

Financial Statements of

**NOVA SCOTIA STRATEGIC
OPPORTUNITIES FUND
INCORPORATED**

And Independent Practitioners' Review Engagement
Report thereon

Year ended March 31, 2021
(Unaudited)



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INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Board of Directors of Nova Scotia Strategic Opportunities Fund Incorporated

We have reviewed the accompanying financial statements of Nova Scotia Strategic Opportunities Fund Incorporated, which comprise the statement of financial position as at March 31, 2021, the statement of operations and accumulated surplus (deficit) and the statement of cash flows for the year then ended, and notes, comprising 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.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.



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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Nova Scotia Strategic Opportunities Fund Incorporated as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Halifax, Canada

June 24, 2021

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED

Statement of Financial Position

March 31, 2021, with comparative information for 2020
(Unaudited)

| | 2021 | 2020 |
|---|-------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 43,698 | \$ 52,540 |
| Interest income receivable | 31 | 68 |
| | <u>43,729</u> | <u>52,608</u> |
| Due from Province of Nova Scotia (note 3) | 345,589 | 1,936,304 |
| | <u>\$ 389,318</u> | <u>\$ 1,988,912</u> |

Liabilities and Surplus (Deficit)

| | | |
|--|----------------|--------------------|
| Current liabilities: | | |
| Accounts payable | \$ 4,000 | \$ 10,000 |
| Current portion of obligations to investors (note 4) | 385,318 | 1,659,056 |
| | <u>389,318</u> | <u>1,669,056</u> |
| Obligations to investors (note 4) | - | 368,323 |
| Wind down (note 7) | | |
| Accumulated deficit (note 5) | <u>\$ -</u> | <u>\$ (48,467)</u> |

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED

Statement of Operations and Accumulated Surplus (Deficit)

Year ended March 31, 2021, with comparative information for 2020
(Unaudited)

| | 2021 | 2020 |
|---|---------------|--------------------|
| Revenue: | | |
| Investment income | \$ 330 | \$ 32,142 |
| Provincial recovery (note 3) | 68,341 | - |
| | <u>68,671</u> | <u>32,142</u> |
| Expenses: | | |
| Amortization of deferred financing costs | 16,995 | 85,183 |
| Interest and bank charges | 9 | 510 |
| Professional fees | 3,200 | 10,695 |
| | <u>20,204</u> | <u>96,388</u> |
| Excess of revenue over expenses (expenses over revenue) | 48,467 | (64,246) |
| Accumulated surplus (deficit), beginning of year | (48,467) | 15,779 |
| Accumulated surplus (deficit), end of year | <u>\$ -</u> | <u>\$ (48,467)</u> |

See accompanying notes to financial statements.

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020
(Unaudited)

| | 2021 | 2020 |
|---|------------------|---------------------|
| Cash provided by (used in): | | |
| Operating: | | |
| Excess of revenue over expenses (expenses over revenue) | \$ 48,467 | \$ (64,246) |
| Item not involving cash: | | |
| Amortization of deferred financing costs | 16,995 | 85,183 |
| Changes in non-cash operating working capital: | | |
| Interest income receivable | 37 | 10,422 |
| Decrease in accounts payable | (6,000) | - |
| | <u>59,499</u> | <u>31,359</u> |
| Financing: | | |
| Deferred financing costs | (16,995) | (85,183) |
| Payments from the Province of Nova Scotia | 1,590,715 | 7,154,276 |
| Paid to investors | (1,642,061) | (17,620,660) |
| | <u>(68,341)</u> | <u>(10,551,567)</u> |
| Investing: | | |
| Proceeds from sale of investments | - | 10,553,838 |
| Change in cash | (8,842) | 33,630 |
| Cash, beginning of year | 52,540 | 18,910 |
| Cash, end of year | <u>\$ 43,698</u> | <u>\$ 52,540</u> |

See accompanying notes to financial statements.

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED

Notes to Financial Statements

Year ended March 31, 2021
(Unaudited)

1. Purpose of the organization:

The Nova Scotia Strategic Opportunities Fund Incorporated (the “Fund”) is a corporation owned and established by the Province of Nova Scotia (the “Province”) for the purpose of receiving and managing allocations under the Federal Immigrant Investor Program (“IIP”). The IIP is an investment program designed to deliver low cost funding to support provincial and territorial economic development and job creation priorities. Provincial allocations are repayable to the federal government within five years of receipt by the Fund on behalf of the Province. The Province has provided a guarantee of repayment to the federal government to secure participation in the program.

The Fund is incorporated under the laws of the Province. As a Crown entity of the Province it is not subject to provincial or federal income taxes.

2. Significant accounting policies:

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. These statements do not present a statement of changes in net financial liabilities, as the Fund does not have non-financial assets and therefore accumulated surplus (deficit) is equal to net financial assets.

These financial statements reflect the assets, liabilities, revenues and expenses of the Fund. The more significant policies are described below:

(a) Basis of accounting:

The Fund follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Cash:

Cash consists of bank balances held with financial institutions.

(c) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements. Actual results could differ from those estimates.

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2021
(Unaudited)

2. Significant accounting policies (continued):

(d) Interest revenue:

Interest is recognized on an accrual basis and accrued interest is based on the rate assigned to the asset.

(e) Financial instruments:

Financial instruments are recorded at cost, which approximates fair value, at initial recognition and are subsequently recorded at cost less allowances for impairment. All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

(f) Administrative expenses:

The administration expenses of the Fund are incurred by the Department of Finance and the Province of Nova Scotia and accordingly are not reflected in the financial statements of the Fund.

(g) Budget:

The Fund has not presented a budget in its statement of operations as the Fund does not prepare an assessment of future operations.

3. Provincial guarantee:

As stated in Note 1, the Province guarantees the repayment of all moneys owed to the federal government by the Fund under Order-in-Council 2008-35. There are two circumstances a Provincial guarantee could be called by the Fund. The first could result from the Fund having insufficient cash to meet its required payment under the IIP repayment schedule. Although capital received from the IIP may have been preserved, a deficit and therefore a cash shortfall could result from return on assets being less than the cost of IIP funds. A Provincial guarantee could also result from a loan not being repaid or from assets defaulting. At March 31, 2021, the Fund has a total of \$345,589 (2020, \$1,936,304) due from the Province of Nova Scotia, arising from loan forgiveness in the amount of \$9,158,921 and other losses, which results in the claim on the provincial guarantee. During 2021 the Province paid \$68,341 (2020 - nil) to the Fund under the guarantee. The accounts receivable will be carried on the balance sheet under Due from Province and will be drawn down at such time as cash is required for IIP repayments.

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2021
(Unaudited)

4. Obligations to investors:

One of the conditions for the issuance of a visa to immigrants under the Citizenship and Immigration Canada (CIC), Business Immigration Program, is that an immigrant must invest \$800,000 in Canada for a period of five years. Prior to December 1, 2010 the investment required was \$400,000. The amount of the investment is allocated to the participating provinces on the first day of the second month following the month when payment is received from the investor. \$400,000 of the \$800,000 is divided equally among the participating provinces while the remaining \$400,000 is allocated on the basis of each participating provinces' gross domestic product as a percentage of the total gross domestic product of all participating provinces.

These obligations to investors are secured by a non-transferable, zero interest promissory note issued by CIC as agent for the Fund and a guarantee of the Province of Nova Scotia. The guarantee is to CIC, as an agent of the Fund, 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 request for repayment has been received by the agent before a visa has been issued to the investor.

Obligations to investors at March 31, 2021 totalled \$385,318, net of deferred financing costs of \$1,530.

5. Surplus (deficit):

Included in the accumulated surplus (deficit) of the Fund is initial share capital as follows:

| | 2021 | 2020 |
|--|------|------|
| Authorized: | | |
| 1,000,000 common shares without nominal or par value | | |
| Issued: | | |
| 1 common share | \$ 1 | \$ 1 |

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2021
(Unaudited)

6. Unallocated transactions:

For administrative purposes, the Fund is managed by the Province of Nova Scotia Department of Finance. Short term investments for cash management purposes are made by the Department of Finance & Treasury Board. The Department of Finance incurs unallocated expenses related to salaries and administration on behalf of the Fund. The Fund has elected not to record these costs in these financial statements.

7. Economic dependence:

As a result of its reliance on actions by Citizenship and Immigration Canada and investment decisions by the Government of Nova Scotia, the Fund's ability to continue viable operations is dependent on the future actions of both entities.

The Federal Government has discontinued the IIP program. The legislative amendments terminating the applications became law on June 19, 2014. The IIP ceased intake of new applications on July 1, 2012. No further applications will be processed and the IIP is in the process of winding down.

8. Financial instruments:

The Fund's financial instruments include cash, interest income receivable, investments, accounts payable and obligations to investors.

(a) Risks and concentrations:

The Fund is exposed to various risks through its financial instruments. The following analysis provides a measure of the Fund's risk exposure and concentrations at March 31, 2021.

It is management's opinion that the Fund is not exposed to currency risk, and modest price risks from its financial instruments. The risks arising on financial instruments are limited to the following:

(b) 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. Financial instruments that potentially subject the Fund to concentrations of credit risk consist of cash and short-term investments. The Fund deposits its cash in reputable financial institutions and invests only in creditworthy companies, and therefore believes the risk of loss to be remote.

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2021
(Unaudited)

8. Financial instruments: (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The entity is exposed to this risk mainly in respect of its accounts payable and obligations to investors. The Fund generates sufficient cash from interest revenue earned to fund operations and fulfill obligations as they become due. Sufficient financing facilities via the guarantee of the Province of Nova Scotia are in place should cash requirements exceed cash generated.

(d) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The entity is mainly exposed to interest rate risk.

(e) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fluctuations in interest rates have a direct impact on the market valuation of fixed income securities portfolio values. Generally, investment income will move with interest rates over the long-term. Generally, interest investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature, or are sold and the proceeds are reinvested at lower rates.

NOVA SCOTIA STRATEGIC OPPORTUNITIES FUND INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2021
(Unaudited)

9. COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian government, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada resulting in an economic slowdown. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions, however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, which may also have a direct impact on the Fund's financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect of the Fund is not known at this time.