



**Financial Statements of**

**Financial Transactions and Reports  
Analysis Centre of Canada (FINTRAC)**

**Unaudited**

For the Year Ended March 31, 2009

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA  
MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2009 and all information contained in these statements rests with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of FINTRAC's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the FINTRAC's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout FINTRAC.

The transactions and financial statements of FINTRAC have not been audited.

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Jeanne M. Flemming  
Director  
FINTRAC  
Ottawa, Canada  
Date

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Margaret Baxter  
Chief Financial Officer  
FINTRAC  
Ottawa, Canada  
Date

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA  
 STATEMENT OF OPERATIONS (Unaudited)  
 For the year ended March 31, 2009

(In dollars)	<b>2009</b>	2008
<b>TRANSFER PAYMENTS</b>		
Egmont Group Secretariat	<b>\$1,200,000</b>	\$1,300,000
<b>Total Transfer Payments</b>	<b>\$1,200,000</b>	\$1,300,000
<b>OPERATING EXPENSES</b>		
Salaries and employee benefits	<b>34,447,306</b>	32,019,815
Amortization of tangible capital assets	<b>4,768,930</b>	3,952,774
Professional and special services	<b>3,798,980</b>	3,628,242
Accommodations	<b>3,538,054</b>	3,345,920
Repairs and maintenance	<b>3,356,415</b>	3,082,831
Travel and relocation	<b>1,003,351</b>	1,480,850
Telecommunication services	<b>900,318</b>	967,217
Communication services	<b>435,878</b>	252,077
Utilities, materials and supplies	<b>335,640</b>	402,985
Machinery and equipment	<b>148,585</b>	220,964
Other expenditures	<b>105,082</b>	157,110
<b>Total Operating Expenses</b>	<b>\$52,838,539</b>	\$49,510,785
<b>NET COST OF OPERATIONS</b>	<b>\$54,038,539</b>	\$50,810,785

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

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA  
 STATEMENT OF FINANCIAL POSITION (Unaudited)  
 At March 31, 2009

(In dollars)	2009	2008
<b>ASSETS</b>		
<b>Financial assets</b>		
Accounts receivable and advances (Note 4)	<b>\$172,369</b>	\$222,754
<b>Non-financial assets</b>		
Prepaid expenses	<b>881,448</b>	839,584
Tangible capital assets (Note 5)	<b>18,037,501</b>	19,773,739
<b>Total Non-financial assets</b>	<b>18,918,949</b>	20,613,323
<b>TOTAL ASSETS</b>	<b>\$19,091,318</b>	\$ 20,836,077
<b>LIABILITIES AND EQUITY OF CANADA</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	<b>\$5,886,287</b>	\$7,232,873
Vacation pay and compensatory leave	<b>1,019,015</b>	1,102,347
Employee severance benefits (Note 6)	<b>5,539,446</b>	5,715,238
	<b>12,444,748</b>	14,050,458
<b>Equity of Canada</b>	<b>6,646,570</b>	6,785,619
<b>TOTAL LIABILITIES AND EQUITY OF CANADA</b>	<b>\$19,091,318</b>	\$20,836,077

Contractual obligations (Note 8)

Contingent Liabilities (Note 7)

*The accompanying notes form an integral part of these financial statements.*

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA  
 STATEMENT OF EQUITY OF CANADA (Unaudited)  
 At March 31, 2009

(In dollars)	2009	2008
<b>EQUITY OF CANADA, BEGINNING OF YEAR</b>	<b>\$6,785,619</b>	\$5,703,344
Net cost of operations	<b>(54,038,539)</b>	(50,810,785)
Current year appropriations used (Note 3)	<b>50,593,430</b>	51,122,424
Refund of previous year expenditures	<b>(78,668)</b>	(32,659)
Refund of vacation pay and compensatory leave	-	(3 529)
Change in net position in the Consolidated Revenue Fund (Note 3)	<b>1,296,201</b>	(1,012,840)
Services received without charge from other government departments (Note 9)	<b>2,088,527</b>	1,819,664
<b>EQUITY OF CANADA, END OF YEAR</b>	<b>\$6,646,570</b>	\$6,785,619

*The accompanying notes form an integral part of these financial statements.*

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA  
 STATEMENT OF CASH FLOW (Unaudited)  
 For the year ended March 31, 2009

(In dollars)	2009	2008
<b>OPERATING ACTIVITIES</b>		
Net cost of operations	<b>\$54,038,539</b>	\$50,810,785
Non-cash items:		
Amortization of tangible capital assets (Note 5)	<b>(4,768,930)</b>	(3,952,774)
Loss on disposal and write-down of tangible assets	<b>(3,512)</b>	
Services provided without charge by other government departments (Note 9)	<b>(2,088,527)</b>	(1,819,664)
<i>Variations in Statement of Financial Position:</i>		
Increase (decrease) in accounts receivable and advances	<b>(50,385)</b>	(182,224)
Increase (decrease) in prepaid expenses	<b>41,864</b>	813,659
Increase (decrease) in accounts payable and accrued liabilities	<b>1,346,586</b>	(830,616)
Increase (decrease) in vacation pay and compensatory leave	<b>83,332</b>	(56,459)
Increase (decrease) in employee severance benefits	<b>175,792</b>	(1,024,657)
<i>Cash used by operating activities</i>	<b>48,774,759</b>	43,758,050
<b>CAPITAL INVESTMENT ACTIVITIES</b>		
Acquisitions of tangible capital assets (Note 5)	<b>3,036,204</b>	6,315,346
<b>FINANCING ACTIVITIES</b>		
Net cash provided by government	<b>\$51,810,963</b>	\$50,073,396

*The accompanying notes form an integral part of these financial statements.*

## 1. Authority and Objectives

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) was established through the *Proceeds of Crime (Money Laundering) Act* in July 2000 as part of the National Initiative to Combat Money Laundering. This legislation established FINTRAC as a government agency and separate employer, named in Schedule 1.1 of the *Financial Administration Act*. Originally, the key objectives for FINTRAC were the detection and deterrence of laundering of proceeds of crime. However, with the enactment of the *Anti-terrorism Act* in December 2001, FINTRAC was given additional responsibilities and government funding to detect the financing of terrorist activities. With the Royal Assent of Bill C-25- *An Act to amend the PCMLTFA and the Income Tax Act and to make a consequential amendment to another Act*, the Centre's mandate has been changed and enhanced, namely through the addition of a registry for money services businesses and the expansion of other compliance measures, as well as disclosure authorities. In 2007-08, FINTRAC mandate was further enhanced to include the National Anti-Drug Strategy.

FINTRAC fulfills its responsibilities by collecting, analyzing, assessing financial information and, where appropriate, disclosing information relevant to the investigation and prosecution of money laundering offences and the financing of terrorist activities.

FINTRAC's strategic outcome is "Financial Intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad" with one program being "Collection, Analysis and Dissemination of Financial Information".

## 2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

### (a) Parliamentary appropriations

FINTRAC is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to FINTRAC do not parallel financial reporting according to Canadian generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

### (b) Net Cash Provided by Government

FINTRAC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by FINTRAC is deposited to the CRF and all cash disbursements made by FINTRAC are paid from the CRF. The net cash provided by Government is the difference between all cash

receipts and all cash disbursements including transactions between departments of the Federal Government.

**(c) Consolidated Revenue Fund**

Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by Government and appropriations used in a year. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

**(d) Expenses**

Expenses are recorded on the accrual basis:

- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for employer's contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

**(e) Employee future benefits**

- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. FINTRAC's contributions to the Plan are charged to expenses in the year incurred and represent the total FINTRAC's obligation to the Plan. Current legislation does not require the Centre to make contributions for any actuarial deficiencies of the Plan.
- ii. Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

**(f) Accounts receivables and advances**

Accounts receivables are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

**(g) Contingent liabilities**

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

**(h) Tangible capital assets**

All tangible capital assets and leasehold improvements having an initial cost of \$5,000 or more are recorded at their acquisition cost. FINTRAC does not capitalize

intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the tangible capital asset as follows:

<b>Asset Class</b>	<b>Amortization Period</b>
Machinery and equipment	5 years
Informatics hardware	3 to 5 years
Informatics software	3 to 5 years
Other equipment, including furniture	3 to 10 years
Leasehold improvements	Lesser of remaining lease term and 10 years

**(i) Measurement uncertainty**

The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

**3. Parliamentary appropriations**

FINTRAC receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, FINTRAC has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA  
 NOTES TO THE FINANCIAL STATEMENTS (Unaudited)  
 For the year ended March 31, 2009

**(a) Reconciliation of net cost of operations to current year appropriations used:**

(in dollars)	2009	2008
<b>Net cost of operations</b>	<b>\$54,038,539</b>	\$50,810,785
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Services provided without charge by other government departments (Note 9)	<b>(2,088,527)</b>	(1,819,664)
Amortization of tangible capital assets (Note 5)	<b>(4,768,930)</b>	(3,952,774)
Loss on disposal and write-down of tangible assets	<b>(3,512)</b>	-
Refund of previous year expenditures	<b>78,668</b>	32,659
Refund of vacation pay and compensatory leave	-	3,529
Increase (decrease) in vacation pay and compensatory leave liability	<b>83,332</b>	(56,459)
Increase (decrease) in employee severance benefits liability	<b>175,792</b>	(1,024,657)
	<b>(6,523,177)</b>	(6,817,366)
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add (Less):		
Acquisitions of tangible capital assets (Note 5)	<b>3,036,204</b>	6,315,346
Increase (Decrease) in prepaid expenses	<b>41,864</b>	813,659
<b>Current year appropriations used</b>	<b>\$50,593,430</b>	\$51,122,424

**(b) Appropriations provided and used:**

(in dollars)	2009	2008
<b>Appropriations provided:</b>		
Vote 25 – Operating expenditures	-	\$41,312,000
Vote 25 – Program expenditures	<b>49,391,000</b>	
Vote 25a – Supplementary		5,420,750
Vote 25b - Supplementary		238,000
Vote 25 – TBS adjustments	<b>1,830,052</b>	(729,000)
Vote 15 - Transfer from Treasury Board	<b>347,148</b>	311,000
Vote 22 – Operating budget carry forward		1,405,500
Vote 23 – Pay list Requirements		759,454

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA  
 NOTES TO THE FINANCIAL STATEMENTS (Unaudited)  
 For the year ended March 31, 2009

Vote 30 – Transfer from Treasury Board	<b>689,438</b>	
Statutory amounts	<b>4,505,547</b>	4,050,206
Less: Lapsed appropriations - Operating	<b>(6,169,755)</b>	(1,645,486)
<b>Current year appropriations used</b>	<b>\$50,593,430</b>	<b>\$51,122,424</b>

**c) Reconciliation of net cash provided by Government to current year appropriations used:**

(in dollars)	2009	2008
Net cash provided by Government	<b>\$51,810,963</b>	\$50,073,396
Refund of previous years expenditures	<b>78,668</b>	32,659
Refund of vacation pay	-	3,529
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	<b>50,385</b>	182,224
Variation in accounts payable and accrued liabilities	<b>(1,346,586)</b>	830,616
Legal fees paid to Justice Canada	-	-
	<b>(1,296,201)</b>	1,012,840
<b>Current year appropriations used</b>	<b>\$ 50,593,430</b>	<b>\$51,122,424</b>

**4. Accounts Receivable and Advances**

The following table presents details of accounts receivable and advances:

(In dollars)	2009	2008
Receivables from other federal government departments and agencies	<b>\$ 75,470</b>	\$206,780
Receivables from external parties	<b>91,149</b>	10,724
Employee advances	<b>5,750</b>	5,250
	<b>\$ 172,369</b>	<b>\$222,754</b>

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA  
 NOTES TO THE FINANCIAL STATEMENTS (Unaudited)  
 For the year ended March 31, 2009

**5. Tangible capital assets**

(In dollars)	Cost			
	Opening balance	Acquisitions	Disposals and write-offs	Closing balance
Machinery and equipment	\$879,806	\$6,200	-	\$886,006
Informatics hardware	21,108,384	1,310,618	-	22,419,002
Informatics software	17,170,742	1,289,091	-	18,459,833
Other equipment, including furniture	4,596,151	252,794	3,512	4,845,433
Leasehold improvements	6,427,761	177,501	-	6,605,262
	\$50,182,844	\$3,036,204	3,512	\$53,215,536

(In dollars)	Accumulated Amortization			
	Opening balance	Amortization	Disposals and write-offs	Closing balance
Machinery and equipment	(\$678,359)	(\$52,342)	-	(\$730,701)
Informatics hardware	(13,975,526)	(1,762,015)	-	(15,737,541)
Informatics software	(10,374,624)	(1,814,406)	-	(12,189,030)
Other equipment, including furniture	(2,332,466)	(496,029)	-	(2,828,495)
Leasehold improvements	(3,048,130)	(644,138)	-	(3,692,268)
	(\$30,409,105)	(\$4,768,930)	-	(\$35,178,035)

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA  
 NOTES TO THE FINANCIAL STATEMENTS (Unaudited)  
 For the year ended March 31, 2009

(In dollars)	Net book value	
	2008	2009
Machinery and equipment	\$201,447	<b>\$155,305</b>
Informatics hardware	7,132,858	<b>6,681,461</b>
Informatics software	6,796,118	<b>6,270,803</b>
Other equipment, including furniture	2,263,685	<b>2,016,938</b>
Leasehold improvements	3,379,631	<b>2,912,994</b>
	<b>\$19,773,739</b>	<b>\$18,037,501</b>

Amortization expense for the year ended March 31, 2009 is \$4,768,930 (\$3, 952,774 in 2008)

## 6. Employee Benefits

### (a) Pension benefits:

Eligible FINTRAC employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of two per cent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The 2008-09 expense amounts to \$4,505,547 (\$3,669,486 in 2007-08), which represents approximately 2.0 times (2.1 times in 2007-08) the contributions made by employees.

FINTRAC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

### (b) Severance benefits:

FINTRAC provides severance benefits to its employees based on eligibility, years of service and final salary as per Treasury Board policy. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, 2009 is as follows:

(In dollars)	2009	2008
Employee severance benefit liability, beginning of year	<b>\$5,715,238</b>	\$4,690,581
Expense for the year	<b>389,331</b>	1,308,848
Benefits paid during the year	<b>(565,123)</b>	(284,191)
Employee severance benefit liability, end of year	<b>\$5,539,446</b>	\$5,715,238

## 7. Contingent Liabilities

In the normal course of its operations, FINTRAC may become involved in various legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on the government's consolidated financial statements. These estimated liabilities are not recognized on FINTRAC's financial statement as a liability until the amount of the liability is firmly established.

## 8. Contractual obligations

The nature of FINTRAC's activities can result in some large multi-year contracts and obligations whereby FINTRAC will be obligated to make future payments when the services are received. FINTRAC has entered into lease agreements with Public Works and Government Services Canada for office space in five locations across Canada. The minimum aggregate annual payments for future fiscal years are as follows:

(In dollars)	
2009-10	\$4,708,439
2010-11	3,809,805
2011-12	1,113,948
2012-13	371,468
2013-14	310,229
	<hr/>
	\$10,313,889

## 9. Related party transactions

FINTRAC is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. FINTRAC enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, FINTRAC received services which were obtained without charge from other Government departments as presented below.

### (a) Services provided without charge:

During the year FINTRAC received without charge from other departments the employer's contribution to the health and dental insurance plans in the amount of \$2,088,527 (\$1,819,664 in 2007-08).

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA  
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)  
For the year ended March 31, 2009

audit services provided by the Office of the Auditor General, are not included as an expense in FINTRAC's Statement of Operations.

**(b) Payables and receivables outstanding at year-end with related parties:**

(in dollars)	2009	2008
Accounts receivable with other government departments and agencies	<b>\$75,470</b>	\$206,780
Accounts payable to other government departments and agencies	<b>\$357,699</b>	\$814,922