



Financial statements of the

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

and independent auditors' report thereon

For the year ended March 31, 2023

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

Statement of management responsibility including internal control over financial reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2023, and all information contained in these statements rests with the management of the 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 judgement, 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 FINTRAC's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in FINTRAC's *Departmental Results 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 conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

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

FINTRAC is subject to periodic Core Control Audits performed by the Office of the Comptroller General of Canada (OCG) and uses the results of such audits to comply with the Treasury Board Policy on Financial Management. A Core Control Audit was performed in 2016–17 by the OCG. The [Audit Report](#) and related [Management Action Plan](#) are posted on FINTRAC's website.

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.

Sarah Paquet

Director and Chief Executive Officer
FINTRAC
Ottawa, Canada
Date

Jessica Kaluski

Chief Financial Officer
FINTRAC
Ottawa, Canada
Date

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

Statement of financial position

As at March 31

(in dollars)	2023	2022
Liabilities		
Accounts payable and accrued liabilities (note 4)	10,015,474	7,157,111
Vacation pay and compensatory leave	3,994,633	3,994,635
Employee future benefits (note 5)	473,196	473,196
Total net liabilities	14,483,303	11,624,942
Financial assets		
Due from the Consolidated Revenue Fund	9,847,794	6,971,039
Accounts receivable and advances (note 6)	1,786,220	978,978
Total financial assets	11,634,014	7,950,017
Financial assets held on behalf of Government		
Accounts receivable and advances (note 6)	(1,106,508)	(446,522)
Total financial assets held on behalf of Government	(1,106,508)	(446,522)
Total net financial assets	10,527,506	7,503,495
Departmental net debt	3,955,797	4,121,447
Non-financial assets		
Prepaid expenses	2,194,397	1,714,800
Tangible capital assets (note 7)	4,277,521	3,245,716
Total non-financial assets	6,471,918	4,960,516
Departmental net financial position	2,516,121	839,069

Contractual obligations (note 8)

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

Sarah Paquet

Director and Chief Executive Officer
FINTRAC

Ottawa, Canada

Date

Jessica Kaluski

Chief Financial Officer
FINTRAC

Ottawa, Canada

Date

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the Financial Transactions and Report Analysis Centre of Canada (FINTRAC) which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations and departmental net financial position for the year then ended
- the statement of change in departmental net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FINTRAC as at March 31, 2023, 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 for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of FINTRAC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Emphasis of Matter - Basis of Accounting

Without modifying our opinion, we draw attention to note 2 to the financial statements, 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.

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 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.

In preparing the financial statements, management is responsible for assessing the FINTRAC'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 FINTRAC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing FINTRAC'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 Canadian generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian general accepted auditing standards, 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 FINTRAC's internal control.
- 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 FINTRAC'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 FINTRAC 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.

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

September 5, 2023

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

Statement of operations and departmental net financial position

For the year ended March 31

(in dollars)	2023 Planned results	2023	2022
Expenses			
Financial Intelligence	22,517,215	24,251,705	21,956,705
Compliance Program	26,249,782	29,284,556	26,802,967
Internal Services	34,278,338	37,702,596	31,142,634
Total expenses	82,045,335	91,238,857	79,902,306
Revenues			
Non-respendable revenue	-	1,819,926	2,237,694
Other revenue	-	748	-
Revenues earned on behalf of Government	-	(1,819,926)	(2,237,694)
Total revenues	-	748	-
Net cost of operations before government funding and transfers	82,045,335	91,238,109	79,902,306
Government funding and transfers			
Net cash provided by Government	78,484,250	85,356,963	75,906,625
Change in due from Consolidated Revenue Fund	(228,253)	2,876,755	1,211,644
Services provided without charge by other government departments (note 9)	3,954,209	4,664,937	4,287,839
Transfer of the transition payments for implementing salary payments in arrears	-	-	-
Other transfers of assets and liabilities (to) / from other government departments	-	16,506	13,457
Net cost of operations after government funding and transfers	(164,871)	(1,677,052)	(1,517,259)
Departmental net financial position – Beginning of year	(3,253,152)	839,069	(678,190)
Departmental net financial position – End of year	(3,088,281)	2,516,121	839,069

Segmented information (note 10)

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

(in dollars)	2023 Planned results	2023	2022
Net cost of operations after government funding and transfers	(164,871)	(1,677,052)	(1,517,259)
Change due to tangible capital assets			
Acquisitions and improvements to tangible capital assets	583,595	1,205,308	17,809
Amortization of tangible capital assets	(344,765)	(173,503)	(241,287)
Proceeds from disposal of tangible capital assets	-	-	-
Net gain on disposal of tangible capital assets including adjustments	-	-	-
Transfer of capital assets from (to) other government departments	-	-	-
Total change due to tangible capital assets	238,830	1,031,805	(223,478)
Change due to prepaid expenses	1,022,177	479,597	551,554
Net decrease in departmental net debt	1,096,136	(165,650)	(1,189,183)
Departmental net debt – Beginning of year	1,337,822	4,121,447	5,310,630
Departmental net debt – End of year	2,433,958	3,955,797	4,121,447

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

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

Statement of cash flows

For the year ended March 31

(in dollars)	2023	2022
Net cost of operations before government funding and transfers	91,238,109	79,902,306
Non-cash items:		
Amortization of tangible capital assets	(173,503)	(241,287)
Net gain on disposal of tangible capital assets including adjustments	-	-
Services provided without charge by other government departments	(4,664,937)	(4,287,839)
Other transfers of assets and liabilities (to) / from other government departments	(16,506)	(13,457)
Variations in statement of financial position:		
Increase in accounts receivable and advances	147,256	265,587
Increase in prepaid expenses	479,597	551,554
Increase in accounts payable and accrued liabilities	(2,858,363)	(1,361,505)
Increase (decrease) in vacation pay and compensatory leave liability	2	(52,568)
Decrease in employee future benefits	-	1,126,025
Cash used in operating activities	84,151,655	75,888,816
Capital investing activities		
Acquisition of tangible capital assets	1,205,308	17,809
Proceeds from disposal of tangible capital assets	-	-
Cash used in capital investing activities	1,205,308	17,809
Net cash provided by Government of Canada	85,356,963	75,906,625

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

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

Notes to the financial statements

For the year ended March 31

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, while ensuring the protection of personal information under its control. FINTRAC's Financial Intelligence and Compliance programs strive to disrupt the ability of criminals and terrorist groups that seek to abuse Canada's financial system and to reduce the profit incentive of crime.

FINTRAC acts at arm's length and is independent 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 by, 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: A Canadian financial system resistant to money laundering and terrorist financing.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with the Government's 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 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 "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-Oriented Statement of Operations included in the 2022-2023 Departmental Plan. The planned results amounts in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt were prepared for internal management purposes and have not been previously published.

(b) Net cash provided by Government of Canada

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 or to the CRF

Amounts due from or to 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 authorities to discharge its liabilities.

Notes to the financial statements

For the year ended March 31

2. Summary of significant accounting policies (continued)

(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 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 Head of the Agency is expected to maintain accounting control, 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:

- 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 are recorded as operating expenses at their estimated cost. Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.

(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. FINTRAC'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.
- Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are 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.
- The accrued liability related to sick leave benefits is recognized in the financial statements of the Government of Canada and is not reported in these financial statements under Treasury Board accounting policies for government departments.

(g) Accounts receivable

Accounts receivable are stated at the lower of cost and net recoverable value. 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 if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

Notes to the financial statements

For the year ended March 31

2. Summary of significant accounting policies (continued)

(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
Software (purchased and developed)	5 years
Other equipment, including furniture	5 to 10 years
Leasehold improvements	Lesser of remaining lease term or 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, revenue and expenses reported in the financial statements and accompanying notes at March 31. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. 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.

(k) Financial instruments

Financial instruments are recorded at fair value on initial recognition, and are subsequently recorded at cost or amortized cost unless management has elected to carry the instrument at fair value. Management has not elected to record any financial instruments at fair value. A statement of remeasurement gains and losses is not presented in these financial statements as FINTRAC does not have financial instruments requiring remeasurement.

(l) Foreign currency translation

Transactions involving foreign currencies are converted into Canadian dollar equivalents using rates of exchange in effect at the time of the transactions.

(i) Adoption of new accounting standards

FINTRAC has adopted the following new public sector accounting standards in the year.

- PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation:

On April 1, 2022, FINTRAC adopted Public Sector Accounting Standards PS 3450 - Financial Instruments and PS 2601 - Foreign Currency Translation. These standards were adopted prospectively from the date of adoption. These new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

The implementation of these standards did not require FINTRAC to reflect any adjustments in these financial statements other than the additional disclosure of financial risks.

- PS 3280 – Asset Retirement Obligations:

On April 1, 2022, FINTRAC adopted Public Sector Accounting Standards PS 3280 - Asset Retirement Obligations. This new accounting standards addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets by public sector entities. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as the date of adoption of the standards. Assumptions used in the subsequent calculations are revised yearly.

The implementation of this standard did not require FINTRAC to reflect any adjustments in these financial statements as FINTRAC does not have any significant legal obligation with respect to the retirement of its tangible capital assets.

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

Notes to the financial statements

For the year ended March 31

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 Statements 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. The differences are reconciled in the following tables:

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

(in dollars)	2023	2022
Net cost of operations before government funding	91,238,109	79,902,306
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets (note 7)	(173,503)	(241,287)
Services provided without charge by other government departments (note 9)	(4,664,937)	(4,287,839)
Increase (decrease) in vacation pay and compensatory leave liability	2	(52,568)
Net gain on disposal of tangible capital assets including adjustments	-	-
Decrease in employee future benefits	-	1,126,025
Increase in accrued liabilities not charged to authorities	50,527	840
Bad debt expense	-	(38,725)
Refund of prior years' expenditures	7,889	49,831
Total items affecting net cost of operations but not affecting authorities	(4,780,022)	(3,443,723)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets (note 7)	1,205,308	17,809
Increase in prepaid expenses	479,597	551,554
Salary overpayments to be recovered	9,642	(678)
Other loans and advances to employees	-	2,560
Proceeds from disposal of tangible capital assets	-	-
Other	745	(1,549)
Total items not affecting net cost of operations but affecting authorities	1,695,292	569,696
Current year authorities used	88,153,379	77,028,279

(b) Reconciliation of parliamentary authorities provided to current year authorities used

(in dollars)	2023	2022
Authorities provided:		
Vote 1 – Operating expenditures	88,082,006	83,548,128
Statutory amounts	7,640,716	6,738,585
Total authorities	95,722,722	90,286,713
Less:		
Authorities available for future years	(748)	-
Lapsed Vote 1 – Operating expenditures	(7,568,595)	(13,258,434)
Current year authorities used	88,153,379	77,028,279

Notes to the financial statements

For the year ended March 31

4. Accounts payable and accrued liabilities

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

(in dollars)	2023	2022
Accounts payable – Other government departments and agencies	2,837,718	555,881
Accounts payable – External parties	1,594,630	2,275,701
Total accounts payable	4,432,348	2,831,582
Accrued salaries and wages	4,486,267	4,134,611
Accrued liabilities	1,096,859	190,918
Total accounts payable and accrued liabilities	10,015,474	7,157,111

5. Employee future benefits

(a) Pension benefits

FINTRAC's employees participate in the public service pension plan (the "Plan"), which is sponsored and administered by the Government of Canada. 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 Plan benefits and they are indexed to inflation.

Both the employees and FINTRAC contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to *Economic Action Plan 2012*, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2022–23 expense amounts to \$4,991,191 (\$4,552,585 in 2021–22). For Group 1 members, the expense represents approximately 1.02 times (1.01 times in 2021–22) the employee contributions and, for Group 2 members, approximately 1.00 time (1.00 time in 2021–22) the employee contributions.

FINTRAC'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) Employee severance benefits

Severance benefits provided to FINTRAC's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities. In the prior year, FINTRAC revised its methodology for estimating the obligation, which was being applied prospectively.

The changes in the obligations during the year were as follows:

(in dollars)	2023	2022
Accrued benefit obligation – Beginning of year	473,196	1,599,221
Expense for the year	28,029	59,942
Benefits paid during the year	(28,029)	(59,942)

Net effect of change in Management estimate	-	(1,126,025)
Accrued benefit obligation – End of year	473,196	473,196

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

Notes to the financial statements

For the year ended March 31

6. Accounts receivable and advances

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

balances: (in dollars)	2023	2022
Receivables – Other Government departments and agencies	401,953	586,164
Receivables – External parties	1,416,415	427,062
Employee advances	5,764	3,664
	1,824,132	1,016,890
Allowance for doubtful accounts on receivables from external parties	(37,912)	(37,912)
Gross accounts receivable and advances	1,786,220	978,978
Accounts receivable held on behalf of Government	(1,106,508)	(446,522)
Net accounts receivable and advances	679,712	532,456

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

Notes to the financial statements

For the year ended March 31

7. Tangible capital assets

Cost	Opening	Acquisitions	Disposals,	Closing
(in dollars)	balance		adjustments	balance
			and write offs	
Machinery and equipment	1,715,857	259,214	-	1,975,071
Informatics hardware	7,243,407	14,396	-	7,257,803
Software (purchased and developed)	16,374,535	-	-	16,374,535
Other equipment, including furniture	6,656,676	91	-	6,656,767
Leasehold improvements	8,790,131	-	-	8,790,131
Work in progress	-	931,607	-	931,607
Total	40,780,606	1,205,308	-	41,985,914

Accumulated amortization	Opening	Amortization	Disposals,	Closing
(in dollars)	Balance		adjustments	balance
			and write offs	
Machinery and equipment	1,486,131	10,147	-	1,496,278
Informatics hardware	6,601,687	66,097	-	6,667,784
Software (purchased and developed)	15,965,206	9,526	-	15,974,732
Other equipment, including furniture	6,381,245	23,119	-	6,404,364
Leasehold improvements	7,100,621	64,614	-	7,165,235
Total	37,534,890	173,503	-	37,708,393

Net book value

(in dollars)	2023	2022
Machinery and equipment	478,793	229,726
Informatics hardware	590,019	641,720
Software (purchased and developed)	399,803	409,329
Other equipment, including furniture	252,403	275,431
Leasehold improvements	1,624,896	1,689,510
Work in progress	931,607	-
Total	4,277,521	3,245,716

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

Notes to the financial statements

For the year ended March 31

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 Xerox for copiers and with Public Services and Procurement Canada for office space in four locations across Canada. The minimum aggregate annual payments for future fiscal years are as follows:

(in dollars)	2023-24	2024-	2025-26 and thereafter	Total
	5,947,416	5,038,156	2,551,303	13,536,875

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. 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 services without charge from certain common service organizations, related to the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services provided without charge have been recorded in FINTRAC's Statement of Operations and Departmental Net Financial Position as follows:

(in dollars)	2023	2022
Employer's contribution to the health and dental insurance plans	4,664,937	4,287,839
Audit services	-	-
Workers' compensation	-	-
Total	4,664,937	4,287,839

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Services and Procurement Canada, are not included in FINTRAC's Statement of Operations and Departmental Net Financial Position. The costs of information technology infrastructure services provided by Shared Services Canada are also not included in FINTRAC's Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with related parties

(in dollars)	2023	2022
Expenses – Other government departments and agencies	22,470,034	19,674,334

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA *Notes to the financial statements*

For the year ended March 31

10. Segmented information

Presentation by segment is based on FINTRAC's program alignment architecture. The presentation by segment is based on the same accounting policies described in the Summary of *Significant Accounting Policies* in note 2. The following table presents the expenses incurred and revenues generated for the main programs, by major object of expenses and type of revenue. The segment results for the period are as follows:

(in dollars)	Financial Intelligence	Compliance Program	Internal Services	2023	2022
Operating expenses					
Salaries and employee benefits	17,990,324	22,707,707	24,617,516	65,315,547	58,126,405
Accommodations	1,189,667	1,806,532	1,409,976	4,406,175	4,279,125
Professional and special services	1,077,462	2,212,167	5,265,630	8,555,259	9,649,468
Acquisition of machinery and equipment	675,925	409,885	1,416,154	2,501,964	1,560,685
Rentals	1,361,925	738,552	2,012,947	4,113,424	2,952,037
Travel and relocation	272,042	261,867	134,383	668,292	92,133
Amortization of tangible capital assets	60,032	48,060	65,411	173,503	241,287
Information services	385,308	404,714	730,424	1,520,446	845,637
Transportation and telecommunication	895,612	429,056	1,169,761	2,494,429	994,618
Utilities, materials and supplies	69,752	99,086	100,956	269,794	281,672
Repairs and maintenance	273,062	165,050	783,675	1,221,787	849,817
Other expenditures	594	1,880	(4,237)	(1,763)	29,422
Total expenses	24,251,705	29,284,556	37,702,596	91,238,857	79,902,306
Revenues					
Non-respondable revenue	-	1,607,673	212,253	1,819,926	2,237,694
Other revenue	-	-	748	748	-
Revenues earned on behalf of Government	-	(1,607,673)	(212,253)	(1,819,926)	(2,237,694)
Total revenues	-	-	748	748	-
Net cost of operations before government funding and transfers	24,251,705	29,284,556	37,701,848	91,238,109	79,902,306

11. Financial risks

FINTRAC is subject to the following risks from in financial instruments:

- Credit risk refers to the risk that the counterparty to a financial instrument will cause a financial loss to FINTRAC by failing to discharge an obligation. FINTRAC is exposed to credit risk relating to its accounts receivable and advances disclosed in note 6, which are due mostly from federal government departments, agencies and crown corporations and external parties. Management believes that these balances do not pose a significant credit risk excess of the allowances for doubtful accounts that have been provided.
- Liquidity risk refers to the risk that FINTRAC will encounter difficulty in meeting its obligation associated with its financial liabilities. FINTRAC receives annual Parliamentary authorities. FINTRAC manages liquidity risk by ensuring that total annual expenditures are within these authorities, as disclosed in notes 3(a) and 3(b).
- Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. FINTRAC's financial instruments are not subject to significant market risk as it does not hold investments, debt or foreign currency.

- FINTRAC financial risks, and the process to manage these risks, have not changed significantly from the prior year.