

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

FINANCIAL STATEMENTS

MARCH 31, 2015



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, which comprise the statement of financial position as at March 31, 2015, and the statement of operations and changes in net assets and the statement of 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 accounting standards for not-for-profit organizations 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, 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada.

A handwritten signature in black ink, appearing to read 'HJM', followed by a long horizontal line extending to the right.

Hamilton, Bermuda
September 29, 2015

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

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2015

	2015	2014
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	165,120	157,588
Accounts receivable (note 5)	<u>28,200</u>	<u>35,700</u>
	<u>193,320</u>	<u>193,288</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Deferred revenue (note 6)	164,000	164,000
NET ASSETS		
Unrestricted net assets	<u>29,320</u>	<u>29,288</u>
	<u>193,320</u>	<u>193,288</u>
CONTRACTUAL OBLIGATIONS (note 8)		

The accompanying notes are an integral part of these financial statements

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2015

	2015	2014
	\$	\$
REVENUES		
Grant revenue (note 4)	197,000	204,000
Registration fees	500	-
	<u>197,500</u>	<u>204,000</u>
EXPENSES		
Supervisor consulting fees (note 8)	140,000	140,000
Chairman fees and taxes	38,610	38,610
Rent	16,800	16,800
Photocopier lease	1,998	-
Bank charges	60	180
Miscellaneous	-	230
	<u>197,468</u>	<u>195,820</u>
EXCESS OF REVENUES OVER EXPENSES	32	8,180
NET ASSETS, BEGINNING OF YEAR	<u>29,288</u>	<u>21,108</u>
NET ASSETS, END OF YEAR	<u>29,320</u>	<u>29,288</u>

The accompanying notes are an integral part of these financial statements

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2015

	2015	2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	32	8,180
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	7,500	(33,600)
Decrease in accounts payable and accruals	-	(470)
Decrease in deferred revenues	-	(6,000)
	<u> </u>	<u> </u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,532	(31,890)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>157,588</u>	<u>189,478</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>165,120</u>	<u>157,588</u>

The accompanying notes are an integral part of these financial statements

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

1. AUTHORITY AND NATURE OF OPERATIONS

The Barristers and Accountants AML/ATF Board (the "Board") is a statutory board established on January 20, 2011 jointly by the Bermuda Bar Association (the "Association") and the Chartered Professional Accountants of Bermuda ("CPA Bermuda") 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"). 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada. 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 as follows:

(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 only once upon initial registration and are recorded as revenue when they are received and receivable.

(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, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Use of estimates

These financial statements are prepared in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 and accounts receivable. 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: The carrying value of accounts receivable approximates their fair values due to their relative short-term nature.

3. ECONOMIC DEPENDENCE

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

4. GRANT REVENUE

The grant revenue amount consists of the following:

	2015	2014
	\$	\$
Bermuda Bar Associations	164,000	170,000
Chartered Professional Accountants of Bermuda	33,000	34,000
	<u>197,000</u>	<u>204,000</u>

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

5. ACCOUNTS RECEIVABLE

In April and May 2013 payments were mistakenly made totalling \$35,000 to the former supervisor (the "Supervisor"). On September 23, 2013 the Board received a Default Judgment under which the Supervisor was required to pay the sum of \$35,000 plus interest at the daily rate of \$6.71. During the year ended March 31, 2015 payments of \$7,500 (2014 - \$Nil) were received from the Supervisor.

6. DEFERRED REVENUE

The Board received \$164,000 (2014 - \$164,000) from the Association as grant for the year April 1, 2015 to March 31, 2016. The amount will be recognized as revenue in that financial year.

7. RELATED PARTY TRANSACTIONS

The Board receives funding from the Association and CPA Bermuda (note 4).

The Board rents an office space at a cost of \$16,800 per annum (2013 - \$16,800) from Sterling Management Limited which is owned by the Chairman.

Sterling Management Limited pays the quarterly payroll tax on behalf of the Board and is subsequently reimbursed.

8. CONTRACTUAL OBLIGATIONS

Effective April 1, 2013, 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. This contract will expire on September 30, 2015. The remaining obligation under this contract as at March 31, 2015 was \$70,000 (2014 - \$210,000) for consultant fees.

The Board entered into a contract for the provision of office accommodation and certain support services. The initial term of this contract ended March 31, 2013 and was extended to June 30, 2014. The contract was not formally extended between June 30, 2014 and March 31, 2015, however, the Board used the office accommodation on a month to month basis during this period at the rent of \$1,400 per month.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

9. 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 adverse effects on the Board's financial performance. The Board manages its risks and risk exposures through sound business practices.

(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. The Board determines, on a continuous basis, amounts receivable on the basis of amounts it is reasonably certain to receive based on their estimated realizable value.

(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.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

9. FINANCIAL RISK MANAGEMENT (continued)

(i) *Foreign exchange risk*

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 risk*

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

10. 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 CPA Bermuda, and excess of revenues over expenses. The Board maintains sufficient liquidity to meet its short-term obligations as they fall due. The Board is not subject to any externally imposed capital requirements.

11. SUBSEQUENT EVENT

Subsequent to year end, the Board entered into a contract for the provision of office accommodation and certain support services. The term of the contract is from April 1, 2015 to June 30, 2016. There are two successive options to renew the lease for one year at the same rent of \$1,400 per month.