SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

FINANCIAL STATEMENTS

March 31, 2021

Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of Saskatchewan Immigrant Investor Fund Inc. (the Fund), which comprise the statement of financial position as at March 31, 2021, the statement of comprehensive income, statement of changes in retained earnings (deficit) and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Fund as at March 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical 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.

Other matter

As disclosed in Note 1, the Fund ceased operations under the HeadStart on a Home Program after the final allocation of Immigrant Investor Program funds were repaid on March 30, 2021. The Fund was subsequently amalgamated with CIC Asset Management Inc., a wholly-owned subsidiary of CIC, on April 1, 2021. Our audit opinion is not modified in respect of this matter.

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 International Financial Reporting 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.

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Independent Auditor's Report (continued)

Auditors' Responsibility 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 auditor's 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 these financial statements.

As part of an audit in accordance with Canadian generally 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Fund 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.

We 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.

Ernst + Young LLP

Chartered Professional Accountants
Saskatoon, Saskatchewan
May 13, 2021

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

STATEMENT OF FINANCIAL POSITION

As at March 31

(thousands of dollars)

	Note	2021	2020
ASSETS			
Current			
Cash	5	$ 79	$ 10
Interest receivable		25	10
Loans receivable	6	658	1,853
		762	1,873
Loans receivable	6	46	-
		$ 808	$ 1,873
LIABILITIES AND RETAINED EARNINGS (DEFICIT)			
Current			
Trade and other payables		$ 20	$ 526
Current portion of debt obligations	7	-	2,013
		20	2,539
Debt obligations	7	-	979
		20	3,518
Retained earnings (deficit)			
Share capital	8	-	-
Retained earnings (deficit) attributable to Crown Investments Corporation of Saskatchewan (CIC)		788	(1,645)
		788	(1,645)
		$ 808	$ 1,873

(See accompanying notes)

On behalf of the Board:

Travis Massier
Director

Cindy Ogilvie
Director

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

(thousands of dollars)

	Note	2021	2020
FINANCE INCOME	9	**$ 77**	$ 267
EXPENSES			
Finance expenses	9	**56**	150
Recovery of credit losses	6	**(993)**	(111)
Management fees	10	**16**	102
Professional fees		**21**	25
		(900)	166
INCOME BEFORE THE FOLLOWING		**977**	101
Grant revenue from CIC		**1,456**	7,000
NET INCOME		**2,433**	7,101
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO CIC		**$ 2,433**	$ 7,101

(See accompanying notes)

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

STATEMENT OF CHANGES IN REATINED EARNINGS (DEFICIT)

For the year ended March 31

(thousands of dollars)

	2021	2020
RETAINED EARNINGS (DEFICIT) ATTRIBUTABLE TO CIC		
Deficit attributable to CIC, beginning of year	**$ (1,645)**	$ (8,746)
Net income	**2,433**	7,101
Retained earnings (deficit) attributable to CIC, end of year	**788**	(1,645)
RETAINED EARNINGS (DEFICIT)	**$ 788**	$ (1,645)

(See accompanying notes)

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

STATEMENT OF CASH FLOWS

For the year ended March 31

(thousands of dollars)

	Note	2021	2020
OPERATING ACTIVITIES			
Net income		$ 2,433	$ 7,101
Adjustments to reconcile net loss to cash used in operating activities:			
Finance income	9	(77)	(267)
Finance expenses	9	56	150
Recovery of credit losses	6	(993)	(111)
Loan principal repayments		2,182	14,487
Interest received		22	288
Net change in non-cash working capital balance related to operations:			
Decrease in trade and other payables		(506)	(121)
Net cash from operating activities		3,117	21,527
FINANCING ACTIVITIES			
Proceeds from debt obligations, net of transaction costs		-	68
Repayment of debt obligations		(3,048)	(21,590)
Net cash used in financing activities		(3,048)	(21,522)
NET CHANGE IN CASH DURING YEAR		69	5
CASH, BEGINNING OF YEAR		10	5
CASH, END OF YEAR		$ 79	$ 10

(See accompanying notes)

SASKATCHEWAN IMMIGRANT INVESTOR FUND INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021

1. General information

Saskatchewan Immigrant Investor Fund Inc. (the Corporation) is a corporation domiciled in Canada. The address of the Corporation's registered office and principal place of business is 830 - 410 22nd Street East, Saskatoon, SK, S7K 5T6.

The Corporation was established on October 6, 2010 under *The Business Corporations Act.* The Corporation is a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Saskatchewan provincial Crown corporation. Accordingly, the accounts of the Corporation are consolidated in the annual financial statements of CIC.

The Corporation was established to participate in the Government of Canada's Immigrant Investor Program (IIP) and used IIP funds to deliver the Government of Saskatchewan's Headstart on a Home program that assisted builders and developers in building affordable housing. The Corporation ceased operations under this program after the final allocation of IIP funds was repaid on March 30, 2021. The Corporation was subsequently amalgamated with CIC Asset Management Inc., a wholly-owned subsidiary of CIC, on April 1, 2021 (Note 14).

Due to the Corporation's ownership structure, it is not subject to provincial or federal income tax.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The financial statements were authorized for issue by the Corporation's Board of Directors on May 13, 2021.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for cash, which is classified as financial assets at fair value through profit or loss (FVTPL).

c) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

d) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Basis of preparation (continued)

d) Use of estimates (continued)

Significant items subject to estimates and assumptions include the fair value of loans receivable (Notes 4 and 12) and the forward-looking information and assumptions used in the determination of the allowance for credit losses (Note 6).

f) Use of judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements that affect the application of accounting policies. Significant items subject to judgement are included in the accounting policies listed in Note 4.

g) COVID-19 impact assessment

The COVID-19 pandemic has caused material disruption to businesses and has resulted in an economic slowdown. The Corporation has assessed and continues to monitor the impact of COVID-19 on its operations. Potential impacts include loss of interest income from loans and impairment of assets. Estimates of these impacts have been included where appropriate. Given the uncertainty of the magnitude and duration of the pandemic, it is not possible to determine if there are significant additional impacts on current operations or reported asset values.

3. Application of revised accounting standards

The following amendments to standards, effective for annual periods beginning on or after January 1, 2020, have been applied in preparing these financial statements:

- Conceptual Framework for Financial Reporting
- IAS 1, *Presentation of Financial Statements*
- IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*

The amendments to these standards had no material impact on the financial statements.

4. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

a) Cash

Cash includes cash on deposit at financial institutions.

4. Summary of significant accounting policies (continued)

b) Financial instruments

At initial recognition, all financial assets and liabilities are recorded at fair value on the Statement of Financial Position. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial instruments at FVTPL

The Corporation classifies cash at FVTPL. Financial assets at FVTPL are subsequently measured at fair value with changes in fair value recognized in profit or loss.

Financial instruments at amortized cost

Interest receivable, loans receivable, trade and other payables and debt obligations are classified as amortized cost. Amortized cost financial instruments are subsequently measured at amortized cost using the effective interest method, less any provision for impairment losses on financial assets.

Determination of fair value

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using valuation methods that are significantly affected by management's assumptions used concerning, for example, the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

c) Impairment of financial assets

At the end of each reporting period, the Corporation applies a three-stage impairment approach to measure the expected credit loss (ECL) on all financial assets measured at amortized cost. The ECL model is forward looking, and measurement of ECLs at each reporting period reflects reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions.

4. Summary of significant accounting policies (continued)

c) Impairment of financial assets (continued)

Determining the stage

The ECL three-stage impairment approach is based on the change in the credit quality of financial assets since initial recognition. If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified as Stage 1, and an allowance for credit losses that is measured, at each reporting date, at an amount equal to 12-month ECLs is recorded. When there is a significant increase in credit risk since initial recognition, these non-impaired assets are migrated to Stage 2, and an allowance for ECLs that is measured, at each reporting date, at an amount equal to lifetime ECLs is recorded.

When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, or contractual payments are 90 days past due, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance for credit losses equal to lifetime ECLs continues to be recorded or the financial asset is written off.

Measurement of expected credit losses

ECLs are measured as the probability-weighted present value of all expected cash shortfalls over the remaining expected life of the financial instrument, and reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions is considered. The estimation and application of forward-looking information requires significant judgment. The cash shortfall is the difference between all contractual cash flows owed to the Corporation and all the cash flows that the Corporation expects to receive.

Write-offs

A financial asset and its related allowance for credit losses are normally written off in whole or in part when the Corporation considers the probability of recovery to be non-existent and when all guarantees and other remedies available have been exhausted or if the borrower is bankrupt and balances are not likely to be recovered.

d) Finance income and expenses

Finance income is recognized on the Statement of Comprehensive Income on an accrual basis and consists of interest income from cash and investments, interest income from loans receivable, and premiums on debt obligations. For loans receivable, the interest income is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the net carrying amount for financial assets in Stage 3.

Debt obligations are accreted to the repayment amounts through a charge to finance expenses on the Statement of Comprehensive Income. On the Statement of Cash Flows, interest received is classified as an operating activity.

4. Summary of significant accounting policies (continued)

e) Grant revenue

The Corporation has received financial assistance from CIC pursuant to Order in Council 558/2020 and Order in Council 102/2019. Grants from CIC are recorded as revenue when received.

5. Cash

Cash has an effective interest rate of 0.5 per cent (2020 – 0.5 per cent).

6. Loans receivable and allowance for credit losses

a) Loans receivable

The Corporation has loans receivable from builders that were used to construct housing units for subsequent sale to eligible parties. Principal and accrued interest is repayable on demand. The loans bear interest at the Bank of Canada prime rate plus 5.0 per cent with interest on overdue interest at the same rate, compounded monthly.

The Corporation's loans receivable are as follows (thousands of dollars):

	2021	2020
Gross carrying amount	**$ 11,850**	$ 14,033
Allowance for credit losses	**(11,146)**	(12,180)
Net carrying amount	**704**	1,853
Less current portion	**(658)**	(1,853)
	$ 46	$ -

At March 31, 2021 and 2020, all loans are considered credit-impaired and are classified as Stage 3 in the in ECL impairment model.

b) Allowance for credit losses

The allowance for credit losses recognized in the year is impacted primarily by remeasurements, which comprise changes in forward-looking macroeconomic conditions, partial repayments, and unwinding of the time value discount due to the passage of time. During the year ended March 31, 2021, there were no significant changes to the models used to estimate expected credit losses.

6. Loans receivable and allowance for credit losses (continued)

b) Allowance for credit losses (continued)

The following table reconciles the opening and closing allowance for credit losses for the year ended March 31, 2021 (thousands of dollars):

	Impaired Stage 3
Opening balance	$ 12,180
Provision for credit losses:	
Remeasurements	(993)
Interest income – unwinding of discount on impaired loans	(41)
Closing balance	$ 11,146

The following table reconciles the opening and closing allowance for credit losses for the year ended March 31, 2020 (thousands of dollars):

	Performing Stage 2	Impaired Stage 3	Total
Opening balance	$ 58	$ 12,293	$ 12,351
Provision for credit losses:			
Maturities	(58)	-	(58)
Remeasurements	-	(53)	(53)
	(58)	(53)	(111)
Interest income – unwinding of discount on impaired loans	-	(60)	(60)
Closing balance	$ -	$ 12,180	$ 12,180

7. Debt obligations

Pursuant to Order in Council 590/2010, the Corporation incurred debt obligations from funds received under the IIP in accordance with the terms and conditions set out in an agreement between the federal Minister of Immigration, Refugees and Citizenship and the Corporation. The agreement states that the federal Minister, as agent of the Corporation, receives funds from immigrant investors and transfers Saskatchewan's share of the funds (the Provincial Allocation) to the Corporation. The Provincial Allocations were repayable without interest five years from the date that the funds were received, along with a commission paid to intermediaries for introducing new immigrant investors under the IIP. The commission rate was either 5 per cent or 7 per cent and was determined by the size of the immigrant investment received by the federal Minister.

Funds were received through the IIP monthly, net of commissions, with the amount dependent on the Provincial Allocation. On the date funds were received, the implicit interest rate differed from the effective interest rate resulting in the Corporation recording a premium. The premium was unwound over the five-year term through an increase in interest expense. At March 31, 2021, unamortized premiums were $nil (2020 - $18 thousand).

On March 30, 2021, all remaining Provincial Allocations were repaid and the Corporation has no further repayment obligations under the IIP.

Changes in the debt obligations are as follows (thousands of dollars):

	2021	2020
Opening balance	**$ 2,992**	$ 24,366
Changes from financing cash flows:		
Proceeds received	**-**	68
Repayments	**(3,048)**	(21,590)
Other changes:		
Premiums recognized	**-**	(2)
Interest expense	**56**	150
Ending balance	**$ -**	$ 2,992

8. Share capital

	2021	2019
Authorized - 1 common voting share		
Issued and outstanding - 1 share	**$ 1**	$ 1

9. Finance income and expenses

(thousands of dollars)

	2021	2020
Interest income from cash and investments	**$ 2**	$ 14
Interest income from loans	**34**	191
Interest income – unwinding of discount on impaired loans	**41**	60
Premiums on debt obligations	**-**	2
Finance income	**77**	267
Interest expense on debt obligations	**(56)**	(150)
Finance expenses	**(56)**	(150)
Net finance income	**$ 21**	$ 117

10. Management fees

Under the terms of a management services agreement with the Corporation, Westcap Mgt. Ltd. provided general management and administration of the business and affairs of the Corporation for an annual management fee equal to 2 per cent of the current loans balance (excluding uncollectible amounts), calculated and payable monthly in arrears over the term of the management services agreement which expired November 30, 2020. At March 31, 2021, $nil (2020 - $500 thousand) is payable to Westcap Mgt. Ltd. and is included in trade and other payables.

11. Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation 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”). The Corporation has elected to take a partial exemption under IAS 24, *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

These transactions are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

CIC provides management and governance services to the Corporation without charge.

12. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

All financial instruments are measured on the Statement of Financial Position at amortized cost, except for cash which is measured at FVTPL.

The carrying amount and fair value of financial instruments is as follows (thousands of dollars):

	2021		2020	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Cash	**$ 79**	**$ 79**	$ 10	$ 10
Interest receivable	**25**	**25**	10	10
Loans receivable	**704**	**675**	1,853	1,823
Financial liabilities				
Trade and other payables	**20**	**20**	526	526
Debt obligations	**-**	**-**	2,992	2,993

The Corporation has classified the fair value of its financial instruments using the following hierarchy based on the nature of inputs used in the valuation:

Level 1 Where quoted prices are readily available from an active market.
Level 2 Valuation model not using quoted prices, but still predominantly observable market inputs such as market interest rates.
Level 3 Fair values determined based on inputs that are not based on observable market data.

The Corporation has made the following classifications:

- Cash is classified as level 1.
- Loans receivable are classified as level 3. Fair value is calculated by discounting the expected future cash flows at prime plus a risk premium specific to the developer over the expected remaining term of the loan. Fair value at March 31, 2021 is $675 thousand (2020 - $1.9 million).
- Interest receivable and trade and other payables have not been classified in the fair value hierarchy given that carrying value approximates fair value due to immediate or short-term maturity.

13. Financial risk management

Interest rate risk

Interest rate price risk reflects the risk that the Corporation's earnings will fluctuate due to changes in interest rates. The Corporation's cash and loans receivable are at floating rates and will adjust to fluctuations in the interest rate environment. The Corporation does not believe that the impact of fluctuations in interest rates on interest income from cash or loans receivable will be significant and therefore has not provided a sensitivity analysis of the impact on net earnings.

Credit risk

Credit risk is the risk that a counterparty will fail to perform its obligations. The Corporation's maximum credit risk exposure is equal to the carrying value of cash, interest receivable and loans receivable. The credit risk associated with cash is considered minimal since the amounts are being held by a chartered bank.

Concentration of credit risk relates to groups of counterparties that are engaged in similar activities, are in the same geographic area or have comparable economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Corporation has material concentrations of credit risk on its loans receivable, which are due from builders and developers located in Saskatchewan and therefore could be similarly impacted by changes in the Saskatchewan economy. However, credit risk is mitigated through the Corporation holding a first charge mortgage security interest in the land upon which the units are constructed.

Amidst the current economic conditions resulting from the COVID-19 pandemic, the Corporation has implemented additional measures to monitor its counterparties for changes in their ability to meet obligations.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. As a subsidiary of CIC, the Corporation has access to capital markets through the Saskatchewan Ministry of Finance. Currently the Corporation has sufficient resources to discharge all liabilities.

14. Subsequent event

On April 1, 2021, the Corporation was amalgamated with CIC Asset Management Inc. and the First Nations and Métis Fund Inc. All assets, liabilities and obligations were transferred, and the Corporation will continue to operate as CIC Asset Management Inc.