



# **Financial Statements**

**For the year ended December 31, 2015**



**Fairtrade Canada Inc.**  
**Financial Statements**  
For the year ended December 31, 2015

**Contents**

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## Independent Auditor's Report

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### 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, 2015, 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.

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## Independent Auditor's Report (continued)

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### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fairtrade Canada Inc. as at December 31, 2015, 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 8, 2016  
Ottawa, Ontario

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

<b>December 31</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<b>Current</b>		
Cash (Note 1)	\$ 785,731	\$ 593,881
Short-term deposits (Note 2)	256,465	255,395
Accounts receivable (Note 3)	1,408,077	933,747
Prepaid expenses and inventory of promotional materials	28,761	52,108
	2,479,034	1,835,131
<b>Tangible capital assets</b> (Note 4)	65,842	101,133
<b>Intangible capital assets</b> (Note 5)	-	1,099
<b>Other intangible assets</b>	4,773	4,773
	\$ 2,549,649	\$ 1,942,136

**Liabilities and Net Assets**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 1,043,047	\$ 511,015
Government remittances payable	42,322	20,722
Deferred revenue	-	5,287
	1,085,369	537,024
<b>Deferred lease inducements</b> (Note 8)	9,389	16,900
	1,094,758	553,924
<b>Net Assets</b>		
Internally restricted		
Invested in capital assets (Note 9)	65,842	102,232
Contingency reserve (Note 9)	513,000	250,000
Unrestricted	876,049	1,035,980
	1,454,891	1,388,212
	\$ 2,549,649	\$ 1,942,136

On behalf of the Board:



John Kay, Chair



Eric Crowell, Treasurer

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

**For the year ended December 31, 2015**

	Internally Restricted			Total
	Invested in Capital Assets	Contingency Reserve	Unrestricted	
<b>Balance, beginning of year</b>	<b>\$ 102,232</b>	<b>\$ 250,000</b>	<b>\$ 1,035,980</b>	<b>\$ 1,388,212</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>(37,497)</b>	<b>-</b>	<b>104,176</b>	<b>66,679</b>
<b>Purchase of tangible and intangible capital assets</b>	<b>1,107</b>	<b>-</b>	<b>(1,107)</b>	<b>-</b>
<b>Transfer for other internally imposed restrictions (Note 9)</b>	<b>-</b>	<b>263,000</b>	<b>(263,000)</b>	<b>-</b>
<b>Balance, end of year</b>	<b>\$ 65,842</b>	<b>\$ 513,000</b>	<b>\$ 876,049</b>	<b>\$ 1,454,891</b>

**For the year ended December 31, 2014**

	Internally Restricted			Total
	Invested in Capital Assets	Contingency Reserve	Unrestricted	
<b>Balance, beginning of year</b>	<b>\$ 111,488</b>	<b>\$ 250,000</b>	<b>\$ 972,618</b>	<b>\$ 1,334,106</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>(28,848)</b>	<b>-</b>	<b>82,954</b>	<b>54,106</b>
<b>Purchase of tangible and intangible capital assets</b>	<b>19,592</b>	<b>-</b>	<b>(19,592)</b>	<b>-</b>
<b>Balance, end of year</b>	<b>\$ 102,232</b>	<b>\$ 250,000</b>	<b>\$ 1,035,980</b>	<b>\$ 1,388,212</b>

## Fairtrade Canada Inc. Statement of Operations

<b>For the year ended December 31</b>	<b>2015</b>	<b>2014</b>
<b>Revenue</b>		
License fees	\$ 1,619,827	\$ 1,537,845
Other fees and charges	873,891	707,329
Interest	3,864	3,072
Total revenue	2,497,582	2,248,246
<b>Expenses</b>		
Finance and administration (Schedule)	328,668	284,669
Business development (Schedule)	697,177	664,034
Mark integrity (Schedule)	527,967	413,556
Marketing and communications (Schedule)	436,751	383,111
Fees to the Global System	369,852	350,203
Governance (Board of Directors related)	146,408	110,935
Other expenses (recoveries) (Note 12)	(75,920)	(12,368)
Total expenses (Schedule)	2,430,903	2,194,140
<b>Excess of revenue over expenses for the year</b>	<b>\$ 66,679</b>	<b>\$ 54,106</b>

## Fairtrade Canada Inc. Statement of Cash Flows

<b>For the year ended December 31</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from (used in) operating activities</b>		
Excess of revenue over expenses for the year	\$ 66,679	\$ 54,106
Adjustments for		
Amortization of tangible and intangible capital assets	37,497	28,848
Amortization of deferred lease inducements	(7,511)	(2,600)
	<b>96,665</b>	80,354
Changes in non-cash working capital balances		
Accounts receivable	(474,330)	(248,938)
Inventory of resale items	-	1,199
Prepaid expenses and inventory of promotional materials	23,347	(2,053)
Accounts payable and accrued liabilities related to operating items	402,656	(24,818)
Government remittances payable	21,600	(3,081)
Deferred revenue - producer support	(5,287)	(2,467)
	<b>64,651</b>	(199,804)
<b>Cash flows from (used in) financing activities</b>		
Net increase (decrease) in unremitted fees collected on behalf of other organizations (Note 7)	129,376	(103,700)
<b>Cash flows from (used in) investing activities</b>		
Purchase of tangible and intangible capital assets	(1,107)	(19,592)
Net increase (decrease) in accounts payable and accrued liabilities related to the purchase of tangible and intangible capital assets	-	(8,660)
	<b>(1,107)</b>	(28,252)
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>192,920</b>	(331,756)
<b>Cash and cash equivalents, beginning of year</b>	<b>849,276</b>	1,181,032
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,042,196</b>	\$ 849,276
<b>Represented by</b>		
Cash	\$ 785,731	\$ 593,881
Short-term deposits	256,465	255,395
	<b>\$ 1,042,196</b>	\$ 849,276

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## Fairtrade Canada Inc.

### Summary of Significant Accounting Policies

**December 31, 2015**

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<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 2015 fiscal year Fairtrade derived approximately 55% (2014 - 48%) of its license fees revenue from five (2014 - five) 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 net realizable value or replacement cost of inventories; the useful life, 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>

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## Fairtrade Canada Inc.

### Summary of Significant Accounting Policies

December 31, 2015

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#### **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, short-term deposits, accounts receivable, accounts payable and accrued liabilities, and government remittances payable.

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.

#### **Inventory**

Inventory of promotional materials is carried at the lesser of cost and estimated replacement cost.

#### **Capital Assets**

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

Computer equipment	30%	diminishing balance basis
Office equipment	20%	diminishing balance basis

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

**December 31, 2015**

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**Capital Assets**  
(continued)

Leasehold improvements are being amortized on a straight line basis over the lesser of: their estimated useful life or the term of the lease. (See Notes 4 and 10 to these financial statements.)

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
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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 are recorded at cost less accumulated amortization and represent a leasehold improvements allowance received from Fairtrade's landlord. These inducements are being 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

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## Fairtrade Canada Inc.

### Summary of Significant Accounting Policies

**December 31, 2015**

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<b>Revenue Recognition</b> (continued)	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.
<b>Allocation of Expenses</b>	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.
<b>Cash and Cash Equivalents</b>	For purposes of Fairtrade's Statement of Cash Flows, cash and cash equivalents are defined as bank balances; demand deposits; and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Normally only non-equity investments would be considered a cash equivalent, otherwise they would be considered an investing activity. In addition, 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.

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## Fairtrade Canada Inc. Notes to Financial Statements

**December 31, 2015**

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**1. Cash**

Fairtrade's bank accounts are held at a Canadian chartered bank, earn nominal interest at a floating rate and include \$215,588 Canadian (2014 - \$321,557 Canadian) denominated in U.S. dollars which have been translated to Canadian dollars in these financial statements.

**2. Short-Term Deposits**

Short-term deposits are carried at cost plus accrued interest.

	2015	2014
Term deposits	\$ 255,863	\$ 255,050
Accrued interest	602	345
	\$ 256,465	\$ 255,395

Fairtrade's practice is to hold its short-term deposits in Canadian chartered banks and major Canadian financial services companies. Short-term deposits as at December 31, 2015 consist of several individual investments that mature throughout 2016 and 2017 (2014 - throughout 2015 and 2016) bearing interest at rates between 0.50% and 1.60% (2014 - 1.25% and 1.60%) for an average of 1.21% (2014 - 1.41%). The investments can be redeemed and are therefore considered to be a cash equivalent.

**3. Accounts Receivable**

	2015	2014
Accounts receivable	\$ 1,468,868	\$ 964,959
Less: Allowance for doubtful accounts	(60,791)	(31,212)
	\$ 1,408,077	\$ 933,747

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 \$104,778 (2014 - \$49,716). 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 include \$341,320 Canadian (2014 - \$160,972 Canadian) denominated in U.S. dollars, \$316,311 Canadian (2014 - \$135,983 Canadian) denominated in Euros, and \$57,396 Canadian (2014 - \$nil Canadian) denominated in British Pounds. These amounts have been translated to Canadian dollars in these financial statements.

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**Fairtrade Canada Inc.**  
**Notes to Financial Statements**

**December 31, 2015**

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**4. Tangible Capital Assets**

	2015			2014		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 119,579	\$ 90,166	\$ 29,413	\$ 118,472	\$ 76,012	\$ 42,460
Office equipment	47,385	34,837	12,548	47,385	31,699	15,686
Leasehold improvements	65,313	41,432	23,881	65,313	22,326	42,987
	<b>\$ 232,277</b>	<b>\$ 166,435</b>	<b>\$ 65,842</b>	<b>\$ 231,170</b>	<b>\$ 130,037</b>	<b>\$ 101,133</b>

Prior to the 2015 fiscal year leasehold improvements were amortized on a straight-line basis over the term of the lease of 5 years plus the renewal option of an additional 5 years for a total of 10 years since Fairtrade felt reasonably assured that the lease renewal option of 5 years would occur. As set out in Note 10 to these financial statements the renewal period has been reduced to end on March 31, 2017. Fairtrade has therefore reduced the amortization period of the net book value of leasehold improvements as at January 1, 2015 to be over the reduced term of the lease commencing with the 2015 fiscal year. This resulted in an increase in amortization expense for 2015 of \$12,870.

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**5. Intangible Capital Assets**

	2015			2014		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer software	\$ 65,468	\$ 65,468	\$ -	\$ 65,468	\$ 64,369	\$ 1,099

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**6. Credit Facilities**

Fairtrade has an unused line of credit at a Canadian chartered bank in the amount of \$40,000 (2014 - \$40,000) at bank prime plus 2.25% (2014 - bank prime plus 2.25%). It is due on demand and is secured by the pledge of an investment certificate of \$40,000 (2014 - \$40,000) which is included in the short-term deposits set out in Note 2 to these financial statements.

In addition Fairtrade has credit facilities in the form of corporate credit cards which total \$102,200 (2014 - \$95,200) of which \$11,183 (2014 - \$4,551) was utilized, was not overdue and is included in accounts payable and accrued liabilities set out in Note 7 to these financial statements .

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## Fairtrade Canada Inc. Notes to Financial Statements

**December 31, 2015**

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### 7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include \$20,811 Canadian (2014 - \$289,178 Canadian) denominated in U.S. dollars, and \$424,187 Canadian (2014 - \$80,457 Canadian) denominated in Euros. 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>2015</u>	<u>2014</u>
Trade accounts - operating items	\$ 627,829	\$ 225,173
Unremitted fees collected on behalf of other organizations	415,218	285,842
	<u>\$ 1,043,047</u>	<u>\$ 511,015</u>

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### 8. Deferred Lease Inducements

	<u>2015</u>	<u>2014</u>
Cost	\$ 26,000	\$ 26,000
Less: Accumulated amortization	16,611	9,100
	<u>\$ 9,389</u>	<u>\$ 16,900</u>

Prior to the 2015 fiscal year the lease inducements were being amortized to rent expense on a straight-line basis over the term of the lease of 5 years plus the renewal option of an additional 5 years for a total of 10 years since Fairtrade felt reasonably assured that the lease renewal option of 5 years would occur. As set out in Note 10 to these financial statements the renewal period has been reduced to end on March 31, 2017. Fairtrade has therefore reduced the amortization period of the net book value of deferred lease inducements as at January 1, 2015 to be over the reduced term of the lease commencing with the 2015 fiscal year. This resulted in an increase in the amortization and therefore a decrease in rent expense for 2015 of \$4,911.

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**Fairtrade Canada Inc.**  
**Notes to Financial Statements**

**December 31, 2015**

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**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 less directly related debt, if any.

*Contingency reserve*

In a prior year, Fairtrade's Board of Directors approved the creation of a contingency reserve in the amount of \$250,000 to provide a source of funds for unanticipated interruptions in revenue. During the 2015 fiscal year the contingency reserve was increased by \$263,000 to \$513,000. The 2015 fiscal year increase was for general contingencies, and for communications and producers support. The contingency reserve was initially established and increased by transfers from Fairtrade's unrestricted net assets. A summary of the reserve's components is as follows:

	2015	2014
General contingencies	\$ 313,000	\$ 250,000
Communications and producers support	200,000	-
	\$ 513,000	\$ 250,000

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**10. Commitments**

*Premises*

Fairtrade has leased office space under an agreement which expires June 30, 2016. This agreement contained a renewal option for an additional 5 years, however subsequent to December 31, 2015 in April 2016 Fairtrade was advised that the option would only be extended to March 31, 2017. Fairtrade is committed to the following lease payments over the balance of the lease term.

2016	\$ 74,823
2017	18,706
	\$ 93,529

Fairtrade has a sublease agreement for part of its office space. The rental income is included in other fees and charges revenue in the Statement of Operations.

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## Fairtrade Canada Inc. Notes to Financial Statements

**December 31, 2015**

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10. **Commitments** (continued)

Premises (continued)

The following sublease payments are receivable over the balance of the sublease agreement which now also ends March 31, 2017.

2016	\$	19,250
2017		<u>4,813</u>
	\$	<u>24,063</u>

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 2015 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.

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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, 2015.

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 no significant concentration of credit risk on its accounts receivable set out in Note 3 to these financial statements, however on an on-going basis 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 short-term deposits 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, government remittances payable and its commitments.

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## Fairtrade Canada Inc. Notes to Financial Statements

**December 31, 2015**

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

#### 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 12 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 unused 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 short-term deposits set out in Note 2 to these financial statements bear interest at fixed rates and as such are subject to interest rate price risk resulting in changes in fair value from market fluctuations in interest rates. Fairtrade holds floating rate financial instruments being 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, 2015.

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**Fairtrade Canada Inc.**  
**Notes to Financial Statements**

**December 31, 2015**

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**12. Other Expenses (Recoveries)**

During 2015, Fairtrade incurred a foreign exchange gain of \$115,894 (2014 - \$11,193 gain) which is included in other expenses (recoveries) in the Statement of Operations.

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**13. Corresponding Amounts and Disclosures**

In certain instances, 2014 fiscal year corresponding amounts and disclosures presented have been reclassified to conform with the financial statement presentation and disclosures adopted for the 2015 fiscal year.

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**Fairtrade Canada Inc.**  
**Schedule of Total Expenses**

**For the year ended December 31, 2015**

	Finance and Administration	Business Development	Mark Integrity	Marketing and Communications	Other Items	Total
External monitoring	\$ -	\$ -	\$ 146,642	\$ -	\$ -	\$ 146,642
Awareness	22,693	37,931	-	145,084	-	205,708
Salaries, benefits, recruiting and employee development	175,407	547,149	314,601	220,110	-	1,257,267
Travel expenses	24,648	49,226	7,150	22,546	-	103,570
Departmental supplies	10,947	10,337	9,882	681	-	31,847
Professional services fees	55,761	55	500	28,105	-	84,421
Facility related expenses	39,212	52,479	49,192	20,225	-	161,108
Fees to the Global System	-	-	-	-	369,852	369,852
Governance (Board of Directors related - includes professional services fees)	-	-	-	-	146,408	146,408
Other expenses (recoveries) (Note 12)	-	-	-	-	(75,920)	(75,920)
	<b>\$ 328,668</b>	<b>\$ 697,177</b>	<b>\$ 527,967</b>	<b>\$ 436,751</b>	<b>\$ 440,340</b>	<b>\$ 2,430,903</b>

**For the year ended December 31, 2014**

	Finance and Administration	Business Development	Mark Integrity	Marketing and Communications	Other Items	Total
External monitoring	\$ -	\$ -	\$ 59,068	\$ -	\$ -	\$ 59,068
Awareness	-	50,503	2,568	142,578	-	195,649
Salaries, benefits, recruiting and employee development	174,744	445,682	286,560	172,930	-	1,079,916
Travel expenses	31,859	52,121	19,650	13,931	-	117,561
Departmental supplies	6,578	9,039	6,773	8,235	-	30,625
Professional services fees	47,567	55,142	-	29,645	-	132,354
Facility related expenses	23,921	51,547	38,937	15,792	-	130,197
Fees to the Global System	-	-	-	-	350,203	350,203
Governance (Board of Directors related)	-	-	-	-	110,935	110,935
Other expenses (recoveries) (Note 12)	-	-	-	-	(12,368)	(12,368)
	<b>\$ 284,669</b>	<b>\$ 664,034</b>	<b>\$ 413,556</b>	<b>\$ 383,111</b>	<b>\$ 448,770</b>	<b>\$ 2,194,140</b>