

Financial Statements
(Expressed in U.S. dollars)

**HERITAGE INTERNATIONAL
SCHOLARSHIP TRUST
FOUNDATION**

Years ended December 31, 2019 and 2018



March 30, 2020

Independent Practitioner's Review Engagement Report

To the Directors of Heritage International Scholarship Trust Foundation

Report on the financial statements

We have reviewed the accompanying financial statements of Heritage International Scholarship Trust Foundation that comprise the statement of financial position as at December 31, 2019 and the statements of income and changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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 accounting standards for not-for-profit organizations, 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.

Practitioner's 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.

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 Heritage International Scholarship Trust Foundation as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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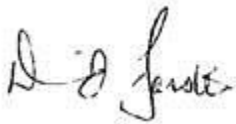
HERITAGE INTERNATIONAL SCHOLARSHIP TRUST FOUNDATION

Statements of Financial Position
(Expressed in U.S. dollars)

As at December 31, 2019 and December 31, 2018

	2019	2018
Assets		
Current assets		
Cash	2,114,029	1,632,015
Restricted amounts due from the Plan (Note 3)	606,058	673,704
EAP advances (Note 5)	1,851	5,864
Due from related entity (Note 3)	268	1,229
	<u>2,722,206</u>	<u>2,312,812</u>
Liabilities		
Current liabilities		
Accounts payable	1,203	36,159
Restricted amounts due to related entities (Note 3)	606,058	673,704
Unrestricted amounts due to related entities (Note 3)	647,709	604,030
Due to the Plan and Subscribers (Note 3)	1,467,236	998,919
	<u>2,722,206</u>	<u>2,312,812</u>
Net Assets - unrestricted	<u>-</u>	<u>-</u>

On behalf of the Board of the Heritage International
Scholarship Trust Foundation:



Director



Director

Refer to accompanying notes which are an integral part of these financial statements.

HERITAGE INTERNATIONAL SCHOLARSHIP TRUST FOUNDATION

Statements of Cash Flows
(Expressed in U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

	2019	2018
Revenue:		
Membership fees	2,333,375	2,486,258
Depository fees	614,904	606,741
Administration fees	991,051	947,574
Insurance premiums	19,915	22,995
	<u>3,959,245</u>	<u>4,063,568</u>
Operating expenses (Note 3):		
Membership fees	2,333,375	2,486,258
Depository fees	614,904	606,741
Administration fees	991,051	947,574
Insurance premiums	19,915	22,995
	<u>3,959,245</u>	<u>4,063,568</u>
Net income	-	-
Net assets, beginning of year	-	-
Net assets, end of year	<u>-</u>	<u>-</u>

Refer to accompanying notes which are an integral part of these financial statements.

HERITAGE INTERNATIONAL SCHOLARSHIP TRUST FOUNDATION

Statements of Cash Flows
(Expressed in U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

	2019	2018
Cash provided by (used in) Operating activities		
Net income	\$ -	\$ -
Changes in non-cash working capital		
Restricted amounts due from the Plan	67,646	(301,816)
Due from related entity	961	(1,229)
EAP advances	4,013	(5,864)
Accounts payable	(34,956)	27,481
Restricted amounts due to related entities	(67,646)	301,816
Unrestricted amounts due to related entities	43,679	194,378
Due to the Plan and Subscribers	468,317	513,481
Increase in cash during the year	482,014	728,247
Cash, beginning of year	1,632,015	903,768
Cash, end of year	2,114,029	1,632,015

Refer to accompanying notes which are an integral part of these financial statements.

HERITAGE INTERNATIONAL SCHOLARSHIP TRUST FOUNDATION

Notes to Financial Statements
(Expressed in U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

1. Nature of business and corporate information

Heritage International Scholarship Trust Foundation (the "Foundation") is a not-for-profit corporation incorporated on May 16, 1983 under the laws of Canada without share capital. The Foundation's objective is to provide financial and other assistance to students who attend programs of education at post-secondary institutions. The Foundation is the administrator of the Heritage International Scholarship Trust Plan - Fund D (the "Plan") and began marketing the Plan on September 1, 1988. Heritage Education Funds International LLC, a limited liability company, which was continued under the Canada Business Corporations Act on December 28, 2017 under the name of Heritage Education Funds International Inc. ("Heritage International"), is the distributor and investment manager of the Plan and assists the Foundation in administering the Plan.

Effective January 2, 2018, Knowledge First International Inc. ("Knowledge First International") a wholly-owned subsidiary of Knowledge First Foundation acquired 100% of the outstanding shares of Heritage International. Concurrent with the acquisition of control of Heritage International, certain directors of Knowledge First Foundation became the directors of the Foundation

On September 30, 2019 ("Amalgamation Date"), Heritage International and Knowledge First International were also amalgamated. Heritage International continued as the amalgamated company and remains the investment fund manager and distributor of the Plan.

Knowledge First Foundation sponsors various Knowledge First Education Savings Plans (the "KF Plans"). Knowledge First Financial Inc., a wholly-owned subsidiary of Knowledge First Foundation, is the investment fund manager and distributor of the KF Plans. On January 2, 2018, Knowledge First Financial Inc. acquired, indirectly, 100% of Heritage Education Funds Inc. ("HEFI") and on August 28, 2018 the two companies amalgamated and continued under the name Knowledge First Financial Inc. ("Knowledge First Financial").

The Board of Directors authorized these financial statements for issue on March 25, 2020.

2. Significant accounting policies:

(a) Basis of presentation:

The Foundation has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"), as stated in Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook.

(b) Cash

Cash is comprised of cash on hand and demand deposits.

HERITAGE INTERNATIONAL SCHOLARSHIP TRUST FOUNDATION

Notes to Financial Statements (continued)
(Expressed in U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

(c) Functional and presentation currency:

The Foundation's functional and presentation currency is the United States ("U.S.") dollar. The Foundation does not conduct any significant activities in currencies other than the U.S. dollar.

(d) Financial Instruments:

Financial assets and financial liabilities are recognized when the Foundation becomes a party to the contractual provisions of the instrument. Financial instruments are derecognized when the rights to receive or pay cash flows from the instrument have expired and the Foundation has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset, and the net amount is reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(e) Revenue recognition:

The Foundation's revenue is derived from membership fees, depository fees, administration fees and insurance premiums charged to the Plan and retained by the Foundation from contributions paid to the Foundation by Subscribers. The revenue is recorded upon receipt of the contributions from subscribers. The Foundation pays the fees collected from the Subscribers to Heritage International and Knowledge First Financial for services provided to the Foundation in the administration of the Plan such that the revenues of the Foundation are equal to its expenses. Amounts receivable and payable and related revenues and expenses under these arrangements are measured at amortized cost.

(f) Investments in Unconsolidated Structured Entities:

Structured entities are those entities where voting rights or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements. The Foundation has determined that the Plan and investments in underlying funds meet the definition of structured entities. See note 6 for unconsolidated structured entity disclosures.

(g) Income taxes

The Foundation qualifies as a not-for-profit organization under Section 149(1)(l) of the Income Tax Act (Canada) and as such is exempt from income taxes.

HERITAGE INTERNATIONAL SCHOLARSHIP TRUST FOUNDATION

Notes to Financial Statements (continued)
(Expressed in U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

3. Related party balances and transactions:

Related party balances:

The amounts due from the Plan of \$606,058 (2018 - \$673,704) represents the membership fees, the administration fees and the depository fees earned in Bahamas which are restricted and require the approval of the Central Bank of Bahamas prior to being remitted to the related entities. The amounts are generally received within one year.

	<u>2019</u>	<u>2018</u>
Restricted amounts due from the Plan	606,058	673,704
Due to Heritage International	458,695	524,515
Due to Knowledge First Financial	147,363	149,189
Restricted amounts due to related entities	606,058	673,704
Due from related entity		
Due from Heritage International	268	1,229

Amounts due to related entities and the Plan and Subscribers are non-interest bearing and have no specific terms of repayment. Due to Heritage International is the membership fees and the administration fees earned from non-Bahamian plans and due to Knowledge First Financial is the depository fees earned from non-Bahamian plans.

HERITAGE INTERNATIONAL SCHOLARSHIP TRUST FOUNDATION

Notes to Financial Statements (continued)
(Expressed in U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

Unrestricted amounts due to related entities	2019	2018
Due to Heritage International	243,252	212,754
Due to Knowledge First Financial	404,457	391,276
	647,709	604,030

Amounts due to the Plan and Subscribers

Amounts due to the Plan	1,376,971	899,687
Amounts due to the Subscribers	90,265	99,232
	1,467,236	998,919

Related party transactions during the year:

Related party transactions conducted in the normal course of operations are measured at the transaction amount, which is the amount established and agreed to by the related parties.

	2019	2018
Fees paid to Heritage International	3,344,341	3,456,827
Depository fees to Knowledge First Financial	614,904	606,741
	3,959,245	4,063,568

The Foundation pays the fees to Heritage International for expenses incurred in assisting the Foundation with the administration of the Plan. Depository fees are paid to Knowledge First Financial.

The administration fees are initially collected from the Plan by the Foundation and are calculated based on up to 1% of the subscriber principal and interest and dividends earned thereon.

HERITAGE INTERNATIONAL SCHOLARSHIP TRUST FOUNDATION

Notes to Financial Statements (continued)
(Expressed in U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

4. Financial risk management:

The Foundation's activities may expose it to a variety of financial risks such as credit risk, liquidity risk and currency risk. The Foundation's overall risk management approach includes cash flow management and objectives. Oversight responsibility and authority rests with the Foundation's Board of Directors.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Foundation's receivables arise primarily from the Plan.

Cash is kept on deposit by the Foundation with Schedule 1 Canadian Banks, Bank of Butterfield, Sagicor Bank and Jamaica National Bank Ltd. The carrying amount of cash, due from related entity, and restricted amounts due from the Plan represents the maximum credit risk exposure as at December 31, 2019 and December 31, 2018.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is not exposed to significant liquidity risk as the activities of the Foundation are flow through transactions. The Foundation endeavours to retain adequate cash positions to maintain adequate liquidity.

All of the Foundation's receivables are due within one year.

Accounts payable are all due within a year.

Currency risk

The Foundation does not conduct any significant activities in currencies other than the U.S. dollar.

5. EAP advances

These are EAP advance payments made prior to September to beneficiaries to pay for their school fees (based on 50% of prior year's payout rate multiplied by units purchased).

6. Investment in Unconsolidated Structured Entities:

The Foundation is principally involved with structured entities through the contractual arrangement of providing plan management and administrative services to the Plan in support of education savings plans. The Plan is a structured entity that is not consolidated by the Foundation. The Foundation does not have any ownership interest nor rights in the Plan; rights within the Plan reside with other parties, specifically the

HERITAGE INTERNATIONAL SCHOLARSHIP TRUST FOUNDATION

Notes to Financial Statements (continued)
(Expressed in U.S. dollars)

Years ended December 31, 2019 and December 31, 2018

independent subscribers, and the Foundation has limited scope of decision-making authority as the sponsor. The activities of the Plan that significantly affect their returns are mandated by law, regulations and the investment policies. Based on the level of restrictions on the scope of the Foundation's activities and lack of exposure to the variable returns, the Foundation has concluded that it does not control the Plan. The total gross assets of the Plan are \$137.8 million as at December 31, 2019 (\$123.8 million as at December 31, 2018). The Plan's primary activities are to aggregate contributions to the education savings plans from subscribers and to provide education assistance payments to beneficiaries. The Plan is financed from subscribers' contributions.

Amounts due from and to the Plan are recorded in the financial statements as due from related parties or due to related parties as described in Note 3. Management believes that the maximum exposure to loss is the carrying value of the receivable due from the Plans.

7. Subsequent event

Since the latter part of February 2020, the financial markets have been very volatile in response to the developing COVID-19 pandemic and the equity markets in particular have experienced significant declines. The investment portfolio of the Plan has been subject to these market fluctuations and are expected to continue to experience significant volatility as the situation evolves.