



Financial Statements of the

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

Audited

For the Year Ended March 31, 2013

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

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2013, and all information contained in these statements rests with the management of Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

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 the department's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in FINTRAC's *Departmental Performance Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout FINTRAC; and through obtaining an external audit opinion of FINTRAC's annual financial statements which includes an assessment of the rigor of its internal controls over financial reporting.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

FINTRAC will be subject to periodic Core Control Audits performed by the Office of the Comptroller General and will use the results of such audits to adhere to the Treasury Board *Policy on Internal Control*.

In the interim, FINTRAC has undertaken a risk-based assessment of the system of ICFR for the year ended March 31, 2013, in accordance with the Treasury Board *Policy on Internal Control*, and the assessment results and action plan are summarized in the annex.

The firm of KPMG LLP has expressed an opinion on the fair presentation of the financial statements of FINTRAC which does not include an audit opinion on the annual assessment of the effectiveness of the department's internal controls over financial reporting.

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

Gérald Cossette
Director
FINTRAC
Ottawa, Canada
Date _____

Hélène Filion
Chief Financial Officer
FINTRAC
Ottawa, Canada
Date _____



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INDEPENDENT AUDITORS' REPORT

To the Director of the Financial Transactions and Report Analysis Centre of Canada

We have audited the accompanying financial statements of the Financial Transactions and Report Analysis Centre of Canada (FINTRAC), which comprise the statement of financial position as at March 31, 2013, the statements of operations and departmental net financial position, change in departmental net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the accounting policies generally applied by the Government of Canada for government departments and agencies as stipulated in Treasury Board accounting policies.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies generally applied by the Government of Canada for government departments and agencies as stipulated in Treasury Board accounting policies; this includes determining that the basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances, 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 Canadian generally accepted auditing standards. 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 our judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 FINTRAC as at March 31, 2013, its net cost of its operations, change in departmental net debt and its cash flows for the year then ended in accordance with the accounting policies generally applied by the Government of Canada for government departments and agencies as stipulated in Treasury Board accounting policies.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statements are prepared for the information and use of the management of FINTRAC and the Treasury Board of Canada Secretariat. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the management of FINTRAC, and the Treasury Board of Canada Secretariat, and should not be used by other parties.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly curved line.

Chartered Accountants, Licensed Public Accountants

August 29, 2013

Ottawa, Canada

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

(In dollars)	2013	2012
Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$5,174,052	\$7,528,923
Vacation pay and compensatory leave	\$1,360,972	\$1,215,855
Employee future benefits (Note 7)	\$2,013,507	\$1,720,194
Total liabilities	\$8,548,531	\$10,464,972
Financial assets		
Accounts receivable and advances (Note 4)	\$1,589,462	\$512,199
Due from Consolidated Revenue Fund	\$3,189,873	\$6,783,732
Total financial assets	\$4,779,335	\$7,295,931
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 4)	(\$152,934)	(\$151,548)
Total financial assets	(\$152,934)	(\$151,548)
Total net financial assets	\$4,626,401	\$7,144,383
Departmental net debt	\$3,922,130	\$3,320,589
Non-financial assets		
Prepaid expenses	\$762,875	\$742,076
Tangible capital assets (Note 5)	\$7,761,950	\$7,033,607
Total non-financial assets	\$8,524,825	\$7,775,683
Departmental net financial position	\$4,602,695	\$4,455,094

Contractual obligations (Note 8)

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

Gérald Cossette
Director
FINTRAC
Ottawa, Canada
Date _____

Hélène Filion
Chief Financial Officer
FINTRAC
Ottawa, Canada
Date _____

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA
 STATEMENT OF OPERATIONS AND DEPARTMENTAL NET FINANCIAL POSITION
 For the Year Ended March 31, 2013

(In dollars)	Planned Results (Note 12)	2013	2012
Expenses			
Financial Intelligence	\$25,911,000	\$25,192,929	N/A
Compliance Program	\$25,911,000	\$25,945,343	N/A
Detection and deterrence of money laundering and terrorist financing	N/A	N/A	\$48,845,383
Internal Services	\$9,145,000	\$10,852,855	\$9,116,141
Total Expenses	\$60,967,000	\$61,991,127	\$57,961,524
Revenues			
Financial Intelligence	-	-	N/A
Compliance Program	-	319,574	N/A
Detection and deterrence of money laundering and terrorist financing	N/A	N/A	\$78,781
Internal Services	-	-	\$11,780
Revenues earned on behalf of Government	-	(\$319,574)	(\$90,561)
Total Revenues	-	-	-
Net cost from continuing operations	\$60,967,000	\$61,991,127	\$57,961,524
Cost of transferred operations (Note 11)	-	-	\$4,849,831
Net cost of operations before government funding and transfers	\$60,967,000	\$61,991,127	\$62,811,355

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

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA
STATEMENT OF OPERATIONS AND DEPARTMENTAL NET FINANCIAL POSITION (CONTINUED)
For the Year Ended March 31, 2013

(In dollars)	2013	2012
Net cost of operations before government funding and transfers	\$61,991,127	\$62,811,355
Net cash provided by Government	\$57,415,362	\$55,155,278
Change in due from the Consolidated Revenue Fund	(\$3,593,859)	\$2,624,415
Services received without charge from other government departments (Note 9)	\$8,317,225	\$5,758,797
Transfer of assets and liabilities to other government departments (Note 11)	-	(\$5,584,914)
Net cost of operations after government funding and transfers	(\$147,601)	\$4,857,779
Departmental net financial position, beginning of year	\$4,455,094	\$9,312,873
Departmental net financial position, end of year	\$4,602,695	\$4,455,094

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

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA
STATEMENT OF CHANGE IN DEPARTMENTAL NET DEBT
For the Year Ended March 31, 2013

(In dollars)	2013	2012
Net cost of operations after government funding and transfers	(\$147,601)	\$4,857,779
Change due to tangible capital assets:		
Acquisition of tangible capital assets (Note 5)	\$3,006,500	\$3,077,506
Amortization of tangible capital assets (Note 5)	(\$2,278,157)	(\$4,875,942)
Transfer to other government department (Note 5)	-	(\$5,789,421)
Total change due to tangible capital assets	\$728,343	(\$7,587,857)
Change due to prepaid expenses	\$20,799	(\$233,930)
Net decrease in departmental net debt	\$601,541	(\$2,964,008)
Departmental net debt, beginning of year	\$3,320,589	\$6,284,597
Departmental net debt, end of year	\$3,922,130	\$3,320,589

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

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA
STATEMENT OF CASH FLOW
For the Year Ended March 31, 2013

(In dollars)	2013	2012
Operating activities		
Net cost of operations	\$61,991,127	\$62,811,355
Non-cash items:		
Amortization of tangible capital assets (Note 5)	(\$2,278,157)	(\$4,875,942)
Services received without charge from other government departments (Note 9)	(\$8,317,225)	(\$5,758,797)
<i>Variations in Statement of Financial Position:</i>		
Increase (decrease) in accounts receivable and advances	\$1,075,877	(\$838,138)
Increase (decrease) in prepaid expenses	\$20,799	(\$233,930)
Decrease (increase) in accounts payable and accrued liabilities	\$2,354,871	(\$3,159,688)
Decrease (increase) in vacation pay and compensatory leave	(\$145,117)	(\$68,689)
Decrease (increase) in employee future benefits	(\$293,313)	\$4,406,108
Transfer of liabilities to other government departments (Note 11)	-	(\$204,507)
<i>Cash used by operating activities</i>	\$54,408,862	\$52,077,772
Capital investment activities		
Acquisitions of tangible capital assets (Note 5)	\$3,006,500	\$3,077,506
Net cash provided by Government of Canada	\$57,415,362	\$55,155,278

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 legislated into existence in July 2000 to be Canada's Financial Intelligence Unit. The Centre exists to assist in the detection, prevention and deterrence of money laundering and the financing of terrorist activities. FINTRAC's 'value-added' financial intelligence products and compliance functions are a unique contribution to the public safety of Canadians and to the protection of the integrity of Canada's financial system.

FINTRAC is an independent agency that operates at arm's length from the law enforcement agencies and other entities to which it is authorized to disclose financial intelligence. It reports to the Minister of Finance, who is in turn accountable to Parliament for the activities of the Centre. FINTRAC was established and operates within the ambit of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* and its Regulations.

To effectively pursue its mandate, FINTRAC aims to achieve the following strategic outcome: FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with the Treasury Board accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

(a) Parliamentary authorities

FINTRAC is financed by the Government of Canada ("Government") through Parliamentary authorities. Financial reporting of authorities provided to FINTRAC do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the Statement of Operations and Departmental Net Position are the amounts reported in the future-oriented financial statements included in the *2012-13 Report on Plans and Priorities*.

(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 Government.

(c) Amounts due from CRF

Amounts due from the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that FINTRAC is entitled to draw from the CRF without further appropriations to discharge its liabilities.

(d) Revenues

- Since December 30, 2008, FINTRAC has had the legislative authority to issue administrative monetary penalties (AMPs) to reporting entities that are in non-compliance with Canada's *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA). Accordingly, results commencing in the 2009–10 fiscal year indicate the AMPs as a source of non-respendable revenue.
- Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.
- Revenues that are non-respendable are not available to discharge the Department's liabilities. While the Deputy Head is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross revenues.

(e) 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, provided that the transfer is authorized and a reasonable estimate can be made. FINTRAC did not recognize any contributions for the year ending March 31, 2013.
- Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- Services provided without charge by other government departments for employer contributions to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

- Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. FINTRAC's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require FINTRAC to make contributions for any actuarial deficiencies of the Plan.
- Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them as rendered. 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.

(g) Accounts receivables and advances

Accounts and loans receivables are stated at the lower of cost and net recoverable value. However, when the terms of the loans are concessionary, such as those provided with a low or no interest clause, they are recorded at their estimated present value. A portion of the unamortized discount is recorded as revenue each year to reflect the change in the present value of the loans outstanding. Transfer payments that are unconditionally repayable are recognized as loans receivable. A valuation allowance is recorded for receivables where recovery is considered uncertain.

(h) Contingent liabilities

Contingent liabilities are potential liabilities that 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.

(i) 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 asset as follows:

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

(j) Measurement uncertainty

The preparation of these financial statements, in accordance with Canadian public sector accounting standards, 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, the useful life of tangible capital assets, and the cost of transferred operations. 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 authorities

FINTRAC receives most of its funding through annual Parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities 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:

(a) Reconciliation of net cost of operations to current year authorities used

(In dollars)	2013	2012
Net cost of operations before government funding and transfers	\$61,991,127	\$62,811,355
Adjustments for items affecting net cost of operations but not affecting authorities:		
Add (Less):		
Services provided without charge by other government departments (Note 9)	(\$8,317,225)	(\$5,758,797)
Amortization of tangible capital assets (Note 5)	(\$2,278,157)	(\$4,875,942)
Refund of previous year expenditures	\$8,958	\$74,976
Decrease (increase) in vacation pay and compensatory leave liability	(\$145,117)	(\$68,689)
Decrease (increase) in employee future benefits liability	(\$293,313)	\$4,406,108
Transfer of liabilities to other government departments (Note 11)	-	(\$204,507)
Total items affecting net cost of operations but not affecting authorities	(\$11,024,854)	(\$6,426,851)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Add (Less):		
Acquisitions of tangible capital assets (Note 5)	\$3,006,500	\$3,077,506
Increase (decrease) in prepaid expenses	\$20,799	(\$233,930)
Total items not affecting net cost of operations but affecting authorities	\$3,027,299	\$2,843,576
Current year authorities used	\$53,993,572	\$59,228,080

(b) Authorities provided and used

(In dollars)	2013	2012
Authorities provided from Estimates:		
Vote 30 – Main Estimates	\$46,532,305	\$36,315,817
Vote 30 – Supplementary Estimates (A)	\$1,813,369	\$14,670,000
Statutory amounts	\$5,113,973	\$6,062,129
	\$53,459,647	\$57,047,946
Transfer to other government departments:		
Vote 30 – Transferred activities to Shared Services Canada	-	(\$2,651,522)
Transfer from Treasury Board:		
TB Vote 25 – Operating Budget Carry-forward	\$1,721,361	\$2,229,005
TB Vote 30 – Paylist Requirements	\$1,005,548	\$5,318,822
	\$2,726,909	\$7,547,827
Less: Lapsed authorities – Operating	(\$2,192,984)	(\$2,716,171)
Current year authorities used	\$53,993,572	\$59,228,080

4. Accounts receivable and advances

The following table presents details of FINTRAC's accounts receivable and advances balances:

(In dollars)	2013	2012
Receivables from other federal government departments and agencies	\$1,413,171	\$341,960
Receivables from external parties	\$171,041	\$164,189
Employee advances	\$5,250	\$6,050
Gross accounts receivable	\$1,589,462	\$512,199
Accounts receivable held on behalf of Government	(\$152,934)	(\$151,548)
Net accounts receivable	\$1,436,528	\$360,651

5. Tangible capital assets

(In dollars)	COST			
	Opening balance	Acquisitions	Disposals and write-offs	Closing balance
Machinery and equipment	\$1,055,113	\$ 229,698	\$31,580	\$ 1,253,231
Informatics hardware	\$16,619,682	\$ 55,102	\$9,862,149	\$ 6,812,635
Informatics software	\$19,694,196	\$ 156,097	\$3,461,368	\$ 16,388,925
Other equipment, including furniture	\$6,116,224	\$ 1,243,863	\$65,144	\$ 7,294,943
Leasehold improvements	\$7,363,762	\$ 1,321,740	-	\$ 8,685,502
Total	\$50,848,977	\$ 3,006,500	\$13,420,241	\$ 40,435,236

(In dollars)	ACCUMULATED AMORTIZATION			
	Opening balance	Amortization	Disposals and write-offs	Closing balance
Machinery and equipment	\$826,902	\$ 48,994	\$31,580	\$ 844,316
Informatics hardware	\$15,389,243	\$ 429,566	\$9,862,149	\$ 5,956,660
Informatics software	\$17,602,546	\$ 773,703	\$3,461,368	\$ 14,914,881
Other equipment, including furniture	\$4,369,140	\$ 513,613	\$65,144	\$ 4,817,609
Leasehold improvements	\$5,627,539	\$ 512,281	-	\$ 6,139,820
Total	\$43,815,370	\$ 2,278,157	\$13,420,241	\$ 32,673,286

(In dollars)	NET BOOK VALUE	
	2013	2012
Machinery and equipment	\$408,915	\$228,211
Informatics hardware	\$855,975	\$1,230,439
Informatics software	\$1,474,044	\$2,091,650
Other equipment, including furniture	\$2,477,334	\$1,747,084
Leasehold improvements	\$2,545,682	\$1,736,223
Total	\$7,761,950	\$7,033,607

Effective November 15, 2011, FINTRAC transferred informatics hardware and informatics software with a net book value of \$5,789,421 to Shared Services Canada (see Note 11).

6. Accounts payable and accrued liabilities

The following table presents details of FINTRAC's accounts payable and accrued liabilities:

(In dollars)	2013	2012
Accounts payable to other government departments and agencies	\$170,940	\$2,360,772
Accounts payable to external parties	\$2,114,429	\$2,736,524
Accrued salaries and wages	\$1,529,290	\$1,540,305
Accrued liabilities	\$1,359,393	\$891,322
Total accounts payable and accrued liabilities	\$5,174,052	\$7,528,923

7. Employee future benefits

(a) Pension benefits

FINTRAC's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent 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 FINTRAC contribute to the cost of the Plan. The 2012–13 expense amounts to \$5,113,972 (\$6,062,129 in 2011–12), which represents approximately 1.7 times (1.8 times in 2011–12) the contributions by employees.

The Department'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 salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about the severance benefits, measured as at March 31, is as follows:

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

(In dollars)	2013	2012
Employee severance benefit liability, beginning of year	\$1,720,194	\$6,126,302
Transfer to other government department effective November 15, 2011 (Note 11)	-	(\$113,741)
Expense for the year	\$973,301	\$954,143
Benefits paid during the year	(\$679,988)	(\$5,246,510)
Employee severance benefit liability, end of year	\$2,013,507	\$1,720,194

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 four locations across Canada. The minimum aggregate annual payments for future fiscal years are as follows:

Fiscal Year	(In dollars)
2013-14	\$4,220,156
2014-15	\$4,210,814
2015-16	\$4,180,794
2016-17	\$1,592,604
2017-18 and thereafter	\$1,581,547
Total	\$15,785,915

9. Related party transactions

FINTRAC is related as a result of common ownership to all Government departments, agencies, and Crown Corporations. FINTRAC enters into transactions with these entities in the normal course of business and on normal trade terms. In addition, FINTRAC has an agreement with Shared Services Canada (SSC) related to the provision of finance and administration services. During the year, FINTRAC received common services which were obtained without charge from other Government departments as disclosed below.

(a) Common services provided without charge by other government departments

During the year FINTRAC received without charge from certain common service organizations, related to legal services, information technology services, and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in FINTRAC's Statement of Operations as follows:

(In dollars)	2013	2012
Employer's contribution to the health and dental insurance plans	\$2,970,838	\$3,119,952
Information technology services	\$5,346,387	\$2,638,845
Legal services	-	-
Total	\$8,317,225	\$5,758,797

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

b) Other transactions with related parties

(In dollars)	2013	2012
Accounts receivable – Other government departments and agencies	\$1,413,171	\$341,960
Accounts payable – Other government departments and agencies	\$170,940	\$2,360,772

(c) Administration of programs on behalf of other government departments

As of November 15, 2011, FINTRAC transferred its information technologies activities to Shared Services Canada (SSC). In fiscal year 2011–12, FINTRAC continued to administer those activities on behalf of SSC. The administered expenses in 2011–12 amount to \$2,638,845.

10. Segmented information

Presentation by segment is based on FINTRAC's program activity architecture. The presentation by segment is based on the same accounting policies as described in the *Summary of significant policies* in Note 2. The following table represents detailed continuing expenses incurred and revenues generated for the main program activities, by major object of expenses and type of revenues. The segment results for the period are as follows:

(In dollars)	2013				2012
	Financial Intelligence	Compliance Program	Internal Services	Total	Total
Operating Expenses					
Salaries and employee benefits	\$16,899,490	\$17,596,077	\$7,066,898	\$41,562,465	\$40,616,551
Amortization of tangible capital assets	\$707,414	\$775,706	\$795,037	\$2,278,157	\$4,472,793
Repairs and maintenance	\$1,055,868	\$1,076,018	\$105,671	\$2,237,557	\$2,283,904
Professional and special services	\$1,920,384	\$1,367,912	\$1,155,966	\$4,444,262	\$4,207,670
Accommodations	\$2,265,451	\$2,265,451	\$0	\$4,530,902	\$3,919,592
Travel and relocation	\$382,598	\$532,684	\$62,537	\$977,819	\$1,195,185
Telecommunication services	\$944,951	\$1,273,567	\$1,151,744	\$3,370,262	\$403,607
Utilities, materials and supplies	\$176,168	\$178,950	\$115,820	\$470,938	\$430,919
Machinery and equipment	\$141,887	\$141,573	\$16,290	\$299,750	\$214,317
Communication services	\$9,057	\$10,400	\$144,902	\$164,359	\$186,166
Other expenditures	\$689,661	\$727,005	\$237,990	\$1,654,656	\$30,820
Total Operating Expenses	\$25,192,929	\$25,945,343	\$10,852,855	\$61,991,127	\$57,961,524
Total Expenses	\$25,192,929	\$25,945,343	\$10,852,855	\$61,991,127	\$57,961,524
Revenues					
Non-responsible revenue	\$0	\$319,574	\$0	\$319,574	\$90,561
Revenues earned on behalf of Government	\$0	(\$319,574)	\$0	(\$319,574)	(\$90,561)
Total Revenues	\$0	\$0	\$0	\$0	\$0
Net Cost from Continuing Operations	\$25,192,929	\$25,945,343	\$10,852,855	\$61,991,127	\$57,961,524

11. Transfers of Information Technology Activities to Shared Services Canada

Effective November 15, 2011, FINTRAC transferred responsibility for a portion of its IT services (e.g. e-mail, data centers, and network services/support) to Shared Services Canada ("SSC") in accordance with Order-in-Council P.C. 2011-1297, including the stewardship responsibility for the assets and liabilities related to the program

- a) FINTRAC transferred the following assets and liabilities related to the information technologies activities to SSC on November 15, 2011:

(In dollars)	2013	2012
Assets		
Tangible capital assets (net book value) (Note 5)	-	\$5,789,421
	-	\$5,789,421
Liabilities		
Vacation pay and compensatory leave	-	\$90,767
Employee future benefits (Note 7)	-	\$113,740
	-	\$204,507
Adjustment to departmental net financial position	-	\$5,584,914

- b) During the fiscal year 2011–12, the statement of operations was separated between continuing and transferred operations.

12. Planned results

Planned results have been provided for comparison purposes. The planned results amounts in the Statement of Operations are the amounts reported in the future-oriented financial statements included in the *2012–13 Report on Plans and Priorities*; therefore, planned expenses by program activity are not available.

13. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation. These include:

- The Statement of Operations has been regrouped by program activity.
- Note 3 – Parliamentary authorities – Authorities provided and used, has been regrouped for greater clarity.