

**NEWFOUNDLAND AND LABRADOR
IMMIGRANT INVESTOR
FUND LIMITED**

FINANCIAL STATEMENTS

MARCH 31, 2018

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.



Judith Hearn
Assistant Deputy Minister (Business)



Liane Price
Director, Business Analysis



**AUDITOR
GENERAL**
of Newfoundland and Labrador

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, 2018, 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, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



JULIA MULLALEY, CPA, CA
Auditor General

June 12, 2018
St. John's, Newfoundland and Labrador

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

	2018	2017
FINANCIAL ASSETS		
Cash	\$ 37,977,588	\$ 108,208,600
Interest receivable	51,989	76,346
Loan interest receivable	691,111	-
Loan receivable (Note 4)	41,489,318	-
	80,210,006	108,284,946
LIABILITIES		
Obligations to investors (Note 5)	76,884,642	106,299,569
	76,884,642	106,299,569
Net financial assets	3,325,364	1,985,377
NON-FINANCIAL ASSETS		
Deferred financing costs (Note 6)	659,276	1,730,745
Accumulated surplus	\$ 3,984,640	\$ 3,716,122

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

	2018 Budget	2018 Actual	2017 Actual
	(Note 9)		
REVENUES			
Interest on loan receivable	\$ -	\$ 691,111	\$ -
Interest on bank	1,121,942	658,987	1,053,982
Miscellaneous	-	2,196	-
	<u>1,121,942</u>	<u>1,352,294</u>	<u>1,053,982</u>
EXPENSES			
Amortization of deferred financing costs	1,082,016	1,083,328	1,588,023
Bank charges	400	338	22
Miscellaneous	-	110	86
	<u>1,082,416</u>	<u>1,083,776</u>	<u>1,588,131</u>
Annual surplus (deficit)	39,526	268,518	(534,149)
Accumulated surplus, beginning of year	<u>3,716,122</u>	<u>3,716,122</u>	<u>4,250,271</u>
Accumulated surplus, end of year	<u>\$ 3,755,648</u>	<u>\$ 3,984,640</u>	<u>\$ 3,716,122</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

	2018 Budget	2018 Actual	2017 Actual
	(Note 9)		
Annual surplus (deficit)	\$ 39,526	\$ 268,518	\$ (534,149)
Deferred financing costs			
Acquisition of deferred financing costs	-	(11,859)	(24,579)
Use of deferred financing costs	1,082,016	1,083,328	1,588,023
	1,082,016	1,071,469	1,563,444
Increase in net financial assets	1,121,542	1,339,987	1,029,295
Net financial assets, beginning of year	1,985,377	1,985,377	956,082
Net financial assets, end of year	\$ 3,106,919	\$ 3,325,364	\$ 1,985,377

*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

	2018	2017
Operating transactions		
Annual surplus (deficit)	\$ 268,518	\$ (534,149)
Adjustment for non-cash items		
Amortization of deferred financing costs	1,083,328	1,588,023
	1,351,846	1,053,874
Change in non-cash working capital		
Loan interest receivable	(691,111)	-
Interest receivable	24,357	30,080
Immigration, Refugees and Citizenship Canada receivable	-	31,832
Cash provided from operating transactions	685,092	1,115,786
Investing transactions		
Loan issued	(41,489,318)	-
Cash applied to investing transactions	(41,489,318)	-
Financing transactions		
Deferred financing charges	(11,859)	(24,579)
Amount received from investors	308,172	414,880
Refund to investors	-	(61,866)
Repayment of investor funds	(29,723,099)	(47,627,318)
Cash applied to financing transactions	(29,426,786)	(47,298,883)
Decrease in cash	(70,231,012)	(46,183,097)
Cash, beginning of year	108,208,600	154,391,697
Cash, end of year	\$ 37,977,588	\$ 108,208,600

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

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

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 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, loan interest receivable, loan 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
March 31, 2018

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, loan interest receivable and loan receivable. Financial liabilities measured at cost include obligations to investors.

The carrying values of cash, interest receivable, loan interest receivable, loan 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.

(c) Cash

Cash includes cash in bank.

(d) Loan receivable

Loan receivable is recorded at cost. Interest is accrued on the loan receivable to the extent it is deemed collectible.

(e) 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.

(f) Obligations to investors

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

(g) 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.

(h) 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.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

2. Summary of significant accounting policies (cont.)

(i) 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.

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. Changes in accounting policies

(a) New accounting standards

On April 1, 2017, the Corporation adopted the following five new CPSAS Handbook Sections:

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.

These accounting changes had no significant impact on the financial statements.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

3. Changes in accounting policies (cont.)

(b) Accounting pronouncement

The PSAB has issued *PS 3430 Restructuring Transactions* which is effective April 1, 2018. This is a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities. The standard has not been applied in these financial statements.

The Corporation plans to adopt this standard by the effective date and is currently analyzing the impact the standard will have on the financial statements.

4. Loan Receivable

As at March 31, 2018, the Corporation had a loan receivable from Memorial University of Newfoundland of \$41,489,318. The interest rate on the loan is 2%.

Principal payments receivable are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 32,989,318
2020	<u>8,500,000</u>
	<u>\$ 41,489,318</u>

5. 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, 2018, Newfoundland and Labrador Immigrant Investor Fund Limited maintained an allocation of funds from 1,768 investors (2017 - 2,557 investors). Allocations of funds were received from 4 investors in 2017-18 (11 investors in 2016-17), 0 investors were refunded in 2017-18 (1 investor in 2016-17) and 793 investors were repaid in 2017-18 (1,270 investors in 2016-17).

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

5. Obligations to investors (cont.)

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, 2018, 0 investors had not received a permanent resident visa (2017 - 2).

Obligations to investors at March 31, 2018, totalled \$76,884,642 (2017 - \$106,299,569). Scheduled investment repayment dates are as follows:

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
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

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

5. Obligations to investors (cont.)

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, 2021	34,228
September 30, 2021	34,228
October 31, 2021	34,228
February 29, 2022	38,372
June 30, 2022	38,372
July 31, 2022	107,920
August 31, 2022	107,920
December 31, 2022	<u>53,960</u>
Total	<u>\$ 76,884,642</u>

6. Deferred financing costs

Deferred financing costs of \$659,276 (2017 - \$1,730,745) 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.

7. 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.

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, interest receivable, loan interest receivable and loan 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. The Corporation is not exposed to significant credit risk with loan receivable and loan interest receivable because they are from a related party.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

7. Financial risk management (cont.)

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 5.

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. The Corporation is not exposed to significant interest rate risk related to loan receivable because the loan has a fixed maturity date and a fixed interest rate.

8. 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.

The Corporation has a loan receivable with a related party as outlined in Note 4. During the year, the Corporation earned interest revenue on the loan receivable of \$691,111. This amount was receivable at March 31, 2018.

9. Budgeted figures

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

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

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. Based upon information received from IRCC, no further allocations are anticipated beyond 2017-18.