

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

FINANCIAL STATEMENTS

MARCH 31, 2018

Management'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 their 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. Warren Cabral

Chairman

(DATE 5 March 2019)



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, 2018, and the statements of operations and 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 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, 2018 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.



Hamilton, Bermuda
March 5, 2019

Heather Thomas, CPA, CFE, CGMA
Auditor General

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2018

	2018	2017
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	331,905	226,525
Accounts receivable – net of provision (note 5)	-	2,200
Prepaid expenses	6,870	6,869
	<u>338,775</u>	<u>235,594</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	12,500	-
Deferred revenue (note 7)	325,000	232,374
	<u>337,500</u>	<u>232,374</u>
NET ASSETS		
Unrestricted net assets	<u>1,275</u>	<u>3,220</u>
	<u>338,775</u>	<u>235,594</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, 2018

	2018	2017
	\$	\$
REVENUES		
Grant revenue (note 4)	283,135	230,000
Donated audit services	10,200	9,000
Registration fees	500	200
	<u>293,835</u>	<u>239,200</u>
EXPENSES		
Supervisor consulting fee	149,167	140,000
Consulting fees	56,493	21,000
Chairman fee (note 8)	36,000	36,000
Rent	16,800	16,800
Audit services	10,200	9,000
Hardware, website redevelopment and maintenance (note 6)	8,744	16,017
License fees	7,738	7,242
Office	4,502	9,946
Recruitment costs	3,500	3,500
Bad debt	2,200	-
Bank charges	436	344
Temporary staff	-	5,150
	<u>295,780</u>	<u>264,999</u>
DEFICIENCY OF REVENUES OVER EXPENSES	(1,945)	(25,799)
NET ASSETS, BEGINNING OF YEAR	<u>3,220</u>	<u>29,019</u>
NET ASSETS, END OF YEAR	<u>1,275</u>	<u>3,220</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, 2018

	2018	2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenues over expenses	(1,945)	(25,799)
Changes in non-cash working capital:		
Decrease in accounts receivable	2,200	15,000
Increase in prepaid expenses	(1)	(5,295)
Increase (decrease) in accounts payable and accrued liabilities	12,500	(2,152)
Increase in deferred revenue	92,626	40,784
NET INCREASE IN CASH	105,380	22,538
CASH, BEGINNING OF YEAR	<u>226,525</u>	<u>203,987</u>
CASH, END OF YEAR	<u>331,905</u>	<u>226,525</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, 2018

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

(b) Cash

Cash includes 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, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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

Accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada state that an organization may limit the recognition of tangible capital assets. As the average annual revenues recognized in the statement of operations for the current and preceding period is less than \$500,000, the Board is not required to record tangible capital assets. Therefore, it is the Board's policy to expense tangible capital assets upon acquisition.

(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. 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 or credit 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.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

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

3. ECONOMIC DEPENDENCE

The Board is economically dependent on 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:

	2018	2017
	\$	\$
Bermuda Bar Association	232,374	191,590
Chartered Professional Accountants of Bermuda	50,761	38,410
	<u>283,135</u>	<u>230,000</u>

5. ACCOUNTS RECEIVABLE

In April and May 2013, payments totalling \$35,000 were mistakenly made to the former Supervisor. On September 23, 2013, the Board received a Default Judgment under which the former Supervisor was required to pay the sum of \$35,000 plus interest at the daily rate of \$6.71. During the year, payments of \$Nil (2017 - \$12,000) were received from the former Supervisor.

After taking legal advice and attempting to collect, the Board has determined that the remaining amount is uncollectible. Accordingly, the Board has recorded a provision for bad debt at March 31, 2018 for the full remaining outstanding balance of \$2,200.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

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 \$ 2,203 (2017 - \$5,086). Tangible capital asset items expensed in the current year consisted of an office computer (\$1,199) and additional networking equipment (\$1,004).

7. DEFERRED REVENUE

During the year, the Board received \$325,000 (2017 - \$232,374) from the Association as a grant for the year April 1, 2018 to March 31, 2019. The amount will be recognized as revenue in that financial year.

8. RELATED PARTY TRANSACTIONS

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

The Chair received remuneration of \$36,000 (2017 - \$36,000) which is approved by the council members of the Association and CPA Bermuda through the annual budget.

During the year the Board contracted with the Chair for the provision of additional paid services totalling \$2,000 in regard to the preparation and update of guidance notes for practitioners.

9. CONTRACTUAL OBLIGATIONS

The Board entered into a new three year lease agreement with Graham Holdings Ltd. to rent office space for the period May 1, 2016 to April 30, 2019 at a cost of \$1,400 per month. The remaining rent obligation for the unexpired term of this contract as of March 31, 2018 is \$18,200.

The Board entered into a new contract with the Supervisor for the period from February 1, 2018 to January 31, 2019 under the same terms as the previous year. The remaining contractual obligation for the unexpired term of this contract as of March 31, 2018 is \$125,000.

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

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NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

9. CONTRACTUAL OBLIGATIONS (continued)

May 23, 2017, respectively. The contract is a contract for services, which sets out his role, rights and duties.

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, 2018 is \$130,000.

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.

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.

(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.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

10. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

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.

12. SUBSEQUENT EVENTS

Effective April 1, 2018, the Board agreed to increase the monthly fee paid to the Chairman from \$3,000 to \$5,000 reflective of increased workload.

The Board renewed the Supervisor's contract effective February 1, 2019 to January 31, 2020 under the same terms and fee.

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NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

12. SUBSEQUENT EVENTS (continued)

The Board entered into a contract with a consultant, as Assistant Supervisor, effective May 1, 2018 to April 30, 2019 at a cost of \$6,500 per month for the purpose of assisting the Supervisor and the Board to ensure that regulated professional firms comply with the requirements of Part 4A of the Act and the AML/ATF Regulations.

Effective April 1, 2018, the Board entered into a contract with Fairway Management (Bermuda) Limited for the purpose of outsourcing the Board's internal management accounting function.

The Board engaged the services of Refinitiv (formerly Thomson Reuters) effective September 13, 2018 for the provision of the World Check service to validate Fit and Proper Persons applications.

Effective December 1, 2018, the Board hired a former consultant as a full time staff member in the role of Technical Officer.