

MINISTRY OF JUSTICE

VICTIMS' FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2014



INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Victims' Fund, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Victims' Fund as at March 31, 2014, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson, FCA
Acting Provincial Auditor

Regina, Saskatchewan
July 23, 2014

Statement 1

**MINISTRY OF JUSTICE
VICTIMS' FUND
STATEMENT OF FINANCIAL POSITION
As at March 31**

	2014	2013
Financial assets		
Due from General Revenue Fund (Note 6)	\$ 5,273,765	\$ 9,374,787
Accounts receivable (Note 7)	3,842,303	2,828,800
Due from Public Guardian and Trustee (Note 8)	5,219,213	968,614
Total financial assets	<u>14,335,281</u>	<u>13,172,201</u>
Liabilities		
Accounts payable	283,718	606,626
Employee leave entitlement	61,911	41,305
Total liabilities	<u>345,629</u>	<u>647,931</u>
Net financial assets	13,989,652	12,524,270
Non-financial assets		
Tangible capital assets (Notes 2d and 4)	<u>122,732</u>	<u>141,648</u>
Accumulated surplus	<u>\$ 14,112,384</u>	<u>\$ 12,665,918</u>
Commitments (Note 10)		

(See accompanying notes to the financial statements)

Statement 2

**MINISTRY OF JUSTICE
VICTIMS' FUND
STATEMENT OF OPERATIONS
For the Year Ended March 31**

	Budget 2014 (Note 13)	Actual 2014	Actual 2013
Revenue:			
Surcharge revenue	\$ 6,300,000	\$ 9,218,509	\$ 8,206,535
Grant – Ministry of Justice (Note 9)	--	192,000	159,200
Investment income (Note 8)	--	314,501	143,274
Proceeds of Crime			
– Federal (Note 11)	--	202,775	--
– Provincial (Note 12)	--	100,000	--
Federal Cost Sharing revenue	500,000	492,010	363,808
Other	--	83,279	31,031
Total revenue	6,800,000	\$10,603,074	8,903,848
Expense:			
Administration costs	910,000	1,210,829	1,087,230
Bad Debt	--	1,123,343	603,143
Crime Prevention Grants	305,000	338,050	335,600
Crisis intervention services	4,712,000	3,768,595	3,230,386
Court based programs	646,000	630,040	506,507
Compensation payments	892,000	464,030	478,968
Domestic Violence Courts	412,000	425,812	416,910
Proceeds of Crime (Note 11)	--	--	116,656
Restitution program	336,000	230,529	212,549
Research, evaluation and prevention	617,000	863,358	830,956
Education and training	153,000	102,022	104,569
Total expense (Schedule 1)	8,983,000	9,156,608	7,923,474
Surplus for the year	\$ (2,183,000)	1,446,466	980,374
Accumulated surplus, beginning of year		\$ 12,665,918	11,685,544
Accumulated surplus, end of year		\$ 14,112,384	\$ 12,665,918

(See accompanying notes to the financial statements)

Statement 3

**MINISTRY OF JUSTICE
VICTIMS' FUND
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the Year Ended March 31**

	<u>2014</u>	<u>2013</u>
Surplus for the year	\$ 1,446,466	\$ 980,374
Acquisition of tangible capital assets	--	(48,662)
Amortization of tangible capital assets	<u>18,916</u>	<u>18,917</u>
	<u>18,916</u>	<u>(29,745)</u>
Increase in net financial assets	1,465,382	950,629
Net financial assets, beginning of year	<u>12,524,270</u>	<u>11,573,641</u>
Net financial assets, end of year	<u><u>\$ 13,989,652</u></u>	<u><u>\$ 12,524,270</u></u>

(See accompanying notes to the financial statements)

**MINISTRY OF JUSTICE
VICTIMS' FUND
STATEMENT OF CASH FLOWS
For the Year Ended March 31**

	<u>2014</u>	<u>2013</u>
Operating activities		
Cash received from:		
Surcharge	\$ 7,670,097	\$ 7,576,622
Interest	63,902	91,349
Other	732,228	352,172
	<u>8,466,227</u>	<u>8,020,143</u>
Cash paid for:		
Salaries	1,511,735	1,382,224
Other	6,804,915	5,460,045
	<u>8,316,650</u>	<u>6,842,269</u>
Cash provided by operating activities	149,577	1,177,874
Capital activities		
Purchase of tangible capital assets	--	(48,662)
Investing activities		
Purchase of investments through Public Guardian and Trustee	<u>(4,250,599)</u>	<u>(51,925)</u>
Increase in cash and cash equivalents	(4,101,022)	1,077,287
Due from General Revenue Fund, beginning of year	<u>9,374,787</u>	<u>8,297,500</u>
Due from General Revenue Fund, end of year	<u>\$ 5,273,765</u>	<u>\$ 9,374,787</u>

(See accompanying notes to the financial statements)

**MINISTRY OF JUSTICE
VICTIMS' FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014**

1. Authority

The Victims' Fund (Fund) was established by *The Victims of Crime Act*, and continues under the authority of *The Victims of Crime Act, 1995* (Act). The Fund receives all provincial and federal fine surcharges assessed under the Act and under the *Criminal Code of Canada*. The Ministry of Justice collects surcharges on behalf of the Fund. The Act permits expenditures from the Fund to promote and deliver services and benefits to victims; conduct research and distribute information respecting victims' services, needs and concerns; and for crime prevention and administration.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board as published by CPA Canada, the Fund is classified as an other government organization. Accordingly, the Fund uses Canadian public sector accounting standards. The following accounting standards are considered to be significant.

a) Basis of accounting

The financial statements are prepared on the accrual basis of accounting.

b) Revenue

i) Surcharge and other sources

Surcharges are recorded as revenue when imposed. Government grants are recognized when received or receivable. Other sources of revenue are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

A valuation allowance for the imposed surcharges is calculated based on past history (See note 2e).

ii) Federal cost sharing revenue

From time to time, the Fund makes cost sharing agreements with the Federal government to provide enhancements to victims' programs in Saskatchewan. In accordance with the agreements, the Fund recognizes revenue when the related expenses are incurred.

c) Community grants expense

Grants are expensed when approved and the recipient has met eligibility criteria.

d) Tangible capital assets

Tangible capital assets are recorded at cost and are amortized on a straight-line basis over the assets useful life of 10 years.

e) Use of estimates

These statements are prepared in accordance with Canadian public sector accounting standards. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in the period when they are identified.

The allowance for doubtful accounts on the surcharge receivable is the most significant estimate in the financial statements (see note 7).

3. Financial Instruments

The Fund has the following financial instruments:

- due from General Revenue Fund,
- due from Public Guardian and Trustee (PGT),
- accounts receivable,
- accounts payable.

The following paragraphs provide information about the risks associated with these financial instruments and the fair values of those instruments.

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on cash flows, financial position and income.

The Fund is exposed to interest rate risk as the value of its financial instruments fluctuates due to changes in market interest rates.

The Fund's cash is held in the General Revenue Fund (a related party) and interest is paid at standard rates paid by the Government of Saskatchewan (see Note 6).

As market interest rates fluctuate, the market value of the Fund's investments held with PGT moves in the opposite direction. This risk may affect the price the Fund could get for the investments prior to maturity. To mitigate this risk, PGT works with an investment advisor who actively manages asset class allocations through a balanced approach.

The Fund's receivables and payables are non-interest bearing and as a result there is no interest rate risk associated with these financial instruments.

b) Credit risk

The Fund is exposed to credit risk from potential non-payment of amounts due from General Revenue Fund (GRF), accounts receivable and due from PGT. Because both GRF and PGT are related parties the Fund's credit risk is minimal.

The Fund's accounts receivable arise from fine surcharges assessed against individuals. Credit risk associated with accounts receivable relates to unpaid fine surcharges. The amount of fine surcharges which will eventually be collected is difficult to measure. The amount at which accounts receivable are stated in the financial statements is an estimate of fine surcharges which will be collected, based on the Fund's past experience.

c) Fair value

For the following instruments, the fair values approximate their carrying value due to their immediate or short-term nature:

Due from General Revenue Fund
Accounts receivable
Accounts payable

The fair value of Due from Public Guardian and Trustee at March 31, 2014 approximates its carrying value as the amount reflects market values of the underlying investments (see Note 8).

4. Tangible Capital Assets

	2014	2013
Opening costs of tangible capital assets	\$ 189,163	\$ 140,501
Additions during the year	--	48,662
Closing costs of tangible capital assets	189,163	189,163
Opening accumulated amortization	47,515	28,598
Annual amortization	18,916	18,917
Closing accumulated amortization	66,431	47,515
Net book value of tangible capital assets	<u>\$ 122,732</u>	<u>\$ 141,648</u>

Tangible capital assets consist of audio/visual equipment.

Annual amortization is included in administration costs in the Statement of Operations.

5. Related Parties

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan, and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). During the year, the Fund received certain administrative services from the Ministry of Justice and the Ministry of Finance without charge.

In accordance with established government policy, the Fund has not been charged with certain costs including occupancy, financing, use of certain tangible capital assets and certain administrative costs. These costs have been absorbed by various ministerial appropriations and therefore no provision for such costs is reflected in these financial statements.

Amounts expensed to related parties in the 2013-14 fiscal year consists of the following:

	2014	2013
SaskTel	\$ 24,219	\$ 21,372
Ministry of Central Services	294,198	208,839
Saskatchewan Government Insurance	1,456	1,520
Saskatchewan Institute of Applied Science & Technology	40,515	14,020
	<u>\$ 360,388</u>	<u>\$245,751</u>

Amounts payable to related parties in the 2013-14 fiscal year consists of the following:

	2014	2013
Ministry of Central Services	\$ --	\$ 80,929
	<u>\$ --</u>	<u>\$ 80,929</u>

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and related notes.

6. Due from General Revenue Fund

The monies of the Fund are deposited in the General Revenue Fund.

The Fund's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Fund using the Government's 30 day borrowing rate and the Fund's average daily bank account balance. The Government's average 30 day borrowing rate in 2014 was 1.02% (2013 – 1.09%).

7. Accounts Receivable

This amount represents surcharges due to the Fund on account of fines levied against but not yet paid by individuals, and miscellaneous receivables. The balance at March 31 consists of:

	2014	2013
Total Surcharge receivable	\$ 10,803,328	\$ 9,254,916
Allowance for Doubtful Accounts	<u>(8,163,376)</u>	<u>(7,040,032)</u>
Net Surcharge Receivable	2,639,952	2,214,884
Federal/Provincial Cost Sharing Agreement receivable	926,110	539,973
Other accounts receivable	<u>276,241</u>	<u>73,943</u>
Total accounts receivable	<u>\$ 3,842,303</u>	<u>\$ 2,828,800</u>

8. Due from Public Guardian and Trustee

The Fund invests a portion of its surplus funds through PGT. PGT invests these monies, together with monies it administers for its other clients. PGT allocates income earned together with part of the changes in market values of investments, annually to its clients, including the Fund. In 2013-14, the Fund invested an additional \$4,000,000 with the PGT.

The Fund records amounts PGT allocates as investment income or loss and adjusts the carrying value of due from PGT in the same amount.

9. Grant from Ministry of Justice

The grant from the Ministry of Justice reflects funding for victims' programs to manage and pay for certain programs.

10. Commitments

The Fund is committed to provide \$5,150,509 to community-based victim services programs throughout the Province for the next fiscal year.

The Fund also pays the Crime Prevention Grants to various organizations to help provide crime prevention programs throughout the Province. The Fund is committed to provide crime prevention grants amounting to \$242,700 for the next fiscal year.

11. Designated Net Assets

Under the federal *Seized Property Management Act* and the Forfeited Property Sharing Regulations, the Federal Government receives monies from seizures made by police during drug and other illegal activity investigations. On April 17, 2000 the Province entered into an agreement with the Federal Government that requires these

proceeds are to be used to support crime prevention, issues of substance abuse, and law enforcement.

Proceeds of Crime transfers from the Federal Government are assigned as designated net assets in the Fund and included in the net financial assets of the Fund. These assets are to be used for police operations directed at organized crime and police-based crime prevention activities, at the discretion of the Saskatchewan Proceeds of Crime Management Committee.

	Beginning of Year	Receipts from the Federal Government	Disbursements	End of year
Monies for RCMP operations directed at organized crime	\$ 1,142,514	\$ 152,081	--	\$ 1,294,595
Monies for public education and crime prevention	59,799	50,694	--	\$ 110,493
Total	\$ 1,202,313	\$ 202,775	--	\$ 1,405,088

12. Proceeds of Crime - Provincial

Under the provincial *Seizure of Criminal Property Act, 2009*, property acquired, whether directly or indirectly, as a result of unlawful activity can be sold by an order of the court. Proceeds from such sales may be distributed, at the direction of the Minister of Justice, to the Victims' Fund under section 6 of *The Victims of Crime Act, 1995*.

The Victims' Fund received \$100,000 in 2013-14 (nil 2012-13).

13. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Fund's budget annually.

Schedule 1

**MINISTRY OF JUSTICE
VICTIMS' FUND
SCHEDULE OF EXPENSE BY OBJECT
For the Year Ended March 31**

	<u>2014</u>	<u>2013</u>
Expense:		
Community grants	\$ 5,395,815	\$ 4,837,852
Salaries	1,532,341	1,373,995
Proceeds of Crime program	--	116,656
Compensation awards	464,030	478,968
Administration	384,723	332,040
Systems expenses	237,440	161,903
Amortization	18,916	18,917
Bad Debt Expense	1,123,343	603,143
	<u>\$ 9,156,608</u>	<u>\$ 7,923,474</u>