

FINANCIAL INTELLIGENCE UNIT

**Financial Statements For The
Year Ended June 30, 2016 and
Independent Auditors' Report**

FINANCIAL INTELLIGENCE UNIT

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INDEPENDENT AUDITORS' REPORT

To the Director of
Financial Intelligence Unit:

We have audited the financial statements of Financial Intelligence Unit (the "Organization") which comprise the statement of financial position as at June 30, 2016, and the related statements of comprehensive income, changes in accumulated fund 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 International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we 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 auditors' 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Financial Intelligence Unit as at June 30, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in purple ink, reading "Deloitte Touche". The signature is written in a cursive style, with the "D" being particularly large and stylized.

November 14, 2016

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF FINANCIAL POSITION

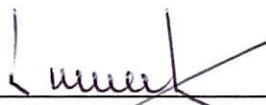
AS AT JUNE 30, 2016

(Expressed in Bahamian dollars)


	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 630,642	\$ 22,967
Advances and other receivables (Note 10)	6,304	9,757
Prepaid expenses and other assets	<u>19,880</u>	<u>23,101</u>
Total current assets	656,826	55,825
FIXED ASSETS, NET (Note 5)	<u>32,580</u>	<u>38,459</u>
TOTAL	<u>\$ 689,406</u>	<u>\$ 94,284</u>
LIABILITIES AND ACCUMULATED FUND		
LIABILITIES:		
Unearned revenue (Note 6)	\$ 575,000	\$ -
Accounts payable and accrued liabilities	<u>33,370</u>	<u>24,324</u>
Total liabilities	<u>608,370</u>	<u>24,324</u>
ACCUMULATED FUND:		
Accumulated surplus	<u>81,036</u>	<u>69,960</u>
TOTAL	<u>\$ 689,406</u>	<u>\$ 94,284</u>

See notes to financial statements.

These financial statements were approved on behalf of the Organization on November 4, 2016, and are signed on its behalf by:



Director



Deputy Director

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2016

(Expressed in Bahamian dollars)

	2016	2015
GOVERNMENT CONTRIBUTIONS (Note 7)	\$ 1,150,000	\$ 1,150,000
OPERATING EXPENSES (Notes 8 and 10)	<u>(1,134,808)</u>	<u>(1,141,279)</u>
INCOME FROM OPERATIONS	15,192	8,721
DEPRECIATION (Note 5)	(14,789)	(20,755)
OTHER INCOME - GOVERNMENT CONTRIBUTION	10,673	-
LOSS ON ASSET DISPOSAL	<u>-</u>	<u>(413)</u>
EXCESS OF INCOME OVER EXPENSES / (EXPENSES OVER INCOME)	<u>\$ 11,076</u>	<u>\$ (12,447)</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2016

(Expressed in Bahamian dollars)

	Accumulated <u>Surplus</u>
Balance at June 30, 2014	\$ 82,407
Excess of expenses over income	<u>(12,447)</u>
Balance at June 30, 2015	69,960
Excess of income over expenses	<u>11,076</u>
Balance at June 30, 2016	<u>\$ 81,036</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

(Expressed in Bahamian dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of income over expenses / (expenses over income)	\$ 11,076	\$ (12,447)
Adjustments for:		
Loss on asset disposal	-	413
Depreciation (Note 5)	<u>14,789</u>	<u>20,755</u>
Cash from operations before working capital changes	25,865	8,721
(Decrease) increase in advances and other receivables	3,453	(5,454)
Decrease in prepaid expenses and other assets	3,221	2,361
Increase in accounts payable and accrued liabilities	9,046	2,364
Unearned revenue (Note 6)	<u>575,000</u>	<u>-</u>
Net cash from operating activities	<u>616,585</u>	<u>7,992</u>
CASH FLOWS FROM INVESTING ACTIVITY:		
Purchase of fixed assets (Note 5)	<u>(8,910)</u>	<u>(1,557)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	607,675	6,435
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>22,967</u>	<u>16,532</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 630,642</u>	<u>\$ 22,967</u>

See notes to financial statements.

FINANCIAL INTELLIGENCE UNIT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016 (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 offices located at Frederick Street, Nassau, Bahamas.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERNATIONAL ACCOUNTING STANDARDS (IAS)

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB effective for annual reporting periods beginning on or after July 1, 2015. The adoption of these Standards and Interpretations has not led to any changes to the Company's accounting policies.

a. Standards and Interpretations effective but not affecting the reported results or financial position

IFRS 7	(Amended) Financial Instruments: Disclosures - Offsetting Assets and Liabilities
IFRS 13	Fair Value Measurement
IAS 1	(Amended) Presentation of Financial Statements
IAS 7	Statement of Cash Flows
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 19	Employee Benefits
IAS 20	Government Grants and Disclosure of Government Assistance
IAS 24	(Revised 2009) Related Party Disclosures
IAS 32	(Amended) Financial Instruments: Presentation - Offsetting assets and liabilities
IAS 39	(Amended) Financial Instruments: Recognition and Measurement

The above standards have not led to changes in the financial position of the Organization during the current year.

b. Standards and Interpretations in issue but not yet effective

- IFRS 9 (Amended) Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

Management has not assessed whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the financial statements of the Organization.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards. 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.

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. Fixed assets, net** - Fixed assets 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.

4. 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.

5. FIXED ASSETS, NET

The movement of fixed assets during the year is as follows:

	<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, 2014	\$ 99,463	\$313,364	\$ 10,087	\$ 53,520	\$ 172,488	\$ 648,922
Additions	-	-	1,557	-	-	1,557
Disposal/write off	-	-	(1,528)	-	-	(1,528)
Balance at June 30, 2015	99,463	313,364	10,116	53,520	172,488	648,951
Additions	-	4,860	-	-	4,050	8,910
Balance at June 30, 2016	<u>\$ 99,463</u>	<u>\$318,224</u>	<u>\$ 10,116</u>	<u>\$ 53,520</u>	<u>\$ 176,538</u>	<u>\$ 657,861</u>

	<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, 2014	\$ 88,569	\$294,595	\$ 8,321	\$ 34,164	\$ 165,203	\$ 590,852
Depreciation expense	8,620	3,122	1,233	3,282	4,498	20,755
Disposal/write off	-	-	(1,115)	-	-	(1,115)
Balance at June 30, 2015	97,189	297,717	8,439	37,446	169,701	610,492
Depreciation expense	397	3,600	797	3,270	6,725	14,789
Balance at June 30, 2016	<u>\$ 97,586</u>	<u>\$301,317</u>	<u>\$ 9,236</u>	<u>\$ 40,716</u>	<u>\$ 176,426</u>	<u>\$ 625,281</u>

NET BOOK VALUE AT:

June 30, 2016	<u>\$ 1,877</u>	<u>\$ 16,907</u>	<u>\$ 880</u>	<u>\$ 12,804</u>	<u>\$ 112</u>	<u>\$ 32,580</u>
June 30, 2015	<u>\$ 2,274</u>	<u>\$ 15,647</u>	<u>\$ 1,677</u>	<u>\$ 16,074</u>	<u>\$ 2,787</u>	<u>\$ 38,459</u>

6. 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 following fiscal year.

7. 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 \$1,150,000 (2015: \$1,150,000) and received \$1,725,000 (2015: \$1,150,000) of which \$575,000 was deferred in unearned revenue (2015: \$Nil).

8. OPERATING EXPENSES

Operating expenses consist of the following:

	2016	2015
Payroll and related (Note 10)	\$ 691,886	\$ 695,221
Office rent (Note 9)	153,175	150,188
Operations of facilities/other services	101,627	97,212
Telephone expenses	30,405	30,060
Fees and other charges	23,973	27,260
Electricity	22,900	32,309
VAT fees (on invoices)	21,819	11,324
Subsistence outside The Bahamas	20,234	16,328
General office supplies	10,229	8,460
Transportation outside The Bahamas	9,700	7,500
Gratuity	9,294	9,984
Conference, meetings and seminars	8,156	13,775
Gasoline	6,270	7,233
Mileage	6,000	7,938
Official entertainment	5,025	2,491
Transportation equipment upkeep	3,180	12,854
Publication of notices	2,515	-
Food and beverage	2,979	2,125
Insurance - vehicles	1,909	2,013
Newspapers and periodicals	1,860	1,860
Subsistence inside The Bahamas	840	1,968
Licensing and inspection of vehicles	585	585
Acting allowance	192	-
Mail	55	115
Printing and duplication	-	2,476
	<u>\$1,134,808</u>	<u>\$1,141,279</u>

9. COMMITMENTS AND CONTINGENCIES

A single lease agreement was formalized for the combined space of 5,271 sq ft. for a 5 year term commencing November 1, 2011 and expiring October 31, 2016. The future minimum payment remaining with respect to the rented office space at the Norfolk House, for the year ending June 30 2017 is \$153,175 (2016: \$154,177). The Organization entered into a 1 year lease agreement on October 31, 2016 which is expected to expire on October 31, 2017. The 2016 CAM charges were \$63,726 (2015: \$63,726).

10. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances at year end are as follows:

	2016	2015
Advances and other receivables	<u>\$ 6,304</u>	<u>\$ 9,757</u>

Key management compensation - Key management personnel compensation for the year ended June 30, 2016 was \$309,950 (2015: \$311,550).

11. RISK MANAGEMENT

Due to the nature of its operations, the Organization has limited risk exposure on its financial instruments. Cash is maintained with approved and licensed financial institutions. Advances and other receivables are made to employees for limited amounts to facilitate travel requirements. Advances and the submission of expense reports and subsequent repayments of funds are monitored by management. The risk of liquidity is monitored by management through its budgets.

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