



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 2019–20	Planned Results 2020–21
Expenses		
Financial Intelligence Program	20,374	18,954
Compliance Program	15,933	25,523
Internal services	20,438	22,452
Total expenses	56,745	66,929
Revenues		
Compliance Program	(33)	0
Revenues earned on behalf of Government	33	0
Total revenues	0	0
Net Cost of Operations⁽¹⁾	56,745	66,929

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 past experience. The general historical pattern is expected to continue.
- (c) Forecast results of 2019–20 year end information are used as the opening position for the 2020–21 planned results.

These assumptions are made as at January 29, 2020.

2. Variations and Changes to the Forecast Financial Information

Although every attempt has been made to forecast final results for the remainder of 2019–20 and for 2020–21, actual results achieved for both years are likely to differ 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 about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

Factors that could lead to material differences between the Future-Oriented Statement of Operations and the historical statement of operations include:

- the timing of the modernization of the analytics system, which 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 which may affect gains, losses and amortization expense;
- the potential wage increases based on public sector collective bargaining;
- economic conditions, which may affect the collectability of accounts receivable; and
- other changes to the operating budget, such as new initiatives or technical adjustments later in the fiscal year.

After the Departmental Plan is tabled in Parliament, 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 the Government of Canada's accounting policies in effect for fiscal year 2019–20, and is 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. Although the Deputy Head is expected to maintain accounting control, he or she has no authority over 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 differs from financial reporting according to generally accepted accounting principles because authorities are based mainly 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.

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NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (Unaudited)
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The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to requested authorities (in thousands of dollars)

(In thousands of dollars)	Forecast Results 2019–20	Planned Results 2020–21
Net cost of operations before government funding and transfers	56,745	66,929
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(406)	(1,893)
Services provided without charge by other government departments	(2,932)	(3,228)
Vacation pay and compensatory leave	(24)	0
Employee future benefits	(335)	103
Refund of previous years' expenditures	37	44
Total items affecting net cost of operations but not affecting authorities⁽¹⁾	(3,659)	(4,974)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	180	162
Prepaid expenses	77	94
Total items not affecting net cost of operations but affecting authorities⁽¹⁾	257	256
Requested authorities⁽¹⁾	53,343	62,211

(b) Authorities requested (in thousands of dollars)

(In thousands of dollars)	Forecast Results 2019–20	Planned Results 2020–21
Authorities Requested		
Vote 1 – Program expenditures	48,445	56,591
Statutory Amounts	5,898	5,620
Less:		
Lapsed Vote 1 – Program expenditures	(1,000)	0
Requested Authorities⁽¹⁾	53,343	62,211

(1) Totals may not add due to rounding.