

FINANCIAL INTELLIGENCE UNIT

**Financial Statements For The
Year Ended June 30, 2018 and
Independent Auditors' Report**

FINANCIAL INTELLIGENCE UNIT

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INDEPENDENT AUDITORS' REPORT

To the Director of
Financial Intelligence Unit:

Opinion

We have audited the financial statements of Financial Intelligence Unit (the Organization), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with *International Financial Reporting Standards for Small and Medium-Sized Entities* ("*IFRS for SMEs*").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 IFRS for SMEs, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 Organization's internal controls.
- 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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organization 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.

We 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 we identify during our audit.

A handwritten signature in purple ink that reads "Deloitte Touche". The signature is written in a cursive, stylized font.

October 3, 2018

FINANCIAL INTELLIGENCE UNIT

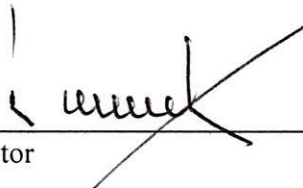
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

(Expressed in Bahamian dollars)

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 545,984	\$ 498,970
Advances and other receivables (Note 9)	9,487	32,623
Prepaid expenses and other assets	<u>19,277</u>	<u>13,019</u>
Total current assets	574,748	544,612
PROPERTY, PLANT AND EQUIPMENT, NET (Note 4)	<u>16,093</u>	<u>25,926</u>
TOTAL	<u>\$ 590,841</u>	<u>\$ 570,538</u>
LIABILITIES AND ACCUMULATED FUND		
LIABILITIES:		
Unearned revenue (Note 5 and 6)	\$ 575,000	\$ 575,000
Accounts payable and accrued liabilities (Note 7)	<u>94,706</u>	<u>130,700</u>
Total liabilities	<u>669,706</u>	<u>705,700</u>
ACCUMULATED FUND:		
Accumulated deficit	<u>(78,865)</u>	<u>(135,162)</u>
TOTAL	<u>\$ 590,841</u>	<u>\$ 570,538</u>

See notes to financial statements.

These financial statements were approved on behalf of the Organization on October 3, 2018, and are signed on its behalf by:



Director



Deputy Director

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

(Expressed in Bahamian dollars)

	2018	2017
GOVERNMENT CONTRIBUTIONS (Note 6)	\$ 1,304,000	\$ 1,205,000
OPERATING EXPENSES (Notes 7 and 9)	<u>(1,236,761)</u>	<u>(1,412,049)</u>
INCOME (LOSS) FROM OPERATIONS	67,239	(207,049)
DEPRECIATION (Note 4)	<u>(10,942)</u>	<u>(9,149)</u>
EXCESS OF INCOME OVER EXPENSES (EXPENSES OVER INCOME)	<u>\$ 56,297</u>	<u>\$ (216,198)</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2018

(Expressed in Bahamian dollars)

	Accumulated <u>Deficit</u>
Balance at June 30, 2016	\$ 81,036
Excess of expenses over income	<u>(216,198)</u>
Balance at June 30, 2017	(135,162)
Excess of income over expenses	<u>56,297</u>
Balance at June 30, 2018	<u>\$ (78,865)</u>

See notes to financial statements.

7. OPERATING EXPENSES

Operating expenses consist of the following:

	2018	2017
Payroll and related	\$ 794,062	\$ 768,039
Office rent	139,242	154,177
Operations of facilities/other services	95,601	95,527
Fees and other charges	35,697	26,260
Subsistence outside The Bahamas	33,147	29,835
Telephone expenses	32,000	33,631
Gratuity	30,187	74,250
VAT fees (on invoices)	22,086	25,100
Electricity	21,900	22,300
Transportation outside The Bahamas	15,056	9,254
Responsibility	9,000	9,000
Conference, meetings and seminars	8,118	13,670
General office supplies	7,820	9,719
Gasoline	6,600	6,530
Mileage	6,065	6,000
Transportation equipment upkeep	4,882	9,112
Publication of notices	2,633	-
Food and beverage	1,937	2,468
Newspapers and periodicals	1,860	1,860
Official entertainment	1,676	7,188
Insurance - vehicles	1,249	1,669
Printing and duplication	604	647
Licensing and inspection of vehicles	390	585
Mail	211	52
Subsistence inside The Bahamas	1	202
Maintenance of office space	-	428
Accrued vacation (excess) expense	<u>(35,263)</u>	<u>104,546</u>
	<u>\$ 1,236,761</u>	<u>\$ 1,412,049</u>

Accrued vacation (excess) expense has been included among the expenses to reflect the liability of the Government at year ended June 30, 2018. It should be noted that this is an accrual and a non-cash transaction. It is based on the vacation accrued on the files of the employees of the Organization. The amount at June 30, 2018 totaled \$69,283 (2017: \$104,546).

During the year there was an adjustment in this account to reduce the accrual as a result of staff taking their vacation leave entitlements. Management strategy has been to have staff reduce their accrued leave thus assisting in reducing the liability of the Bahamas Government in this regard.

8. COMMITMENTS AND CONTINGENCIES

The Organization entered into a 1-year lease agreement on October 31st, 2017 which is expected to expire on October 31st, 2018.

The period is November 1st, 2017 to October 31st 2018 at a reduced rent of \$131,775 per annum and CAM remains fixed at the same rate \$63,726 per annum.

The future minimum payment remaining with respect to the rented office space at the Norfolk House, for the year ended June 30th, 2018 is \$43,925 – four (4) months remaining (2017: \$183,167 – sixteen (16) months). The 2018 CAM charges were \$21,242 – four (4) months remaining (2017: \$84,968 sixteen (16) months).

9. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances at year end are as follows:

	2018	2017
Advances and other receivables	<u>\$ 9,487</u>	<u>\$ 32,623</u>

Key management compensation - Key management personnel compensation for the year ended June 30, 2018 was \$355,050 (2017: \$330,475).

10. SUBSEQUENT EVENTS

There have been no events subsequent to June 30, 2018 that require adjustments to or disclosures in the financial statements. We have evaluated subsequent events through the date on which the financial statements were authorized to issue.

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FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018 (Expressed in Bahamian dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of income over expenses (expenses over income)	\$ 56,297	\$ (216,198)
Adjustment for depreciation (Note 4)	<u>10,942</u>	<u>9,149</u>
Cash from operations before working capital changes	67,239	(207,049)
Decrease (increase) in advances and other receivables	23,136	(26,319)
(Increase) decrease in prepaid expenses and other assets	(6,258)	6,861
(Decrease) increase in accounts payable and accrued liabilities	<u>(35,994)</u>	<u>97,330</u>
Net cash from (used in) operating activities	<u>48,123</u>	<u>(129,177)</u>
CASH FLOWS FROM INVESTING ACTIVITY:		
Purchase of property, plant and equipment (Note 4)	<u>(1,109)</u>	<u>(2,495)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	47,014	(131,672)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>498,970</u>	<u>630,642</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 545,984</u>	<u>\$ 498,970</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

(Expressed in Bahamian dollars)

1. GENERAL

The Financial Intelligence Unit (the "Organization") was established on December 29, 2000, by an Act of Parliament, the Financial Intelligence Unit Act 2000, under the laws of The Commonwealth of The Bahamas, and commenced operations on January 1, 2001. The Organization is an administrative agency responsible for receiving, analyzing, obtaining and disseminating information, which relates to or may relate to the proceeds of offences under the Proceeds of Crime Act, 2000.

The Organization carries out its operations from an office located at Frederick Street, Nassau, Bahamas.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards for small and medium-sized entities. The preparation of financial statements in conformity with International Financial Reporting Standards requires 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 reporting period. Actual results could differ from those estimates.

These financial statements have been prepared on the historical cost basis. The following is a summary of the significant accounting policies:

- a. **Cash and cash equivalents** - Cash is carried in the statement of financial position at nominal value. Cash is comprised of cash on hand together with cash and term deposits held with banks with original maturities of less than three (3) months.
- b. **Property, plant and equipment, net** - Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Vehicles	5 years
Computer equipment	3 - 7 years
Communication equipment	3 years
Other equipment	5 years
Office furniture and fixtures	5 - 7 years

- c. **Government contributions** - Government contributions are recognized as income in the periods to which they relate based on the amounts allocated.

- d. **Related parties** - Related parties include key management personnel and any other party the Organization controls is controlled by, or with which it is under common control.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Organization, directly or indirectly.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Organization's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. PROPERTY, PLANT AND EQUIPMENT, NET

The movement of property, plant and equipment during the year is as follows:

	2018					
	<u>Vehicles</u>	<u>Computer Equipment</u>	<u>Communication Equipment</u>	<u>Other Equipment</u>	<u>Office Furniture and Fixtures</u>	<u>Total</u>
COST:						
Balance at June 30, 2016	\$ 99,463	\$ 318,224	\$ 10,116	\$ 53,520	\$ 176,538	\$ 657,861
Disposals	(33,263)	-	-	-	-	(33,263)
Additions	-	1,079	1,251	165	-	2,495
Balance at June 30, 2017	66,200	319,303	11,367	53,685	176,538	627,093
Disposals	-	-	-	-	-	-
Additions	-	229	140	375	365	1,109
Balance at June 30, 2018	<u>\$ 66,200</u>	<u>\$ 319,532</u>	<u>\$ 11,507</u>	<u>\$ 54,060</u>	<u>\$ 176,903</u>	<u>\$ 628,202</u>

(Continued)

2017

	<u>Vehicles</u>	<u>Computer Equipment</u>	<u>Communication Equipment</u>	<u>Other Equipment</u>	<u>Office Furniture and Fixtures</u>	<u>Total</u>
ACCUMULATED						
DEPRECIATION:						
Balance at June 30, 2016	\$ 97,586	\$ 301,317	\$ 9,236	\$ 40,716	\$ 176,426	\$ 625,281
Disposals	(33,263)	-	-	-	-	(33,263)
Depreciation expense	<u>-</u>	<u>4,296</u>	<u>481</u>	<u>4,260</u>	<u>112</u>	<u>9,149</u>
Balance at June 30, 2017	64,323	305,613	9,717	44,976	176,538	601,167
Disposals	-	-	-	-	-	-
Depreciation expense	<u>1,877</u>	<u>4,372</u>	<u>456</u>	<u>3,872</u>	<u>365</u>	<u>10,942</u>
Balance at June 30, 2018	<u>\$ 66,200</u>	<u>\$ 309,985</u>	<u>\$ 10,173</u>	<u>\$ 48,848</u>	<u>\$ 176,903</u>	<u>\$ 612,109</u>
NET BOOK VALUE AT:						
June 30, 2018	<u>\$ -</u>	<u>\$ 9,547</u>	<u>\$ 1,334</u>	<u>\$ 5,212</u>	<u>\$ -</u>	<u>\$ 16,093</u>
June 30, 2017	<u>\$ 1,877</u>	<u>\$ 13,690</u>	<u>\$ 1,650</u>	<u>\$ 8,709</u>	<u>\$ -</u>	<u>\$ 25,926</u>

(Concluded)

5. UNEARNED REVENUE

The Organization received an advance on their contribution in the amount of \$575,000. This amount was recorded as unearned revenue, as it relates to the July to December 2018 which is in the following fiscal year.

6. GOVERNMENT CONTRIBUTIONS

The Organization's source of income is derived from budget allocations made to the Organization by the Government of the Commonwealth of The Bahamas. These contributions are government funding used to defray the costs of the acquisition of assets and expenses from operations. For the year, the Organization was allocated \$1,304,000 (2017: \$1,205,000) and received \$1,879,000 (2017: \$1,780,000) of which \$575,000 was deferred in unearned revenue (2017: \$575,000).