

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

FINANCIAL STATEMENTS

MARCH 31, 2012



Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Barristers and Accountants AML/ATF Board

I have audited the accompanying financial statements of the Barristers and Accountants AML/ATF Board (the "Board"), which comprise the statement of financial position as at March 31, 2012, and the statements of operations and net assets and cash flows for the period from January 20, 2011 (Commencement of Operations) to March 31, 2012, 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 accounting principles generally accepted in Bermuda and Canada, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I 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 judgment, 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Barristers and Accountants AML/ATF Board as at March 31, 2012, and its financial performance and its cash flows for the period from January 20, 2011 (Commencement of Operations) to March 31, 2012 in accordance with accounting standards generally accepted in Bermuda and Canada.

Hamilton, Bermuda
November 30, 2012



Heather A. Jacobs Matthews, JP, FCA, CFE
Auditor General

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

STATEMENT OF FINANCIAL POSITION

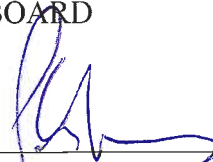
MARCH 31, 2012

	2012
	\$
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	176,547
Accounts receivable	47
	<u>176,594</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities (note 5)	9,276
Deferred registration fees (note 6)	2,800
Deferred revenue (note 7)	162,000
	<u>174,076</u>
NET ASSETS	
Unrestricted net assets	2,518
	<u>176,594</u>
COMMITMENTS (note 9)	

APPROVED BY THE BOARD



Mr. Ronald Shaw
Chairman



Mr. Peter Leighton
Member

The accompanying notes are an integral part of these financial statements.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD
STATEMENT OF OPERATIONS AND NET ASSETS
FOR THE PERIOD FROM JANUARY 20, 2011 (COMMENCEMENT
OF OPERATIONS) TO MARCH 31, 2012

	2012 \$
REVENUES	
Grant revenue (note 4)	141,220
Interest	127
	141,347
EXPENSES	
Consultant fees (note 9)	96,000
Chairman fees and taxes	26,313
General office expenses (note 9)	12,000
Website design	3,000
Advertising	1,344
Bank charges	47
Miscellaneous	125
	138,829
EXCESS OF REVENUES OVER EXPENSES	2,518
NET ASSETS, BEGINNING OF YEAR	-
NET ASSETS, END OF YEAR	2,518

The accompanying notes are an integral part of these financial statements.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 20, 2011 (COMMENCEMENT)
OF OPERATIONS) TO MARCH 31, 2012

	2012
	\$
CASH FLOWS FROM OPERATING ACTIVITIES	
Excess of revenues over expenses	2,518
Changes in non-cash working capital:	
Increase in accounts receivable	(47)
Increase in accounts payable and accrued liabilities	9,276
Increase in deferred registration fees	2,800
Increase in deferred revenue	162,000
	176,547
Cash flows from operating activities	176,547
NET INCREASE IN CASH AND CASH EQUIVALENTS	176,547
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-
CASH AND CASH EQUIVALENTS, END OF YEAR	176,547

The accompanying notes are an integral part of these financial statements.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

1. AUTHORITY AND NATURE OF OPERATIONS

The Barristers and Accountants AML/ATF Board (the “Board”) is a statutory board established on January 20, 2011 (Commencement of Operations) jointly by the Bermuda Bar Association (the “Association”) and the Institute of Chartered Accountants of Bermuda (the “Institute”) under their respective incorporating Acts of Parliament.

The function of the Board is to act as the supervisory authority for regulated professional firms of barristers and accountants as per section 5 and part 4A of the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008 (the “Act”).

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada (“GAAP”). For financial reporting purposes, the Board is classified as a not-for-profit organization and has adopted accounting policies appropriate for this classification. The policies considered particularly significant are set out below:

(a) Revenue recognition

The Board follows the deferral method of accounting for grant revenue. Restricted grant revenue is recognized as revenue in the year in which the related expenses are incurred. Unrestricted grant revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted grant revenue for which the related restrictions remain unfulfilled are accumulated as deferred revenue.

Registration fees paid by regulated professional firms are recorded as revenue in the period in which they are earned. Fees collected in advance of services provided and designation of the Board are recorded as deferred registration fees.

(b) Cash and cash equivalents

Cash and cash equivalents include all cash held with financial institutions that can be withdrawn without prior notice or penalty.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

(d) Financial instruments

The Board's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. It is management's opinion that the Board is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

Cash and cash equivalents: The carrying values of amounts reported in the statement of financial position for these financial instruments approximate their fair values.

Other assets and liabilities: The fair value of accounts receivable and accounts payable and accrued liabilities approximates their carrying values due to their relative short-term nature.

3. ECONOMIC DEPENDENCE

The Board is economically dependent upon grants from the Association and the Institute for its daily operations and cash flow.

4. GRANT REVENUE

The grant revenue amount consists of the following:

	\$
Bermuda Bar Association	117,683
Institute of Chartered Accountants of Bermuda	23,537
	<hr/>
	141,220
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BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities as at March 31, 2012 is refunds due to the Institute of \$6,463.

6. DEFERRED REGISTRATION FEES

During the year, the Board collected \$2,800 from regulated professional firms as registration fees. The fees will be recognized as revenue in the period ending March 31, 2013 as the Board was designated during fiscal year 2012/13 (note 13 (b)).

7. DEFERRED REVENUE

The Board received \$162,000 from the Association as grant for the period April 1, 2012 to March 31, 2013. The amount will be recognized as revenue in that financial year.

8. RELATED PARTY TRANSACTIONS

The Board receives funding from the Association and the Institute.

9. COMMITMENTS

Effective August 1, 2011, the Board entered into a contract with a Consultant, as Supervisor, for the purpose of assisting the Board to ensure that regulated professional firms comply with requirements of Part 4A of the Act and the Board's regulations.

The contract expires on March 31, 2013. The remaining obligation under this contract is \$144,000 for consultant fees and \$18,000 as contribution to the general expenses of the Consultant that relate solely to the operation and management of the offices used by the Consultant. The amounts are payable monthly in arrears.

10. FINANCIAL RISK MANAGEMENT

The Board has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board members have overall responsibility for the establishment and oversight of its risk management framework. The Board's risk management program seeks to minimize potential

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

10. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk

Credit risk arises from cash held with banks and accounts receivable. The maximum exposure to credit risk is equal to the carrying values of these financial instruments. Cash and cash equivalents is cash held in current bank accounts. Credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are invested with highly rated financial institutions.

(b) Liquidity risk

Liquidity risk is the risk the Board will not be able to meet its financial obligations as they fall due.

The Board's objective in managing liquidity is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Board's reputation. The Board manages exposure to liquidity risk by closely monitoring supplier and other liabilities, generating positive cash flows from operations and establishing and maintaining good relationships with various financial institutions.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the fair value of recognized assets and liabilities or future cash flows of the Board's results of operations. The Board has minimal exposure to market risk.

(i) Foreign exchange

The Board's business transactions are mainly conducted in Bermuda dollars and, as such, it has minimal exposure to foreign exchange risk.

(ii) Interest rate

The Board is exposed to changes in interest rates, which may impact interest income on their current account balance.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

11. CAPITAL MANAGEMENT

The Board's objective when managing capital is to hold sufficient unrestricted net assets to enable it to withstand negative unexpected financial events. The Board seeks to achieve this objective through receipt of grants from the Association and the Institute, and excess of revenues over expenses. The Board maintains sufficient liquidity to meet its short-term obligations as they come due. The Board is not subject to any externally imposed capital requirements.

12. FUTURE ACCOUNTING POLICY DEVELOPMENT

Effective January 1, 2012, private sector not-for-profit organizations have a new financial reporting framework. These organizations may apply accounting standards for not-for-profit organizations in the CICA Handbook – Accounting (Part III) or International Financial Reporting Standards in the Handbook (Part I). The Board will adopt the accounting standards for not-for-profit organizations in the CICA Handbook – Accounting (Part III). This change is not expected to have a significant impact on the financial statements of the Board.

13. SUBSEQUENT EVENTS

(a) Resignation of Supervisor

The Supervisor resigned as consultant of the Board on September 30, 2012.

(b) Designation of the Board

On August 10, 2012, the Minister of Justice, in exercise of the power conferred by section 4 of the Act, designated the Board, per Designation Order BA 64/2012, as a supervisory authority in relation to independent professionals as defined in Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008.