



Financial Statements

For the year ended December 31, 2021



Fairtrade Canada Inc.
Financial Statements
For the year ended December 31, 2021

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Independent Auditor's Report

To the Members of Fairtrade Canada Inc.

Opinion

We have audited the financial statements of Fairtrade Canada Inc. (the "organization" or "Fairtrade") which comprise the balance sheet as at December 31, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
July 15, 2022
Ottawa, Ontario

Fairtrade Canada Inc.
Balance Sheet

December 31 **2021** **2020**

Assets

Current

Cash (Note 1)	\$ 238,509	\$ 1,290,795
Current portion of investments (Note 2)	639,033	569,125
Accounts receivable (Note 3)	1,346,449	1,079,704
Prepaid expenses	5,005	16,772
	2,228,996	2,956,396

Tangible Capital assets (Notes 4 and 5)

12,137 -

Intangible capital assets (Note 5)

18,412 20,000

Other intangible assets

4,773 4,773

\$ 2,264,318 **\$ 2,981,169**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 7)	\$ 887,472	\$ 1,588,236
Government remittances payable	49,170	66,343
	936,642	1,654,579

Long-term debt (Note 8)

40,000 30,000

976,642 **1,684,579**

Net Assets

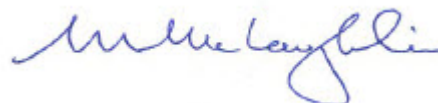
Internally restricted		
Invested in capital assets (Note 9)	30,549	20,000
Operating reserve fund (Note 9)	620,000	610,000
Unrestricted	637,127	666,590
	1,287,676	1,296,590

\$ 2,264,318 **\$ 2,981,169**

On behalf of the Board:



Eugene Ellmen, Chair



Mark McLaughlin, Treasurer

Fairtrade Canada Inc.
Statement of Changes in Net Assets

For the year ended December 31, 2021

	<u>Internally Restricted</u>			Unrestricted	Total
	Invested in Capital Assets	Operating Reserve Fund			
Balance , beginning of year	\$ 20,000	\$ 610,000	\$ 666,590	\$ 1,296,590	
Excess of revenue over expenses for the year	(13,004)	-	4,090	(8,914)	
Investment in capital assets	23,553	-	(23,553)	-	
Transfer related to other internally imposed restrictions (Note 9)	-	10,000	(10,000)	-	
Balance , end of year	\$ 30,549	\$ 620,000	\$ 637,127	\$ 1,287,676	

For the year ended December 31, 2020

	<u>Internally Restricted</u>			Unrestricted	Total
	Invested in Capital Assets	Operating Reserve Fund			
Balance, beginning of year	\$ -	\$ 450,000	\$ 670,599	\$ 1,120,599	
Deficiency of revenue over expenses for the year	-	-	175,991	175,991	
Investment in capital assets	20,000	-	(20,000)	-	
Transfer related to other internally imposed restrictions (Note 9)	-	160,000	(160,000)	-	
Balance, end of year	\$ 20,000	\$ 610,000	\$ 666,590	\$ 1,296,590	

Fairtrade Canada Inc. Statement of Operations

For the year ended December 31	2021	2020
Revenue		
License fees	\$ 2,587,567	\$ 2,437,379
Certification minimum fees	143,986	110,665
Grants	5,806	-
Other fees and charges (Note 12)	99,801	94,230
Interest	19,908	5,435
	2,857,068	2,647,709
Expenses (Schedule)		
Finance and administration	270,692	202,532
Business development	821,620	762,350
Marketing and communications	592,419	537,765
Other contributions	-	25,000
Strategic projects approved by the Board (Note 14)	142,723	-
Fees to the Global System	971,595	913,513
Governance	14,283	3,729
Other expenses (Note 13)	52,650	26,829
	2,865,982	2,471,718
Total expenses		
	2,865,982	2,471,718
Excess (deficiency) of revenue over expenses for the year	\$ (8,914)	\$ 175,991

Fairtrade Canada Inc. Statement of Cash Flows

For the year ended December 31	2021	2020
Cash flows from (used in) operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (8,914)	\$ 175,991
Adjustments for		
Amortization of tangible and intangible capital assets	<u>13,004</u>	-
	4,090	175,991
Changes in non-cash working capital balances		
Accounts receivable	(266,745)	(164,647)
Prepaid expenses	11,767	13,540
Accounts payable and accrued liabilities related to operating items (Note 7)	(400,060)	349,346
Government remittances payable	(17,173)	19,440
Decrease (increase) in accrued interest on investments	<u>(3,992)</u>	-
	<u>(672,113)</u>	393,670
Cash flows from (used in) financing activities		
Net increase (decrease) in unremitted fees collected on behalf of other organizations (Note 7)	(300,704)	658,647
Issuance of long-term debt	20,000	40,000
Forgiveness of long-term debt	<u>(10,000)</u>	<u>(10,000)</u>
	<u>(290,704)</u>	688,647
Cash flows from (used in) investing activities		
Maturities and sales of investments - at cost	569,829	325,000
Purchases of investments and reinvested earnings - at cost	(635,745)	(569,125)
Purchase of tangible and intangible capital assets	<u>(23,553)</u>	<u>(20,000)</u>
	<u>(89,469)</u>	(264,125)
Increase (decrease) in cash and cash equivalents during the year	(1,052,286)	818,192
Cash and cash equivalents, beginning of year	<u>1,290,795</u>	<u>472,603</u>
Cash and cash equivalents, end of year	\$ 238,509	\$ 1,290,795
Represented by		
Cash (Note 1)	\$ 238,509	\$ 1,290,795

Fairtrade Canada Inc.

Summary of Significant Accounting Policies

December 31, 2021

Nature of Organization	<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 2021 fiscal year Fairtrade derived approximately 57% (2020 - 59%) of its license fees from 5 organizations and 67% (2020 - 69%) from 10 organizations.</p>
Basis of Presentation	<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>
Use of Estimates	<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, 2021

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, which are measured at the exchange amount.

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, 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.

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, 2021

**Capital Assets
(continued)**

Intangible capital assets are recorded at cost. Intangible capital assets with finite lives are amortized over their estimated used lives. Intangible capital assets consist of computer software and website costs related to the development phase. Website costs incurred in relation to the research, planning and operating phases are charged to operations as they are incurred. Amortization rates and methods for intangible capital assets are as follows:

Computer software	3 year	straight-line	balance basis
Website	5 year	straight-line	balance basis

When conditions indicate that a tangible or intangible capital asset is impaired, the net carrying amount of the tangible or intangible capital asset is written down to the asset's fair value or replacement cost, and is recognized in operations as an expense at that time. 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 Note 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.

Fairtrade Canada Inc.
Summary of Significant Accounting Policies

December 31, 2021

**Revenue Recognition
(continued)**

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.

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, 2021

1. Cash

Fairtrade's bank accounts are held at a Canadian chartered bank, and are comprised of \$145,668 (2020 - \$429,494) earning nominal interest at a floating rate based on the prime rate, and a non-interest bearing balance of \$92,841 Canadian (2020 - \$861,301 Canadian) denominated in U.S. dollars which has been translated to Canadian dollars in these financial statements. Fairtrade also holds \$Nil (2020 - \$Nil) Canadian dollars in a savings account through a Canadian financial services institution.

2. Investments

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 institutions. Term deposits as at December 31, 2021 consist of several individual investments that mature throughout 2022 (2020 - throughout 2021) bearing interest at rates between 1.00% and 1.15% (2020 - 1.575% and 3.00%) for a simple average of 1.09% (2020 - 2.34%).

3. Accounts Receivable

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 1,382,616	\$ 1,115,144
Less: Allowance for doubtful accounts	<u>(36,167)</u>	<u>(35,440)</u>
	<u>\$ 1,346,449</u>	<u>\$ 1,079,704</u>

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 \$36,167 (2020 - \$35,440). 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 \$443,521 Canadian (2020 - \$150,987 Canadian) denominated in U.S. dollars, and \$29,426 Canadian (2020 - \$48,846 Canadian) denominated in Euros. These amounts have been translated to Canadian dollars in these financial statements.

The net amount of accounts receivable include 37% (2020 - 42%) from the 5 largest accounts and 44% (2020 - 52%) from the 10 largest accounts.

Fairtrade Canada Inc. Notes to Financial Statements

December 31, 2021

4. Tangible Capital Assets

	2021			2020		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 10,523	\$ 5,033	\$ 5,490	\$ 39,580	\$ 39,580	\$ -
Office equipment	9,530	2,883	6,647	27,385	27,385	-
	\$ 20,053	\$ 7,916	\$ 12,137	\$ 66,965	\$ 66,965	\$ -

During the year, amortization of tangible capital assets of \$7,916 (2020 - \$nil) was charged to operations. Computer equipment and office equipment no longer in use were destroyed or recycled.

5. Intangible Capital Assets

	2021			2020		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer software	\$ -	\$ -	\$ -	\$ 20,468	\$ 20,468	\$ -
Website	23,500	5,088	18,412	20,000	-	20,000
	\$ 23,500	\$ 5,088	\$ 18,412	\$ 40,468	\$ 20,468	\$ 20,000

During the year, amortization of intangible capital assets of \$5,088 (2020 - \$nil) was charged to operations.

6. Credit Facilities

Fairtrade has an unused line of credit at a Canadian chartered bank in the amount of \$40,000 (2020 - \$40,000) at bank prime plus 2.25% (2020 - bank prime plus 2.25%). It is due on demand and is to be secured through a pledge of a term deposit of equivalent value (2020 - secured by the pledge of a term deposit of \$40,000).

In addition, Fairtrade has credit facilities in the form of corporate credit cards which total \$56,000 (2020 - \$53,000) of which \$18,274 (2020 - \$11,640) 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, 2021

7. Accounts Payable and Accrued Liabilities

The trade accounts payable and accrued liabilities related to operating items below include \$6,964 Canadian (2020 - \$479,721 Canadian) denominated in U.S. dollars, and \$9,065 Canadian (2020 - \$14,060 Canadian) denominated in Euros, as well as \$Nil Canadian (2020 - \$2,719 Canadian) denominated in British Pounds. 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:

	2021	2020
Trade accounts - operating items	\$ 336,874	\$ 736,934
Unremitted fees collected on behalf of other organizations	550,598	851,302
	\$ 887,472	\$ 1,588,236

8. Long-term Debt

	2021	2020
Canada Emergency Business Account loan, non-interest bearing, due December 31, 2022	\$ 60,000	\$ 40,000
Less: forgivable portion of the loan recognized as income	(20,000)	(10,000)
	\$ 40,000	\$ 30,000

During 2021, Fairtrade took out an additional \$20,000 for a total of \$60,000 through a COVID-19 Relief Line of Credit as part of the Government-sponsored Canada Emergency Business Account (CEBA). The loan is a 0% interest term loan to be repaid by December 31, 2023. \$20,000 of the loan is forgiven if \$40,000 is repaid in full on or before December 31, 2023. The loan carries an option for a 3-year term extension with a 5% interest term.

Fairtrade Canada Inc. Notes to Financial Statements

December 31, 2021

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.

Operating reserve fund

The operating reserve fund represents net assets that have been internally restricted by Fairtrade's Board of Directors. The purpose of this fund is to stabilize the organizations finances by providing a cushion against unexpected events, losses of income, and large unbudgeted expenses. Changes in the reserve are facilitated by transfers from and to unrestricted net assets as approved by Fairtrade's Board of Directors.

	<u>2021</u>	<u>2020</u>
General reserve	<u>\$ 620,000</u>	<u>\$ 610,000</u>

10. Commitments

Premises

Fairtrade entered into a lease agreement for 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:

2022	\$ 27,273
2023	28,901
2024	<u>7,327</u>
	<u>\$ 63,501</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 2021 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, 2021

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, 2021.

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 a 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 13 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.

Fairtrade Canada Inc. Notes to Financial Statements

December 31, 2021

11. Financial Instruments Risks and Concentrations (continued)

Interest rate risk (continued)

However, the investments 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 portions 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, 2021.

12. Other Fees and Charges

	<u>2021</u>	<u>2020</u>
Global account management fees	\$ 62,973	\$ 26,847
Forgivable portion of loan	10,000	10,000
Temporary wage subsidy	-	15,125
Other fees	<u>26,828</u>	<u>42,258</u>
	<u>\$ 99,801</u>	<u>\$ 94,230</u>

13. Other Expenses

During 2021, Fairtrade incurred a foreign exchange loss of \$34,174 (2020 - \$16,393 loss) which is included in other expenses in the Statement of Operations and in the Schedule of Total Expenses. This amount represents a realized loss \$16,914 and an unrealized loss of \$17,260 (2020 - realized gain \$40,079 and an unrealized loss of \$56,474). Other expenses also includes bad debts expense of \$18,475 (2020 - \$10,436).

Fairtrade Canada Inc.
Notes to Financial Statements

December 31, 2021

14. Strategic Projects approved by the Board

During the 2021 fiscal year, the Board approved \$145,000 in contributions from unrestricted reserves to invest in three strategic projects for future growth and scale. The projects, as listed below, spent a total of \$142,723 and are now closed:

Design & brand positioning	\$ 40,000
Know the Source – small coffee roaster program launch	35,000
Qualitative consumer insight research	<u>67,723</u>
	<u>\$ 142,723</u>

15. Uncertainty due to COVID-19

The duration and full financial impact of the COVID-19 pandemic is unknown at this time, as are any additional measures to be taken by governments, the Fairtrade or others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of this pandemic is subject to significant uncertainty and accordingly it is unknown whether COVID-19 may materially and adversely impact the Fairtrade's operations, financial results and condition in future periods.

Fairtrade Canada Inc.
Schedule of Total Expenses

For the year ended December 31, 2021

	Finance and Administration	Business Development	Marketing and Communications	Other Items	Total
Awareness	\$ 2,967	\$ 72,337	\$ 137,672	\$ -	\$ 212,976
Certification fees	-	117,835	-	-	117,835
Departmental supplies	-	165	5,825	-	5,990
Facility related expenses	26,387	45,389	25,862	-	97,638
Fees to the Global System	-	-	-	971,595	971,595
Governance	-	-	-	14,283	14,283
Other expenses (Note 13)	-	-	-	52,650	52,650
Professional services fees	15,446	39,353	173,428	-	228,227
Salaries, benefits, recruiting and employee development	226,806	546,366	248,356	-	1,021,528
Strategic projects approved by the Board (Note 14)	-	-	-	142,723	142,723
Travel expenses (recovery)	(914)	175	1,276	-	537
	\$ 270,692	\$ 821,620	\$ 592,419	\$ 1,181,251	\$ 2,865,982

For the year ended December 31, 2020

	Finance and Administration	Business Development	Marketing and Communications	Other Items	Total
Awareness	\$ 2,061	\$ 101,216	\$ 116,532	\$ 25,000	\$ 244,809
Certification fees	-	137,699	-	-	137,699
Departmental supplies	500	3,709	6,532	-	10,741
Facility related expenses	19,952	28,776	32,747	-	81,475
Fees to the Global System	-	-	-	913,513	913,513
Governance	-	-	-	3,729	3,729
Other expenses (Note 13)	-	-	-	26,829	26,829
Professional services fees	22,728	32,499	115,811	-	171,038
Salaries, benefits, recruiting and employee development	150,616	446,593	259,326	-	856,535
Travel expenses	6,675	11,858	6,817	-	25,350
	\$ 202,532	\$ 762,350	\$ 537,765	\$ 969,071	\$ 2,471,718