

# **Knowledge First Financial**

## **Heritage Plans**

(Education savings program provided by Heritage Educational Foundation)

Unaudited Semi-Annual Financial Statements

**For the six months ended June 30, 2020**

*The Foundation appoints an independent auditor to audit the Plan's annual financial statements. The independent auditor has not audited the Plan's June 30, 2020 and 2019 financial statements. Applicable securities laws require that if an auditor has not audited the interim financial statements, this must be disclosed in an accompanying notice.*

**HERITAGE PLANS**  
**STATEMENTS OF FINANCIAL POSITION**

As at June 30, 2020 and December 31, 2019

All amounts in Canadian dollars

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	1,565,550	1,127,301
Investments (Note 5)	2,812,464,093	2,581,620,880
Government grants receivable	2,602,030	2,957,168
Due from Heritage Educational Foundation (Note 7)	35,004,029	77,606,618
Accrued interest and dividends	13,245,420	16,945,982
	<u>2,864,882,122</u>	<u>2,680,257,949</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and other liabilities	762,446	753,844
Sales charges obligation (Note 8)	896,480	916,913
	<u>1,658,926</u>	<u>1,670,757</u>
<b>Net assets attributable to subscribers and beneficiaries (Note 6)</b>	<u>2,863,222,196</u>	<u>2,678,587,192</u>

**Approved by the Board of Directors of Heritage Educational Foundation**

*"R. George Hopkinson"*

*"David Forster"*

R. George Hopkinson, Director

David Forster, Director

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

**HERITAGE PLANS**  
**STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**  
For the six months ended June 30, 2020 and 2019  
All amounts in Canadian dollars

	<b>2020</b>	<b>2019</b>
<b>Income</b>		
Interest income	23,892,397	26,124,352
Dividend income	5,388,982	8,520,071
Other changes in fair value of investments:		
Net realized gains on investments	70,656,750	96,770,522
Net change in unrealized gains (losses) on investments	32,990,364	39,726,037
<b>Total income</b>	<b>132,928,493</b>	<b>171,140,982</b>
<b>Expenses</b>		
Administration fees (Note 7)	7,800,390	7,088,464
Investment counsel fees	975,995	1,167,683
Independent review committee fees (Note 7)	11,305	20,132
Trustee fees	74,514	52,715
Transaction costs	31,993	285,420
<b>Total expenses</b>	<b>8,894,197</b>	<b>8,614,414</b>
<b>Increase in net assets attributable to subscribers and beneficiaries</b>	<b>124,034,296</b>	<b>162,526,568</b>

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**HERITAGE PLANS**  
**STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SUBSCRIBERS AND**  
**BENEFICIARIES (UNAUDITED)**

For the six months ended June 30, 2020 and 2019

All amounts in Canadian dollars

	<b>2020</b>	<b>2019</b>
<b>Net assets attributable to subscribers and beneficiaries, beginning of period</b>	2,678,587,192	2,539,361,977
Subscribers' contributions		
Contributions and transfers in	81,130,904	88,834,952
Return of subscribers' contributions and transfers out	(18,283,209)	(19,460,365)
	<u>62,847,695</u>	<u>69,374,587</u>
Government grants		
Government grant contributions	18,434,686	23,768,761
Government grant repayments and transfers	(670,144)	(800,807)
Government grant payments to beneficiaries	(5,206,902)	(4,976,237)
	<u>12,557,640</u>	<u>17,991,717</u>
Accumulated income		
Increase in net assets attributable to subscribers and beneficiaries	124,034,296	162,526,568
Education Assistance Payments – Group Plan	(4,993,917)	(5,886,236)
Education Assistance Payments – Self-Determined Plan	(7,457,079)	(6,470,789)
Payments of government grant income to beneficiaries	(2,312,901)	(2,339,146)
Repayment of sales charges	(40,730)	(3,605)
	<u>109,229,669</u>	<u>147,826,792</u>
<b>Net assets attributable to subscribers and beneficiaries, end of period</b>	<b><u>2,863,222,196</u></b>	<b><u>2,774,555,073</u></b>

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**HERITAGE PLANS**  
**STATEMENTS OF CASH FLOWS**  
For the six months ended June 30, 2020 and 2019  
All amounts in Canadian dollars

	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) operating activities</b>		
Increase in net assets attributable to subscribers and beneficiaries	124,034,296	162,526,568
Adjustments for:		
Net change in unrealized (gains) losses	(32,990,364)	(39,726,037)
Net realized (gains) losses on investments	(70,656,750)	(96,770,522)
Amortization of bonds discounts/premiums	5,514,951	4,550,744
Decrease in accrued interest	3,700,705	670,311
Increase (decrease) in due from Heritage Educational Foundation	42,602,589	(42,332,017)
Increase (decrease) in accounts payable, other liabilities and government grants receivables	363,739	32,013
Change in sales charge obligation	(20,432)	(70,435)
Purchase of investments	(2,993,061,600)	(3,007,575,915)
Proceeds from sale or maturity of investments	<u>2,860,350,407</u>	<u>2,941,966,696</u>
<b>Net cash flows from operating activities</b>	<b>(60,162,459)</b>	<b>(76,728,594)</b>
<b>Cash flows from (used in) financing activities</b>		
Subscribers' contributions	81,130,904	88,834,952
Return of subscribers' contributions	(18,283,209)	(19,460,365)
Government grants	18,434,686	23,768,761
Government grants paid to beneficiaries and transfer-outs	(5,206,902)	(4,976,237)
Government grant repayments and transfers	(670,144)	(800,807)
Income payments to beneficiaries		
Education Assistance Payments	(12,491,726)	(12,431,068)
Government grants	<u>(2,312,901)</u>	<u>(2,339,146)</u>
<b>Net cash used in financing activities</b>	<b>60,600,708</b>	<b>72,596,090</b>
<b>Net decrease in cash</b>	<b>438,249</b>	<b>(4,132,504)</b>
<b>Cash, beginning of period</b>	<u><b>1,127,301</b></u>	<u><b>4,915,651</b></u>
<b>Cash, end of period</b>	<u><b>1,565,550</b></u>	<u><b>783,147</b></u>

Supplementary Information

<i>Interest received *</i>	21,696,012	22,075,577
<i>Dividends received *</i>	5,388,982	8,520,071
* Included in operating activities		

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

**HERITAGE PLANS  
SCHEDULE OF INVESTMENT PORTFOLIO**

As at June 30, 2020

All amounts in Canadian dollars

<b>Bond Name</b>	<b>Coupon %</b>	<b>Maturity Date</b>	<b>Par Value \$</b>	<b>Cost \$</b>	<b>Fair Value \$</b>
<b>FEDERAL (16.7%)</b>					
CANADA HOUSING TRUST	1.90%	2026-09-15	110,000,000	114,011,037	117,605,886
CANADA HOUSING TRUST	2.35%	2027-06-15	22,600,000	24,411,549	24,957,579
CANADA HOUSING TRUST	2.65%	2028-03-15	10,000,000	9,898,219	11,338,081
CANADA HOUSING TRUST	1.75%	2030-06-15	259,000,000	277,322,320	278,267,796
GOVERNMENT OF CANADA	1.25%	2030-06-01	35,000,000	37,522,667	37,449,568
				<u>463,165,792</u>	<u>469,618,910</u>
<b>PROVINCIAL (24.0%)</b>					
CENTRE HOSPITALIER DE L'UNIVERSITE DE MONTREAL	6.72%	2049-09-30	10,113,000	13,816,851	15,029,846
ONTARIO SCHOOL BOARDS FINANCING CORP	5.38%	2032-06-25	833,439	975,015	1,030,415
PROVINCE OF BRITISH COLUMBIA CANADA	2.20%	2030-06-18	150,000,000	152,939,670	163,258,842
PROVINCE OF ONTARIO	2.40%	2026-06-02	5,825,000	6,061,316	6,307,059
PROVINCE OF ONTARIO	2.60%	2027-06-02	9,400,000	9,895,610	10,349,902
PROVINCE OF ONTARIO	6.50%	2029-03-08	61,745,000	79,583,030	88,100,412
PROVINCE OF ONTARIO	2.90%	2049-06-02	2,720,000	3,177,018	3,307,393
PROVINCE OF ONTARIO	2.90%	2028-06-02	175,000,000	196,019,142	197,548,719
PROVINCE OF ONTARIO	2.05%	2030-06-02	55,000,000	58,256,376	58,732,907
PROVINCE OF QUEBEC	2.75%	2025-09-01	115,000,000	125,475,416	126,145,682
TORONTO HYDRO CORP	2.43%	2029-12-11	4,000,000	3,997,300	4,317,184
				<u>650,196,744</u>	<u>674,128,361</u>
<b>CORPORATE (36.4%)</b>					
407 INTERNATIONAL INC	5.75%	2036-02-14	1,000,000	1,326,046	1,321,627
407 INTERNATIONAL INC	3.98%	2052-09-11	1,647,000	1,964,532	2,122,947
407 INTERNATIONAL INC	2.43%	2027-05-04	7,000,000	6,911,328	7,405,169
407 INTERNATIONAL INC	3.65%	2044-09-08	5,000,000	5,578,082	5,923,261
407 INTERNATIONAL INC	3.67%	2049-03-08	4,415,000	5,044,927	5,356,384
ACCESS JUSTICE DURHAM LTD	5.02%	2039-08-31	3,739,125	4,540,500	4,788,750
AEROPORTS DE MONTREAL	3.03%	2050-04-21	695,000	695,000	756,400
ALBERTA POWERLINE LP	4.07%	2053-12-01	3,108,601	3,314,583	3,707,171
ALBERTA POWERLINE LP	4.07%	2054-03-01	2,166,008	2,498,685	2,566,950
ALECTRA INC	3.96%	2042-07-30	1,550,000	1,785,124	1,945,178
ALECTRA INC	2.49%	2027-05-17	17,000,000	17,176,298	18,170,632
ALECTRA INC	3.46%	2049-04-12	5,000,000	5,547,349	6,012,658
ALTAGAS LTD	3.84%	2025-01-15	7,000,000	7,301,005	7,568,594

ALTALINK LP	4.92%	2043-09-17	3,725,000	5,003,203	5,316,086
ALTALINK LP	3.40%	2024-06-06	7,000,000	7,275,102	7,595,724
ALTALINK LP	4.05%	2044-11-21	1,712,000	2,093,871	2,190,093
BANK OF MONTREAL	2.70%	2026-12-09	7,000,000	7,209,018	7,611,102
BANK OF MONTREAL	2.89%	2023-06-20	32,000,000	31,997,924	33,738,883
BANK OF MONTREAL	3.19%	2028-03-01	22,000,000	23,955,792	24,846,137
BANK OF NOVA SCOTIA	2.62%	2026-12-02	13,000,000	13,633,977	14,089,470
BANK OF NOVA SCOTIA	3.10%	2028-02-02	17,540,000	17,539,643	19,705,300
BANK OF NOVA SCOTIA	2.98%	2023-04-17	20,000,000	20,379,785	21,088,286
BCIMC REALTY CORP	3.00%	2027-03-31	7,000,000	7,173,398	7,652,631
BELL CANADA INC	2.70%	2024-02-27	12,000,000	12,154,650	12,508,549
BLACKBIRD INFRASTRUCTURE 407 GP	3.76%	2047-06-30	454,334	492,295	505,434
BMW CANADA INC	1.88%	2020-12-11	10,000,000	9,982,990	10,031,469
BRIDGING NORTH AMERICA GP	4.02%	2038-05-31	40,000	43,018	45,109
BRIDGING NORTH AMERICA GP	4.34%	2053-08-31	835,000	957,347	1,003,146
BRITISH COLUMBIA FERRY SERVICES INC	6.25%	2034-10-13	739,000	1,030,460	1,060,321
BRITISH COLUMBIA FERRY SERVICES INC	2.79%	2049-10-15	3,942,000	3,923,429	4,125,660
BROOKFIELD INFRASTRUCTURE FINANCE ULC	3.41%	2029-10-09	6,250,000	6,250,000	6,455,972
BROOKFIELD RENEWABLE PARTNERS ULC	4.79%	2022-02-07	7,000,000	7,285,769	7,366,273
BROOKFIELD RENEWABLE PARTNERS ULC	3.38%	2030-01-15	7,000,000	6,866,015	7,490,610
BROOKFIELD RENEWABLE PARTNERS ULC	4.29%	2049-11-05	2,443,000	2,444,239	2,746,316
BRUCE POWER LP	4.01%	2029-06-21	4,500,000	4,887,387	5,077,937
CANADIAN IMPERIAL BANK OF COMMERCE	2.30%	2022-07-11	30,000,000	29,912,177	30,825,064
CANADIAN IMPERIAL BANK OF COMMERCE	3.30%	2025-05-26	15,000,000	16,160,666	16,514,510
CANADIAN IMPERIAL BANK OF COMMERCE	2.97%	2023-07-11	20,000,000	20,407,007	21,138,357
CANADIAN NATIONAL RAILWAY COMPANY	2.80%	2025-09-22	2,500,000	2,544,299	2,675,554
CANADIAN NATIONAL RAILWAY COMPANY	3.20%	2028-07-31	1,099,000	1,153,559	1,221,827
CANADIAN NATIONAL RAILWAY COMPANY	3.05%	2050-02-08	3,175,000	3,149,533	3,468,567
CANADIAN NATURAL RESOURCES LTD	3.31%	2022-02-11	7,000,000	7,109,487	7,173,313
CANADIAN TIRE CORP LTD	3.17%	2023-07-06	7,000,000	7,158,844	7,246,463
CAPITAL CITY LINK GENERAL PARTNERSHIP	4.39%	2046-03-31	6,904,029	8,141,459	8,232,141
CBHP LP	3.00%	2053-05-27	2,500,000	2,473,075	2,556,825
COMBER WIND FINANCIAL CORP	5.13%	2030-11-15	1,725,395	1,940,919	2,007,956
CORDELIO AMALCO GP	4.09%	2034-09-30	458,216	484,156	515,325
CORDELIO AMALCO GP	4.09%	2034-06-30	2,352,759	2,521,783	2,657,509
CSS FSCC PARTNERSHIP	6.92%	2042-07-31	256,651	346,500	377,868
CU INC	4.72%	2043-09-09	200,000	251,878	273,340
CU INC	4.09%	2044-09-02	250,000	290,131	315,896
CU INC	2.96%	2049-09-07	3,600,000	3,600,000	3,868,098
DAIMLER CANADA FINANCE INC	3.30%	2022-08-16	10,000,000	10,155,413	10,251,503
DEXTER NOVA ALLIANCE GP	2.82%	2036-05-31	2,620,000	2,620,000	2,766,340
ENBRIDGE GAS INC	2.37%	2029-08-09	3,000,000	2,977,564	3,178,566
ENBRIDGE GAS INC	2.90%	2030-04-01	2,000,000	1,997,761	2,199,068
ENBRIDGE GAS INC	3.15%	2024-08-22	10,000,000	10,524,278	10,731,531

ENBRIDGE GAS INC	4.00%	2044-08-22	500,000	573,338	625,113
ENBRIDGE GAS INC	3.80%	2046-06-01	1,700,000	1,979,311	2,090,258
ENBRIDGE INC	2.99%	2029-10-03	1,969,000	1,967,695	2,066,138
ENBRIDGE PIPELINES INC	3.79%	2023-08-17	7,000,000	7,294,178	7,459,092
ENERGIR INC	2.10%	2027-04-16	2,000,000	1,999,740	2,077,935
ENMAX CORP	3.84%	2028-06-05	3,000,000	3,051,802	3,275,988
ENMAX CORP	3.88%	2029-10-18	3,543,000	3,543,000	3,875,274
ENWAVE ENERGY CORP	3.34%	2050-06-15	1,970,000	1,970,000	2,036,519
EPCOR UTILITIES INC	3.55%	2047-11-27	500,000	540,588	593,543
EPCOR UTILITIES INC	6.80%	2029-06-28	1,900,000	2,576,538	2,699,781
FORTIFIED TRUST	2.56%	2024-03-23	15,000,000	14,951,663	15,612,218
FORTISALBERTA INC	5.85%	2038-04-15	320,000	439,647	467,593
FORTISALBERTA INC	3.67%	2047-09-09	1,000,000	1,100,581	1,204,702
FORTISBC ENERGY INC	5.55%	2036-09-25	500,000	666,232	699,351
GRAND RENEWABLE SOLAR LP	3.93%	2035-01-31	1,661,732	1,763,629	1,853,983
GRANDLINQ GP	4.77%	2047-03-31	1,179,188	1,427,290	1,387,396
GREATER TORONTO AIRPORTS AUTHORITY	6.45%	2027-12-03	2,925,000	3,843,737	3,877,112
GREATER TORONTO AIRPORTS AUTHORITY	2.73%	2029-04-03	5,000,000	5,014,777	5,369,385
GREATER TORONTO AIRPORTS AUTHORITY	2.75%	2039-10-17	1,250,000	1,248,317	1,288,917
GREAT-WEST LIFECO INC	2.38%	2030-05-14	20,000,000	20,000,000	20,904,720
HONDA CANADA FINANCE INC	2.54%	2023-03-01	15,000,000	15,115,314	15,433,918
HSBC BANK CANADA	3.25%	2023-09-15	25,000,000	25,551,325	26,344,452
HUSKY ENERGY INC	3.55%	2025-03-12	7,500,000	7,693,937	7,482,704
HYDRO ONE INC	5.00%	2046-10-19	347,000	467,862	508,656
HYDRO ONE INC	4.59%	2043-10-09	2,025,000	2,548,583	2,727,673
HYDRO ONE INC	2.77%	2026-02-24	2,500,000	2,637,279	2,691,235
HYDRO ONE INC	3.63%	2049-06-25	3,765,000	4,132,669	4,587,064
HYDRO ONE INC	3.02%	2029-04-05	2,450,000	2,589,064	2,729,015
HYDRO ONE INC	1.76%	2025-02-28	20,000,000	19,995,358	20,495,099
HYDRO ONE INC	2.16%	2030-02-28	1,580,000	1,579,716	1,648,886
INPOWER BC GENERAL PARTNERSHIP	4.47%	2033-03-31	1,549,165	1,678,412	1,762,147
INTEGRATED TEAM SOLUTIONS PCH PARTNERSHIP	4.88%	2046-05-31	371,269	437,793	480,632
INTEGRATED TEAM SOLUTIONS SJHC PARTNERSHIP	5.95%	2042-11-30	3,820,811	5,161,856	5,253,773
JOHN DEERE CANADA FUNDING INC	2.63%	2022-09-21	5,000,000	5,039,090	5,172,864
JOHN DEERE FINANCIAL INC	2.41%	2025-01-14	15,500,000	15,498,612	16,223,462
LOBLAW COS LTD	4.86%	2023-09-12	7,000,000	7,617,470	7,741,912
LOWER MATTAGAMI ENERGY LP	2.31%	2026-10-21	1,324,000	1,359,524	1,399,993
MANUFACTURERS LIFE INSURANCE COMPANY	3.18%	2027-11-22	7,000,000	7,124,364	7,288,021
MANULIFE BANK OF CANADA	2.08%	2022-05-26	25,000,000	25,000,000	25,480,851
MELANCTHON WOLFE WIND LP	3.83%	2028-12-31	924,581	945,726	993,570
MOBILINX HURONTARIO GP	3.28%	2039-05-31	2,916,000	2,916,000	3,050,661
MOBILINX HURONTARIO GP	3.64%	2054-05-31	3,706,000	3,706,000	3,983,616
MPT FINCO INC	3.46%	2029-11-30	4,296,124	4,296,124	4,626,279
NATIONAL BANK OF CANADA	2.58%	2025-02-03	35,000,000	36,515,659	36,725,113
NAV CANADA	2.06%	2030-05-29	11,000,000	11,000,000	11,354,007



NAV CANADA	2.92%	2051-09-29	495,000	495,000	538,628
NORTH BATTLEFORD POWER LP	4.96%	2032-12-31	3,312,697	3,835,852	3,993,777
NORTH WEST REDWATER PARTNERSHIP	4.05%	2044-07-22	3,238,000	3,634,672	3,635,140
NORTH WEST REDWATER PARTNERSHIP	3.20%	2026-04-24	5,000,000	5,108,527	5,355,561
NORTH WEST REDWATER PARTNERSHIP	3.65%	2035-06-01	195,000	207,810	209,924
NORTHWESTERN HYDRO ACQUISITION	3.94%	2038-12-31	775,000	874,679	912,562
NOUVELLE AUTOROUTE 30 FINANCEMENT INC	4.12%	2042-06-30	413,273	466,092	488,474
NOVA SCOTIA POWER INC	3.57%	2049-04-05	510,000	553,699	585,614
OMERS REALTY CORP	3.33%	2025-06-05	7,000,000	7,275,088	7,635,367
PEMBINA PIPELINE CORP	4.02%	2028-03-27	2,500,000	2,617,621	2,759,691
PEMBINA PIPELINE CORP	3.62%	2029-04-03	5,000,000	5,199,081	5,367,828
PEMBINA PIPELINE CORP	4.54%	2049-04-03	1,541,000	1,635,753	1,675,133
PLENARY HEALTH BRIDGEPOINT LP	7.25%	2042-08-31	1,197,965	1,787,147	1,836,071
PLENARY HEALTH CARE PARTNERSHIPS HUMBER	4.90%	2039-05-31	3,272,660	4,051,553	4,064,408
PLENARY HEALTH CARE PARTNERSHIPS HUMBER	4.82%	2044-11-30	3,000,000	3,974,360	3,916,481
PLENARY HEALTH HAMILTON LP	5.80%	2043-05-31	6,250,673	8,256,040	8,588,220
PLENARY PROPERTIES LTAP LP	6.29%	2044-01-31	2,530,684	3,455,130	3,721,497
RAINBOW HOSPITAL PARTNERSHIP	4.99%	2044-03-31	469,606	531,300	574,753
ROGERS COMMUNICATIONS INC	5.34%	2021-03-22	7,000,000	7,153,496	7,227,650
ROGERS COMMUNICATIONS INC	4.00%	2024-03-13	3,000,000	3,210,627	3,266,627
ROYAL BANK OF CANADA	2.33%	2023-12-05	39,925,000	39,925,000	41,601,263
ROYAL BANK OF CANADA	2.95%	2023-05-01	33,400,000	33,400,000	35,198,190
SGTP HIGHWAY BYPASS LP	4.11%	2045-01-31	5,886,000	6,660,429	6,903,622
SHAW COMMUNICATIONS INC	4.35%	2024-01-31	5,000,000	5,242,808	5,441,165
SNC-LAVALIN INNISFREE MCGILL FINANCE INC	6.63%	2044-06-30	5,712,684	8,020,547	8,224,737
SPY HILL POWER LP	4.14%	2036-03-31	1,564,419	1,752,435	1,812,068
SSL FINANCE INC	4.10%	2045-10-31	2,107,264	2,460,142	2,495,466
SUNCOR ENERGY INC	3.10%	2029-05-24	14,000,000	13,115,231	14,531,568
TELUS CORP	3.35%	2024-04-01	7,000,000	7,165,142	7,455,666
TELUS CORP	3.75%	2026-03-10	7,000,000	7,401,207	7,743,850
TERANET HOLDINGS LP	5.75%	2040-12-17	2,750,000	3,051,935	3,029,536
TERANET HOLDINGS LP	6.10%	2041-06-17	1,665,000	1,955,955	1,911,046
THP PARTNERSHIP	4.39%	2046-10-31	3,959,136	4,709,699	4,899,769
TORONTO HYDRO CORP	2.52%	2026-08-25	3,800,000	3,989,250	4,076,877
TORONTO HYDRO CORP	3.49%	2048-02-28	250,000	272,223	299,446
TORONTO-DOMINION BANK	3.23%	2024-07-24	19,000,000	19,576,583	20,611,669
TORONTO-DOMINION BANK	1.99%	2022-03-23	45,000,000	44,851,960	45,870,684
TOYOTA CREDIT CANADA INC	2.11%	2025-02-26	8,000,000	8,014,923	8,187,369
TRANSCANADA PIPELINES LTD	3.30%	2025-07-17	3,500,000	3,591,243	3,752,753
TRANSCANADA PIPELINES LTD	3.00%	2029-09-18	8,500,000	8,460,007	9,009,005
TRANSCANADA TRUST	4.65%	2077-05-18	5,595,000	5,404,614	5,521,707
TRILLIUM WINDPOWER LP	5.80%	2033-02-15	1,417,101	1,718,047	1,740,368
VANCOUVER AIRPORT AUTHORITY	2.87%	2049-10-18	1,000,000	1,000,000	1,055,271
VW CREDIT CANADA INC	2.85%	2024-09-26	7,000,000	6,987,286	7,176,568
				984,247,099	1,023,268,067

**SHORT TERM SECURITIES (3.9%)**

BANK OF MONTREAL	0.00%	2020-08-10	15,842,000	15,836,453	15,838,198
BANK OF MONTREAL	0.00%	2020-08-11	17,500,000	17,493,799	17,495,800
CANADIAN IMPERIAL BANK OF COMMERCE	0.00%	2020-08-10	3,668,000	3,666,716	3,667,120
CANADIAN IMPERIAL BANK OF COMMERCE	0.00%	2020-08-11	10,558,000	10,554,259	10,555,466
CANADIAN IMPERIAL BANK OF COMMERCE	0.00%	2020-08-12	13,456,000	13,451,108	13,452,636
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2020-07-09	10,330,000	10,329,630	10,329,682
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2020-07-30	3,375,000	3,374,568	3,374,598
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2020-08-27	675,000	674,806	674,802
ROYAL BANK OF CANADA	0.00%	2020-07-07	24,055,000	24,053,566	24,053,797
ROYAL BANK OF CANADA	0.00%	2020-08-10	4,384,000	4,382,426	4,382,948
TORONTO-DOMINION BANK	0.00%	2020-08-12	4,300,000	4,298,437	4,298,925
TOTAL SHORT TERM SECURITIES				108,115,768	108,123,972

**TOTAL FIXED INCOME INVESTMENTS**


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**2,205,725,403      2,275,139,310**

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**EQUITIES**

**# of Shares      Cost \$      Fair Value \$**

**COMMUNICATION SERVICES (0.2%)**

AIMIA INC		7,300	25,555	21,681
BCE INC		42,600	2,547,121	2,412,012
COGECO COMMUNICATIONS INC		7,400	707,627	723,794
COGECO INC		5,300	485,334	429,406
CORUS ENTERTAINMENT INC		118,000	760,932	337,480
QUEBECOR INC		89,300	1,719,547	2,604,881
ROGERS COMMUNICATIONS INC		1,800	102,531	98,190
SHAW COMMUNICATIONS INC		300	7,019	6,642
TELUS CORP		2,300	56,189	52,371
YELLOW PAGES LTD		200	1,466	1,800
			6,413,321	6,688,257

**CONSUMER DISCRETIONARY (0.1%)**

A&W REVENUE ROYALTIES INCOME FUND		300	11,225	7,896
ARITZIA INC		3,100	60,080	58,931
BRP INC		13,200	635,911	764,280
DOLLARAMA INC		1,400	65,127	63,224
DOREL INDUSTRIES INC		800	4,592	4,344
EXCO TECHNOLOGIES LTD		900	5,492	6,030
LEON'S FURNITURE LTD		600	9,557	8,004
LINAMAR CORP		400	16,992	14,680
MAGNA INTERNATIONAL INC		9,000	479,095	544,140
MARTINREA INTERNATIONAL INC		74,800	886,981	768,944
PIZZA PIZZA ROYALTY CORP		8,800	82,503	73,392
			2,257,555	2,313,865

**CONSUMER STAPLES (0.2%)**

ALCANNA INC	500	1,676	1,760
ALIMENTATION COUCHE-TARD INC	40,100	1,457,356	1,707,057
ANDREW PELLER LTD	700	5,671	6,160
CORBY SPIRIT AND WINE LTD	2,500	41,440	40,625
EMPIRE COMPANY LTD	71,632	2,120,837	2,328,756
GEORGE WESTON LTD	1,600	157,132	159,120
JAMIESON WELLNESS INC	1,300	36,834	46,254
LOBLAW COS LTD	4,000	284,440	264,440
MAPLE LEAF FOODS INC	11,700	273,976	333,567
METRO INC	4,700	272,257	263,200
NORTH WEST COMPANY INC	47,700	1,310,479	1,415,736
PRIMO WATER CORP	15,600	220,814	290,628
ROGERS SUGAR INC	100	452	468
SAPUTO INC	200	6,595	6,474
SUNOPTA INC	3,800	18,545	24,282
		<u>6,208,504</u>	<u>6,888,527</u>

**ENERGY (0.5%)**

ATHABASCA OIL CORP	1,800	1,674	324
CAMECO CORP	36,300	480,737	505,296
CANACOL ENERGY LTD	2,300	8,857	8,832
CANADIAN NATURAL RESOURCES LTD	36,400	807,827	857,220
CENOVUS ENERGY INC	122,300	609,311	776,605
CRESCENT POINT ENERGY CORP	64,700	131,657	142,340
ENBRIDGE INC	132,511	5,895,564	5,470,054
ENERPLUS CORP	15,600	54,614	59,592
GIBSON ENERGY INC	88,600	1,962,469	1,872,118
IMPERIAL OIL LTD	100	2,104	2,184
MEG ENERGY CORP	28,000	96,920	105,560
PAREX RESOURCES INC	65,800	1,375,211	1,076,488
PRECISION DRILLING CORP	1,400	2,033	1,442
SEVEN GENERATIONS ENERGY LTD	10,600	37,294	32,118
SUNCOR ENERGY INC	63,249	2,144,359	1,447,770
TC ENERGY CORP	44,600	2,717,918	2,586,800
TIDEWATER MIDSTREAM & INFRASTRUCTURE LTD	100	148	82
TRANSGLOBE ENERGY CORP	1,600	4,183	1,200
WHITECAP RESOURCES INC	8,000	21,366	17,840
		<u>16,354,246</u>	<u>14,963,865</u>

**FINANCIALS (1.2%)**

AGF MANAGEMENT LTD	2,900	13,800	14,558
ATRIUM MORTGAGE INVESTMENT CORP	4,300	58,489	48,117
BANK OF MONTREAL	12,900	1,229,538	932,154
BANK OF NOVA SCOTIA	28,300	1,897,662	1,589,894

BROOKFIELD ASSET MANAGEMENT INC	29,200	1,358,153	1,304,656
CANACCORD GENUITY GROUP INC	13,600	63,625	93,976
CANADIAN IMPERIAL BANK OF COMMERCE	500	49,286	45,370
CANADIAN WESTERN BANK	23,500	787,344	555,775
CI FINANCIAL CORP	77,400	2,078,770	1,336,698
ECN CAPITAL CORP	700	2,602	2,702
ELEMENT FLEET MANAGEMENT CORP	60,300	564,866	610,839
EQUITABLE GROUP INC	100	10,640	7,139
FIERA CAPITAL CORP	3,400	37,885	32,300
GENWORTH MI CANADA INC	16,800	905,123	557,928
GREAT-WEST LIFECO INC	700	16,487	16,660
GUARDIAN CAPITAL GROUP LTD	700	17,573	14,525
IA FINANCIAL CORP INC	53,800	3,242,183	2,445,748
IGM FINANCIAL INC	4,100	137,460	135,259
INTACT FINANCIAL CORP	3,900	547,764	503,919
NATIONAL BANK OF CANADA	59,000	3,810,859	3,629,680
ONEX CORP	6,700	524,283	410,911
POWER CORP OF CANADA	44,965	1,225,401	1,073,764
ROYAL BANK OF CANADA	106,577	10,699,762	9,816,807
SUN LIFE FINANCIAL INC	36,800	1,587,464	1,835,952
TMX GROUP LTD	24,800	2,529,890	3,328,904
TORONTO-DOMINION BANK	75,700	4,984,181	4,586,663
TRISURA GROUP LTD	800	34,243	49,000
		<u>38,415,333</u>	<u>34,979,898</u>
<b>HEALTH CARE (0.1%)</b>			
BAUSCH HEALTH COS INC	74,900	1,831,735	1,860,516
CRH MEDICAL CORP	15,300	70,659	43,452
MEDICAL FACILITIES CORP	300	1,247	1,302
VIEMED HEALTHCARE INC	7,000	68,662	91,070
		<u>1,972,303</u>	<u>1,996,340</u>
<b>INDUSTRIALS (0.8%)</b>			
AECON GROUP INC	1,400	22,585	20,664
ATS AUTOMATION TOOLING SYSTEMS INC	63,700	1,312,620	1,217,944
BIRD CONSTRUCTION INC	200	978	1,190
BLACK DIAMOND GROUP LTD	900	2,361	1,386
BOYD GROUP SERVICES INC	5,200	343,979	1,050,764
CAE INC	61,800	1,950,239	1,360,836
CALIAN GROUP LTD	400	16,622	21,932
CANADIAN NATIONAL RAILWAY COMPANY	53,100	6,379,153	6,377,841
CANADIAN PACIFIC RAILWAY LTD	17,300	5,207,620	5,974,036
CANWEL BUILDING MATERIALS GROUP LTD	700	3,149	3,101
HARDWOODS DISTRIBUTION INC	400	4,704	6,568
HEROUX-DEVTEK INC	1,200	20,015	12,216

IBI GROUP INC	100	501	464
MORNEAU SHEPELL INC	900	29,473	28,521
MULLEN GROUP LTD	1,200	8,660	8,724
RITCHIE BROS AUCTIONEERS INC	100	5,630	5,527
STANTEC INC	5,500	211,981	230,505
TFI INTERNATIONAL INC	25,200	860,486	1,214,388
THOMSON REUTERS CORP	900	83,262	83,016
TOROMONT INDUSTRIES LTD	15,300	644,485	1,030,761
WASTE CONNECTIONS INC	15,000	1,418,672	1,907,850
WESTPORT FUEL SYSTEMS INC	100	339	165
WSP GLOBAL INC	13,800	1,055,548	1,148,988
		<u>19,583,062</u>	<u>21,707,387</u>

#### **INFORMATION TECHNOLOGY (0.7%)**

ABSOLUTE SOFTWARE CORP	25,800	252,013	356,298
CELESTICA INC	35,900	343,369	334,588
CGI INC	19,700	1,782,417	1,684,941
CONSTELLATION SOFTWARE INC	3,400	3,928,524	5,211,826
DESCARTES SYSTEMS GROUP INC	23,100	1,259,422	1,655,577
ENGHOUSE SYSTEMS LTD	23,700	1,133,100	1,718,250
EVERTZ TECHNOLOGIES LTD	11,600	204,692	130,152
KINAXIS INC	2,200	282,219	426,932
OPEN TEXT CORP	3,900	195,332	224,835
PHOTON CONTROL INC	5,300	8,479	9,434
SHOPIFY INC	6,300	3,983,586	8,125,551
		<u>13,373,153</u>	<u>19,878,384</u>

#### **MATERIALS (0.8%)**

ACADIAN TIMBER CORP	1,100	17,990	15,972
AGNICO EAGLE MINES LTD	200	16,858	17,386
AIRBOSS OF AMERICA CORP	3,700	53,245	67,525
ALACER GOLD CORP	56,700	249,648	529,011
ALAMOS GOLD INC	9,500	97,110	120,270
ALTIUS MINERALS CORP	1,800	15,289	17,532
ARGONAUT GOLD INC	63,100	118,730	161,536
B2GOLD CORP	500	3,665	3,860
BARRICK GOLD CORP	74,000	2,226,540	2,703,220
BELO SUN MINING CORP	8,700	7,739	7,221
CANFOR CORP	1,100	10,315	12,947
CASCADES INC	54,000	687,444	798,660
CENTERRA GOLD INC	94,300	911,664	1,428,645
DUNDEE PRECIOUS METALS INC	95,200	504,272	851,088
ELDORADO GOLD CORP	147,007	1,354,065	1,924,322
ERO COPPER CORP	400	7,205	7,868
FIRST QUANTUM MINERALS LTD	25,497	207,852	275,878

FRANCO-NEVADA CORP	2,300	371,637	436,195
GOLDEN STAR RESOURCES LTD	1,700	6,006	6,715
HUDBAY MINERALS INC	10,300	25,424	42,333
IAMGOLD CORP	100	518	539
INTERFOR CORP	800	7,414	9,152
INTERTAPE POLYMER GROUP INC	900	9,411	10,782
KINROSS GOLD CORP	39,145	321,608	383,621
KIRKLAND LAKE GOLD LTD	37,018	1,733,280	2,069,306
LABRADOR IRON ORE ROYALTY CORP	82,700	2,207,988	2,007,129
LARGO RESOURCES LTD	100	177	84
LUCARA DIAMOND CORP	2,100	3,283	1,302
LUNDIN GOLD INC	11,800	112,618	150,332
LUNDIN MINING CORP	199,425	1,164,954	1,451,814
MAJOR DRILLING GROUP INTERNATIONAL INC	1,500	6,629	6,435
METHANEX CORP	7,900	156,376	193,550
NEW GOLD INC	129,027	165,877	237,410
NORANDA INCOME FUND	14,600	40,600	16,571
NORBORD INC	9,700	227,794	300,603
NUTRIEN LTD	17,300	755,362	754,626
OCEANAGOLD CORP	16,600	27,290	52,456
PAN AMERICAN SILVER CORP	24,400	627,031	1,006,012
RESOLUTE FOREST PRODUCTS INC	700	2,373	1,988
ROXGOLD INC	24,100	28,378	36,873
SANDSTORM GOLD LTD	100	1,139	1,303
SEMAFO INC	4,400	10,702	20,372
SILVERCORP METALS INC	22,100	106,711	160,446
SSR MINING INC	35,000	617,926	1,012,550
TASEKO MINES LTD	6,000	3,732	4,020
TECK RESOURCES LTD	50,200	587,386	713,844
TERANGA GOLD CORP	60,900	513,702	749,070
TOREX GOLD RESOURCES INC	18,800	316,447	402,132
TURQUOISE HILL RESOURCES LTD	7,000	5,717	7,000
WESDOME GOLD MINES LTD	97,200	568,648	1,140,156
WEST FRASER TIMBER CO LTD	100	4,687	4,772
WHEATON PRECIOUS METALS CORP	100	5,653	5,971
WINPAK LTD	8,300	367,448	345,197
YAMANA GOLD INC	146,100	747,705	1,078,218
		<u>18,349,262</u>	<u>23,763,820</u>
<b>REAL ESTATE (0.4%)</b>			
ALLIED PROPERTIES REAL ESTATE INVESTMENT	5,900	288,678	241,664
CANADIAN APARTMENT PROPERTIES REIT	9,800	466,241	476,182
DREAM HARD ASSET ALTERNATIVES TRUST	100	784	475
DREAM INDUSTRIAL REIT	73,933	934,216	789,604
DREAM UNLIMITED CORP	9,600	95,091	86,016

GRANITE REAL ESTATE INVESTMENT TRUST	39,100	2,055,077	2,739,346
INTERRENT REAL ESTATE INVESTMENT TRUST	93,685	1,326,165	1,342,506
KILLAM APARTMENT REIT	82,300	1,438,111	1,441,896
MORGUARD NORTH AMERICAN RESIDENTIAL REIT	1,500	27,246	21,885
NORTHVIEW APARTMENT REIT	4,000	121,678	139,120
REAL MATTERS INC	60,000	712,841	1,588,800
SUMMIT INDUSTRIAL INCOME REIT	85,900	1,108,082	983,555
TRUE NORTH COMMERCIAL REIT	1,000	6,802	5,560
		<u>8,581,012</u>	<u>9,856,609</u>

**UTILITIES (0.3%)**

ALGONQUIN POWER & UTILITIES CORP	14,600	283,241	256,230
ALTAGAS LTD	400	4,958	6,260
ATCO LTD	31,300	1,398,561	1,260,451
ATLANTIC POWER CORP	16,200	51,150	44,388
BROOKFIELD INFRASTRUCTURE CORP	1,400	69,796	86,604
CANADIAN UTILITIES LTD	20,100	755,169	679,380
CAPITAL POWER CORP	73,200	1,962,526	2,048,136
FORTIS INC	30,700	1,667,453	1,585,041
JUST ENERGY GROUP INC	100	362	69
NORTHLAND POWER INC	300	9,624	10,194
POLARIS INFRASTRUCTURE INC	28,900	364,631	417,316
SUPERIOR PLUS CORP	38,800	460,073	431,456
TRANSALTA CORP	67,200	517,171	540,960
TRANSALTA RENEWABLES INC	33,100	471,101	482,929
		<u>8,015,816</u>	<u>7,849,414</u>

**US EQUITY (13.7%)**

BMO S&P 500 HEDGED TO CAD INDEX ETF	6,349,130	276,544,053	286,028,307
BMO S&P 500 INDEX ETF	2,170,560	94,439,171	100,410,106
		<u>370,983,224</u>	<u>386,438,413</u>

**TOTAL EQUITIES**

	<u>510,506,791</u>	<u>537,324,779</u>
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Less: Transaction costs

	31,993	-
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**TOTAL INVESTMENTS**

	<u>2,716,200,201</u>	<u>2,812,464,089</u>
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## **HERITAGE PLANS NOTES TO THE FINANCIAL STATEMENTS**

As at June 30, 2020

### **1. General information**

The Heritage Plans (the "Plans") were established by the Heritage Educational Foundation (the "Foundation"), a not-for-profit corporation incorporated under the laws of Canada without share capital. The Foundation was incorporated and organized on December 1, 1986 and continued under the Canada Not-for-profit Corporations Act on July 28, 2014. The Plans were distributed by Heritage Education Funds Inc. ("HEFI") a subsidiary controlled by Heritage Financial Group Limited ("HFGL") until January 2, 2018 as described below. During the year ended December 31, 2017, the Foundation and HEFI were under common management as the beneficial shareholders of HEFI constituted the board members of the Foundation.

The Plans consist of trusts established under the laws of Ontario and the laws of Canada. Formerly known as the Heritage Scholarship Trust Plans, the Plans were established on December 19, 1986. Since that time, the plan changed its name to the Heritage Plans. Effective November 1, 2018, The Bank of Nova Scotia Trust Company became the trustee pursuant to an amended and restated trust indenture of that date.

Effective January 2, 2018 (the "Acquisition Date"), Knowledge First Financial Inc. ("Knowledge First Financial", a wholly-owned subsidiary of Knowledge First Foundation) acquired 100% of the outstanding shares of Heritage Amalgamated Corporation ("HAC", which owned 100% of the common shares of the HEFI), 100% of the Class C shares of HEFI, and 100% of the outstanding shares of CMR Inc. ("CMR"). Concurrent with the acquisition, certain directors of Knowledge First Foundation became the directors of the Foundation.

On August 28, 2018 (the "Amalgamation Date"), Knowledge First Financial, HEFI, HAC and 10896357 Canada Inc. (formerly CMR) amalgamated. The amalgamated company continued under the name Knowledge First Financial Inc. ("Knowledge First Financial"), which is now the manager of the Plans.

The Plans are administered by the Foundation, which is responsible for the co-ordination of the functions provided by the depository, trustee, and portfolio advisors. Prior to the Amalgamation Date, this administration was contracted to HEFI, and subsequent to that date, to Knowledge First Financial, which has also been appointed as distributor of the Plans to offer enrollment to subscribers.

The Plans, the first of which was established on December 19, 1986, provide a savings vehicle for parents, grandparents, and others ("subscriber" or "subscribers") to save for a designated child's (the "beneficiary") post-secondary education. The subscriber enters into an Education Savings Plans Contract (the "Contract") in accordance with the prospectus (the "Prospectus") with the Foundation pursuant to which the subscriber subscribes for units in the Plans. The subscribers' contributions and the government grants are invested in government securities, guaranteed mortgages, mortgage-backed securities where all of the underlying mortgages are guaranteed mortgages, cash equivalents, guaranteed investment certificates ("GICs") and other evidences of indebtedness of Canadian financial institutions, where such securities of the financial institutions have an approved credit rating. The income of the Plans is invested in fixed income securities as described above and in, corporate bonds, provided those corporate bonds have a minimum credit rating of BBB or equivalent, as rated by a designated rating organization, and may be invested in exchange-traded equity securities listed on a stock exchange in Canada, such as the TSX. Unless otherwise defined herein, all capitalized terms have the meanings given to them in the Contract and the Prospectus dated May 28, 2020. The address of the Plans' registered office is 50 Burnhamthorpe Road West, Suite 1000, Mississauga, Ontario, Canada L5B 4A5.

The financial statements were authorized for issue by the Board of Directors of the Foundation on August 25, 2020.

### **2. Basis of accounting**

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"). The Plans has consistently applied the accounting policies used in the preparation of its financial statements except as stated below.

### **3. Summary of significant accounting policies**

The significant accounting policies followed by the Plans are as follows.

#### **Financial Instruments**

The Plans recognize financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit or loss. Regular purchases and sales of financial assets are recognized at their trade date. The Plans' investments are classified at FVTPL, including its investments in equities, ETFs, and debt securities. All other financial assets and liabilities, including interest and dividends receivable, amounts receivable for investments sold, government grants receivable, other receivables, amounts payable for securities purchased and accounts



payable and other liabilities and principal payable to subscribers are measured at amortized cost. The Plans' obligation for net assets attributable to subscribers and beneficiaries is presented at the distribution amount, which is the residual amount of assets of the Plans after deducting all of its liabilities.

### **Fair value measurement**

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 measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. For equities and exchange traded funds, the Plans use the last traded market price where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, Knowledge First Financial determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. For bonds, the Plans use mid prices provided by independent security pricing vendors. The Plans' policy is to recognize transfers into and out of the fair value hierarchy levels as at the date of the event or change in circumstances giving rise to the transfer. The fair value of financial assets and liabilities that are not quoted in an active market is determined using valuation techniques. The use of valuation techniques for financial instruments that are not quoted in an active market requires the manager to make assumptions that are based on market conditions existing as at the date of the financial statements. Changes in these assumptions as a result of changes in market conditions could affect the reported fair value of financial instruments.

### **Income recognition, transaction costs and expenses**

Interest income from investments in bonds and short-term investments is recognized at the effective interest rate. Interest receivable is recorded in the statement of financial position based on the debt instruments' stated rates of interest. Dividends are recognized as income on the ex-dividend date. The cost of investments is determined using the average cost method. Average cost includes amortization of premiums and discounts on the Plans' debt securities.

### **Impairment of financial assets**

Financial Instruments ("IFRS 9") requires that an entity recognize a loss allowance for expected credit losses on financial assets which are measured at amortized cost. With respect to financial assets at amortized cost, the Plans consider both historical analysis and forward-looking information in determining any expected credit loss. As at the financial statement dates, all loans and receivables are due to be settled within the short term. The Plans consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligation in the near term. Given the limited exposure of the Plans to credit risk, no loss allowance has been recognized as any such impairment will not have a significant impact on the financial statements.

### **Foreign currency**

The financial statements are presented in Canadian dollars, which is the Plans' functional and presentation currency.

### **Cash**

Cash is comprised of demand deposits with financial institutions.

### **Subscribers' contributions**

Subscribers' contributions reflect all amounts received from the subscribers and do not include any amounts receivable on subscribed units. Contributions to the Plans are made over a maximum period of 18 years. Subscribers may redeem their Plans units at any time.

### **Fees and insurance premiums**

Sales charges, account maintenance fees and insurance premiums are deducted from the initial subscribers' contribution and subsequent contributions. Administration fees are deducted from the Plans' investment income in accordance with the Prospectus. The account maintenance fees and the insurance premiums collected are described in note 6.

### **Government contributions**

Government grants represent contributions received from federal and provincial governments. Government grants are recognized upon receipt of an eligible contribution to a registered education savings plan by a subscriber to the Plan. All grants received by the Plans with respect to a beneficiary are invested by the Plans and will ultimately be paid to the beneficiary in increments if the beneficiary becomes entitled to receive an Educational Assistance Payment ("EAP"). Under various circumstances, including the case where a beneficiary does not become eligible for receipt of an EAP, the government grants must be repaid to the applicable government; no separate liability is established for the repayment of government grants. After maturity, if a beneficiary does not enroll in eligible studies, the Plans are required to repay the grant, which are attributable to that beneficiary. Forfeited income on returned government grants becomes immediately payable to a designated educational institution. The forfeited grant income is included in the accumulated income until paid to the designated educational

institution. Government grants and accumulated income, therefore, are included in the net assets attributable to subscribers and beneficiaries.

### **Taxation**

The income on subscribers' contributions is currently exempt from income taxes under the Income Tax Act (Canada) prior to the maturity of the Plans. EAPs, comprising government grants and all accumulated income, made to qualified nominees will be included in their income for the purposes of the Income Tax Act (Canada). The amounts deposited by subscribers are not deductible to the subscribers for tax purposes and are not taxable when returned to subscribers or their designated nominees.

### **Interests in unconsolidated structured entities**

A structured entity is an entity that has been designed so that voting or similar rights are not dominant factors in deciding who controls the entity, or when voting rights relate to administrative tasks only and the relevant activities are directed by means of a contractual arrangement. The Plans invest in exchange traded funds ("ETFs") and asset-backed securities which are disclosed on the schedule of investment portfolio. The Plans have determined that these investments are unconsolidated structured entities. The Plans' investments in unconsolidated structured entities are recorded at FVTPL. The ETFs finance their operations by issuing redeemable shares which are puttable at the holder's option and entitle the holder to a proportional stake in the ETF's net asset value. The ETFs are domiciled in Canada and listed on the Toronto Stock Exchange. The asset-backed securities include Canada Housing Trust bonds which are secured by and payable from mortgage loans on real property and guaranteed by the Government of Canada, through CMHC. These investments are included in "Investments" in the statements of financial position. The Plans' maximum exposure to loss from its interest in these securities is equal to the total cost value of its investments.

## **4. Critical accounting estimates and judgments**

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant judgments and estimates that the Plans have made in preparing the financial statements.

### **Investment entity status**

A significant judgment made in preparing the Plans' financial statements relates to the determination that the Plans meet the definition of an investment entity as described in IFRS 10, Consolidated financial statements. The Plans' objective is to invest subscribers' contributions to maximize investment returns over the long term for the purpose of generating investment income. Fair value is the primary measurement used to evaluate the performance of substantially all investments.

### **Classification and measurement of financial instruments**

In classifying and measuring financial instruments held by the Plans, the manager is required to make significant judgments in determining the most appropriate classification in accordance with IFRS 9. In making this judgment, the Plans have assessed their business model for managing the portfolio and the contractual cash flow characteristics and determined the investments are managed on a fair value basis, and that fair value is used to assess performance and make investment decisions. The contractual cash flows of the Plans' debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Plans' business model's objective. Consequently, all investments are measured at Fair Value Through Profit & Loss ("FVTPL").

## **5. Financial instruments risks**

The Plans' investment activities expose it to a variety of risks associated with financial instruments, as follows: credit risk, liquidity risk and market risk (including price risk, currency risk and interest rate risk). The Plans do not conduct any significant activities in currencies other than the Canadian dollar and only its holdings of US equities via the unhedged ETF are exposed to a direct currency risk. The Plans' overall risk management approach includes investment guidelines, objectives and limits which are designed to ensure that risk is mitigated through allocation of investments across different market sectors, maturity segments and issuers. The Plans engage third party investment managers and monitor the investments for compliance with the stated investment guidelines and relevant securities and tax regulations. Oversight responsibility and authority rests with the Foundation's Board of Directors and its Investment Committee. An Independent Review Committee is also in place.

### **Credit risk**

The Plans are exposed to credit risk, which 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. Cash on hand is kept on deposit at a Canadian Schedule I bank and Northern Trust. The majority of the credit risk to which the Plans are exposed arises from its investments in debt securities. The debt instruments held by the Plans are issued or guaranteed by federal, provincial, or municipal governments along with

corporate debt instruments with an investment grade credit rating at the time of acquisition. The Plans may also be exposed to indirect credit risk through their holdings in ETFs.

The fair value of debt investments includes consideration of the credit worthiness of the debt issuer. The carrying amount of cash, receivables and debt investments represents the maximum credit risk exposure as at June 30, 2020 and December 31, 2019. The analysis below summarizes the credit quality of the Plans' debt portfolio as at June 30, 2020 and December 31, 2019. Credit ratings are obtained from Standard & Poor's, Moody's and DBRS. Where one or more rating is obtained for a security, the lowest rating has been used.

Credit Rating	Percentage of Fixed Income Investments (%) as at	
	June 30, 2020	December 31, 2019
"AAA"	22.4	44.6
"AA"	26.4	14.4
"A"	37.9	30.6
"BBB"	13.3	10.4
Total	100.0	100.0

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Plans have current exposure to the subscribers' contributions and government grant balances as subscribers can cancel or terminate their agreement at any time at which point the full balance would become immediately payable to the subscribers or the government. The Plans are also exposed to agreement maturities and obligations with respect to EAPs and the accumulated income account. Therefore, the Plans invest the majority of their assets in investments that are traded in an active market and can be easily liquidated. In addition, the Plans endeavours to retain adequate cash positions to maintain adequate liquidity.

#### Maturity profile

EAPs (accumulated income and government contributions) are paid over three years upon submission of required documentation by subscribers and beneficiaries to the Foundation. Subscriber's principal is paid upon maturity of a respective agreement. See schedule of educational assistance payments for details of maturity with respect to principal and accumulated income.

If a subscriber cancels an agreement, the subscriber's principal and associated government contributions are due upon demand. The income on subscriber's principal will remain in accumulated income. Forfeited income on returned government grants becomes immediately payable to a qualified educational institution.

All other liabilities of the Plans are due within three months.

## Concentration Risk

The table below summarizes the Plans' concentration risk as a percentage of investments as at June 30, 2020 and December 31, 2019.

Concentration	Percentage of Investments (%) as at	
	June 30, 2020	December 31, 2019
<b><u>Debt</u></b>		
Federal	16.7	34.2
Provincial	24.0	14.8
Corporate	36.4	28.6
Short-term investments	3.9	0.9
<b><u>Equities</u></b>		
Communication Services	0.2	0.2
Customer Discretionary	0.1	0.1
Consumer Staples	0.2	0.2
Energy	0.5	0.7
Financials	1.2	1.8
Healthcare	0.1	0.1
Industrials	0.8	1.1
Information Technology	0.7	0.4
Materials	0.8	0.6
Real Estate	0.4	0.7
Utilities	0.3	0.2
US Equity ETF	13.7	15.4
Total	100.0	100.0

## Market risk

The Plans' investments are subject to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses, as applicable, that show how the net assets attributable to subscribers and beneficiaries would be affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ, and the differences could be material.

### a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plans hold securities with fixed interest rates that expose the Plans to interest rate risk. As at June 30, 2020, had prevailing interest rates increased or decreased by 25 basis points, assuming a parallel shift in the yield curve, with all other variables held constant, net assets of the Plans would have decreased or increased, respectively, by approximately \$37 million (approximately 1.3% of the total investment portfolio) (December 31, 2019 - \$31 million, approximately 1.2 % of the total investment portfolio). In practice, actual results may differ from this analysis and the difference could be material. This analysis has been applied only to the fixed income securities within the portfolio. Interest rate risk is managed through the restrictions and policies within the Statement of Investment Policies and Procedures. The Plans' investment manager and portfolio managers adhere to these policies and restrictions through constant monitoring and security diversification.

The table below summarizes the Plans' exposure to interest rate risk as at June 30, 2020 and December 31, 2019, by remaining term to maturity.

<b>As at June 30, 2020</b>	<b>Within 1 year</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Short term investments				
Banker's acceptance	93,744,890	-	-	93,744,890
Treasury Bill	14,379,082	-	-	14,379,082
Government guaranteed instruments				
Federal	-	-	469,618,910	469,618,910
Provincial	-	-	674,128,361	674,128,361
Corporate	17,259,119	560,363,303	445,645,645	1,023,268,067
<b>Total</b>	<b>125,383,091</b>	<b>560,363,303</b>	<b>1,589,392,916</b>	<b>2,275,139,310</b>
Percentage of total	5.5%	24.6%	69.9%	100.0%
<b>As at December 31, 2019</b>	<b>Within 1 year</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Short term investments				
Banker's acceptance	-	-	-	-
Treasury Bill	23,582,632	-	-	23,582,632
Government guaranteed instruments				
Federal	-	223,881,378	657,531,529	881,412,907
Provincial	42,380,891	18,845,549	319,910,683	381,137,123
Corporate	9,985,140	440,031,991	287,439,655	737,456,786
<b>Total</b>	<b>75,948,663</b>	<b>682,758,918</b>	<b>1,264,881,867</b>	<b>2,023,589,448</b>
Percentage of total	3.8%	33.7%	62.5%	100.0%

b) Other price risk

The Plans are exposed to other price risk, which is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Financial instruments held by the Plans are susceptible to market price risk arising from uncertainties about future prices of those instruments. The Plans' exposure to other price risk arises primarily from their investments in equity securities and ETFs. As at June 30, 2020, if the investment in equities and ETFs had increased or decreased by 5%, with all other variables held constant, the net assets attributable to subscribers and beneficiaries would have increased or decreased by approximately \$26.8 million (\$27.9 million as at December 31, 2019).

c) Currency risk

The Plans invest in ETFs denominated in Canadian dollars. The underlying investments held by the ETFs are exposed to the US dollar. The BMO S&P 500 Hedged to CAD Index ETF has been hedged back to the Canadian dollar and therefore has little to no currency risk. The Plan is subject to the risk that the fair value of future cash flows of the BMO S&P 500 Index

ETF which are not hedged back to Canadian dollar will fluctuate because of changes in foreign exchange rates. As at June 30, 2020, if the exchange rate had increased or decreased by 5%, with all other variables held constant, the net assets attributable to subscribers and beneficiaries would have increased or decreased by approximately \$5.0 million (\$4.9 million as at December 31, 2019).

The Plans are not exposed to any currency risk based on their investment portfolio composition.

### Capital risk management

The capital of the Plans is represented by the net assets attributable to subscribers and beneficiaries. The capital of the Plans can change on a daily basis as the Plans are subject to ongoing contributions and cancellations. In addition, EAPs and maturities occur at specified times during the year. The Plans are not subject to externally imposed capital requirements. The Plans' objective, when managing capital risk, is to safeguard subscribers' contributions and government grants received and earn income on those amounts in order to pay EAPs to qualified beneficiaries. The Plans endeavour to invest subscribers' contributions, government grants received and income earned in appropriate investments while maintaining sufficient liquidity to meet maturities, EAPs, cancellations and expenses in accordance with their investment objectives and risk management policies as described above. In order to manage the Plans' capital, the Plans' policy is to perform the following:

- Monitor the level of daily subscriber contributions and withdrawals relative to the liquid assets and adjust the amount of cash invested accordingly.
- Monitor the level of expected future payments for maturities and EAPs based on maturity and student applications received, and historical beneficiary qualification rates, and adjust the investment portfolio accordingly.
- Invest in securities which are traded in an active market and can be easily liquidated.

There has been no change with respect to the overall capital risk management strategy during the year.

### Fair value measurement

The Plans classify fair value measurement within a hierarchy which gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly: and
Level 3	Inputs are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Plans' assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2020 and December 31, 2019.

As at June 30, 2020	Level 1	Level 2	Level 3	Total
Short-term investments	-	108,123,972	-	108,123,972
Government guaranteed instruments				
Federal	-	469,618,910	-	469,618,910
Provincial	-	674,128,361	-	674,128,361
Corporate debt instruments	-	1,013,911,415	9,356,652	1,023,268,067
Equities & ETFs	537,324,779	-	-	537,324,779
Investments at fair value	537,324,779	2,265,782,658	9,356,652	2,812,464,089

All fair value measurements above are recurring. The carrying values of receivable for investments sold, government grant receivable, interest and dividend receivable, other receivables, payable for investments purchased and accounts payable and other liabilities, sales charge obligations, principal payable to subscribers and the Plan's obligation for net assets attributable to subscribers and beneficiaries approximate their fair value due to their short-term nature. There were no transfers between levels during the periods ended June 30, 2020 and December 31, 2019.

<b>As at Dec 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Short-term investments	-	23,582,632	-	23,582,632
Government guaranteed instruments				
Federal	-	881,412,907	-	881,412,907
Provincial	-	381,137,123	-	381,137,123
Municipal		-		-
Corporate debt instruments	-	733,001,786	4,455,000	737,456,786
Equities & ETFs	558,031,432	-	-	558,031,432
Investments at fair value	558,031,432	2,019,134,448	4,455,000	2,581,620,880

The following table presents the movement in Level 3 instruments for the period ended June 30, 2020 by class of financial instruments.

	Canadian equities	Canadian corporate debt	Total
Opening balance	\$ -	\$ 4,455,000	\$ 4,455,000
Purchases	\$ -	\$ 4,901,652	\$ 4,901,652
Sales	\$ -	\$ -	\$ -
Transfers into Level 3	\$ -	\$ -	\$ -
Net gains/(losses) recognised in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	\$ -	\$ -	\$ -
Closing balance	\$ -	\$ 9,356,652	\$ 9,356,652
Change in unrealized gains or losses for level 3 assets held at year end and included in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	\$ -	\$ -	\$ -

The following table presents the movement in Level 3 instruments for the year ended 31 December 2019 by class of financial instruments.

	Canadian Equities	Canadian corporate debt	Total
Opening balance	\$ -	\$ -	\$ -
Purchases	\$ -	\$ 4,445,000	\$ 4,445,000
Sales	\$ -	\$ -	\$ -
Transfers into Level 3	\$ -	\$ -	\$ -
Net gains/(losses) recognised in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	\$ -	\$ -	\$ -
Closing balance	\$ -	\$ 4,445,000	\$ 4,445,000
Net change in unrealized gains or losses for level 3 assets held at year end and included in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	\$ -	\$ -	\$ -

#### Investments in unconsolidated structured entities

Underlying Fund As at June 30, 2020	Country of establishment and principal place of business	% Ownership in the underlying Fund	Fair value of the Plans' investment in the underlying Fund
BMO S&P 500 Hedged to CAD INDEX ETF	Canada	15.79%	\$286,028,307
BMO S&P 500 Index ETF	Canada	1.23%	\$100,410,106

Underlying Fund As at December 31, 2019	Country of establishment and principal place of business	% Ownership in the underlying Fund	Fair value of the Plans' investment in the underlying Fund
BMO S&P 500 Hedged to CAD INDEX ETF	Canada	16.77%	\$299,514,807
BMO S&P 500 Index ETF	Canada	1.39%	\$98,566,410



## 6. Net assets attributable to subscribers and beneficiaries

Net assets attributable to subscribers and beneficiaries are comprised as follows:

	As at	
	June 30, 2020	December 31, 2019
Subscribers' contributions, net of returns	1,538,805,290	1,475,957,595
Government grants	569,288,057	556,730,417
Accumulated income		
Education assistance payment account	645,070,888	541,138,342
Income from government grants	97,800,622	93,233,944
Sales charge refund account	12,257,339	11,526,894
Balance – End of period	2,863,222,196	2,678,587,192

The changes to subscribers' contributions to the Plans are as follows:

	As at	
	June 30, 2020	June 30, 2019
Amounts contributed by subscribers	87,645,287	\$ 99,213,075
Sales charges	(3,637,588)	(7,216,259)
Unclaimed subscribers' contributions and other refunds	(4,685,233)	(6,560,650)
Contributions on maturing plans	(13,597,976)	(12,899,715)
Insurance premiums	(2,010,764)	(2,236,240)
Account maintenance fees	(866,031)	(925,624)
	62,847,695	69,374,587
Balance – Beginning of period	1,475,957,595	1,463,883,260
Balance – End of period	1,538,805,290	1,533,257,487

The sales charges refund account consists of (i) income earned when a subscriber's plan is cancelled (requested and transferred out) prior to its maturity date, and (ii) income earned on the income forfeited when a subscriber's plan is cancelled (requested and transferred out) prior to its maturity.

For plans with a maturity date on or after July 31, 2015, typically the eligibility year of 2016 or after, sales charges are refunded from the sales charges refund account. The ability to refund sales charges will be affected by the changes in pre-maturity subscriber attrition rates. If the attrition rates decline, the amount of funds available will decline and vice versa. Sales charge refunds are paid at maturity of the relevant plans. Based on the payout option selected, which aligns with the length of the qualified educational program, the sales charge refund, if any, is as follows:

- (i) Option 1 - an amount of up to 25% of sales charges associated with the active units in the plan will be paid to the subscriber or to the beneficiary at the subscriber's request, at maturity of the plan;
- (ii) Option 2 - an amount of up to 50% of sales charges associated with the active units in the plan will be paid to the subscriber or to the beneficiary at the subscriber's request, at maturity of the plan; and
- (iii) Option 3 - an amount of up to 100% of sales charges associated with the active units in the plan will be paid to the subscriber or to the beneficiary at the subscriber's request, at maturity of the plan.

## 7. Related party transactions

Account maintenance and administrative fees are paid by the Plans to the Foundation, and then by the Foundation to Knowledge First Financial. The Foundation pays these fees to Knowledge First Financial for expenses incurred in assisting the Foundation with the administration of the Plans. The administration fees are charged on all funds related to the Plans' net assets. In accordance with the prospectus effective, June 1, 2020, the administration fees charged on the net assets is 0.63%. The administration fees for the first five months of 2020 was 0.50%. The total administrative fees of \$7,800,390 (June 30, 2019 - \$7,088,464) were paid by the Foundation to Knowledge First Financial from the subscribers' contributions received for the Plans. The account maintenance fee is an annual fee which is deducted quarterly from subscriber's contributions and is paid to Knowledge First Financial. The total account maintenance fees paid Knowledge First Financial for the six months ended June 30, 2020 were \$866,031 (June 30, 2019 - \$ 925,624).

As at June 30, 2020, the amount due from the Foundation to the Plans was \$ 35,004,029 (December 31, 2019 - \$ 77,606,618) that mainly represents funds held by the Foundation to pay mature agreements.

IRC fees are paid to the IRC members. The fees paid are outlined in the terms of the Prospectus. The fees to the Heritages Plans are prorated based on the net asset value of the Plans. For the six months ended June 30, 2020, the IRC fees paid by the Plans were \$11,305 (June 30, 2019 - \$20,132).

## **8. Sales charges obligation**

On May 29, 2014, the Foundation obtained a majority vote from the subscribers to revise the structure of the refund of sales charges. The change affects agreements maturing on or after July 31, 2015. Prior to this change, the Plans had an obligation (in some cases) and the discretion (in other cases) to repay all or a portion of the sales charges, either at maturity or with EAP payments. As a result of the change, the entitlement to a refund of sales charges or a portion thereof is based on an automatic sharing of attrition income in the Plans. Subscribers who enrolled in the Plans prior to July 2, 2004 and whose agreements have a maturity date of July 31, 2014 or prior will receive all or a portion of sales charges paid at maturity of their plan. The amount of refund depends on the scholarship option chosen within 180 days prior to maturity. Subscribers who have enrolled in the Plans on or after July 2, 2004 and whose agreements have a maturity date of July 31, 2014 or prior may receive all or a portion of an amount equal to sales charges concurrent with EAPs depending on the option chosen. The refund of sales charges was historically funded from the Discretionary Payment Account. The sales charge obligation represents the value of the sales charge disbursements calculated as the nominal dollar of the sales charges to be returned. As at June 30, 2020, the Plans determined the sales charges obligation for plans with maturity date prior to July 31, 2015 to be \$ 896,480 (December 31, 2019 - \$ 988,903) and such amount is recorded as current liability in the statements of financial position with a corresponding reduction to the Education Assistance Payment account.