

**NEWFOUNDLAND AND LABRADOR  
IMMIGRANT INVESTOR  
FUND LIMITED**

**FINANCIAL STATEMENTS**

**MARCH 31, 2017**

## Management's Report

### *Management's Responsibility for the Newfoundland and Labrador Immigrant Investor Fund Limited Financial Statements*

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.


Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Corporation, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Immigrant Investor Fund Limited.

On behalf of the Newfoundland and Labrador Immigrant Investor Fund Limited.



Ben Gardner  
Assistant Deputy Minister  
Business



Liane Price  
Director, Business Analysis



**AUDITOR  
GENERAL**  
of Newfoundland and Labrador

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Newfoundland and Labrador Immigrant  
Investor Fund Limited  
St. John's, Newfoundland and Labrador

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Newfoundland and Labrador Immigrant Investor Fund Limited which comprise the statement of financial position as at March 31, 2017, the statements of operations, change 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, 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 judgment of the auditor, 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.

## **Independent Auditor's Report (cont.)**

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 the Newfoundland and Labrador Immigrant Investor Fund Limited as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read 'T. Paddon', with a long horizontal line extending to the right.

**TERRY PADDON, CPA, CA**  
**Auditor General**

June 9, 2017  
St. John's, Newfoundland and Labrador

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**As at March 31**

	2017	2016
<b>FINANCIAL ASSETS</b>		
Cash	\$ 108,208,600	\$ 154,391,697
Interest receivable	76,346	106,426
Immigration, Refugees and Citizenship Canada receivable	-	31,832
	<b>108,284,946</b>	<b>154,529,955</b>
<b>LIABILITIES</b>		
Obligations to investors (Note 4)	106,299,569	153,573,873
	<b>106,299,569</b>	<b>153,573,873</b>
<b>Net financial assets</b>	<b>1,985,377</b>	<b>956,082</b>
<b>NON-FINANCIAL ASSETS</b>		
Deferred financing costs (Note 5)	1,730,745	3,294,189
<b>Accumulated surplus</b>	<b>\$ 3,716,122</b>	<b>\$ 4,250,271</b>

*The accompanying notes are an integral part of these financial statements.*

Signed on behalf of the Corporation:

  
 Chairperson

  
 Member

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**STATEMENT OF OPERATIONS**  
**For the Year Ended March 31**

	2017 Budget	2017 Actual	2016 Actual
	(Note 9)		
<b>REVENUES</b>			
Interest	\$ 1,339,661	\$ 1,053,982	\$ 1,470,326
Amortization of discounts on portfolio investments	-	-	288,335
	<u>1,339,661</u>	<u>1,053,982</u>	<u>1,758,661</u>
<b>EXPENSES</b>			
Amortization of deferred financing costs	1,586,172	1,588,023	2,233,353
Bank charges	488	22	37
Miscellaneous	-	86	386
Safekeeping fees			897
	<u>1,586,660</u>	<u>1,588,131</u>	<u>2,234,673</u>
<b>Annual deficit</b>	(246,999)	(534,149)	(476,012)
<b>Accumulated surplus, beginning of year</b>	4,250,271	4,250,271	4,726,283
<b>Accumulated surplus, end of year</b>	<u>\$ 4,003,272</u>	<u>\$ 3,716,122</u>	<u>\$ 4,250,271</u>

*The accompanying notes are an  
integral part of these financial statements.*

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**For the Year Ended March 31**

	2017 Budget	2017 Actual	2016 Actual
	(Note 9)		
<b>Annual deficit</b>	\$ (246,999)	\$ (534,149)	\$ (476,012)
<b>Deferred financing costs</b>			
Acquisition of deferred financing costs		(24,579)	(103,932)
Use of deferred financing costs	1,586,172	1,588,023	2,233,353
	1,586,172	1,563,444	2,129,421
<b>Increase in net financial assets/decrease in net debt and increase in net financial assets</b>	1,339,173	1,029,295	1,653,409
<b>Net financial assets (debt), beginning of year</b>	956,082	956,082	(697,327)
<b>Net financial assets, end of year</b>	\$ 2,295,255	\$ 1,985,377	\$ 956,082

*The accompanying notes are an integral part of these financial statements.*

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended March 31

2017

2016

**Operating transactions**

Annual deficit	\$ (534,149)	\$ (476,012)
Adjustment for non-cash items		
Amortization of deferred financing costs	1,588,023	2,233,353
Amortization of discounts on portfolio investments	-	(288,335)
	1,053,874	1,469,006
Change in non-cash working capital		
Interest receivable	30,080	44,386
Immigration, Refugees and Citizenship Canada receivable	31,832	(31,832)
<b>Cash provided from operating transactions</b>	<b>1,115,786</b>	<b>1,481,560</b>
<b>Investing transactions</b>		
Portfolio investments redeemed	-	27,767,948
<b>Cash provided from investing transactions</b>	<b>-</b>	<b>27,767,948</b>
<b>Financing transactions</b>		
Deferred financing charges	(24,579)	(103,932)
Amount received from investors	414,880	1,715,615
Refund to investors	(61,866)	(61,866)
Repayment of investor funds	(47,627,318)	(59,392,011)
<b>Cash applied to financing transactions</b>	<b>(47,298,883)</b>	<b>(57,842,194)</b>
<b>Decrease in cash</b>	<b>(46,183,097)</b>	<b>(28,592,686)</b>
<b>Cash, beginning of year</b>	<b>154,391,697</b>	<b>182,984,383</b>
<b>Cash, end of year</b>	<b>\$ 108,208,600</b>	<b>\$ 154,391,697</b>

*The accompanying notes are an integral part of these financial statements.*



**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2017

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**1. Nature of operations**

Newfoundland and Labrador Immigrant Investor Fund Limited (the Corporation) is a Crown corporation of the Province of Newfoundland and Labrador (the Province) and was incorporated on April 28, 2005 under the *Corporations Act* of the Province. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

The purpose of the Corporation is to receive, administer and invest funds received from Immigration, Refugees and Citizenship Canada (IRCC), formerly known as Citizenship and Immigration Canada, under its Business Immigration Program. Section 92(f) of the *Immigration and Refugee Protection Regulations* to the *Immigration and Refugee Protection Act* requires that during the allocation period of five years, the provincial allocation must be used for the purpose of creating or continuing employment in Canada to foster the development of a strong and viable economy.

In April 2005, the Provincial Cabinet instructed the Board of Directors to direct the investment activities of the Corporation and refer projects to Cabinet for approval. The Provincial Cabinet also directed that all recommended investments be subject to a thorough financial and business analysis by the sponsoring department.

The Minister of Tourism, Culture, Industry and Innovation holds 100% of the issued common shares of the Corporation on behalf of the Province of Newfoundland and Labrador. Currently, there are 100 authorized common shares of no par value with 3 shares issued.

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

**2. Summary of significant accounting policies**

**(a) Basis of accounting**

The Corporation is classified as an Other Government Organization as defined by Canadian Public Sector Accounting Standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Public Sector Accounting Board (PSAB). The Corporation does not prepare a statement of remeasurement gains and losses as the Corporation does not enter into relevant transactions or circumstances that are being addressed by this statement. Outlined below are the significant accounting policies followed.

**(b) Financial instruments**

The Corporation's financial instruments recognized in the statement of financial position consist of cash, interest receivable, IRCC receivable, and obligations to investors. The Corporation generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. Summary of significant accounting policies (cont.)**

**(b) Financial instruments (cont.)**

The Corporation subsequently measures all of its financial assets and financial liabilities at cost. Financial assets measured at cost include cash, interest receivable, and IRCC receivable. Financial liabilities measured at cost include accounts payable and accrued liabilities, and obligations to investors.

The carrying values of cash, interest receivable, IRCC receivable, and obligations to investors approximate current fair value due to their nature and/or the short-term maturity associated with these instruments.

Interest attributable to financial instruments is reported in the statement of operations. Amortization of discounts related to portfolio investments is reported as revenue in the statement of operations.

**(c) Cash**

Cash includes cash in bank.

**(d) Deferred financing costs**

Deferred financing costs are amortized, on a straight-line basis, over the five year period during which the funds are available to the Corporation.

**(e) Obligations to investors**

An obligation to an investor is recognized upon receipt of funds from IRCC.

**(f) Revenues**

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

**(g) Expenses**

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is recorded as an expense in that year.

**2. Summary of significant accounting policies (cont.)**

**(h) Measurement uncertainty**

The preparation of financial statements in conformity with CPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of estimates include the amortization of deferred financing costs.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

**3. Accounting pronouncements**

There are several new standards issued by the PSAB that are not yet effective and have not been applied in these financial statements. These standards and corresponding effective dates are as follows:

Effective April 1, 2017:

*PS 2200 Related Party Disclosures* – a new standard defining related parties and establishing disclosure requirements for related party transactions.

*PS 3210 Assets* – a new standard providing guidance for applying the definition of assets and establishing general disclosure requirements for assets but does not provide guidance for the recognition and disclosure of specific types of assets.

*PS 3320 Contingent Assets* – a new standard defining and establishing disclosure requirements for contingent assets but does not include disclosure standards for specific types of contingent assets.

*PS 3380 Contractual Rights* – a new standard defining and establishing disclosure requirements for contractual rights but does not include disclosure standards for specific types of contractual rights.

*PS 3420 Inter-entity Transactions* – a new standard on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

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**3. Accounting pronouncements (cont.)**

Effective April 1, 2018:

*PS 3430 Restructuring Transactions* – a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities.

The Corporation plans to adopt these standards by the effective dates and is currently analyzing the impact these standards will have on the financial statements.

**4. Obligations to investors**

One of the conditions for the issuance of a visa to immigrants under the Immigration, Refugees and Citizenship Canada Business Immigration Program (the Program), is that they must invest \$400,000 in Canada for a period of five years. The amount of the investment is allocated to the participating provinces on the first day of the second month following the month payment is received from the investor. \$200,000 of the \$400,000 is divided equally among the participating provinces while the remaining \$200,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces.

During the Fall of 2011, a new agreement was signed which now requires immigrants under the Program to invest \$800,000 in Canada for a period of five years. Of the \$800,000, \$400,000 is divided equally among the participating provinces and the remaining \$400,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces.

As at March 31, 2017, Newfoundland and Labrador Immigrant Investor Fund Limited maintained an allocation of funds from 2,557 investors (2016 - 3,817 investors). Allocations of funds were received from 11 investors in 2016-17 (43 investors in 2015-16), 1 investor was refunded in 2016-17 (1 investor in 2015-16) and 1,270 investors were repaid in 2016-17 (1,678 investors in 2015-16).

These obligations to investors are secured by a non-transferable zero interest promissory note issued by IRCC, as agent for the Corporation, and the guarantee of the Province of Newfoundland and Labrador. The guarantee is to IRCC, as agent for the Corporation, who will repay investors. The promissory notes are repayable without interest, in full, five years from the date the funds were allocated to the Province or within 90 days after the receipt of a written request by the investor for repayment of the funds provided that such a request for repayment has been received by the agent before a visa has been issued to the investor. As at March 31, 2017, 2 investors had not received a permanent resident visa (2016 - 5).

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

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**4. Obligations to investors (cont.)**

Obligations to investors at March 31, 2017, totalled \$106,299,569 (2016 - \$153,573,873). Scheduled investment repayment dates are as follows:

April 30, 2017	4,629,994
May 31, 2017	2,710,968
June 30, 2017	2,710,970
July 31, 2017	2,010,384
August 31, 2017	1,401,164
September 30, 2017	1,309,800
October 31, 2017	944,264
November 30, 2017	1,553,472
December 31, 2017	3,788,413
January 31, 2018	4,316,303
February 28, 2018	2,670,526
March 31, 2018	1,676,841
April 30, 2018	3,477,923
May 31, 2018	4,906,333
June 30, 2018	6,210,559
July 31, 2018	6,986,937
August 31, 2018	6,647,490
September 30, 2018	5,372,134
October 31, 2018	4,875,296
November 30, 2018	5,620,595
December 31, 2018	6,774,326
January 31, 2019	2,660,238
February 28, 2019	2,350,908
March 31, 2019	1,391,985
April 30, 2019	3,093,300
May 31, 2019	5,351,409
June 30, 2019	3,804,759
July 31, 2019	1,546,650
August 31, 2019	402,129
September 30, 2019	958,923
October 31, 2019	494,928
November 30, 2019	742,392
December 31, 2019	403,780
January 31, 2020	155,300
February 28, 2020	186,360
March 31, 2020	124,240

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. Obligations to investors (cont.)**

April 30, 2020	93,180
May 31, 2020	31,060
June 30, 2020	93,180
July 31, 2020	279,540
August 31, 2020	93,180
September 30, 2020	62,120
October 31, 2020	124,240
November 30, 2020	93,180
December 31, 2020	342,280
January 31, 2021	239,596
February 29, 2021	136,912
March 31, 2021	34,228
May 31, 2021	68,456
June 30, 2021	205,368
July 31, 20201	34,228
September 30, 2021	34,228
October 31, 2021	34,228
February 29, 2022	<u>38,372</u>
Total	<u>\$ 106,299,569</u>

**5. Deferred financing costs**

Deferred financing costs of \$1,730,745 (2016 - \$3,294,189) consist of a five or seven percent commission paid to IRCC approved financial institutions which market the program and assist investors in the administration of their investments. The five percent commission is applicable for applications received on or after December 1, 2010.

**6. Financial risk management**

The Corporation recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The risks that the Corporation is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change in the Corporation's exposure to these risks or its processes for managing these risks from the prior year.

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
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**6. Financial risk management (cont.)**

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risk relates to cash and interest receivable and IRCC receivable. The Corporation's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Corporation is not exposed to significant credit risk with cash or interest receivable because these financial instruments are held with a Chartered Bank.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its contractual obligations and financial liabilities. The Corporation's exposure to liquidity risk relates mainly to its obligations to investors. The Corporation is not exposed to significant liquidity risk related to obligations to investors as this amount is fully guaranteed by the Province. The Corporation also manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities and contractual obligations. The scheduled repayment dates for obligations to investors is disclosed in Note 4.

Market risk

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 three types of risk: currency (foreign exchange) risk, interest rate risk and other price risk. The Corporation is not exposed to significant foreign exchange or other price risk. In addition, the Corporation was not exposed to significant interest rate risk. Also, the Corporation is not exposed to significant interest rate risk related to its obligations to investors as these obligations have fixed values at maturity and are non-interest bearing.

**7. Related party transactions**

For administrative purposes the Corporation is managed by the Department of Tourism, Culture, Industry and Innovation. Expenses related to salaries, accommodations and administration are incurred directly by the department and no provision is made in these financial statements for these expenses. The amount of these expenses is not material to these financial statements.

The obligations to investors are guaranteed by the Province.

**NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

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**8. Subsequent Event**

On May 23, 2017, the Board of Directors approved a Bridge Financing Agreement with Memorial University of Newfoundland (MUN) in relation to the Core Science Facility. The Corporation invested \$41,489,318 at an interest rate of 2% to be repaid according to the following schedule:

<b>Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
August 31, 2018	\$ 14,989,318	\$ 1,038,938	\$ 16,028,256
November 30, 2018	10,000,000	132,137	10,132,137
February 28, 2019	8,000,000	81,370	8,081,370
May 31, 2019	4,000,000	42,849	4,042,849
August 31, 2019	2,500,000	22,685	2,522,685
November 30, 2019	1,000,000	9,973	1,009,973
February 29, 2020	1,000,000	4,986	1,004,986
<b>Total</b>	<b>\$ 41,489,318</b>	<b>\$ 1,332,938</b>	<b>\$ 42,822,256</b>

In exchange, MUN has provided the Corporation with a promissory note.

**9. Budgeted figures**

Budgeted figures have been prepared by the Corporation and are provided for comparison purposes.

**10. Non-financial assets**

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

**11. Planned wind down of operations**

In February 2014, the Federal Government announced the discontinuance of the Business Immigrant Program (the Program). While the Corporation will continue to receive limited funds from IRCC through the Program for 2017, the Program will eventually be discontinued. Based upon information received from IRCC, no further allocations are anticipated beyond 2017.