

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

FINANCIAL STATEMENTS

MARCH 31, 2022

Those Charged with Governance's Responsibility for the Financial Statements

These financial statements have been prepared by those charged with governance, who are responsible for the reliability, integrity and objectivity of the information provided. The preparation of financial statements necessarily involves using management's best estimates and judgments, where appropriate.

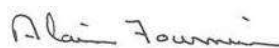
Those charged with governance are responsible for maintaining a comprehensive system of accounting records, internal controls, policies and management practices, designed to provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

Those charged with governance are responsible for ensuring that they fulfill their responsibility for financial reporting and internal controls. They meet periodically to discuss matters relating to financial reporting, internal control and audits. They also review the financial statements before approval. The financial statements have been approved by those charged with governance and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.



Mr. Michael Fahy, JP
Chairman



Mr. Alain Fournier
Director

DATE October 31, 2023



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

I have audited the financial statements of the Barristers and Accountants AML/ATF Board, which comprise the statement of financial position as at March 31, 2022 and the statements of operations and 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 my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Barristers and Accountants AML/ATF Board as at March 31, 2022, and the results of its operations and changes in its net assets 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Barristers and Accountants AML/ATF Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in Bermuda, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 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.

In preparing the financial statements, management is responsible for assessing the Barristers and Accountants AML/ATF Board'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 Barristers and Accountants AML/ATF Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Barristers and Accountants AML/ATF Board's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Bermuda and Canada 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.

As part of an audit in accordance with auditing standards generally accepted in Bermuda and Canada, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from 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 Barristers and Accountants AML/ATF Board'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 Barristers and Accountants AML/ATF Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Barristers and Accountants AML/ATF Board 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.

I 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 I identify during the audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the Office of the Auditor General website at: www.oagbermuda.bm. This description forms part of our auditor's report.



Heather Thomas, CPA, CFE, CGMA
Auditor General

Hamilton, Bermuda
October 31, 2023

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2022

	2022	2021
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	935,064	378,776
Accounts receivable (note 5)	736	475,916
Prepaid expenses	642	1,552
	<u>936,442</u>	<u>856,244</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	5,937	11,622
Deferred revenue (note 7)	419,478	451,775
	425,415	463,397
NET ASSETS		
Unrestricted net assets	<u>511,027</u>	<u>392,847</u>
	<u>936,442</u>	<u>856,244</u>

CONTRACTUAL OBLIGATIONS (note 9)

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, 2022

	2022	2021
	\$	\$
REVENUES		
Cost defrayment income (note 7)	577,701	147,242
Donated audit services	16,560	16,560
Registration fees (note 7)	13,150	5,000
Fit and Proper Person certifications	7,150	18,950
Grant revenue (note 4)	-	700,000
	614,561	887,752
EXPENSES		
Salaries, wages, taxes and benefits	195,407	201,613
Supervisor consulting fee	150,000	150,000
Chairman fee (note 8)	60,000	50,000
Accounting services	19,920	19,745
Rent	16,800	16,800
Audit services	16,560	16,610
Hardware, website redevelopment and maintenance	15,315	42,601
License fees	11,037	10,371
Office expenses	8,371	7,770
Bank charges	2,971	5,043
Consulting fees	-	10,000
Travel	-	4,000
Legal Fees	-	3,000
	496,381	537,553
EXCESS OF REVENUES OVER EXPENSES	118,180	350,199
NET ASSETS, BEGINNING OF YEAR	392,847	42,648
NET ASSETS, END OF YEAR	511,027	392,847

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, 2022

	2022	2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	118,180	350,199
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	475,180	(460,180)
Decrease in prepaid expenses	910	538
Decrease in accounts payable and accrued liabilities	(5,685)	(34,160)
(Decrease) increase in deferred revenue	(32,297)	451,775
	556,288	308,172
NET INCREASE IN CASH	556,288	308,172
CASH, BEGINNING OF YEAR	378,776	70,604
CASH, END OF YEAR	935,064	378,776

The accompanying notes are an integral part of these financial statements

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

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 are paid by regulated professional firms upon initial registration and at annual renewal periods. Fees are recorded as revenue when they are received and receivable. Fit and Proper Person certification fees are recognized as revenue when they are received and receivable.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Revenue recognition (continued)

The Board charges registration and cost defrayment fees to all firms subject to Board oversight. The Board invoices the fees in advance for the following calendar year. Revenue from these fees is deferred initially and recognized subsequently in the appropriate period of the following calendar year.

The Board also invoices for other miscellaneous services, the revenue for which is recognized either when received or receivable.

(b) Cash

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

(c) Donated goods and contributed services

Donated goods and services are recorded as revenue when a fair value can be reasonably estimated and when the goods and services would otherwise have been purchased or incurred.

Volunteers contribute time to assist the Board in carrying out its activities. Except for donated audit services, contributed services are not recognized in the financial statements due to the difficulty in determining their value.

(d) Tangible capital assets

In prior years in accordance with the accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada, the Board was not required to record tangible capital assets as its average annual revenue was less than \$500,000. However, starting 2020 fiscal year the Board's average annual revenue is above that threshold. Therefore tangible assets would be recorded at cost and amortized over expected useful life. There were no tangible capital assets purchased in the current fiscal year.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Measurement uncertainty

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. A significant area requiring use of estimates includes estimated accruals. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

(f) Financial instruments

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

Cash: The carrying values of amounts reported in the statement of financial position for these financial instruments approximate their fair values due to their short-term nature.

Other assets and liabilities: Accounts receivable and accounts payable and accrued liabilities are initially measured at fair value and subsequently at cost.

3. ECONOMIC DEPENDENCE

Prior to April 2021, the Board was economically dependent on grants from the Association and CPA Bermuda for its daily operations and cash flow. For financial years beginning April 2021, in agreement with the BAR Association and CPA Bermuda, the Board restructured its revenue model such that the Association and CPA Bermuda no longer provided grants to the Board. The Board changed its revenue model to a fee for service structure for the current and planned future financial years.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

4. GRANT REVENUE

The grant revenue amount consists of the following:

	2022	2021
	\$	\$
Association	-	583,100
CPA Bermuda	-	116,900
	<u>-</u>	<u>700,000</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable at year end represent registration, cost defrayment and Fit and Proper Person certification fees due from firms and individuals subject to the Board's oversight. The Board expects collection to proceed in the normal course of business and has not made any provision for uncollectible accounts.

6. TANGIBLE CAPITAL ASSETS CHARGED TO THE STATEMENT OF OPERATIONS

In accordance with the accounting policy for tangible capital assets (note 2(d)), the Board expensed items in the amount of \$ Nil (2021 - \$Nil).

7. DEFERRED REVENUE

During the year, the Board invoiced the Association and CPA Bermuda member firms, subject to registration, for registration fees and cost defrayment fees. The applicable revenue period for these invoices covers the following calendar year. The Board recognizes revenue on a quarterly basis in each financial year and defers revenue to future periods where applicable.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

7. DEFERRED REVENUE (continued)

	2022	2021
	\$	\$
Deferred Revenue, beginning of financial year	451,775	-
Revenue invoiced calendar 2021	-	604,017
Revenue for calendar 2021 recognized during the year	(451,775)	(152,242)
Revenue invoiced calendar 2022	558,554	-
Revenue for calendar 2022 recognized during the year	(139,076)	-
Deferred Revenue, end of financial year	<u>419,478</u>	<u>451,775</u>

8. RELATED PARTY TRANSACTIONS

The Chair received remuneration of \$60,000 (2021 - \$50,000) which is approved by the council members of the Association and CPA Bermuda through the annual budget.

9. CONTRACTUAL OBLIGATIONS

The Board renewed their office lease agreement with Graham Holdings Ltd. for a new term of three years commencing November 1, 2019 at a cost of \$1,400 per month. The remaining rent obligation for the unexpired term of this contract as of March 31, 2022 is \$9,800.

The Board renewed the contract with the Supervisor for the period from February 1, 2021 to December 31, 2022 under the same terms as the previous year. The remaining contractual obligation for the unexpired term of this contract as of March 31, 2022 is \$112,500.

In accordance with Section 25B(1)(a) of the Bermuda Bar Act 1974 (“Bermuda Bar Act”) and Section 8(b)(1)(a) of the Chartered Professional Accountants of Bermuda Act 1973 (“CPA Act”), the Chairman of the Board was jointly appointed by the Bar Council and the Council of the Chartered Professional Accountants of Bermuda under letters dated June 7, 2017 and May 23, 2017, respectively. The contract is a contract for services, which sets out his role, rights and duties.

In September 2020, the Board entered into a contract with a new Chairman to replace the previous Chairman. The Chairman’s term of appointment is three years from the date of appointment. The remaining contractual obligation for the unexpired term of this contract as of March 31, 2022 is \$85,000.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

9. CONTRACTUAL OBLIGATIONS (continued)

In September 2018, the Board entered into a contract with World Check / Refinitiv for the provision of background checking services with automatic renewal of one year periods with three months termination notice from either party at a monthly fee of \$958.

In May 2020, the Board engaged Browser London to expand its database development functionality at a cost of GBP £13,005 and the database project was substantially completed in September 2020. Additionally, in June 2020 the Board engaged Browser London to provide site hosting services on a contract basis at completion of the development project. The contract to provide hosting services has a rolling term of twelve months. The contractual monthly fee is GBP £374.

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 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 is held in current bank accounts. Credit risk associated with cash 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. The amount outstanding at year end related to accounts receivable is current.

There have been no significant changes from the previous year in the exposure to risk or policies and procedures and method to measure credit risk.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

10. FINANCIAL RISK MANAGEMENT (continued)

(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.

The expected cash flows of financial liabilities for accounts payable and accrued liabilities are current.

There have been no significant changes from the previous year in the exposure to risk or policies and procedures and method to measure liquidity risk.

(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 risk

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

There have been no significant changes from the previous year in the exposure to risk or policies and procedures and method to measure market risk.

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 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.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

12. SUBSEQUENT EVENTS

The Board renewed their office lease agreement with Graham Holdings Ltd. for five months commencing November 1, 2022 at a cost of \$1,400 per month, with an option to renew for a further nineteen months.