

**Consolidated Financial Statements of**  
**BC IMMIGRANT INVESTMENT FUND LTD.**  
**Year Ended March 31, 2020**

## MANAGEMENT'S REPORT

### Management's Responsibility for the Consolidated Financial Statements

The consolidated 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 consolidated financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal consolidated financial statements on a quarterly basis and external audited consolidated financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

Grant Thornton conducts an independent examination, in accordance with Canadian auditing standards, and expresses their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Corporation and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of BC Immigrant Investment Fund Ltd.,



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Evan Machin CPA, CA | CFO



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David Mortimer CPA, CA | CEO

Victoria BC  
June 10, 2020

## Independent auditor's report

To the Board of Directors of BC Immigrant Investment Fund

### Opinion

We have audited the consolidated financial statements of BC Immigrant Investment Fund ("the Entity"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, change in net financial assets and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of BC Immigrant Investment Fund as at March 31, 2020, and its results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting 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 Consolidated Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other 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

The consolidated financial statements for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on June 13, 2019.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Chartered Professional Accountants

Victoria, Canada  
June 10, 2020

**BC IMMIGRANT INVESTMENT FUND LTD.****CONSOLIDATED STATEMENT OF FINANCIAL POSITION***(in \$000)*

As at March 31	2020	2019
<b>Financial Assets</b>		
Cash	13,903	13,963
Accounts Receivable	-	1
Loan Receivable (Note 4)	25,928	61,838
Derivatives (Note 5)	-	275
Venture Investments (Note 6)	62,743	50,835
	<b>102,574</b>	126,912
<b>Liabilities</b>		
Derivatives (Note 5)	237	-
Fiscal Agency Loan (Note 7)	40,136	26,628
Promissory Notes (Note 8)	5,078	43,110
	<b>45,451</b>	69,738
<b>Net Financial Assets</b>	<b>57,123</b>	57,174
<b>Accumulated Surplus</b>	<b>57,123</b>	57,174
Accumulated Surplus is comprised of:		
Accumulated Operating Surplus	57,360	56,899
Accumulated Remeasurement Gains	(237)	275
	<b>57,123</b>	57,174

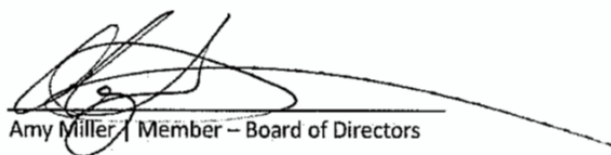
Significant Events (Note 2)

Commitments (Note 10)

Approved by the Board



Jill Kot | Chair – Board of Directors

  
Amy Miller | Member – Board of Directors

**BC IMMIGRANT INVESTMENT FUND LTD.****CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGE IN ACCUMULATED SURPLUS***(in \$000)*

For the Year Ended March 31	Budgeted Figures <i>(Note 14)</i>	<b>2020</b>	2019
Revenues:			
Venture Capital Investment Income	-	<b>116</b>	544
Realized Investment (Loss)/Gain	-	<b>(15)</b>	500
Interest Income	1,530	<b>1,626</b>	2,968
	<u>1,530</u>	<u><b>1,727</b></u>	<u>4,012</u>
Expenses <i>(Note 13)</i>	<u>1,070</u>	<u><b>1,266</b></u>	<u>1,612</u>
Annual Operating Surplus	460	<b>461</b>	2,400
Accumulated Annual Operating Surplus, Beginning of Year	<u>56,899</u>	<u><b>56,899</b></u>	<u>54,499</u>
Accumulated Annual Operating Surplus, End of Year	<u>57,359</u>	<u><b>57,360</b></u>	<u>56,899</u>

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

**BC IMMIGRANT INVESTMENT FUND LTD.****CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES***(in \$000)*

For the Year Ended March 31	<b>2020</b>	2019
Accumulated Remeasurement Gains at the beginning of the year	<b>275</b>	671
Unrealized Gains (Losses) attributable to:		
Derivatives	(524)	(349)
Foreign Exchange Gain	-	726
Investment Gain	-	75
Amounts Reclassified to the Statement of Operations		
Foreign Exchange	-	(698)
Investment	<b>12</b>	(150)
Change in Remeasurement (Losses) Gains for the Year	<b>(512)</b>	(396)
Accumulated Remeasurement Gains, End of the Year	<b>(237)</b>	275

**BC IMMIGRANT INVESTMENT FUND LTD.****CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS***(in \$000)*

For the Year Ended March 31	<b>2020</b>	2019
Annual Operating Surplus	<b>461</b>	2,400
Effect of Remeasurement (Losses)	<b>(512)</b>	(396)
(Decrease) Increase in Net Financial Assets	<b>(51)</b>	2,004
Net Financial Assets, Beginning of the Year	<b>57,174</b>	55,170
Net Financial Assets, End of the Year	<b>57,123</b>	57,174



**BC IMMIGRANT INVESTMENT FUND LTD.****CONSOLIDATED STATEMENT OF CASH FLOWS***(in \$000)*

For the Year Ended March 31	2020	2019
Operating Transactions:		
Annual Surplus	461	2,400
Items not involving Cash:		
Amortization of Promissory Discount	176	1,065
Gains on Venture Capital distributions	(116)	-
Impairment loss on Venture Capital investment	93	-
Realized Investment Loss (Gain)	15	(500)
Changes in non-cash Operating Working Capital:		
Accounts Receivable	1	-
Accrued Interest on Fiscal Agency Loan	(92)	228
Accrued Loan Interest Receivable	47	55
Cash provided by Operating Activities	585	3,248
Financing Transactions:		
Cash received from Fiscal Agency Loan	13,600	26,400
Cash received from Promissory Notes	148	-
Repayment/Refund of Promissory Notes	(38,356)	(118,847)
Cash used in Financing Activities	(24,608)	(92,447)
Investing Transactions:		
Net Sale (Purchase) of Investments	(15)	35,170
Repayment of Loan Principal	35,863	29,708
Capital calls to Venture Capital Funds	(17,422)	(16,815)
Returns from Venture Capital Funds	5,537	10,278
Cash provided by Investing Activities	23,963	58,341
Increase (Decrease) in Cash	(60)	(30,858)
Cash, Beginning of Year	13,963	44,821
Cash, End of Year	13,903	13,963

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

# BC IMMIGRANT INVESTMENT FUND LTD.

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

### 1. NATURE OF BUSINESS

BC Immigrant Investment Fund Ltd. (the "Corporation") was incorporated on September 19, 2000, under the laws of British Columbia and is wholly owned by the Province of British Columbia.

The Corporation is an approved fund under the Federal Immigrant Investor Program (the "Program"). The Program provided an opportunity for experienced business persons to immigrate to Canada after making an investment in a fund approved by a Province and the Minister of Citizenship and Immigration. The Program is now closed.

The accumulated operating surplus includes one issued common share of the Corporation, of nominal value, which is held by the Minister of Jobs, Economic Development and Competitiveness.

The Minister acts as agent for approved funds by receiving investments from immigrant investors and disbursing them to approved funds according to an allocation formula set out in the Immigration Regulations, 1978. The regulations require approved funds participating in the Program to invest in economic initiatives, which will create employment in Canada to foster the development of a strong and viable economy. The initiatives the Corporation has invested in have included loans made to public sector entities for infrastructure projects as well as investments in venture capital to help build British Columbia's technology sector.

On October 22, 2007, B.C. Renaissance Capital Fund Ltd. (BCRCF) was incorporated under the *Business Corporations Act* and is a wholly-owned subsidiary of the BC Immigrant Investment Fund Ltd. Since incorporation, the management team and Board of Directors for BCRCF have been the same as those for the Corporation. The primary business of BCRCF, a Limited Partner in venture capital funds, is to stimulate economic development and generate returns.

The Minister of Finance acts as a fiscal agent for the Corporation. The Corporation is exempt from federal and provincial taxes.

### 2. SIGNIFICANT EVENTS

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced volatility and weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The negative market impacts of COVID-19 have impacted the valuation of the Corporation's venture capital investment portfolios. However, the permanent impact of such negative market events is not determinable due to the illiquid nature of the Corporation's venture capital investments. Management believes that any decrease in fair value of the Corporation's venture capital investments is temporary rather than a permanent impairment.

Management will continue to monitor the market impacts of COVID-19 on the valuation of its investment portfolios.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Accounting*

These consolidated financial statements are prepared by management in accordance with generally accepted accounting principles established by the Canadian Public Sector Accounting Board.

## BC IMMIGRANT INVESTMENT FUND LTD.

### NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

#### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### *Basis of Consolidation*

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of the Corporation and its wholly owned subsidiary, BCRCF. All intercompany transactions and balances have been eliminated upon consolidation.

##### *Revenue Recognition*

Revenues are recognized in the period in which the transactions or events occurred that gave rise to revenues.

Venture Capital Investment Income represents BCRCF's portion of distribution of proceeds resulting from the divestiture of investments held by the Funds. Income is recognized once all paid in capital to the fund has been returned.

Realized investment gains represents realized investment and foreign exchange gains and losses earned in operating cash accounts and investments, and is recognized on the sale of investments.

Interest income from loans receivable is recognized on an accrual basis.

##### *Expenses*

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

##### *Promissory Note Discount*

Promissory notes are received at a discount. The discount is recognized as an expense on a straight-line basis over the term of the promissory notes.

As promissory notes were established by the Immigration Regulations, 1978, they are not considered financial instruments and the discount is not recognized as interest expense.

##### *Foreign Currency Translation*

Foreign currency transactions are translated at the exchange rate prevailing at the date of transactions.

Monetary assets and liabilities, and non-monetary items included in the fair value measurement category denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the consolidated statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the consolidated statement of remeasurement gains and losses.

##### *Measurement Uncertainty*

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards 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 consolidated financial statements and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include the valuation of venture capital investments for any possible impairment.

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

## BC IMMIGRANT INVESTMENT FUND LTD.

### NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### *Financial Instruments*

Equity instruments and derivatives quoted in an active market are measured at fair value. All other financial assets and financial liabilities are measured at cost or amortized cost. The following classification system is used to describe the basis of the inputs used to measure the fair value of financial instruments in the fair value measurement category:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
- Level 3 Inputs for the asset or liabilities that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the consolidated statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the consolidated statement of remeasurement gains and losses and recognized in the consolidated statement of operations. Interest attributable to financial instruments are reported in the consolidated statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

#### *i. Cash*

Cash includes both cash and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. The investments are held for the purpose of meeting short-term cash commitments rather than for investing. They are reported at cost.

#### *ii. Accounts and loans receivable*

Accounts and loans receivable are recorded at amortized cost using the effective interest method less any amount for valuation allowance. Valuation allowances are made to reflect loans receivable at the lower of amortized cost and net recoverable value, when collectability and risk of loss exists. Changes in valuation allowance are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectible.

#### *iii. Venture investments*

The Corporation invests in venture investments as a Limited Partner. These investments are reported at cost as there is no quoted market price in an active market.

## BC IMMIGRANT INVESTMENT FUND LTD.

### NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

#### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

*iv. Debt and other financial liabilities*

All debt and other financial liabilities are recorded using cost or amortized cost.

*v. Derivative Product Transactions*

The Corporation has entered into an interest rate swap where it will pay a fixed rate of interest instead of variable rate at the time the financing is required. Derivatives are reported at fair value using Level 1 valuation (Note 5).

#### 4. LOANS RECEIVABLE

	2020	2019
Due from University of Victoria, principal of \$10,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 2.48% over a 10 year term. The outstanding balance of this loan will be due in full on May 2, 2023.	7,192	7,645
Due from the Province of British Columbia, principal of \$100,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 3.46% over a 10 year term. The outstanding balance of this loan was paid in full on December 16, 2019.	-	8,763
Due from the Province of British Columbia, principal of \$75,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 3.18% over a 10 year term. The outstanding balance of this loan will be due on December 9, 2020.	6,498	14,923
Due from the Province of British Columbia, principal of \$50,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 2.15% over a 9 year term. The outstanding balance of this loan was paid in full on September 16, 2019.	-	13,563
Due from the Province of British Columbia, principal of \$45,000,000, the outstanding balance is being amortized in equal blended quarterly payments of interest and principal at an annual interest rate of 2.24% over a 10 year term. The outstanding balance of this loan will be due on December 8, 2022.	12,238	16,944
Total loans receivable	<b>25,928</b>	<b>61,838</b>

## BC IMMIGRANT INVESTMENT FUND LTD.

### NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

#### 5. DERIVATIVES

	<b>2020</b>	2019
Minister of Finance interest rate swap, fixed at 1.65 % commencing in 2017 through 2023	<b>(237)</b>	275

The Corporation has entered into an interest rate swap with the Minister of Finance where it will pay a fixed rate of interest instead of variable rate at the time financing is required. The derivative mitigates the risk of rising future interest rates when the Corporation must access financing. Fair value of the derivative product is calculated as the present value of the future cash outflows and inflows relating to the derivative arrangement. Based on interest rates at March 31, 2020 the present value of cash inflows is less than the cash outflows.

#### 6. VENTURE INVESTMENTS

BCRCF has two venture investment portfolios. In portfolio one, BCRCF has investments as a limited partner in nine venture funds. In portfolio two, BCRCF invests in the BC Tech Fund as a limited partner.

Cumulative contributions and returns of capital to date are:

	<b>2020</b>	<b>2019</b>
Canadian Dollar Venture Funds		
Cumulative contributions to date	<b>88,731</b>	71,358
Cumulative returns of capital	<b>(28,767)</b>	(24,334)
Total Canadian Dollar Venture Funds	<b>59,964</b>	47,024
US Dollar Venture Funds		
Cumulative contributions to date	<b>41,055</b>	41,003
Cumulative returns of capital	<b>(17,162)</b>	(16,172)
US Dollar Venture Funds	<b>23,893</b>	24,831
Combined Canadian and US Dollar Funds	<b>83,857</b>	71,855
Less cumulative impairments	<b>(21,114)</b>	(21,020)
Venture Capital Investments	<b>62,743</b>	50,835

During the year, impairments totaling \$93.3 thousand (2019: \$0 thousand) in venture capital investments were identified by management and reported on the consolidated statement of operations.

#### 7. FISCAL AGENCY LOAN

On March 31, 2017, the BC Immigrant Investment Fund Ltd. entered into a Short-Term Borrowing Facility with the Minister of Finance. The maximum principal amount of the credit facility is \$80 million. The interest rate has been fixed at 1.65% by entering into an interest rate swap as described in Note 4. The contract was fully executed June 7, 2017. The purpose of the Short Term Borrowing Facility is to meet all capital call commitments and repayment obligations to the Federal Government. The Corporation accessed the short term financing on October 15, 2018 in order to meet its capital call and repayment obligations.

## BC IMMIGRANT INVESTMENT FUND LTD.

### NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

#### 8. PROMISSORY NOTES

On February 11, 2014, the Federal Government announced its intention to terminate the existing Federal Immigrant Investor Program. Investor applications that were in progress at that time have been processed and all allocation of the funds have now flowed through to the Corporation.

The funds received from the Federal Immigrant Investor Program are repayable, without interest, five years after they are received. The obligation of the Corporation is represented by non-transferable zero interest promissory notes. The Province of British Columbia fully guarantees these funds up to a maximum of \$500 million.

Promissory note discount represents the amounts withheld on promissory notes received. The amount is amortized over the life of the note.

	2020	2019
Total promissory notes, beginning of year	43,338	162,255
Additions during the year	159	-
Repaid or refunded during the year	(38,356)	(118,917)
	5,141	43,338
Net promissory note discount end of year	(63)	(228)
Promissory notes, end of year	5,078	43,110

The estimated principal payments over the next five years are as follows:

Year	Amount
2021	3,298
2022	830
2023	854
2024	-
2025	159

#### 9. RISK MANAGEMENT

The investment activities of the Corporation expose it to a variety of financial risks including credit risk, market risk (which includes currency risk, interest rate risk and other price risk) and liquidity risk.

##### *Credit Risk*

Credit risk is the risk associated with the inability of a third party to fulfill payment obligations. The Corporation is exposed to credit risk in the event of non-performance by a public sector borrower to a maximum value of the value of loans receivable. The Corporation assesses this risk when considering loans. For the most part an unsecured and general obligation from the public sector institution is judged sufficient to mitigate credit risk.

The Corporation is exposed to credit risk associated with its cash deposits and investments. This risk is mitigated by placing deposits and investments in recognized British Columbia institutions, with investments consisting entirely of high-quality short-term funds. Therefore credit risk arising from cash deposits and investments is considered negligible.

The Corporation is also exposed to credit risk in the event its returns from the venture capital initiatives are below cost. The Corporation's investment portfolio diversification is based on an investment strategy developed to generate returns to cover potential losses from its higher risk investments.

## BC IMMIGRANT INVESTMENT FUND LTD.

### NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

#### 9. RISK MANAGEMENT (*Continued*)

##### *Market Risk (Currency Risk, Interest rate Risk and Other Price Risk)*

###### *Currency Risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Corporation is exposed to foreign currency exchange risk as a result of its investments in US venture capital initiatives and USD holdings.

Through the Corporation's venture capital initiative, the Corporation has a total of \$522 thousand USD (2019 - \$562 thousand USD) in remaining venture capital commitments and holds \$9.7 million USD in venture capital investments (2019: \$10.4 million USD) and \$0 USD (2019: \$107 thousand USD) in cash. Returns generated from investments in these venture capital funds will be in US dollars. As the timing and value of returns from these investments cannot be reasonably estimated, the impact of currency rate fluctuations can also not be estimated. At the statement of financial position date, currency risk is negligible because the Corporation has sufficient cash and financing available to satisfy commitments made.

US dollar investments held to provide funds for anticipated US dollar venture capital commitments have resulted in unrealized foreign exchange losses of \$0 (2019 - \$1 thousand) being recognized in the consolidated statement of remeasurement gains and losses.

###### *Interest Rate Risk*

Interest rate risk arises from the possibility that changes in market interest rates will affect future cash flows or fair values of financial instruments. The Corporation is exposed to interest rate risk through its investments. The Corporation manages its exposure to interest rate risk by holding a portfolio of fixed and floating rate investments. The Corporation has invested its funds in loans receivable with fixed rate returns and investments with the Central Deposit Program on a floating rate basis.

If the Corporation were to have experienced a 1% change in the interest rate earned this would have impacted interest income in the approximate amount of \$0.6 million (2019 - \$1.1 million) calculated as 1% of the average book value of investments throughout the year.

The Corporation manages its exposure to interest rate on future cash borrowings by entering into a Derivative Product Transaction Agreement where the Corporation will pay a fixed rate of interest instead of the variable rate of interest at the time financing is required.

###### *Other Price Risk*

Other price risk is the risk that the market value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation is exposed to other price risk through both its investments and venture capital investments. Venture capital investments carry a high risk; however, the Corporation mitigates the risk by utilizing the expertise and skills of institutional venture capital managers with a track record of commercial returns.

###### *Liquidity Risk*

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. In connection with the Corporation's ongoing financing of operations including refinancing risk, management aims to ensure adequate liquidity of investments. The Corporation manages its liquidity risk by placing deposits in cash and extremely liquid negotiable instruments, and monitoring the duration of lending/investing activities of the Corporation to coincide with five year forecasted repayment obligations (*Note 8*).



## BC IMMIGRANT INVESTMENT FUND LTD.

### NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

#### 9. RISK MANAGEMENT *(Continued)*

The Corporation is also exposed to liquidity risk associated with the venture capital initiatives. The Corporation cannot readily sell the investments. As the Corporation invests in early stage venture capital initiatives that have a limited history of operations and whose business activities tend to be speculative, there is no assurance that such investments will provide positive future cash flows. The Corporation attempts to manage liquidity risk by utilizing the expertise and skills of institutional venture capital managers with a track record of commercial returns.

#### 10. COMMITMENTS

BCRCF has commitments in both CAD and USD to invest as a Limited Partner in certain venture capital funds. The following table summarizes the total investment commitments, transfers made to date and total commitments remaining:

	2020	2019
Total USD investment commitments (USD)	<b>38,987</b>	38,987
USD investment commitments transferred to date (USD)	<b>(38,465)</b>	(38,425)
Remaining USD investment commitments (USD)	<b>522</b>	562
Remaining USD investment commitments translated to CAD	<b>678</b>	751
Total CAD investment commitments	<b>151,000</b>	151,000
CAD investment commitments transferred to date	<b>(87,861)</b>	(70,488)
Remaining CAD investment commitments	<b>63,139</b>	80,512
Aggregate remaining investment commitments	<b>63,817</b>	81,262

#### 11. INDEMNITIES

As part of the Corporation's initiative to develop a portfolio of venture investments it has entered into the following partnerships:

Portfolio 1: Arch Venture Fund VII, L.P., VantagePoint Clean Tech Partners II, L.P., VantagePoint Venture Partners 2006 (Q), L.P., Azure Capital Partners III, L.P., Yaletown Ventures II, L.P., Tandem Expansion Fund I, L.P., (the Partnerships), VanEdge Capital I, L.P., iNovia Investment Fund III L.P; and

Portfolio 2: BC Tech Fund.

Under the terms of the partnership agreements, each Partnership has agreed to indemnify its General Partner (including their members, employees and agents) for certain liabilities, which the General Partner may incur as a result of activities undertaken in their capacity as General Partners. Management believes that no such liabilities exist at March 31, 2020.

## BC IMMIGRANT INVESTMENT FUND LTD.

### NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

#### 12. RELATED PARTY TRANSACTIONS

The Corporation is related through common ownership to all Province of British Columbia ministries, agencies, Crown corporations and all other public sector organizations. Transactions with these entities are in the normal course of operations and are recorded at the exchange amount.

As of April 1, 2017, BCIIIF has a Memorandum of Understanding that the Ministry of Jobs, Economic Development and Competitiveness will incur the cost of operating expenditures on behalf of BCIIIF without expectation of reimbursement. BCIIIF will continue to record expenditures due to the amortization of promissory notes, investment management fees, and investment losses (if any) as disclosed in note 13.

The Province of British Columbia has provided a guarantee to the federal government for the balance of the promissory notes payable up to a maximum of \$500 million.

Assets and liabilities with related parties include:

	<u>2020</u>	<u>2019</u>
Cash (CDP)	13,896	10,953
Loans receivable (Note 4)	25,928	61,838
Fiscal Agency Loan (Note 7)	40,136	26,628

The consolidated statement of operations includes the following transactions with related parties:

	<u>2020</u>	<u>2019</u>
Interest Income	1,626	2,635
Debt service costs	705	231

#### 13. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	<u>2020</u>	<u>2019</u>
Amortization of promissory note discount	176	1,065
Debt service costs	719	237
Investment fees	276	299
Miscellaneous expenses	2	11
Venture Capital investment losses	93	-
	<u>1,266</u>	<u>1,612</u>

#### 14. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the 2019/20 Service Plan approved by the Board Chair on January 22, 2019.