



Future-Oriented Statement of Operations of the

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

Unaudited

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA
 FUTURE-ORIENTED STATEMENT OF OPERATIONS (Unaudited)
 For the Year Ending March 31

(in thousands of dollars)	Forecast Results 2017–18	Planned Results 2018–19
Expenses		
Financial Intelligence Program	24,444	17,777
Compliance Program	22,088	17,955
Internal Services	7,609	18,918
Total expenses	54,142	54,650
Revenues		
Compliance Program	17	0
Revenues earned on behalf of Government	(17)	0
Total revenues	0	0
Net cost of operations before government funding and transfers ⁽¹⁾	54,142	54,650

The accompanying notes form an integral part of this Future-Oriented Statement of Operations.

(1) Totals may not add due to rounding.

1. Methodology and Significant Assumptions

The future-oriented statement of operations has been prepared on the basis of the government priorities and the plans of FINTRAC as described in the Departmental Plan.

The main assumptions underlying the forecasts are as follows:

- (a) The activities of FINTRAC will remain substantially the same as in the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
- (c) Forecast results of 2017–18 year end information are used as the opening position for the 2018–19 planned results.

These assumptions are adopted as at January 9, 2018.

2. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2017–18 and for 2018–19, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this future-oriented statement of operations, FINTRAC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented statement of operations and the historical statement of operations include:

- Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.
- The timing of the modernization of the analytics system impacts when the current software work in process will be put into production, capitalized and amortized.
- The timing and amount of other acquisitions and disposals of property, plant and equipment may affect gains/losses and amortization expense.
- Potential wage increases based on public sector collective bargaining.
- Economic conditions that may affect the collectability of accounts receivable.

To comply with TBS' Guideline on the Attribution of Internal Services, the way in which FINTRAC codes its internal service expenditures has changed. This change has resulted in some financial and human resources figures shifting from being reported under the programs to being reported under Internal Services. As a result, Internal Services figures are higher in the 2018–19 FOSO than in past reports.

Once the Departmental Plan is presented, FINTRAC will not be updating the forecasts for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Results Report.

3. Summary of Significant Accounting Policies

The future-oriented statement of operations has been prepared using Government's accounting policies that are in effect for the 2017–18 fiscal year 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) Expenses

Expenses are recorded on an accrual basis. Expenses for FINTRAC's operations are recorded when goods are received or services are rendered, including services provided without charges for employee contributions to health and dental insurance plans and workers' compensation, which are recorded as expenses at their estimated cost. Vacation pay and compensatory leave, as well as severance benefits, are accrued and expenses are recorded as the benefits are earned by employees under their terms of employment.

Expenses also include provisions to reflect changes in the value of assets, including provisions for bad debt on accounts receivable or liabilities, including contingent liabilities to the extent the future event is likely to occur and a reasonable estimate can be made.

Expenses also include amortization of tangible capital assets, which are capitalized at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset.

b) 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.

Revenues that are non-respendable are not available to discharge FINTRAC'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.

4. Parliamentary Authorities

FINTRAC is financed by the Government of Canada 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. Items recognized in the future-oriented statement of operations in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, FINTRAC has different net cost 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 requested authorities (in thousands of dollars)

	Forecast Results 2017–18	Planned Results 2018–19
Net cost of operations before government funding and transfers	54,142	54,650
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(660)	(2,166)
Services provided without charge by other government departments	(3,226)	(3,229)
Increase (decrease) in vacation pay and compensatory leave	(57)	4
Increase (decrease) in employee future benefits	(58)	87
Refund of previous years' expenditures	53	52
Total items affecting net cost of operations but not affecting authorities ⁽¹⁾	(3,947)	(5,251)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	2,668	2,533
Increase (decrease) in prepaid expenses	5	(40)
Total items not affecting net cost of operations but affecting authorities ⁽¹⁾	2,673	2,493
Forecast current year lapse	2,297	0
Requested authorities ⁽¹⁾	55,164	51,891

(b) Authorities requested (in thousands of dollars)

	Forecast Results 2017–18	Planned Results 2018–19
Authorities requested		
Vote 1 – Program expenditures	49,881	46,614
Statutory amounts	5,283	5,277
Requested authorities ⁽¹⁾	55,164	51,891

Authorities presented reflect current forecasts of statutory items, approved initiatives included and expected to be included in Estimates documents and, when reasonable estimates can be made, estimates of amounts to be allocated from Treasury Board central votes.

(1) Totals may not add due to rounding.