

# **NORTHWEST TERRITORIES OPPORTUNITIES FUND**

## **Financial Statements**

**For the year ended**

**March 31, 2011**

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## **Northwest Territories Opportunities Fund**

### **Financial Statements**

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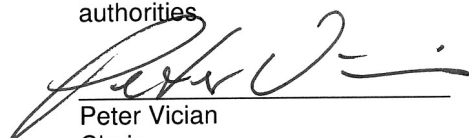

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## Management's Responsibility for Financial Reporting

The accompanying financial statements of the Northwest Territories Opportunities Fund (the "Fund") have been prepared by management in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Management is responsible for the integrity and objectivity of the data in these financial statements and, where appropriate, the financial statements include estimates based on careful consideration of the information available to management.

Management maintains financial and management systems and practices which are designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded, proper books of account are maintained, reliable financial information is available on a timely basis, and the Fund complies with the relevant authorities and policies approved by the Board of Directors. Management also recognizes its responsibility for conducting the Fund's affairs in accordance with the requirements of applicable laws and for maintaining the standards of conduct that are appropriate for a public agency of the Government of the Northwest Territories.

The Auditor General of Canada provides an independent, objective audit for the purpose of expressing his opinion on the financial statements of the Fund. He also considers whether the transactions that have come to his notice during the course of the audit were, in all significant respects, in accordance with the specified authorities.

  
Peter Vician  
Chair  
Kevin Todd  
Acting President

September 21, 2011  
Yellowknife, Canada



## INDEPENDENT AUDITOR'S REPORT

To the Minister of Industry, Tourism and Investment

### Report on the Financial Statements

I have audited the accompanying financial statements of the Northwest Territories Opportunities Fund, which comprise the statement of financial position as at 31 March 2011, and the statement of operations and accumulated surplus, statement of change in net financial resources and statement of cash flow 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 generally accepted accounting principles, 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 auditor's judgment, 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.

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 Northwest Territories Opportunities Fund as at 31 March 2011, and the results of its operations, changes in its net financial resources, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

### Report on Other Legal and Regulatory Requirements

In my opinion, proper books of account have been kept by the Northwest Territories Opportunities Fund and the financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Opportunities Fund that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the Northwest Territories *Societies Act* and regulations, the Northwest Territories Opportunities Fund's by-laws, and the Immigration and Refugee Protection Regulations of Canada and the Fund Agreement between the Northwest Territories Opportunities Fund and the Minister of Citizenship and Immigration of Canada, dated 1 October 2003.

Guy LeGras, CA  
Principal  
for the Interim Auditor General of Canada

21 September 2011  
Edmonton, Canada

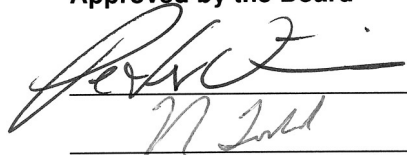
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## Northwest Territories Opportunities Fund

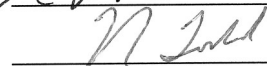
### Statement of Financial Position

As at March 31,	2011	2010
<b>Financial assets</b>		
Cash and cash equivalents (note 4)	\$102,662,016	\$115,707,527
Accrued interest receivable	310,768	302,206
Loan receivable (note 5)	34,000,000	34,000,000
<b>Total financial assets</b>	<b>136,972,784</b>	<b>150,009,733</b>
<b>Liabilities</b>		
Accounts payable to related party (note 6)	-	27,410
Long-term debt (note 7)	126,205,630	141,592,959
<b>Total liabilities</b>	<b>126,205,630</b>	<b>141,620,369</b>
<b>Net financial resources</b>	<b>10,767,154</b>	<b>8,389,364</b>
<b>Accumulated surplus</b>	<b>\$ 10,767,154</b>	<b>\$ 8,389,364</b>

Approved by the Board



Chairman of the Board



Acting President of the Board

The accompanying notes are an integral part of these financial statements

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**Northwest Territories Opportunities Fund****Statement of Operations and Accumulated Surplus**

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<b>For the year ended March 31,</b>	<b>2011</b>	<b>2010</b>
<b>Revenue</b>		
Interest income	\$ 4,484,219	\$ 3,916,012
Government contribution - services provided without charge (note 6)	43,460	18,420
	<b>4,527,679</b>	<b>3,934,432</b>
<b>Expenses</b>		
Administration services	43,460	45,830
Amortization of loan origination fees	1,960,844	1,916,141
Bank charges and investment fees	113,422	108,335
Professional fees	32,163	6,039
	<b>2,149,889</b>	<b>2,076,345</b>
<b>Annual surplus</b>	<b>2,377,790</b>	<b>1,858,087</b>
<b>Accumulated surplus at beginning of year</b>	<b>8,389,364</b>	<b>6,531,277</b>
<b>Accumulated surplus at end of year</b>	<b>\$10,767,154</b>	<b>\$ 8,389,364</b>

The accompanying notes are an integral part of these financial statements

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**Northwest Territories Opportunities Fund****Statement of Change in Net Financial Resources**

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<b>For the year ended March 31,</b>	<b>2011</b>	<b>2010</b>
<b>Net financial resources at beginning of year</b>	<b>\$ 8,389,364</b>	<b>\$ 6,531,277</b>
<b>Annual Surplus</b>	<b>2,377,790</b>	<b>1,858,087</b>
<b>Net financial resources at end of year</b>	<b>\$10,767,154</b>	<b>\$ 8,389,364</b>

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The accompanying notes are an integral part of these financial statements

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**Northwest Territories Opportunities Fund****Statement of Cash Flow**

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<b>For the year ended March 31,</b>	<b>2011</b>	<b>2010</b>
<b>Operating transactions</b>		
Interest income received	\$ 4,475,655	\$ 3,914,623
Bank charges and investment fees paid	(113,422)	(108,335)
Cash paid to suppliers	(32,162)	(6,039)
Repayment of accounts payable to related party	(27,410)	-
<b>Total cash provided by operating transactions</b>	<b>4,302,661</b>	<b>3,800,249</b>
<b>Financing transactions</b>		
Proceeds from long-term debt	11,994,760	45,825,863
Repayment of long-term debt	(28,509,705)	(29,296,221)
Loan origination fees paid	(833,227)	(3,180,381)
<b>Total cash provided by (applied to) financing transactions</b>	<b>(17,348,172)</b>	<b>13,349,261</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(13,045,511)</b>	<b>17,149,510</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>115,707,527</b>	<b>98,558,017</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$102,662,016</b>	<b>\$115,707,527</b>

The accompanying notes are an integral part of these financial statements



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## Northwest Territories Opportunities Fund

### Notes to the Financial Statements

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March 31, 2011

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#### 1. Authority and operations

The Northwest Territories Opportunities Fund (the Fund) was established by the Government of the Northwest Territories (the Government) under the Northwest Territories *Societies Act* to receive and invest the Northwest Territories' share of immigrant investor funds received under the federal Immigrant Investor Program (IIP). The Fund's operations are overseen by a Board of Directors appointed by the Minister of Industry, Tourism and Investment and its objectives are to promote investment, economic development and job creation in the Northwest Territories. The Fund is not subject to taxation under the *Income Tax Act* of Canada.

In June 2010, the Financial Management Board (FMB) directed that the Fund cease accepting new contributions from IIP until the results of a review of the Government's borrowing limit is completed. In addition, the Fund is to undertake no new lending until this review is completed. The last contribution received by the Fund was deposited July 2010.

#### 2. Significant accounting policies

##### (a) Basis of accounting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

##### (b) Cash and cash equivalents

Cash and cash equivalents are comprised of bank account balances and short-term highly liquid investments that are readily convertible to cash with an original maturity date of 90 days or less.

##### (c) Loans receivable

Loans receivable are recorded at cost upon initial recognition and are subsequently carried at the lower of cost and net recoverable value. Interest income on loans receivable is recorded on an accrual basis, except on a loan that is considered impaired at which time no revenue is accrued.

Loans are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest.

##### (d) Loan origination fees

Loan origination fees consist of a 7% commission fee paid on allocations received under the IIP and are amortized on a straight-line basis over the 5 year term of the related long-term debt. These fees are recorded contra to the long-term debt on the statement of financial position.

##### (e) Interest income

Interest income is recognized on the accrual basis.

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## Northwest Territories Opportunities Fund

### Notes to the Financial Statements

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March 31, 2011

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#### 2. Significant accounting policies (continued)

##### (f) Services provided without charge

The Fund records the estimated cost of the accounting and administrative services it receives without charge from the Department of Industry, Tourism and Investment. These services are recorded as a government contribution - services provided without charge and included in the expenses in the statement of operations.

##### (g) Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles for the public sector requires the Fund to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ significantly from these estimates.

##### (h) Related parties

The Fund is related in terms of common ownership to all Government of the Northwest Territories departments and public agencies. The Fund enters into transactions with these entities in the normal course of business and these transactions are measured at the exchange amount except for the services provided without charge which are measured at their estimated cost.

#### 3. Future accounting change

In March 2011, the Public Sector Accounting Board approved new Section PS 3450, Financial Instruments, and related amendments to existing Section PS 1200, Financial Statement Presentation and Section PS 2600, Foreign Currency Translation. The adoption of these standards is effective for the fiscal year beginning on April 1, 2012.

The Fund is currently evaluating the impact of the adoption of these standards.

#### 4. Cash and cash equivalents

The Fund's cash balances are pooled with the Government's surplus cash and are invested in a diversified portfolio of high-grade, short-term income producing assets. The cash can be withdrawn at any time and is not restricted by maturity dates on investments made by the Government. The Department of Finance approved the eligible classes of securities, categories of issuers, limits and terms. All instruments, depending on their investment class, are rated R-1 Low or better by the Dominion Bond Rating Service Ltd. The Fund's average annual yield for the year ended March 31, 2011, was 0.97% (2010 - 0.48%).

#### 5. Loan receivable

Loan receivable, 10% interest; the interest is receivable monthly and the principal is due in a single payment on February 1, 2013. Secured by real property and aircraft assets of the debtor.

<u>2011</u>	<u>2010</u>
\$ <u>34,000,000</u>	\$ <u>34,000,000</u>

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## Northwest Territories Opportunities Fund

### Notes to the Financial Statements

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March 31, 2011

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#### 6. Related party transactions

The Department of Industry, Tourism and Investment provides the Fund with accounting and administrative services without charge. The total cost of these services has been estimated to be \$43,460 (2010 - \$18,420) and are included in the statement of operations. Additional estimated and actual administration costs of \$ - (2010 - \$27,410) were charged to the Fund and included in accounts payable at year end.

The Department of Finance provides the Fund with cash and investment management services. The Department charges the Fund 0.10% (2010 - 0.10%) on the average balance invested. The total cost for this service for the year ended March 31, 2011, was \$113,398 (2010 - \$108,310) and is accounted for as bank charges and investment fees.

#### 7. Long-term debt

	<u>2011</u>	<u>2010</u>
IIP loans, 0% interest, repayable in a single payment at the end of 5 years, maturing between April 30, 2011 and June 30, 2015.	\$130,892,826	\$147,407,771
Less unamortized origination fees	<u>(4,687,196)</u>	<u>(5,814,812)</u>
	<u>\$126,205,630</u>	<u>\$141,592,959</u>

The repayment of the long-term debt is guaranteed by the Government.

The principal repayments of the long-term debt over the next 5 years are as follows:

2012	\$ 17,772,788
2013	22,149,092
2014	33,269,095
2015	45,707,091
2016	<u>11,994,760</u>
	<u>\$130,892,826</u>

Under section 92 of the Immigration and Refugee Protection Regulations of Canada, the allocation received is due on demand until a permanent resident visa is issued at which time the allocation is not repayable until the end of the 5 year allocation period.

Where a visa is not issued, the allocation is repayable. As at March 31, 2011, a visa had not been issued to investors for corresponding loans totalling \$153,447 (2010 - \$1,405,369).

#### 8. Comparative figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.