



Canada Firearms
Centre

Centre des armes à feu
Canada

CANADA FIREARMS CENTRE

FINANCIAL STATEMENTS

For the year ended March 31, 2005



STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR THE YEAR ENDED MARCH 31, 2005

Responsibility for the integrity and objectivity of the accompanying financial statements of the Canada Firearms Centre for the year ended March 31, 2005 and all information contained in this report rests with departmental management.

We have prepared these financial statements in accordance with Treasury Board of Canada accounting standards which are based upon Canadian generally accepted accounting principles, using management's best estimates and judgements where appropriate. Readers of these statements are cautioned that the financial statements are not necessarily complete; certain assets, liabilities and expenses are only recorded at a government-wide level at this time. These statements should be read within the context of the significant accounting policies set out in Note 2 of the financial statements.

To fulfil these accounting and reporting responsibilities, the Centre maintains a set of accounts which provides a centralized record of the Centre's financial transactions. Financial information contained in the ministerial statements and elsewhere in the *Public Accounts of Canada* is consistent with these financial statements.

The Centre has developed and maintains books, records, internal controls and management practices, designed to provide reasonable assurance that the Government's assets are safeguarded and controlled, resources are managed economically and efficiently in the attainment of corporate objectives, and that transactions are in accordance with the Financial Administration Act and regulations as well as department policies and statutory requirements.

Approved by:

Beverley Holloway
Chief Operating Officer
Acting Commissioner

John Brunet, CA
Chief Financial Officer



Canada Firearms
Centre

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June 30, 2005



CANADA FIREARMS CENTRE
STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
AS AT MARCH 31, 2005
(thousands of dollars)

	<u>2005</u>	<u>2004</u>
ASSETS		
Financial assets		
Accounts receivable (Note 4)	\$ 7,315	\$ 177
Loan and advances	3	
	<hr/>	<hr/>
Total Financial Assets	<u>7,318</u>	<u>177</u>
Non-financial assets		
Prepaid expenses	604	659
Capital assets (Note 5)	<u>41,596</u>	<u>42,251</u>
Total Non-Financial Assets	<u>42,200</u>	<u>42,910</u>
TOTAL ASSETS	<u>\$ 49,517</u>	<u>\$ 43,087</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$ 21,369	\$ 46,996
Allowances for employee vacation and compensatory benefits	727	590
	<hr/>	<hr/>
Total Liabilities	<u>22,096</u>	<u>47,586</u>
NET ASSETS / (LIABILITIES)	<u>27,421</u>	<u>(4,499)</u>
TOTAL LIABILITIES	<u>\$ 49,517</u>	<u>\$ 43,087</u>

Commitments (Note 8)

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



CANADA FIREARMS CENTRE
STATEMENT OF OPERATIONS
(UNAUDITED)
FOR THE YEAR ENDED MARCH 31, 2005
(thousands of dollars)

	<u>2005</u>	<u>2004</u>
REVENUES		
Firearms Fees (Note 7)	\$ 11,150	\$ 16,255
EXPENSES		
Operations		
Salaries and employee benefits	20,697	25,287
Professional and other Services	48,261	11,402
Transportation and communication	3,937	5,180
Repair and maintenance	1,883	1,637
Amortization of capital assets	875	1,543
Rentals	789	1,165
Utilities, materials and supplies	923	925
Information	353	466
Other expenses from internal sources	3,770	104
Refunds from previous years	(52)	(54)
Other expenses	16	37
	<u>81,452</u>	<u>47,692</u>
Transfer Payments		
Provinces	12,451	15,430
Non-profit organizations	61	55
Aboriginals	50	206
	<u>12,562</u>	<u>15,691</u>
Total Expenses	<u>94,014</u>	<u>63,383</u>
Net cost	\$ (82,864)	\$ (47,128)
Net assets (liabilities), beginning of year	(4,499)	4,300
Net cash provided by Government	114,784	38,329
Net assets (liabilities), end of year	<u>\$ 27,421</u>	<u>\$ (4,499)</u>

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



CANADA FIREARMS CENTRE
STATEMENT OF CASH FLOWS
(UNAUDITED)
FOR THE YEAR ENDED MARCH 31, 2005
(thousands of dollars)

	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES		
Net cost of operations	\$ (82,864)	\$ (47,128)
Non-cash items included in net cost of operations:		
Amortization of capital assets	875	1,543
Allowances vacation and compensatory benefits	139	590
Statement of Financial Position adjustments:		
Variation in accounts receivable	(7,138)	(133)
Variation in accounts payable	(25,627)	46,996
Variation in prepaid expenses	55	(591)
Cash used in operating activities	<u>(114,560)</u>	<u>1,277</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	(221)	(39,606)
Increase in loans and advances	(3)	
Cash used in investing activities	<u>(224)</u>	<u>(39,606)</u>
Net cash provided by Government	<u>\$ (114,784)</u>	<u>\$ (38,329)</u>

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



CANADA FIREARMS CENTRE

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) for the year ended March 31, 2005

1. Authority and objective

The Canada Firearms Centre was established as a department, in April 2003, under Schedule I.1 to the *Financial Administration Act*. Responsibility and accountability of the Canadian Firearms Program was then transferred from the Minister of Justice to the Solicitor General of Canada (subsequently renamed Minister of Public Security and Emergency Preparedness).

The Centre mandate is to develop and oversee an effective firearms registration and licensing system to meet the Government's principle obligations under the Firearms Act. The mission of the Canada Firearms Centre is to enhance public safety by helping reduce death, injury and threat from firearms through responsible ownership, use and storage of firearms, and by providing police and other organizations with expertise and information vital to the prevention and investigation of firearms crime and misuse in Canada and internationally.

2. Summary of significant accounting policies

These financial statements have been prepared on an accrual basis of accounting in accordance with Treasury Board of Canada accounting standards. These standards are based upon Canadian generally accepted accounting principles. Not all assets, liabilities and expenses applicable to a department are recorded at the departmental level at this time. As such, the financial statements are not necessarily complete. The accompanying notes provide additional detail and should be read with care. All such assets, liabilities and expenses are recorded at a government-wide level in the financial statements of the Government of Canada. The most significant accounting policies are as follows:

(a) Parliamentary appropriations

The Government of Canada finances the Centre through Parliamentary appropriations. Appropriations provided to the Centre do not parallel financial reporting according to generally accepted accounting principles. They are based in large part on cash flow requirements. Items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through appropriations from Parliament. Note 4 provides information regarding the source and disposition of these authorities and a high-level reconciliation between the two bases of reporting.

(b) Consolidated Revenue Fund

The Centre operates within the Consolidated Revenue Fund (CRF). The CRF is administered by the Receiver General for Canada. All cash received by the Centre is deposited to the CRF and all cash disbursements made by the Centre are paid from the



CRF. Net cash provided by government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government and a corresponding amount is credited directly to the net assets / (liabilities).

(c) Reporting entity

The reporting entity is the Canadian Firearms Centre for which the Minister of Public Safety and Emergency Preparedness is responsible.

(d) Revenues

Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

(e) Expenses

Expenses are recorded when the underlying transaction or expense occurred subject to the following:

- Contributions

Contributions are recognized in the year in which the recipient has met the eligibility criteria and the costs have been incurred.

- Employee termination benefits

Employee termination benefits are expensed by departments as paid. No estimated accruals are recorded at the departmental level. Any accrual of these benefits is recognized in the consolidated financial statements of the Government of Canada.

- Vacation and compensatory benefits

Vacation and compensatory pay are expensed in the year that the entitlement occurs.

- Services provided without charge by other Government departments and agencies

Services provided without charge by other government departments are not recorded as operating expenses. The following are the more significant types of services provided without charge: banking and accommodation services provided by Public Works and Government Services Canada; contributions covering employer's share of employees' insurance premiums and costs paid by Treasury Board Secretariat; audit services provided by the Office of the Auditor General.



(f) Foreign currency transactions

Transactions involving foreign currencies are translated into Canadian dollars equivalents using rates of exchange in effect at the time of those transactions. Assets and liabilities denominated in foreign currencies are translated using exchange rates in effect on March 31st.

(g) Accounts receivable

Accounts receivable are stated as amounts expected to be ultimately realized. An allowance is made for doubtful accounts from external parties for any amounts where the recovery is considered uncertain. No such provision is made for amounts owing from other government departments.

(h) Capital assets

All assets treated as capital assets under Public Sector Accounting Board Recommendations plus leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Capital assets are amortized over their estimated useful life on a straight-line basis, as follows:

Capital Asset Class	Amortization Period
Informatics equipment	4 years
Informatics software	3 to 5 years
Other equipment	5 to 10 years
Furniture	8 years
Motor vehicles	5 years
Leasehold improvements	Term of the lease

(i) Contingent liabilities

In the normal course of its operations, the Centre becomes involved in various legal actions. Some of these potential liabilities 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 on the government's consolidated financial statements. These estimated liabilities are not recognized on the department's financial statement as a liability until the amount of the liability is firmly established.

(j) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues 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 estimated



useful life of capital assets is one of the most significant items where estimates are used. Actual results could differ from those estimated.

3. Parliamentary appropriations

The operations of the Centre are financed through Parliamentary appropriations. These appropriations are recorded when used and any amount not used lapses. Items recognized in the Statement of Operations in one year may be funded through Parliamentary appropriations in a different year. Accordingly, the Centre has different net results of operations for the year on a government funding basis than on a full accrual basis of accounting. These differences are reconciled below:

a) Reconciliation of net results of operations to total Parliamentary appropriations used (\$000):

	<u>2005</u>	<u>2004</u>
NET COST OF OPERATIONS	\$ (82 864)	\$ (47 128)
Adjustments for items affecting Net Results but not affecting Appropriations		
Add: Items recorded as expenses		
Amortization	875	1 543
Employee Benefits- vacation pay and compensatory time	139	590
Other		
Bad debts	14	27
Reversal of Department of Justice expenditures	486	
Refunds of previous years expenditures	(52)	(54)
Total	<u>1 463</u>	<u>2 106</u>
Less: Items recorded as revenue		
Fees & miscellaneous revenues (Note 7)	11 150	16 255
Refunds of revenue credited in previous years	91	108
Total	<u>11 241</u>	<u>16 363</u>
Total adjustments for items not affecting appropriations	<u>(9 779)</u>	<u>(14 257)</u>
Adjustments for items not affecting Net Result but affecting Appropriations		
Less: Capital acquisitions affecting appropriations	(221)	(39 606)
Prepaid Expenses	55	(591)
Total adjustments for items affecting appropriations	<u>(166)</u>	<u>(40 197)</u>
Total appropriations used	\$ <u>(92 809)</u>	\$ <u>(101 582)</u>



b) Parliamentary appropriations provided and used (\$000):

	Appropriations Provided		Appropriations Used	
	2005	2004	2005	2004
Operating Expenditures	82 132	94 950	77 285	82 874
Transfer payments	14 500	16 500	12 562	15 692
Statutory amounts	2 871	2 909	2 871	2 909
Refunds of amounts credited to revenues in previous years	91	108	91	107
Total	99 594	114 467	92 809	101 582

4. Accounts receivable

	2005	2004
	(\$000)	(\$000)
Other government departments	\$ 7 085	\$ 159
Outside parties	248	22
Allowance for doubtful accounts	(18)	(4)
Total accounts receivable	\$ 7 315	\$ 177



5. Capital assets

	Capital assets (\$000)					Accumulated amortization (\$000)					Net book value, March 31, 2005
	Opening balance, April 1, 2004	Acquisitions during the year	Disposals / write-offs during the year	Corrections / Reclassifications	Closing balance, March 31, 2005	Accumulated amortization, April 1, 2004	Amortization for the period	Disposal / write-offs effect on amortization	Corrections / Reclassifications	Accumulated amortization, March 31, 2005	
Informatics	5 323	91			5 414	5 252	77			5 329	85
Software	3 600				3 600	1 440	600			2 040	1 560
Other equipment	24				24	9	3			12	12
Furniture	1 371	45			1 416	1 028	166			1 194	222
Motor vehicles	411				411	389	12			401	10
Leasehold improvements	69				69	12	17			29	40
Work in Progress Software	39 582	85			39 667						39 667
	50 380	221	0	0	50 601	8 130	875	0	0	9 005	41 596



6. Accounts payable and accrued liabilities

	2005		2004
	(\$000)		(\$000)
Outside parties	\$ 14 176	\$	45 139
Other government departments	7 193		1 857
Total accounts payable and accrued liabilities	\$ 21 369	\$	46 996

7. Revenues

	2005		2004
	(\$000)		(\$000)
Firearms Fees (net of current year remission)	\$ 11 238	\$	16 360
Less: Refunds of previous years fees	(91)		(108)
Miscellaneous revenues	3		3
Total revenues	\$ 11 150	\$	16 255

8. Commitments

The nature of the Centre's operating activities result in some large multi-year contracts and obligations whereby the Centre will be committed to make some future payments when the services or goods are rendered. Major operating commitments that can reasonably be estimated are as follows:

	(\$000)
2005-2006	23 372
2006-2007	14 875
2007-2008	14 875
2008-2009	14 875
2009-2010 and subsequent years	163 626