

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

FINANCIAL STATEMENTS

MARCH 31, 2019

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



Mr. Thomas Miller
Director

DATE 12 Dec 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

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, 2019, 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, 2019, and the results of its operations, 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

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2019

	2019	2018
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	443,802	331,905
Accounts receivable (note 5)	6,500	-
Prepaid expenses	-	6,870
	<u>450,302</u>	<u>338,775</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	21,562	12,500
Deferred revenue (note 7)	<u>366,520</u>	<u>325,000</u>
	388,082	337,500
NET ASSETS		
Unrestricted net assets	<u>62,220</u>	<u>1,275</u>
	<u>450,302</u>	<u>338,775</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, 2019

	2019	2018
	\$	\$
REVENUES		
Grant revenue (note 4)	439,963	283,135
Fit and Proper Person certification fees	18,660	-
Registration fees	16,650	500
Donated audit services	12,300	10,200
	<u>487,573</u>	<u>293,835</u>
EXPENSES		
Supervisor consulting fee	150,000	149,167
Consulting fees	105,213	56,493
Chairman fee (note 8)	60,000	36,000
Salaries, wages, taxes and benefits	27,095	-
Accounting services	22,535	-
Rent	16,800	16,800
Audit services	12,300	10,200
License fees	11,713	7,738
Office	9,606	4,502
Hardware, website redevelopment and maintenance (note 6)	9,266	8,744
Temporary staff	1,750	-
Bank charges	350	436
Recruitment costs	-	3,500
Bad Debt	-	2,200
	<u>426,628</u>	<u>295,780</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	60,945	(1,945)
NET ASSETS, BEGINNING OF YEAR	<u>1,275</u>	<u>3,220</u>
NET ASSETS, END OF YEAR	<u>62,220</u>	<u>1,275</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, 2019

	2019	2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	60,945	(1,945)
Changes in non-cash working capital:		
(Increase) decrease in accounts receivable	(6,500)	2,200
Decrease (increase) in prepaid expenses	6,870	(1)
Increase in accounts payable and accrued liabilities	9,062	12,500
Increase in deferred revenue	41,520	92,626
NET INCREASE IN CASH	111,897	105,380
CASH, BEGINNING OF YEAR	331,905	226,525
CASH, END OF YEAR	<u>443,802</u>	<u>331,905</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, 2019

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, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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

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. Significant area requiring use of estimates include the 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.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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:

	2019	2018
	\$	\$
Association	366,650	232,374
CPA Bermuda	73,313	50,761
	<u>439,963</u>	<u>283,135</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable at year end represent registration 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.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

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 \$6,214 (2018 - \$2,203). Tangible capital asset items expensed in the current year consisted of a computer (\$1,464) and an office printer (\$4,750).

7. DEFERRED REVENUE

During the year, the Board received \$366,520 (2018 - \$325,000) from the Association as a grant for the year April 1, 2019 to March 31, 2020. 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 \$60,000 (2018 - \$36,000) which is approved by the council members of the Association and CPA Bermuda through the annual budget.

9. CONTRACTUAL OBLIGATIONS

The Board entered into a 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, 2019 is \$1,400.

The Board renewed the contract with the Supervisor for the period from February 1, 2019 to January 31, 2020 under the same terms as the previous year. The remaining contractual obligation for the unexpired term of this contract as of March 31, 2019 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 May 23, 2017, respectively. The contract is a contract for services, which sets out his role, rights and duties.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

9. CONTRACTUAL OBLIGATIONS (continued)

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, 2019 is \$75,000.

The Board entered into a contract with World Check / Refinitiv for the provision of background checking services. The remaining contractual obligation for the unexpired term of this contract as of March 31, 2019 is \$4,761.

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.

(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

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

10. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

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.

12. SUBSEQUENT EVENTS

The Board entered into a contract of employment with an individual, as Assistant Supervisor, effective April 15, 2019 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.

BARRISTERS AND ACCOUNTANTS AML/ATF BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

12. SUBSEQUENT EVENTS (continued)

Effective April 1, 2019, the Board engaged Fireminds, a software development company, to begin work on an online registration database. Phase 1 costs are projected to be \$30,000.

The Board renewed its lease for the provision of office facilities with Graham Holdings in October 2019. The new lease is effective for a three-year period commencing November 1, 2019.