Current**

Cash (Note 1)	\$	422,246	\$	833,461
Current portion of investments (Note 2)		-		150,984
Accounts receivable (Note 3)		808,643		937,074
Prepaid expenses		35,659		128,967

**1,266,548** **2,050,486**

**Long-term portion of investments (Note 2)** **441,048** **40,863**

**Capital assets (Notes 4 and 5)** **6,642** **29,078**

**Other intangible assets** **4,773** **4,773**

**\$ 1,719,011** **\$ 2,125,200**

**Liabilities and Net Assets**

**Current**

Accounts payable and accrued liabilities (Note 7)	\$	416,513	\$	797,264
Government remittances payable		26,438		32,197

**442,951** **829,461**

**Deferred lease inducements (Note 8)** **-** **1,878**

**442,951** **831,339**

**Net Assets**

Internally restricted				
Invested in capital assets (Note 9)		6,642		29,078
Contingency reserve (Note 9)		450,000		450,000
Unrestricted		819,418		814,783

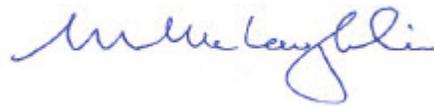
**1,276,060** **1,293,861**

**\$ 1,719,011** **\$ 2,125,200**

On behalf of the Board:



Bill Barrett, Co-Chair



Mark McLaughlin, Treasurer

**Fairtrade Canada Inc.**  
**Statement of Changes in Net Assets**

**For the year ended December 31, 2017**

	<u>Internally Restricted</u>			Total
	Invested in Capital Assets	Contingency Reserve	Unrestricted	
<b>Balance</b> , beginning of year	\$ 29,078	\$ 450,000	\$ 814,783	\$ 1,293,861
<b>Excess (deficiency) of revenue over expenses for the year</b>	<u>(22,436)</u>	-	<u>4,635</u>	<u>(17,801)</u>
<b>Balance</b> , end of year	<u>\$ 6,642</u>	<u>\$ 450,000</u>	<u>\$ 819,418</u>	<u>\$ 1,276,060</u>

**For the year ended December 31, 2016**

	<u>Internally Restricted</u>			Total
	Invested in Capital Assets	Contingency Reserve	Unrestricted	
Balance, beginning of year	\$ 65,842	\$ 513,000	\$ 876,049	\$ 1,454,891
Deficiency of revenue over expenses for the year	(36,764)	-	(124,266)	(161,030)
Transfer related to other internally imposed restrictions (Note 9)	-	(63,000)	63,000	-
<b>Balance</b> , end of year	<u>\$ 29,078</u>	<u>\$ 450,000</u>	<u>\$ 814,783</u>	<u>\$ 1,293,861</u>

**Fairtrade Canada Inc.**  
**Statement of Operations**

<b>For the year ended December 31</b>	<b>2017</b>	<b>2016</b>
<b>Revenue</b>		
License fees	\$ 1,997,795	\$ 1,685,427
Other fees and charges (Note 12)	123,862	558,590
Interest	2,226	1,956
Total revenue	<u>2,123,883</u>	<u>2,245,973</u>
<b>Expenses (Schedule)</b>		
Finance and administration (Note 13)	320,811	520,612
Business development	448,757	398,394
Mark integrity (Note 16)	239,051	352,267
Marketing and communications	387,782	358,334
Fees to the Global System (Note 16)	626,522	512,224
Governance (Note 14)	41,043	279,730
Other expenses (recoveries) (Note 15)	77,718	(14,558)
Total expenses	<u>2,141,684</u>	<u>2,407,003</u>
<b>Deficiency of revenue over expenses for the year</b>	<b>\$ (17,801)</b>	<b>\$ (161,030)</b>

## Fairtrade Canada Inc. Statement of Cash Flows

For the year ended December 31	2017	2016
<b>Cash flows from (used in) operating activities</b>		
Deficiency of revenue over expenses for the year	\$ (17,801)	\$ (161,030)
Adjustments for		
Amortization of tangible and intangible capital assets	22,436	36,764
Amortization of deferred lease inducements	(1,878)	(7,511)
	2,757	(131,777)
Changes in non-cash working capital balances		
Accounts receivable	128,431	471,003
Prepaid expenses	93,308	(100,206)
Accounts payable and accrued liabilities related to operating items (Note 7)	44,045	(404,588)
Government remittances payable	(5,759)	(10,125)
	262,782	(175,693)
<b>Cash flows from (used in) financing activities</b>		
Net (decrease) increase in unremitted fees collected on behalf of other organizations (Note 7)	(424,796)	158,805
<b>Cash flows from (used in) investing activities (Note 16)</b>		
Maturities and sales of investments - at cost	150,984	65,000
Purchases of investments and reinvested earnings - at cost	(400,185)	(382)
	(249,201)	64,618
<b>Increase (decrease) in cash and cash equivalents during the year (Note 16)</b>	<b>(411,215)</b>	<b>47,730</b>
<b>Cash and cash equivalents, beginning of year (Note 16)</b>	<b>833,461</b>	<b>785,731</b>
<b>Cash and cash equivalents, end of year (Note 16)</b>	<b>\$ 422,246</b>	<b>\$ 833,461</b>
<b>Represented by</b>		
Cash (Note 1)	\$ 422,246	\$ 833,461

---

## Fairtrade Canada Inc.

### Summary of Significant Accounting Policies

**December 31, 2017**

---

<b>Nature of Organization</b>	<p>Fairtrade Canada Inc. ("Fairtrade") is a not-for-profit organization incorporated without share capital under the laws of Canada. Fairtrade has continued under the Canada Not-for-profit Corporations Act. Fairtrade is also a not-for-profit organization within the meaning of the Income Tax Act of Canada and is exempt from income taxes on its not-for-profit activities.</p> <p>In accordance with Fairtrade's Articles of Continuance under the Canada Not-for-profit Corporations Act, Fairtrade's statement of purpose is to promote fairness in trade, internationally and domestically. The Articles of Continuance also require that any property remaining on liquidation of Fairtrade, after the discharge of its liabilities, shall be distributed to one or more organizations with purposes similar to those of Fairtrade's.</p> <p>Fairtrade's operations primarily involve the licensing of a consumer logo for coffee, tea, chocolate, sugar and other products, as determined from time to time, imported into Canada under fair trade conditions. A significant portion of Fairtrade's revenue is derived from a small number of organizations. For the 2017 fiscal year Fairtrade derived approximately 51% (2016 - 49%) of its license fees from 5 organizations and 61% (2016 - 60%) from 10 organizations.</p>
<b>Basis of Presentation</b>	<p>These financial statements are prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.</p>
<b>Use of Estimates</b>	<p>The preparation of financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates and assumptions as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in operations in the fiscal period in which they become known.</p> <p>Significant estimates include assumptions used in estimating: the initial fair value of financial instruments; the amounts and collectibility of accounts receivable including related license fees revenue; the useful lives, amortization and long-term potential of tangible and intangible capital assets; the impairment, if any, of other intangible assets; provisions for accrued liabilities; and the functional allocation of expenses.</p>

---

## Fairtrade Canada Inc.

### Summary of Significant Accounting Policies

December 31, 2017

---

#### **Financial Instruments**

Fairtrade's financial instruments are financial assets or financial liabilities where, in general, Fairtrade has the right to receive cash or another financial asset from another party or Fairtrade has the obligation to pay another party cash or other financial assets.

#### Measurement of financial instruments

Fairtrade initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

Fairtrade subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments, if any, that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets and financial liabilities measured at amortized cost include cash, investments, accounts receivable, and accounts payable and accrued liabilities.

There are no financial assets or financial liabilities measured at fair value.

#### Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations as an expense. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations as a recovery.

#### Transaction costs

Fairtrade recognizes its transaction costs in operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

#### **Capital Assets**

Tangible capital assets are recorded at cost. Amortization rates and methods for tangible capital assets are as follows:

Computer equipment	3 year	straight-line basis
Office equipment	5 year	straight-line basis

Leasehold improvements are amortized on a straight line basis over the lesser of: their estimated useful life or the term of the lease. (See Note 10 to these financial statements.)

---

## Fairtrade Canada Inc.

### Summary of Significant Accounting Policies

**December 31, 2017**

---

**Capital Assets**  
(continued)

Intangible capital assets are recorded at cost. Intangible capital assets with finite lives are amortized over their estimated used lives. Amortization rates and methods for intangible capital assets are as follows:

Computer software	50% straight-line balance basis
-------------------	---------------------------------

When a tangible or intangible capital asset no longer has any long-term potential to Fairtrade, the write-down being the excess of its net carrying amount over any residual value is recognized in operations as an expense. A write-down is not reversed in subsequent years.

**Other Intangible Assets**

Other intangible assets represent the purchase of an internet domain name, which is an unlimited life intangible asset, and is stated at cost. This asset is not being amortized. Should there be an impairment in the value of the asset, it will be written down to its net realizable value.

**Volunteer Services**

A portion of Fairtrade's work is dependent upon the contributions of volunteers. These services are not normally purchased and due to the difficulty in determining their fair value, they are not recognized in these financial statements.

**Deferred Lease Inducements**

Deferred lease inducements, if any, are recorded at cost less accumulated amortization and represent a leasehold improvements allowance received from Fairtrade's landlord. These inducements are amortized to rent expense on a straight-line basis over the term of the lease. (See Notes 8 and 10 to these financial statements.)

**Foreign Currency Translation**

Transactions during the year in a foreign currency have been converted to Canadian dollars at the exchange rate effective on the transaction date. All monetary assets and liabilities in foreign currency have been converted to Canadian dollars at the exchange rates in effect at the respective year end. Gains or losses resulting therefrom are included in the determination of the excess (deficiency) of revenue over expenses for the year.

**Revenue Recognition**

License fees are determined based on the quarterly activity of the licensee and are recognized as revenue by Fairtrade in the quarter the fees are assessable by Fairtrade. Other fees and charges are recognized as revenue when services are rendered or as goods are sold. Revenue is recognized to the extent that amount to be received can be reasonably estimated and collection is reasonably assured. Under certain agreements, Fairtrade collects fees on behalf of other organizations on an agency basis and after their receipt distributes these fees to these other organizations. These fees are not Fairtrade's revenue and are not presented as such in the Statement of Operations. Fairtrade's obligation to distribute funds to other organizations arises when Fairtrade is in receipt of the fees and until receipt occurs any fees receivable and payable are presented on a net offsetting basis in the Balance Sheet.

---

**Fairtrade Canada Inc.**  
**Summary of Significant Accounting Policies**

**December 31, 2017**

---

**Allocation of Expenses** Fairtrade's expenses are presented in the Statement of Operations on a functional basis. Certain expenses incurred are attributed to more than one function and are directly related to the output of the applicable function. These expenses are therefore considered direct program expenses and not indirect allocated expenses. Direct program expenses include certain salaries and benefits that are attributed to functions based on estimated time spent. Functional expense totals also include certain indirect allocated expenses consisting of certain facilities related expenses (including amortization expenses related to tangible and intangible assets, and deferred lease inducements) that are allocated to other functions based on relative usage.

**Cash and Cash Equivalents** For purposes of Fairtrade's Statement of Cash Flows, cash and cash equivalents are defined as bank balances and demand deposits. Investments are considered an investing activity. Bank overdrafts would only be considered a cash equivalent if they are repayable on demand and form an integral part of Fairtrade's cash management, whereby the bank balance fluctuates frequently from positive to overdrawn, otherwise they would be considered a financing activity.

---

---

## Fairtrade Canada Inc. Notes to Financial Statements

**December 31, 2017**

---

### 1. Cash

Fairtrade's bank accounts are held at a Canadian chartered bank, and is comprised of \$141,091 (2016 - \$268,756) earning nominal interest at a floating rate based on the prime rate, and a non-interest bearing balance of \$281,155 Canadian (2016 - \$564,705 Canadian) denominated in U.S. dollars which has been translated to Canadian dollars in these financial statements.

---

### 2. Investments

	2017	2016
Term deposits - total	\$ 441,048	\$ 191,847
Less: Current portion	-	(150,984)
	<b>\$ 441,048</b>	<b>\$ 40,863</b>
Long-term portion	<b>\$ 441,048</b>	<b>\$ 40,863</b>

Term deposits are carried at amortized cost. Fairtrade's practice is to hold its term deposits in Canadian chartered banks and major Canadian financial services companies. Term deposits as at December 31, 2017 consist of several individual investments that mature throughout 2019 and 2020 (2016 - throughout 2017) bearing interest at rates between 0.65% and 1.35% (2016 - 0.35% and 1.30%) for an average of 0.72% (2016 - 0.62%).

---

### 3. Accounts Receivable

	2017	2016
Accounts receivable	\$ 839,322	\$ 951,239
Less: Allowance for doubtful accounts	(30,679)	(14,165)
	<b>\$ 808,643</b>	<b>\$ 937,074</b>
	<b>\$ 808,643</b>	<b>\$ 937,074</b>

The allowance for doubtful accounts is provided for the amount of possibly impaired accounts receivable. The carrying amount of total accounts receivable that includes an impairment provision equals \$42,501 (2016 - \$15,549). The establishment of the allowance for doubtful accounts relies on the judgment of Fairtrade's management based on expectations of future collections and past experience.

The net amount of accounts receivable includes \$70,188 Canadian (2016 - \$171,056 Canadian) denominated in U.S. dollars, \$12,730 Canadian (2016 - \$5,204 Canadian) denominated in Euros, \$11,881 Canadian (2016 - \$46,762 Canadian) denominated in British Pounds, \$1,804 Canadian (2016 - \$nil) denominated in Australian dollars and \$4,372 Canadian (2016 - \$4,094 Canadian) denominated in South African Rands. These amounts have been translated to Canadian dollars in these financial statements.

The net amount of accounts receivable include 48% (2016 - 43%) from the 5 largest accounts and 60% (2016 - 63%) from the 10 largest accounts.

## Fairtrade Canada Inc. Notes to Financial Statements

**December 31, 2017**

### 4. Tangible Capital Assets

	2017			2016		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 39,579	\$ 39,210	\$ 369	\$ 119,579	\$ 104,688	\$ 14,891
Office equipment	27,385	21,112	6,273	47,385	37,974	9,411
Leasehold improvements	-	-	-	65,313	60,537	4,776
	<b>\$ 66,964</b>	<b>\$ 60,322</b>	<b>\$ 6,642</b>	<b>\$ 232,277</b>	<b>\$ 203,199</b>	<b>\$ 29,078</b>

As part of its move to new premises during 2017, as set out in Note 10 to these financial statements, Fairtrade evaluated its tangible capital assets for obsolescence and has recorded a write-down to both the cost and accumulated amortization balances resulting in no net loss. The write-down was an estimate of \$80,000 for computer equipment and \$20,000 for office equipment. In addition, the 2016 net book value of leasehold improvements related to its former premises has been amortized in 2017 as an expense and the \$65,313 cost and resulting accumulated amortization was written off as these leasehold improvements are no longer in use.

### 5. Intangible Capital Assets

	2017			2016		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer software	\$ 20,468	\$ 20,468	-	\$ 65,468	\$ 65,468	-

As part of its move to new premises during 2017, as set out in Note 10 to these financial statements, Fairtrade evaluated its intangible capital assets for obsolescence and has recorded a write-down to both the cost and accumulated amortization balances resulting in no net loss. The write-down was an estimate of \$45,000 for computer software.

### 6. Credit Facilities

Fairtrade has an unused line of credit at a Canadian chartered bank in the amount of \$40,000 (2016 - \$40,000) at bank prime plus 2.25% (2016 - bank prime plus 2.25%). It is due on demand and is secured by the pledge of a term deposit of \$40,000 (2016 - \$40,000) which is included in the investments set out in Note 2 to these financial statements.

In addition, Fairtrade has credit facilities in the form of corporate credit cards which total \$41,000 (2016 - \$35,000) of which \$9,779 (2016 - \$3,874) was utilized, was not overdue and is included in accounts payable and accrued liabilities (trade accounts - operating items) set out in Note 7 to these financial statements .

---

## Fairtrade Canada Inc. Notes to Financial Statements

**December 31, 2017**

---

### 7. Accounts Payable and Accrued Liabilities

The trade accounts payable and accrued liabilities related to operating items below include \$16,222 Canadian (2016 - \$7,695 Canadian) denominated in U.S. dollars, and \$11,934 Canadian (2016 - \$119,551 Canadian) denominated in Euros. The unremitted fees collected on behalf of other organizations below are stated in Canadian dollars but are denominated in U.S. dollars. All these amounts have been translated to Canadian dollars in these financial statements. Accounts payable and accrued liabilities are comprised of amounts owing for the following:

	<u>2017</u>	<u>2016</u>
Trade accounts - operating items	\$ 267,286	\$ 223,241
Unremitted fees collected on behalf of other organizations	149,227	574,023
	<u>\$ 416,513</u>	<u>\$ 797,264</u>

---

### 8. Deferred Lease Inducements

	<u>2017</u>	<u>2016</u>
Cost	\$ -	\$ 26,000
Less: Accumulated amortization	-	24,122
Net book value	<u>\$ -</u>	<u>\$ 1,878</u>

As set out in Note 10 to these financial statements, Fairtrade moved to new premises during 2017. The above deferred lease inducements relate to the former premises. The 2016 net book value has been amortized in 2017 as a reduction to rent expense, and the cost and resulting accumulated amortization has been written off.

---

### 9. Internally Restricted Net Assets

#### Invested in capital assets

Amounts invested in capital assets represents amounts internally restricted by Fairtrade's Board of Directors and equals the net book value of Fairtrade's tangible and intangible capital assets, if any, less directly related debt, if any.

#### Contingency reserve

The contingency reserve represents net assets that have been internally restricted by Fairtrade's Board of Directors. Changes in the reserve are facilitated by transfers from and to unrestricted net assets, and among the reserve's components as approved by Fairtrade's Board of Directors.

---

## Fairtrade Canada Inc. Notes to Financial Statements

**December 31, 2017**

---

9. **Internally Restricted Net Assets** (continued)

*Contingency reserve (continued)*

For the 2017 fiscal year the Board of Directors had initially approved a transfer of \$51,000 from the contingency reserve for general contingencies to unrestricted net assets. Subsequent to December 31, 2017 the Board of Directors passed a motion to cancel this decision because the transfer was deemed to be not necessary.

	<u>2017</u>	<u>2016</u>
General contingencies	<u>\$ 450,000</u>	<u>\$ 450,000</u>

---

10. **Commitments**

*Premises*

During 2017 Fairtrade's lease for its former office premises and related sublease recovery ended effective March 31, 2017, and Fairtrade entered into a lease agreement for new office premises for the period commencing April 1, 2017 and expiring March 31, 2024. Fairtrade is committed to the following lease payments, excluding taxes, over the balance of the lease term on a fiscal year basis:

2018	\$ 22,524
2019	23,610
2020	24,695
2021	25,781
2022	27,273
2023	28,901
2024	<u>7,327</u>
	<u>\$ 160,111</u>

In addition, Fairtrade would be responsible for its share of operating costs which is currently estimated to be approximately \$36,000 per year.

The lease also contains a five year renewal option at the greater of the rent in the last year of the lease term and market rates at the time.

*Other*

In connection with its operations, Fairtrade regularly enters into agreements for the purchase of various supplies and services including the rental of equipment. Certain of these agreements extend beyond the end of the 2017 fiscal year. In the opinion of management, these agreements are in the normal course of Fairtrade's operations, are not abnormal in amount or nature and do not include a high degree of speculative risk.

---

---

# Fairtrade Canada Inc.

## Notes to Financial Statements

December 31, 2017

---

### 11. Financial Instruments Risks and Concentrations

Fairtrade is exposed to various risks through its financial instruments. The following analysis provides a measure of Fairtrade's risk exposures and concentrations as at December 31, 2017.

Fairtrade is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Fairtrade is exposed to credit risk on its accounts receivable, set out in Note 3 to these financial statements, in the event of non-payment by its licensees. Fairtrade has concentration of credit risk in its accounts receivable set out in Note 3 to these financial statements since Fairtrade's revenue is concentrated in a small number of organizations. Although not considered a significant credit risk, credit risk also exists in relation to the Fairtrade's cash and investment balances set out in Notes 1 and 2 to these financial statements.

#### Liquidity risk

Liquidity risk relates to the risk that Fairtrade will encounter difficulty in meeting its obligations associated with its financial liabilities and commitments. Fairtrade is exposed to this risk mainly in respect of its accounts payable and accrued liabilities set out in Note 7 to these financial statements, government remittances payable, and its commitments set out in Note 10 to these financial statements.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Fairtrade is mainly exposed to currency risk and interest rate risk.

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Portions of Fairtrade's revenue and expenses as well as certain of its financial instruments are in foreign currencies. Consequently, Fairtrade is exposed to foreign exchange fluctuations on its cash as set out in Note 1 to these financial statements, its net accounts receivable as set out in Note 3 to these financial statements, and its accounts payable and accrued liabilities as set out in Note 7 to these financial statements, which results in foreign exchange gains and losses as set out in Note 15 to these financial statements.

#### Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fairtrade does not have any used interest bearing credit facilities, as set out in Note 6 to these financial statements. Consequently, Fairtrade is not exposed to interest rate fluctuations on this financial instrument. However, the investments set out in Note 2 to these financial statements bear interest at fixed rates and as such are subject to

---

## Fairtrade Canada Inc. Notes to Financial Statements

**December 31, 2017**

---

### 11. Financial Instruments Risks and Concentrations (continued)

*Interest rate risk (continued)*

interest rate price risk resulting in changes in fair value from market fluctuations in interest rates. Fairtrade holds floating rate financial instruments being a portion of its cash balances set out in Note 1 to these financial statements which are subject to cash flow risk as interest rates change.

*Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Fairtrade is not exposed to other price risk since its financial instruments are not traded in the market.

*Changes in risk*

There have been no significant changes in Fairtrade's financial instruments risk exposures during the year ended December 31, 2017.

---

### 12. Other Fees and Charges

	2017	2016
Global account management fees	\$ 17,900	\$ 354,824
Fees for service	40,011	152,989
Other fees	61,138	31,527
Rent	4,813	19,250
	\$ 123,862	\$ 558,590

---

### 13. Finance and Administration - Business Restructuring

During the 2016 fiscal year Fairtrade incurred business restructuring expenses that are recorded in finance and administration expenses in the Statement of Operations and in the Schedule of Total Expenses in the following line items, and consist of:

Awareness (communications to stakeholders)	\$ 550
Salaries, benefits, recruiting and employee development (salaries and benefits)	111,974
Professional services fees (legal and human resources)	15,673
	\$ 128,197

---

---

## Fairtrade Canada Inc. Notes to Financial Statements

**December 31, 2017**

---

**14. Governance**

During the 2016 and 2015 fiscal years Fairtrade incurred significant legal expenses related to governance processes and by-laws to update and conform to the Canada Not-for-profit Corporations Act (the "CNCA").

---

**15. Other Expenses (Recoveries)**

During 2017, Fairtrade incurred a foreign exchange loss of \$45,849 (2016 - \$24,764 loss) which is included in other expenses (recoveries) in the Statement of Operations and in the Schedule of Total Expenses. Other expenses (recoveries) also includes bad debts expense of \$31,869 (2016 - bad debts recovered of \$40,446).

---

**16. Corresponding Amounts and Disclosures**

In certain instances, 2016 fiscal year corresponding amounts and disclosures presented have been reclassified to conform with the financial statement presentation and disclosures adopted for the 2017 fiscal year. The most significant reclassifications are as follows:

Statement of Operations and Schedule of Total Expenses

Certain membership fees formerly included in Mark integrity expenses are now included in Fees to the Global System expenses.

Statement of Cash Flows

To be consistent with Fairtrade's investment strategy during the 2017 fiscal year, the composition of cash and cash equivalents has been changed. Previously, cash and cash equivalents included investments which are now included in investing activities.

---

## Fairtrade Canada Inc. Schedule of Total Expenses

**For the year ended December 31, 2017**

	Finance and Administration	Business Development	Mark Integrity	Marketing and Communications	Other Items	Total
External monitoring	\$ -	\$ -	\$ 34,318	\$ -	\$ -	\$ 34,318
Awareness	-	43,737	-	146,159	-	189,896
Salaries, benefits, recruiting and employee development	149,433	333,679	163,314	165,602	-	812,028
Travel expenses	24,389	26,090	-	8,127	-	58,606
Departmental supplies	7,010	6,681	6,247	7,048	-	26,986
Professional services fees	113,679	628	3,659	28,479	-	146,445
Facility related expenses	26,300	37,942	31,513	32,367	-	128,122
Fees to the Global System	-	-	-	-	626,522	626,522
Governance	-	-	-	-	41,043	41,043
Other expenses (Note 15)	-	-	-	-	77,718	77,718
	<b>\$ 320,811</b>	<b>\$ 448,757</b>	<b>\$ 239,051</b>	<b>\$ 387,782</b>	<b>\$ 745,283</b>	<b>\$ 2,141,684</b>

**For the year ended December 31, 2016**

	Finance and Administration	Business Development	Mark Integrity	Marketing and Communications	Other Items	Total
External monitoring (Note 16)	\$ -	\$ -	\$ 49,204	\$ -	\$ -	\$ 49,204
Awareness (Note 13)	6,010	34,428	-	149,154	-	189,592
Salaries, benefits, recruiting and employee development (Note 13)	375,074	282,881	245,807	140,307	-	1,044,069
Travel expenses	25,803	22,199	1,098	15,546	-	64,646
Departmental supplies	5,116	6,958	6,811	3,184	-	22,069
Professional services fees (Note 13)	86,207	361	212	31,361	-	118,141
Facility related expenses	22,402	51,567	49,135	18,782	-	141,886
Fees to the Global System (Note 16)	-	-	-	-	512,224	512,224
Governance (Note 14)	-	-	-	-	279,730	279,730
Other expenses (recoveries) (Note 15)	-	-	-	-	(14,558)	(14,558)
	<b>\$ 520,612</b>	<b>\$ 398,394</b>	<b>\$ 352,267</b>	<b>\$ 358,334</b>	<b>\$ 777,396</b>	<b>\$ 2,407,003</b>