

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively
referred to as The Children's Education Trust of Canada)

Management Report of Fund Performance and Audited Financial Statements

December 31, 2016



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Management Report of Fund Performance

This annual management report of fund performance contains financial highlights and the complete annual audited financial statements of The Children's Education Trust of Canada (the "Plans"). You may obtain a copy of the annual financial statements at your request, and at no cost, by calling our Customer Service at 1-800-246-1203, by writing to us at 3221 North Service Road, Burlington, Ontario, L7N 3G2 or by visiting our website at www.cefi.ca or SEDAR at www.sedar.com.

Plan holders may also contact us using one of these methods to request a copy of the Foundation's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Investment Objective

The Plans invest funds contributed by parents, grandparents and others to fund tuition and other expenses for children who intend to pursue a post-secondary education (the "Beneficiaries"). The Plans' primary investment objectives are achieving long-term growth of income on Savings while ensuring the preservation of Savings. In an effort to provide investment returns superior to the benchmark index, our fixed-income Investment Advisors utilize active portfolio management strategies. These strategies include yield curve and duration management, sector allocation, credit analysis, intra-market-spread trades and investment in variable rate securities with a guarantee of principal. Beginning in May 2014, pursuant to an undertaking executed on November 22, 2013, the Income of each Plan may now be invested in exchange-traded equity securities listed on a Canadian stock exchange.

Investment Strategies

In order to achieve the investment objectives of the Plans, savings and investment income earned on savings are invested according to the standard investment restrictions and practices contained in National Policy 15 of the Canadian Securities Administrators and, as such, shall always be limited to "qualified investments" as defined under the Income Tax Act in respect of Registered Education Savings Plans ("RESP").

The Plans are invested primarily in bonds, which have been issued or guaranteed by either the Federal or any Provincial Government, and Financial Institution bonds, corporate bonds and Government of Canada Treasury Bills. All of the variable rate securities held in the portfolio have an "approved credit rating" as defined in National Instrument 81-102.

Pursuant to an undertaking executed November 22, 2013, the Income of each Plan may now be invested exchange-traded equity securities listed on a stock exchange in Canada including ETFs subject to certain restrictions. As at December 31, 2016, approximately 25% of plan assets had been invested in common shares of Canadian listed equity securities.

Assets of the Plans are managed by our investment advisors: Fiera Capital; Franklin Templeton and TD Waterhouse. Assets are allocated across market segments and sectors according to the investment advisors' outlook, the Foundation Investment Policy, and securities regulation. Ongoing allocations to each of the investment advisors are based on the results of regular internal performance reviews, quarterly meetings with the investment advisors and qualitative assessment of the investment advisors as deemed by the Plans' management to be important to the management of the assets.

Risk

Beginning in May 2014, the Income of each Plan is now being invested in exchange-traded equity securities listed on a Canadian stock exchange which entails the undertaking of equity risk, the financial risk involved in holding equities in a particular investment.

However, this risk is mitigated through our investment policy

statement with the equity manager which stipulates, among other things, concentration limits, sector and individual security exposure parameters as well as minimum market capitalization requirements for securities held in order to minimize the liquidity risk inherent in certain equity securities.

With respect to variable rate securities, these assets carry a guarantee of principal and a minimum interest yield when specified. The value of the securities and amount of interest payable at maturity may fluctuate based on the performance of the underlying market index. Though variable rate securities enhance portfolio diversification, there currently is no active secondary market in which these securities trade. However, at this time, the Foundation's strategy is to hold all variable rate securities until maturity.

Results of Operations

Assets of the Plans increased by 4.94% compared to the prior year and totaled \$1.08 billion at the end of 2016. The overall Rate of Return on the Plans' investments in 2016 was positive 6.19%. The benchmark used for comparison purposes is comprised of the FTSE TMX Canada All Government Bond Index, the total return of the S&P/TSX Composite High Dividend Index and the total return of the S&P 500 Index on a hedged basis. The benchmark return in 2016 was 6.67%.

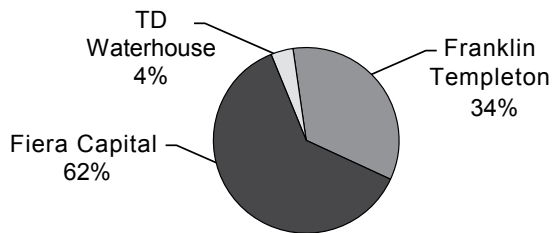
Market Commentary

The global capital markets experienced a series of significant surprises throughout 2016, forcing investors to dramatically change their forecasts and investment positioning. The year started with a dramatic collapse in crude oil prices and unexpected developments in China. The European Union was shocked by the British decision to exit, then politics in the United States became unsettled with the uncertainty generated by the election of President Donald Trump. By year end the stock markets were trading at record highs based on the hope for a more supportive new government. The bond market barely returned a positive return as interest rates rose sharply as inflation fears started to resurface.

The Canadian All Government Bond Universe posted a return of .89% for 2016; with all sectors returning positive performance. The Government of Canada 10 year bond yield touched a low of .96% following the success of the Brexit vote and again after the Federal Reserve disappointed investors by not raising rates at the September meeting. Treasuries continued to trade higher in yield with the surprise victory by Donald Trump in the American election. That along with a rate increase in December by the Federal Reserve weakened bond markets globally with the 10 year Canada bond closing the year at 1.74%. After a rough start to the year, corporate securities ended up being the best performers followed by provincial bonds. Oil saw its lows early in the year and traded between \$40 and \$60 USD a barrel for most of 2016 helping commodities post tremendous gains. It was a great year for Canadian equities in general and high dividend equities in particular. Specifically the S&P/TSX was led by the commodity sectors: Materials (+39%) and Energy (+31%) as commodity prices rebounded.

As at December 31, 2016, the investment advisors managed the following percentage of assets on behalf of the Plan:

Proportion of Assets under Management by each Investment Advisor



Recent Developments

There are signs of a moderate slowing of the global economy with moderate growth in the U.S., around 2.25% in 2017. Shorter term rising business and consumer confidence should help the economy. Medium term there are plenty of drags on the economy including; higher interest rates impacting autos and housing, rising protectionism and possible trade wars, demographics, a stronger dollar and slowdowns in China and Europe. The Canadian economy is expected to expand at a modest 2% rate with firmer US growth and the government's infrastructure spending program. A highly indebted consumer and a slowing housing sector should weigh on the Canadian economy.

Inflation pressures are rising as worker shortages intensify and average hourly earnings rise but overall inflation should remain in check with the strong US dollar and secular forces such as automation and globalization still in play.

The U.S Federal Reserve resumed hiking rates again in December 2016 and sees three more hikes in 2017. It is responding to an economy at or near full employment and brewing inflation pressures. The Bank of Canada is not expected to raise interest rates during the first half of 2017 and likely not until 2018.

The bond market should rally on signs of an economic slowdown, contained inflation and any dovish comments from the U.S Federal Reserve. In the equity markets, it is not anticipated that we will see a repeat of the 2016 performance in 2017.

Future Accounting Changes

Financial instruments

In July 2014, the International Accounting Standards Board ("IASB") issued the International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9") which replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has three main phases: classification and measurement, impairment and general hedging. The new standard requires assets to be classified based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets will be measured at fair value through profit or loss ("FVTPL") unless certain conditions are met which permit measurement at amortized cost or fair value through other comprehensive income. The classification and measurement of financial liabilities remain generally unchanged, with the exception of financial liabilities recorded at FVTPL. For financial liabilities designated at FVTPL, IFRS 9 requires the presentation of the effects of changes in our own credit risk in other comprehensive income instead of decrease in net assets attributable to subscribers and beneficiaries. IFRS 9 also introduces an impairment model for financial instruments not measured at FVTPL that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. A new model for hedge accounting expands the scope of eligible hedged items

and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Foundation has not yet determined the impact of IFRS 9 on its financial statements.

Revenue

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 replaces most of the guidance on revenue recognition that currently exists under IFRS. IFRS 15 introduces a five-step model to determine when to recognize revenue and at what amounts. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Foundation has not yet determined the impact of IFRS 15 on its financial statements.

Related Party Transactions

Children's Education Funds Inc. ("CEFI") is registered as a scholarship plan dealer under the securities legislation in each of the provinces and territories of Canada. It has been approved by Canada Revenue Agency ("CRA") to operate Registered Education Saving Plans and approved by Human Resources and Skills Development Canada ("HRSDC") to process deposits from Planholders to obtain government grants (Canada Education Savings Grants, Canada Learning Bond, British Columbia Training and Education Savings Grant, Quebec Education Savings Incentive and The Saskatchewan Advantage Grant for Education) on behalf of the Planholders.

By agreement with the Foundation, Children's Education Funds Inc. has been appointed as the Scholarship Plan Dealer for the Children's Educational Foundation of Canada and as such is the exclusive distributor and administrator of the Plans. Under the terms of this agreement and in accordance with the prospectus, the Scholarship Plan Dealer is entitled to receive sales charges, depository charges, administrative fees and service charges. Since the Scholarship Plan Dealer is a marketing and administrative organization which is beneficially owned by a Director of the Foundation, the Scholarship Plan Dealer is considered to be a related party.

Management Fees

Annual Administration Fee

All expenses of distribution and administration of the Plans are currently paid by the Scholarship Plan Dealer. Sales representatives across Canada provide distribution of the Plans. The administration of the Plans includes covering ongoing costs of maintaining and administering the Plans. The Scholarship Plan Dealer is compensated for its expenses by way of an annual administration fee calculated and payable semi-annually at the annual rate of 1/2% of all Savings for Subscribers under the Group Option Plan, 1½% of all Savings for Subscribers under the Self-Initiated Option Plan and 0.95% of all Savings for subscribers under the Achievers Plan, including any government grant plus all income earned. In 2016, administration fees of \$5,383,305 were paid to the Scholarship Plan Dealer.

Depository Trustee Fee

During 2016, Scotiatrust, the Depository Trustee and Scholarship Trustee, was paid fees totaling \$172,831. In return for the fees, the Trustee receives monies for investment, receives income, settles investment trades, provides safekeeping of assets, and maintains investment records.

Portfolio Management Fee

The Plans retain the services of three professional investment advisors to manage the investments of the Plans. The fees are calculated monthly based on the ending value of the net assets managed by each investment advisor. The average 2016 portfolio management fee based on net assets was approximately 0.162%

Financial Highlights

The following tables show selected key financial information about the Plans and are intended to help you understand the financial performance for the past 5 years.

	2016	2015	2014	2013*	2012*
Statement of Net Assets					
Total Assets	\$1,095,969,301	\$1,126,506,297	\$1,057,673,411	\$974,904,655	\$969,980,062
Net Assets	\$1,079,414,014	\$1,028,615,084	\$1,039,541,482	\$967,577,198	\$962,761,779
% Change of Net Assets	5%	-1%	7%	1%	6%
Statement of Operations					
Net Investment Income	\$40,674,414	\$36,222,496	\$48,277,019	\$24,164,323	\$44,069,231
Statement of Changes in Net Assets					
Scholarship Awards	\$22,207,466	\$20,729,438	\$20,022,866	\$14,972,171	\$13,455,086
Grants	\$12,399,587	\$11,521,459	\$10,341,768	\$7,566,457	\$6,076,703
Other					
Total Number of Units in plans	618,960	632,307	644,523	655,189	654,669
% Change in the Total Number of Units	-2%	-2%	-2%	0%	2%

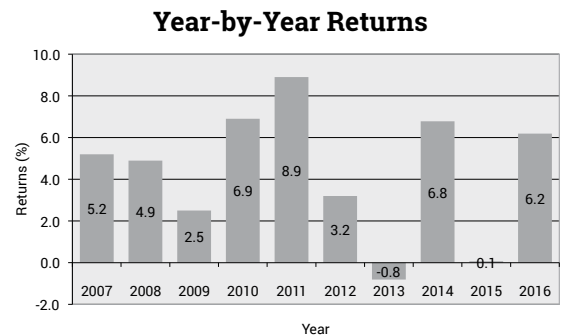
*Restated to reflect transition to International Financial Reporting Standards in fiscal 2014.

Past Performance

The Plans achieved its investment objectives and produced positive results for the subscribers and beneficiaries of the plans. Past performance of the Plans does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following graph indicates the time-weighted Market Value Year-by-Year Rate of Return for the Plans after fees for the past 10 years in percentage terms.



Annual Compounded Returns

The following table illustrates the Plans' annual compounded returns for the periods ending December 31, 2016. The FTSE TMX Canada All Government Bond Index, a broad index of the Canadian investment-grade fixed income market, is the most appropriate measure for comparison purpose for the 3 year, 5 year and 10 year periods as equity trading did not begin until 2014. The 1 year weighted average of the FTSE TMX Canada All Government Bond Index and the equity benchmark based on December 31, 2016 holdings was 6.67%.

	1 Year	3 Years	5 Years	10 Years
Net Plans Return (%)	6.19%	4.30%	3.03%	4.34%
FTSE TMX Canada All Government Bond Index (%)	0.89%	4.62%	2.87%	4.57%
Equity Benchmark (%)*	27.46%	n/a	n/a	n/a

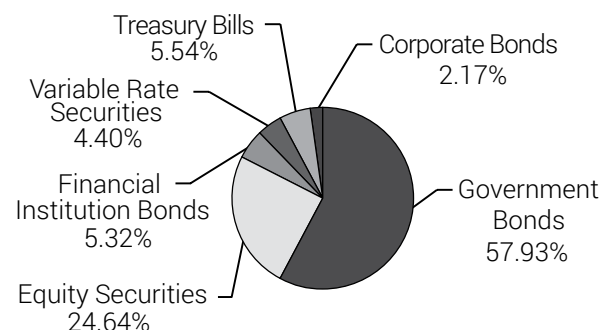
*Note our equity allocation benchmark consists of 95% of the total return of the S&P / TSX Composite Dividend Index and 5% of the total return of the S&P 500 Index on a Canadian dollar hedged basis.

Summary of Investment Portfolio

The allocation of the Plans' investments by asset class for the year ended December 31, 2016 is:

Asset class	% of Total
Government Bonds	57.93%
Equity Securities	24.64%
Financial Institution Bonds	5.32%
Variable Rate Securities	4.40%
Treasury Bills	5.54%
Corporate Bonds	2.17%
Total	100.00%

Asset Mix



THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Top 25 holdings as a percentage of the total investment portfolio

December 31, 2016

Face Value/ Shares	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	% of Portfolio
33,253,000	GOVERNMENT OF CANADA	2.750%	01Dec2048	37,339,701	36,542,387	3.4%
26,266,000	GOVERNMENT OF CANADA	3.500%	01Dec2045	36,063,983	32,639,445	3.0%
21,164,000	PROVINCE OF ONTARIO	4.000%	02Jun2021	23,431,379	23,289,289	2.2%
381,500	ENBRIDGE INC			22,088,366	21,550,935	2.0%
20,681,000	PROVINCE OF ONTARIO	2.100%	08Sep2018	21,061,484	21,066,287	1.9%
346,704	TRANSCANADA CORPORATION			21,470,226	20,979,059	1.9%
222,200	ROYAL BANK OF CANADA			17,945,761	20,191,314	1.9%
19,620,000	PROVINCE OF ONTARIO	0.000%	27Oct2021	19,587,966	19,600,772	1.8%
249,300	BANK OF NOVA SCOTIA			17,452,478	18,637,668	1.7%
15,283,000	PROVINCE OF ONTARIO	3.450%	02Jun2045	16,782,975	15,875,828	1.5%
14,542,000	PROVINCE OF ONTARIO	4.400%	02Jun2019	15,610,566	15,656,644	1.4%
15,143,000	GOVERNMENT OF CANADA	0.250%	01May2018	15,055,032	15,050,173	1.4%
14,935,000	PROVINCE OF ONTARIO	0.984%	26Aug2019	14,901,722	14,937,091	1.4%
355,834	PEMBINA PIPELINE CORP			14,041,977	14,905,886	1.4%
12,284,000	ROYAL OFFICE FINANCE LP	5.209%	12Nov2032	14,486,089	14,813,767	1.4%
13,203,000	PROVINCE OF ONTARIO	3.500%	02Jun2024	14,121,754	14,338,062	1.3%
13,875,000	PROVINCE OF QUEBEC	2.750%	01Sep2025	14,351,461	14,236,721	1.3%
10,000,000	TORONTO DOMINION BANK US INDEX LINKED NOTE		11Oct2022	10,000,000	13,687,000	1.3%
223,242	BCE INC			13,407,667	12,948,036	1.2%
10,058,000	TCHC ISSUER TRUST	5.395%	22Feb2040	13,571,074	12,732,322	1.2%
11,742,000	PROVINCE OF QUEBEC	4.500%	01Dec2018	12,316,231	12,511,453	1.2%
373,783	BMO S&P 500 INDEX ETF			8,802,150	12,338,577	1.1%
11,460,000	PROVINCE OF ONTARIO	3.150%	02Jun2022	12,104,507	12,223,694	1.1%
11,094,000	CANADA HOUSING TRUST NO. 1	3.800%	15Jun2021	11,926,212	12,212,164	1.1%
10,000,000	TORONTO DOMINION BANK CANADIAN INDEX LINKED NOTE		11Oct2022	10,000,000	12,083,000	1.1%
Top 25 holdings as a percentage of the total investment portfolio				427,920,761	435,047,574	40.2%

Management's Responsibilities for Financial Reporting

The accompanying financial statements of the Children's Educational Foundation of Canada (the "Foundation") are prepared by management and are approved by the Board of Directors. Management is responsible for the information and representations contained in these financial statements.

Management maintains appropriate processes to ensure that relevant and reliable information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting

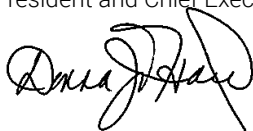
policies which management believes are appropriate for the Foundation are described in Note 3 to the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities.

KPMG LLP are the external auditors of the Foundation. The external auditors have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Board of Directors their opinion on the financial statements. Their report is set out below.

Donna J. Haid

President and Chief Executive Officer



March 21, 2017

Melissa Boughner

Chief Financial Officer



Independent Auditor's Report

To the Board of Directors of The Children's Educational Foundation of Canada

We have audited the accompanying financial statements of The Children's Educational Foundation of Canada, which comprise the statement of financial position as at December 31, 2016 and 2015, the statements of comprehensive income, changes in net assets attributable to subscribers and beneficiaries and cash flows for the years then ended, the schedules of investment portfolio for subscriber deposits under scholarship agreements, government grants, subscriber deposits under escrow agreements, funds of scholarship enhancements, and the summary of schedules of investment portfolio as at December 31, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information..

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

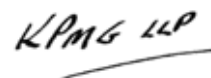
March 21, 2017
Toronto, Canada

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Children's Educational Foundation of Canada as at December 31, 2016 and 2015 and its financial performance, changes in its net assets and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



**Chartered Professional Accountants,
Licensed Public Accountants**

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Statements of Financial Position

December 31, 2016

December 31, 2015

Assets

Cash	\$3,282,929	\$6,836,755
Investments, at fair value (Note 6)	1,083,057,125	1,031,686,439
Accrued interest	4,064,964	3,806,954
Dividends receivable	1,203,782	1,536,050
Government grants receivable	1,507,811	1,637,437
Receivables for securities sold	2,852,690	81,002,662
Total assets	1,095,969,301	1,126,506,297

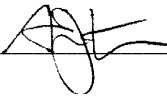
Liabilities

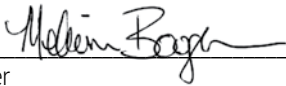
Due to Scholarship Plan Dealer (Note 11)	1,075,647	315,231
Payables for securities purchased	9,235,895	91,329,430
Subscriber liability due to terminations	6,243,745	6,246,552
	16,555,287	97,891,213
Net assets attributable to subscribers and beneficiaries	\$1,079,414,014	\$1,028,615,084

Net assets attributable to subscribers and beneficiaries represented by:

Subscriber deposits received in advance	\$1,068,369	\$1,024,016
Subscriber deposits under scholarship agreements	567,656,866	564,370,725
Subscriber deposits under escrow agreements	1,906,921	1,716,729
Accumulated investment income earned on subscriber deposits	214,902,428	186,739,792
Accumulated investment income earned under escrow agreements	873,785	839,294
Government grants (Note 3)	211,079,841	207,712,961
Accumulated investment income earned on government grants	73,751,762	59,710,556
Funds for Scholarship Enhancements (Note 9)	8,083,953	6,446,413
Funds for Enrichment (Note 9)	90,089	54,598
Net assets attributable to subscribers and beneficiaries	\$1,079,414,014	\$1,028,615,084

Approved by the Board of Directors of The Children's Educational Foundation of Canada:


Arie Gaertner Director


Melissa Boughner Director

See accompanying notes to the audited financial statements.

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Statements of Comprehensive Income

For the year ended
December 31, 2016

For the year ended
December 31, 2015

Income

Interest income earned on subscriber deposits	\$15,383,454	\$13,274,846
Interest income earned on subscriber deposits under escrow agreements	46,350	45,342
Interest income earned on government grants	4,201,948	3,560,818
Interest income earned on funds for Scholarship Enhancements	65,565	72,509
Investment income earned on funds for Enrichment	486	516
Dividend income earned on subscriber deposits	8,162,632	8,591,958
Dividend income earned on government grants	2,276,377	2,406,391
Realized gains on sale of investments	12,771,927	10,328,263
Net change in unrealized gains (losses)	26,804,533	(38,780,874)
Total income	69,713,272	(500,231)

Expenses

Administration fees	303,440	239,435
Trustee fees	172,831	163,046
Portfolio management fees	1,732,973	1,624,199
Independent Review Committee fees and expenses	12,821	18,946
Directors fees	12,260	12,521
Total expenses	2,234,325	2,058,147

Increase (decrease) in net assets attributable to subscribers and beneficiaries

\$67,478,947	(\$2,558,378)
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See accompanying notes to the audited financial statements.

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries

	For the year ended December 31, 2016	For the year ended December 31, 2015
Net assets attributable to subscribers and beneficiaries, beginning of year	\$1,028,615,084	\$1,039,541,482
Increase (decrease) in net assets attributable to subscribers and beneficiaries	\$67,478,947	(2,558,378)
Transactions with subscribers and beneficiaries		
Subscriber deposits	69,156,553	73,652,300
Fees deducted from subscriber deposits (Note 11)	(13,546,094)	(13,774,770)
Subscriber deposit withdrawals due to termination	(5,985,781)	(6,599,625)
Subscriber deposit withdrawals due to maturing plans	(45,314,973)	(45,129,782)
Canada Education Savings Grants	12,582,358	13,820,518
Canada Learning Bonds	1,248,525	1,416,185
Provincial Savings Grants	819,454	730,251
Income paid to Designated Educational Institutions	(789,017)	-
Total transactions with subscribers and beneficiaries	18,171,025	24,115,077
Disbursements to beneficiaries		
Education assistance payments		
Scholarships	22,207,466	20,729,438
Government grants	12,399,587	11,521,460
Refund of sales charge	243,989	232,199
Total disbursements to beneficiaries	34,851,042	32,483,097
Increase (decrease) in net assets attributable to subscribers and beneficiaries	\$50,798,930	(10,926,398)
Net assets attributable to subscribers and beneficiaries, end of year	\$1,079,414,014	1,028,615,084

See accompanying notes to the audited financial statements.

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

	For the year ended December 31, 2016	For the year ended December 31, 2015
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Operating Activities

Increase (decrease) in net assets attributable to subscribers and beneficiaries	\$67,478,947	(\$2,558,378)
Non-cash items		
Realized gains on sale of investments	(12,771,927)	(10,328,263)
Net change in unrealized (gains) losses	(26,804,533)	38,780,874
Amortization of discounts and premiums on investments	6,192,043	5,118,112
Increase in accrued interest	(258,010)	(606,050)
Decrease (increase) in dividends receivable	332,268	(377,600)
Increase (decrease) in due to Scholarship Plan Dealer	760,416	(515,907)
Purchases of investments	(3,442,569,588)	(2,802,136,472)
Proceeds from the sale of investments	3,420,639,756	2,785,602,205
Cash flow from (used in) operating activities	12,999,372	12,978,521

Financing Activities

Subscriber deposits received under scholarship agreements	68,718,876	73,280,914
Payments out of subscriber deposits under scholarship agreements	(64,602,169)	(64,721,058)
Subscriber deposits received under escrow agreements	437,679	371,387
Payments out of subscriber deposits under escrow agreements	(247,488)	(276,576)
Government grants received	14,779,963	15,940,557
Education assistance payments	(34,607,053)	(32,250,898)
Return of enrolment fees	(243,989)	(232,199)
Income paid to Designated Educational Institution	(789,017)	-
Cash flow from (used in) financing activities	(16,553,198)	(7,887,873)
Net (decrease) increase in cash	(3,553,826)	5,090,648
Cash, beginning of year	6,836,755	1,746,107
Cash, end of year	\$3,282,929	\$6,836,755

Supplemental information:

Interest received	\$35,609,885	\$30,622,490
Dividends received, net of withholding tax	\$10,771,276	\$10,620,749

See accompanying notes to the audited financial statements.

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Investment Portfolio for Subscriber deposits under Scholarship Agreements

December 31, 2016

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
1,295,000	GOVERNMENT OF CANADA		04Jan2017	1,294,929	1,294,922
8,105,000	GOVERNMENT OF CANADA		05Jan2017	8,104,501	8,104,271
2,400,000	GOVERNMENT OF CANADA		09Feb2017	2,398,752	2,398,776
1,640,000	GOVERNMENT OF CANADA		23Feb2017	1,638,836	1,638,885
7,285,000	GOVERNMENT OF CANADA		09Mar2017	7,278,794	7,278,431
200,000	ROYAL BANK OF CANADA		03Jan2017	200,000	200,000
3,000,000	407 INTERNATIONAL INC	3.830%	11May2046	2,982,435	3,015,840
105,000	ANHEUSER-BUSCH INBEV FIN	3.375%	25Jan2023	111,919	109,673
495,000	BANK OF MONTREAL	6.020%	02May2018	525,056	525,814
550,000	BANK OF MONTREAL	2.430%	04Mar2019	560,269	561,561
510,000	BANK OF MONTREAL	1.880%	31Mar2021	509,978	509,398
105,000	BANK OF MONTREAL	3.320%	01Jun2026	107,662	106,596
1,010,000	BANK OF NOVA SCOTIA	2.370%	11Jan2018	1,020,919	1,022,251
675,000	BANK OF NOVA SCOTIA	2.750%	13Aug2018	688,555	689,675
130,000	BANK OF NOVA SCOTIA	2.400%	28Oct2019	132,367	132,698
245,000	BANK OF NOVA SCOTIA	3.270%	11Jan2021	255,386	257,897
80,000	BANK OF NOVA SCOTIA	3.036%	18Oct2024	82,087	82,544
245,000	BHP BILLITON FINANCE	3.230%	15May2023	236,024	250,412
10,598,000	CADILLAC FAIRVIEW FINANCE	4.310%	25Jan2021	11,096,142	11,632,259
650,000	CAISSE CENTRALE DESJARDINS	3.502%	05Oct2017	660,737	661,817
100,000	CAMECO CORPORATION	5.670%	02Sep2019	107,661	106,915
5,840,000	CANADA HOUSING TRUST	1.950%	15Jun2019	5,913,133	5,970,524
2,690,000	CANADA HOUSING TRUST	2.350%	15Sep2023	2,852,093	2,778,851
945,000	CANADA HOUSING TRUST	1.900%	15Sep2026	927,916	918,455
1,084,000	CANADA HOUSING TRUST NO.1	2.050%	15Jun2017	1,087,236	1,090,948
8,000,000	CANADA HOUSING TRUST NO.1	2.050%	15Jun2018	8,140,140	8,145,840
2,250,000	CANADA HOUSING TRUST NO. 1	3.350%	15Dec2020	2,354,440	2,422,283
4,265,000	CANADA HOUSING TRUST NO. 1	3.800%	15Jun2021	4,713,115	4,694,869
500,000	CANADA HOUSING TRUST NO.1	2.650%	15Mar2022	503,740	526,100
350,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.350%	24Jun2019	355,477	357,084
455,000	CANADIAN IMPERIAL BANK OF COMMERCE	1.900%	26Apr2021	455,595	452,962
130,000	CANADIAN NATURAL RESOURCES	3.310%	11Feb2022	132,734	132,686
98,000	CANADIAN UTILITIES LTD.	3.122%	09Nov2022	102,624	103,604
500,000	CAPITAL CITY LINK GENERAL	4.386%	31Mar2046	513,627	508,175
970,000	CAPITAL DESJARDINS INC.	5.187%	05May2020	1,058,094	1,062,975
900,000	CAPITAL DESJARDINS INC	4.954%	15Dec2026	1,006,211	991,107
8,832,000	CDP FINANCIAL INC	4.600%	15Jul2020	9,405,572	9,710,254
155,000	ENBRIDGE INCOME FUND	3.950%	19Nov2024	156,106	162,877
75,000	ENBRIDGE PIPELINES	2.930%	30Nov2022	74,878	76,886
1,500,000	GOVERNMENT OF CANADA	1.250%	01Feb2018	1,511,958	1,510,020
13,882,000	GOVERNMENT OF CANADA	0.250%	01May2018	13,799,374	13,796,903
2,378,000	GOVERNMENT OF CANADA	0.250%	01Feb2019	2,362,869	2,363,019
647,000	GOVERNMENT OF CANADA	1.750%	01Mar2019	663,870	659,946
1,070,000	GOVERNMENT OF CANADA	0.750%	01Sep2020	1,071,952	1,052,762
351,000	GOVERNMENT OF CANADA	3.250%	01Jun2021	387,937	383,524
2,650,000	GOVERNMENT OF CANADA	1.500%	01Jun2026	2,722,527	2,600,922
429,000	GOVERNMENT OF CANADA	5.750%	01Jun2033	692,075	638,725
21,796,000	GOVERNMENT OF CANADA	3.500%	01Dec2045	29,981,976	27,084,799
33,253,000	GOVERNMENT OF CANADA	2.750%	01Dec2048	37,339,701	36,542,387
2,300,000	GREATER TORONTO AIRPORTS AUTHORITY	5.300%	25Feb2041	2,899,390	2,913,985
615,000	GREAT-WEST LIFECO	4.650%	13Aug2020	674,018	675,172
1,000,000	HEALTH MONTREAL COLLECTIVE	6.721%	30Sep2049	1,297,614	1,245,590
1,708,511	HOSPITAL INFRASTRUCTURE	5.439%	31Jan2045	2,035,156	1,871,059
375,000	HSBC BANK CANADA	2.908%	29Sep2021	382,124	386,216
65,000	HYDRO ONE INC	5.490%	16Jul2040	86,036	81,971
1,015,000	LABRADOR-ISLAND LINK	3.760%	01Jun2033	1,161,455	1,119,931
730,000	LABRADOR-ISLAND LINK FDG TR	3.860%	01Dec2045	927,292	829,382
675,000	MANUFACTURERS LIFE INS CO	2.811%	21Feb2024	687,465	686,320
650,000	MANUFACTURERS LIFE INS CO	2.640%	15Jan2025	658,752	658,671

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Schedule of Investment Portfolio for Subscriber deposits under Scholarship Agreements

December 31, 2016 (Continued)

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
675,000	MANUFACTURERS LIFE INS CO	3.181%	22Nov2027	683,950	694,474
975,000	MANULIFE BANK OF CANADA	1.405%	27Feb2018	973,519	975,059
325,000	MANULIFE FINANCIAL CORP	7.768%	08Apr2019	364,793	366,057
923,000	MCGILL UNIVERSITY HEALTH CARE	5.360%	31Dec2043	1,116,075	1,127,297
340,000	MCGILL UNIVERSITY HEALTH CARE	3.975%	29Jan2056	340,000	334,305
1,021,897	MILIT-AIR INC	5.750%	30Jun2019	1,081,952	1,082,260
65,000	MORGAN STANLEY	3.125%	05Aug2021	66,892	67,029
1,015,000	MUSKRAT FALLS LABRADOR	3.630%	01Jun2029	1,143,342	1,115,739
435,000	NATIONAL BANK OF CANADA	2.105%	18Mar2022	431,966	433,843
480,000	NHA MORTGAGE BACKED SECURITIES	1.300%	01Jul2020	421,799	418,077
795,000	NHA MORTGAGE BACKED SECURITIES	1.720%	01Oct2020	767,452	758,058
1,555,000	NHA MORTGAGE BACKED SECURITIES	1.421%	01Apr2021	1,346,376	1,358,527
995,000	NHA MORTGAGE BACKED SECURITIES	5.375%	01Jul2028	688,476	687,522
235,000	NORTH WEST REDWATER	3.200%	22Jul2024	239,557	244,673
2,900,000	NORTH WEST REDWATER	4.150%	01Jun2033	2,892,904	3,034,937
250,000	OMERS RLTY CORP	2.858%	23Feb2024	250,863	254,508
1,600,000	ONTARIO HYDRO	0.000%	11Apr2031	1,093,946	987,776
1,000,000	ONTARIO SAVINGS BOND	2.250%	21Jun2017	1,000,000	1,078,585
3,900,000	OPB FIN TR	3.890%	04Jul2042	3,897,979	3,918,837
4,659,924	ORNGE ISSUER TRUST	5.727%	11Jun2034	5,068,024	5,425,783
125,000	PEMBINA PIPELINE CORP	3.540%	03Feb2025	121,435	127,236
2,050,000	PROVINCE OF ALBERTA	2.550%	15Dec2022	2,100,903	2,116,461
500,000	PROVINCE OF ALBERTA	3.400%	01Dec2023	498,881	539,090
110,000	PROVINCE OF ALBERTA	3.100%	01Jun2024	109,877	116,158
2,250,000	PROVINCE OF ALBERTA	2.350%	01Jun2025	2,298,379	2,235,713
3,676,000	PROVINCE OF ALBERTA	2.200%	01Jun2026	3,681,901	3,570,793
3,724,000	PROVINCE OF ALBERTA	3.900%	01Dec2033	4,153,294	4,046,983
2,235,000	PROVINCE OF ALBERTA	3.450%	01Dec2043	2,397,458	2,282,360
1,414,000	PROVINCE OF ALBERTA	3.300%	01Dec2046	1,424,133	1,408,641
4,000,000	PROVINCE OF BRITISH COLUMBIA	2.700%	18Dec2020	4,039,223	4,153,880
5,000,000	PROVINCE OF BRITISH COLUMBIA	3.250%	18Dec2021	5,354,971	5,379,000
100,000	PROVINCE OF BRITISH COLUMBIA	3.300%	18Dec2023	98,258	108,152
1,030,000	PROVINCE OF BRITISH COLUMBIA	5.700%	18Jun2029	1,351,495	1,346,715
1,000,000	PROVINCE OF BRITISH COLUMBIA	6.350%	18Jun2031	1,336,392	1,402,860
1,350,000	PROVINCE OF BRITISH COLUMBIA	3.200%	18Jun2044	1,231,732	1,359,842
3,214,000	PROVINCE OF MANITOBA	3.300%	02Jun2024	3,250,137	3,430,784
1,745,000	PROVINCE OF MANITOBA	4.400%	05Sep2025	2,004,403	1,992,406
1,885,000	PROVINCE OF MANITOBA	6.300%	05Mar2031	2,657,934	2,563,261
1,735,000	PROVINCE OF MANITOBA	5.700%	05Mar2037	2,415,977	2,322,992
1,250,000	PROVINCE OF MANITOBA	4.050%	05Sep2045	1,380,509	1,395,538
1,627,000	PROVINCE OF MANITOBA	2.850%	05Sep2046	1,619,721	1,463,519
1,966,000	PROVINCE OF NEW BRUNSWICK	1.550%	04May2022	1,919,446	1,930,415
2,180,000	PROVINCE OF NEW BRUNSWICK	2.850%	02Jun2023	2,269,225	2,270,317
1,900,000	PROVINCE OF NEW BRUNSWICK	5.500%	27Jan2034	2,516,657	2,410,378
3,690,000	PROVINCE OF NEW BRUNSWICK	4.650%	26Sep2035	4,442,447	4,291,175
1,865,000	PROVINCE OF NEWFOUNDLAND	2.300%	02Jun2025	1,823,921	1,792,302
360,000	PROVINCE OF NEWFOUNDLAND	3.000%	02Jun2026	375,868	362,232
3,815,000	PROVINCE OF NEWFOUNDLAND	3.300%	17Oct2046	3,597,139	3,476,533
3,192,000	PROVINCE OF NOVA SCOTIA	4.100%	01Jun2021	3,505,538	3,518,701
8,823,000	PROVINCE OF NOVA SCOTIA	2.150%	01Jun2025	8,710,551	8,581,073
500,000	PROVINCE OF NOVA SCOTIA	5.800%	01Jun2033	665,887	657,345
6,000,000	PROVINCE OF NOVA SCOTIA	4.400%	01Jun2042	6,974,543	6,959,160
13,151,000	PROVINCE OF ONTARIO	2.100%	08Sep2018	13,392,802	13,396,003
5,492,000	PROVINCE OF ONTARIO	4.400%	02Jun2019	5,854,075	5,912,962
5,580,000	PROVINCE OF ONTARIO	0.996%	26Aug2019	5,567,482	5,580,781
5,923,000	PROVINCE OF ONTARIO	4.200%	02Jun2020	6,501,694	6,470,937
14,905,000	PROVINCE OF ONTARIO	4.000%	02Jun2021	16,457,607	16,401,760
6,860,000	PROVINCE OF ONTARIO	1.160%	27Oct2021	6,848,771	6,853,277

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December 31, 2016 (Continued)

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
6,125,000	PROVINCE OF ONTARIO	3.150%	02Jun2022	6,391,791	6,533,170
3,400,000	PROVINCE OF ONTARIO	2.850%	02Jun2023	3,416,165	3,561,670
13,203,000	PROVINCE OF ONTARIO	3.500%	02Jun2024	14,121,754	14,338,062
1,000,000	PROVINCE OF ONTARIO	2.600%	02Jun2025	1,033,207	1,016,360
4,324,000	PROVINCE OF ONTARIO	2.400%	02Jun2026	4,387,563	4,293,646
605,000	PROVINCE OF ONTARIO	6.500%	08Mar2029	833,717	832,795
1,845,000	PROVINCE OF ONTARIO	5.600%	02Jun2035	2,582,201	2,475,769
2,400,000	PROVINCE OF ONTARIO	4.700%	02Jun2037	2,430,397	2,936,352
2,734,000	PROVINCE OF ONTARIO	4.650%	02Jun2041	3,437,517	3,380,755
1,304,000	PROVINCE OF ONTARIO	3.500%	02Jun2043	1,271,191	1,361,467
9,003,000	PROVINCE OF ONTARIO	3.450%	02Jun2045	9,807,105	9,352,226
817,000	PROVINCE OF ONTARIO	2.900%	02Dec2046	813,246	765,529
3,051,000	PROVINCE OF ONTARIO	2.800%	02Jun2048	3,057,916	2,804,601
8,048,000	PROVINCE OF PRINCE EDWARD ISLAND	4.250%	24Sep2019	8,232,713	8,656,670
2,000,000	PROVINCE OF PRINCE EDWARD ISLAND	6.100%	29Jul2027	2,173,491	2,573,700
200,000	PROVINCE OF PRINCE EDWARD ISLAND	4.650%	19Nov2037	199,943	230,302
11,742,000	PROVINCE OF QUEBEC	4.500%	01Dec2018	12,316,231	12,511,453
1,125,000	PROVINCE OF QUEBEC	4.500%	01Dec2020	1,252,219	1,252,541
7,450,000	PROVINCE OF QUEBEC	4.250%	01Dec2021	8,287,742	8,333,049
3,700,000	PROVINCE OF QUEBEC	3.500%	01Dec2022	3,903,706	4,020,679
435,000	PROVINCE OF QUEBEC	3.000%	01Sep2023	466,849	459,660
10,900,000	PROVINCE OF QUEBEC	3.750%	01Sep2024	11,993,671	12,033,055
13,275,000	PROVINCE OF QUEBEC	2.750%	01Sep2025	13,734,324	13,621,079
4,009,000	PROVINCE OF QUEBEC	2.500%	01Sep2026	4,198,591	4,004,430
2,215,000	PROVINCE OF QUEBEC	5.750%	01Dec2036	3,138,189	3,029,766
4,964,000	PROVINCE OF QUEBEC	4.250%	01Dec2043	5,992,122	5,820,091
877,000	PROVINCE OF QUEBEC	3.500%	01Dec2045	980,194	914,509
6,592,000	PROVINCE OF QUEBEC	3.500%	01Dec2048	7,459,963	6,944,672
520,000	PROVINCE OF SASKATCHEWAN	5.600%	05Sep2035	727,648	685,641
2,045,000	PROVINCE OF SASKATCHEWAN	4.750%	01Jun2040	2,612,260	2,506,822
493,000	PROVINCE OF SASKATCHEWAN	3.400%	03Feb2042	509,652	495,480
2,600,000	PROVINCE OF SASKATCHEWAN	2.750%	02Dec2046	2,491,319	2,306,044
2,604,000	PSP CAPITAL INC	2.260%	16Feb2017	2,606,176	2,608,557
3,000,000	PSP CAPITAL INC	1.340%	18Aug2021	2,999,194	2,949,570
2,780,000	PSP CAPITAL INC	3.290%	04Apr2024	2,792,856	2,961,840
130,000	ROYAL BANK OF CANADA	2.350%	09Dec2019	132,131	132,435
695,000	ROYAL BANK OF CANADA	2.030%	15Mar2021	696,655	697,002
230,000	ROYAL BANK OF CANADA	1.583%	13Sep2021	230,000	225,435
210,000	ROYAL BANK OF CANADA	2.333%	05Dec2023	210,000	208,339
1,720,000	ROYAL BANK OF CANADA	4.930%	16Jul2025	2,078,667	2,026,779
275,000	ROYAL BANK OF CANADA	3.310%	20Jan2026	280,597	279,051
12,284,000	ROYAL OFFICE FINANCE LP	5.209%	12Nov2032	14,486,089	14,813,767
1,825,000	SINAI HEALTH SYSTEM	3.527%	09Jun2056	1,825,000	1,678,161
170,000	SMART REAL ESTATE INVNT TR	3.444%	28Aug2026	167,024	162,289
981,281	SNC-LAVALIN INNISFREE	6.632%	30Jun2044	1,272,262	1,257,678
650,000	STANDARD LIFE COMPANY CANADA	3.938%	21Sep2022	668,245	661,154
290,000	SUNCOR ENERGY INC	3.000%	14Sep2026	289,854	285,357
610,000	SUNLIFE CAP TRUST II	5.863%	31Dec2108	685,435	666,449
10,058,000	TCHC ISSUER TRUST	5.395%	22Feb2040	13,571,074	12,732,322
817,000	THE 55 SCHOOL BOARD TRUST	5.900%	02Jun2033	1,022,765	1,064,935
660,000	THE CANADA LIFE ASSURANCE	6.400%	11Dec2028	835,313	838,385
305,000	TORONTO DOMINION BANK	2.447%	02Apr2019	311,197	311,399
170,000	TORONTO DOMINION BANK	2.045%	08Mar2021	170,000	170,794
250,000	TORONTO DOMINION BANK	2.621%	22Dec2021	255,453	256,953
850,000	TORONTO DOMINION BANK	3.226%	24Jul2024	915,890	892,577
2,800,000	TORONTO DOMINION BANK	4.859%	04Mar2031	2,800,000	3,067,484
170,000	TORONTO DOMINION BANK ONT DEP	1.909%	18Jul2023	170,000	165,388
390,000	TRANSCANADA PIPELINES LTD	3.300%	17Jul2025	410,684	403,685
190,000	UNIVERSITY OF OTTAWA	3.256%	12Oct2056	190,000	166,765

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Face Value	Security Description		Maturity Date	Average Cost (\$)	Fair Value (\$)	
175,000	WELLS FARGO	3.874%	21May2025	179,766	179,538	
1,600,000	YUKON DEVELOPMENT CORP	5.000%	29Jun2040	2,068,120	1,941,536	
Total Fixed Income Securities				\$538,484,856	\$534,237,169	67.6%
Variable Rate Securities						
10,000,000	TORONTO DOMINION BANK DIVERSIFIED ENERGY COMPANIES LINKED NOTE		27Mar2017	10,000,000	10,511,000	
5,000,000	TORONTO DOMINION BANK FIX 8 NORTH AMERICAN COMPANIES LINKED NOTE		02Apr2018	5,000,000	5,818,500	
5,000,000	TORONTO DOMINION BANK NORTH AMERICAN COMPANIES LINKED NOTE		03Apr2019	5,000,000	5,553,500	
10,000,000	TORONTO DOMINION BANK CANADIAN INDEX LINKED NOTE		11Oct2022	10,000,000	12,083,000	
10,000,000	TORONTO DOMINION BANK US INDEX LINKED NOTE		11Oct2022	10,000,000	13,687,000	
Total Variable Rate Securities				\$40,000,000	\$47,653,000	6.0%
Shares / Units	Equity Securities					
18,990	AGRIUM INC			2,245,596	2,561,941	
355,900	ALGONQUIN POWER & UTILITIES			4,052,067	4,046,583	
82,200	BANK OF MONTREAL			7,976,029	7,937,232	
194,800	BANK OF NOVA SCOTIA			13,637,440	14,563,248	
174,428	BCE INC			10,475,981	10,116,824	
299,975	BMO S&P 500 INDEX ETF			7,108,581	9,902,175	
259,600	BROOKFIELD PROPERTY			7,903,326	7,593,300	
194,400	BROOKFIELD RENEWABLE			7,565,692	7,746,840	
162,200	CANADIAN APARTMENT PROPERTIES REIT			4,471,610	5,075,238	
53,341	CANADIAN IMPERIAL BANK OF COMMERCE			5,125,927	5,844,040	
168,800	CHEMTRADE LOGISTICS INCOME FUND			3,339,432	3,193,696	
191,200	CORUS ENTERTAINMENT INC			2,514,785	2,407,208	
298,200	ENBRIDGE INC			17,265,693	16,845,318	
73,700	FORTIS INC			2,940,946	3,055,602	
126,500	KEYERA CORP			5,099,550	5,106,805	
277,900	MANULIFE FINANCIAL CORP			5,055,390	6,641,810	
182,200	MILESTONE APARTMENTS REIT			3,228,660	3,454,512	
107,555	NORTHVIEW APARTMENT REIT			2,202,360	2,141,420	
278,149	PEMBINA PIPELINE CORP			10,975,770	11,651,662	
149,719	PEYTO EXPLORATION & DEVELOPMENT CORP			5,367,323	4,960,190	
127,979	POWER FINANCIAL CORP			4,513,657	4,286,017	
271,200	RIOCAN REIT			7,229,226	7,219,344	
96,600	ROGERS COMMUNICATIONS INC			4,925,891	5,001,948	
173,600	ROYAL BANK OF CANADA			14,021,006	15,775,032	
341,900	SHAW COMMUNICATIONS INC			8,965,045	9,207,367	
241,984	SUPERIOR PLUS CORP			3,125,423	3,085,296	
62,700	TORONTO-DOMINION BANK			3,469,194	4,151,367	
271,043	TRANSCANADA CORPORATION			16,785,364	16,400,812	
85,706	VERMILION ENERGY INC			5,206,792	4,838,961	
90,495	WSP GLOBAL INC			3,482,444	4,036,077	
Total Equity Securities				\$200,276,200	\$208,847,865	26.4%
				778,761,056	790,738,034	100.0%

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Investment Portfolio for Government Grants

December 31, 2016

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
200,000	ROYAL BANK OF CANADA		03Jan2017	200,000	200,000
175,000	ANHEUSER-BUSCH INBEV FINANCE	3.375%	25Jan2023	186,532	182,788
890,000	BANK OF MONTREAL	6.020%	02May2018	941,950	945,403
990,000	BANK OF MONTREAL	2.430%	04Mar2019	1,007,256	1,010,810
1,015,000	BANK OF MONTREAL	1.880%	31Mar2021	1,014,957	1,013,802
175,000	BANK OF MONTREAL	3.320%	01Jun2026	179,437	177,660
1,775,000	BANK OF NOVA SCOTIA	2.370%	11Jan2018	1,793,712	1,796,531
1,100,000	BANK OF NOVA SCOTIA	2.750%	13Aug2018	1,121,302	1,123,914
230,000	BANK OF NOVA SCOTIA	2.400%	28Oct2019	233,364	234,773
445,000	BANK OF NOVA SCOTIA	3.270%	11Jan2021	463,888	468,425
155,000	BANK OF NOVA SCOTIA	3.036%	18Oct2024	159,044	159,929
490,000	BHP BILLITON FINANCE	3.230%	15May2023	472,049	500,824
1,075,000	CAISSE CENTRALE DESJARDINS	3.502%	05Oct2017	1,092,466	1,094,544
175,000	CAMECO CORPORATION	5.670%	02Sep2019	188,408	187,101
2,905,000	CANADA HOUSING TRUST	1.950%	15Jun2019	2,974,364	2,969,927
4,810,000	CANADA HOUSING TRUST	2.350%	15Sep2023	5,091,739	4,968,874
1,700,000	CANADA HOUSING TRUST	1.900%	15Sep2026	1,669,267	1,652,247
6,829,000	CANADA HOUSING TRUST NO. 1	3.800%	15Jun2021	7,213,097	7,517,295
700,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.350%	24Jun2019	710,714	714,168
790,000	CANADIAN IMPERIAL BANK OF COMMERCE	1.900%	26Apr2021	789,645	786,461
230,000	CANADIAN NATURAL RESOURCES	3.310%	11Feb2022	234,836	234,752
166,000	CANADIAN UTILITIES LTD.	3.122%	09Nov2022	173,832	175,492
1,500,000	CAPITAL DESJARDINS INC	4.954%	15Dec2026	1,671,891	1,651,845
1,650,000	CAPITAL DESJARDINS INC.	5.187%	05May2020	1,798,695	1,808,153
265,000	ENBRIDGE INCOME FUND	3.950%	19Nov2024	264,497	278,467
130,000	ENBRIDGE PIPELINES	2.930%	30Nov2022	129,788	133,270
1,192,000	GOVERNMENT OF CANADA	0.250%	01May2018	1,186,950	1,184,693
1,045,000	GOVERNMENT OF CANADA	1.750%	01Mar2019	1,071,345	1,065,910
1,845,000	GOVERNMENT OF CANADA	0.750%	01Sep2020	1,848,442	1,815,277
536,000	GOVERNMENT OF CANADA	3.250%	01Jun2021	593,745	585,666
3,535,000	GOVERNMENT OF CANADA	1.500%	01Jun2026	3,631,749	3,469,532
4,428,000	GOVERNMENT OF CANADA	3.500%	01Dec2045	6,026,006	5,502,454
1,025,000	GREAT-WEST LIFECO	4.650%	13Aug2020	1,122,631	1,125,286
640,000	HSBC BANK CANADA	2.908%	29Sep2021	649,556	659,142
110,000	HYDRO ONE INC	5.490%	16Jul2040	145,600	138,720
1,620,000	LABRADOR-ISLAND LINK	3.760%	01Jun2033	1,850,578	1,787,476
1,270,000	LABRADOR-ISLAND LINK FDG TR	3.860%	01Dec2045	1,613,234	1,442,898
1,100,000	MANUFACTURERS LIFE INS CO	2.811%	21Feb2024	1,121,186	1,118,447
1,125,000	MANUFACTURERS LIFE INS CO	2.640%	15Jan2025	1,140,587	1,140,008
1,100,000	MANUFACTURERS LIFE INS CO	3.181%	22Nov2027	1,112,395	1,131,735
1,675,000	MANULIFE BANK OF CANADA	1.405%	27Feb2018	1,672,290	1,675,101
645,000	MANULIFE FINANCIAL CORP	7.768%	08Apr2019	723,973	726,483
135,000	MORGAN STANLEY	3.125%	05Aug2021	138,930	139,213
1,620,000	MUSKRAT FALLS LABRADOR	3.630%	01Jun2029	1,821,158	1,780,785
670,000	NATIONAL BANK OF CANADA	2.105%	18Mar2022	660,788	668,218
740,000	NHA MORTGAGE BACKED SECURITIES	1.300%	01Jul2020	648,500	644,536
1,655,000	NHA MORTGAGE BACKED SECURITIES	1.720%	01Oct2020	1,598,071	1,578,096
2,770,000	NHA MORTGAGE BACKED SECURITIES	1.421%	01Apr2021	2,394,627	2,420,013
1,720,000	NHA MORTGAGE BACKED SECURITIES	5.375%	01Jul2028	1,190,129	1,188,480
465,000	NORTH WEST REDWATER	3.200%	22Jul2024	474,018	484,139
505,000	OMERS RLTY CORP	2.858%	23Feb2024	506,701	514,105
3,200,000	ONTARIO HYDRO	0.000%	11Apr2031	2,187,891	1,975,552
165,000	PEMBINA PIPELINE CORP	3.540%	03Feb2025	160,295	167,952
2,610,000	PROVINCE OF ALBERTA	2.550%	15Dec2022	2,697,065	2,694,616
3,800,000	PROVINCE OF ALBERTA	2.350%	01Jun2025	3,881,706	3,775,870
4,790,000	PROVINCE OF ALBERTA	3.900%	01Dec2033	5,413,848	5,205,437
3,950,000	PROVINCE OF ALBERTA	3.450%	01Dec2043	4,237,118	4,033,701
1,800,000	PROVINCE OF BRITISH COLUMBIA	5.700%	18Jun2029	2,356,024	2,353,482
3,040,000	PROVINCE OF MANITOBA	4.400%	05Sep2025	3,482,338	3,471,011

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Investment Portfolio for Government Grants

December 31, 2016 (Continued)

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	
3,355,000	PROVINCE OF MANITOBA	6.300%	05Mar2031	4,730,699	4,562,196	
1,760,000	PROVINCE OF MANITOBA	3.650%	05Mar2031	2,047,259	2,101,757	
2,925,000	PROVINCE OF MANITOBA	5.700%	05Mar2037	4,091,291	3,916,283	
3,821,000	PROVINCE OF NEW BRUNSWICK	2.850%	02Jun2023	3,941,542	3,979,304	
2,465,000	PROVINCE OF NEW BRUNSWICK	5.500%	27Jan2034	3,265,031	3,127,148	
6,380,000	PROVINCE OF NEW BRUNSWICK	4.650%	26Sep2035	7,691,455	7,419,430	
1,039,000	PROVINCE OF NEW BRUNSWICK	4.800%	03Jun2041	1,232,443	1,247,922	
3,205,000	PROVINCE OF NEWFOUNDLAND	2.300%	02Jun2025	3,137,985	3,080,069	
635,000	PROVINCE OF NEWFOUNDLAND	3.000%	02Jun2026	662,989	638,937	
3,055,000	PROVINCE OF NEWFOUNDLAND	3.300%	17Oct2046	2,960,473	2,783,960	
3,131,000	PROVINCE OF NOVA SCOTIA	4.100%	01Jun2021	3,454,344	3,451,458	
660,000	PROVINCE OF NOVA SCOTIA	5.800%	01Jun2033	878,971	867,695	
7,530,000	PROVINCE OF ONTARIO	2.100%	08Sep2018	7,668,682	7,670,284	
9,050,000	PROVINCE OF ONTARIO	4.400%	02Jun2019	9,756,491	9,743,683	
8,640,000	PROVINCE OF ONTARIO	0.996%	26Aug2019	8,620,932	8,641,210	
3,295,000	PROVINCE OF ONTARIO	4.200%	02Jun2020	3,615,814	3,599,820	
5,845,000	PROVINCE OF ONTARIO	4.000%	02Jun2021	6,518,156	6,431,955	
12,760,000	PROVINCE OF ONTARIO	1.160%	27Oct2021	12,739,195	12,747,495	
5,335,000	PROVINCE OF ONTARIO	3.150%	02Jun2022	5,712,716	5,690,524	
5,720,000	PROVINCE OF ONTARIO	2.400%	02Jun2026	5,793,299	5,679,846	
1,165,000	PROVINCE OF ONTARIO	6.500%	08Mar2029	1,605,422	1,603,646	
3,081,000	PROVINCE OF ONTARIO	5.600%	02Jun2035	4,304,520	4,134,332	
6,280,000	PROVINCE OF ONTARIO	3.450%	02Jun2045	6,975,870	6,523,601	
2,000,000	PROVINCE OF QUEBEC	4.500%	01Dec2020	2,224,037	2,226,740	
700,000	PROVINCE OF QUEBEC	3.000%	01Sep2023	747,093	739,683	
2,360,000	PROVINCE OF QUEBEC	5.750%	01Dec2036	3,372,551	3,228,102	
1,560,000	PROVINCE OF QUEBEC	3.500%	01Dec2045	1,743,560	1,626,721	
900,000	PROVINCE OF SASKATCHEWAN	5.600%	05Sep2035	1,259,390	1,186,686	
3,500,000	PROVINCE OF SASKATCHEWAN	4.750%	01Jun2040	4,474,772	4,290,405	
792,000	PROVINCE OF SASKATCHEWAN	3.400%	03Feb2042	818,875	795,984	
230,000	ROYAL BANK OF CANADA	2.350%	09Dec2019	233,270	234,308	
1,135,000	ROYAL BANK OF CANADA	2.030%	15Mar2021	1,134,638	1,138,269	
395,000	ROYAL BANK OF CANADA	1.583%	13Sep2021	395,000	387,159	
360,000	ROYAL BANK OF CANADA	2.333%	05Dec2023	360,000	357,152	
3,035,000	ROYAL BANK OF CANADA	4.930%	16Jul2025	3,665,740	3,576,323	
465,000	ROYAL BANK OF CANADA	3.310%	20Jan2026	474,299	471,849	
285,000	SMART REIT	3.444%	28Aug2026	280,012	272,072	
1,100,000	STANDARD LIFE COMPANY CANADA	3.938%	21Sep2022	1,132,386	1,118,876	
461,000	SUNCOR ENERGY INC	3.000%	14Sep2026	460,767	453,619	
1,085,000	SUNLIFE CAP TRUST II	5.863%	31Dec2108	1,219,176	1,185,406	
1,315,000	THE CANADA LIFE ASSURANCE	6.400%	11Dec2028	1,664,278	1,670,418	
430,000	TORONTO DOMINION BANK	2.447%	02Apr2019	437,553	439,021	
340,000	TORONTO DOMINION BANK	2.045%	08Mar2021	340,000	341,588	
430,000	TORONTO DOMINION BANK	2.621%	22Dec2021	439,227	441,958	
1,380,000	TORONTO DOMINION BANK	3.226%	24Jul2024	1,490,633	1,449,124	
330,000	TORONTO DOMINION BK ONT DEP	1.909%	18Jul2023	330,000	321,047	
660,000	TRANSCANADA PIPELINES LTD	3.300%	17Jul2025	695,004	683,159	
225,000	WELLS FARGO	3.874%	21May2025	231,127	230,834	
Total Fixed Income Securities				\$232,165,171	\$228,160,547	79.7%
Shares / Units	Equity Securities					
5,180	AGRIUM INC			612,147	698,834	
99,400	ALGONQUIN POWER & UTILITIES			1,131,710	1,130,178	
23,000	BANK OF MONTREAL			2,231,735	2,220,880	
54,500	BANK OF NOVA SCOTIA			3,815,037	4,074,420	
48,814	BCE INC			2,931,686	2,831,212	
73,808	BMO S&P 500 INDEX ETF			1,693,569	2,436,402	

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Investment Portfolio for Government Grants

December 31, 2016 (Continued)

Shares / Units	Equity Securities	Average Cost (\$)	Fair Value (\$)	
72,500	BROOKFIELD PROPERTY	2,207,311	2,120,625	
54,400	BROOKFIELD RENEWABLE	2,116,887	2,167,840	
45,400	CANADIAN APARTMENT PROPERTIES REIT	1,252,255	1,420,566	
14,959	CANADIAN IMPERIAL BANK OF COMMERCE	1,440,055	1,638,908	
47,200	CHEMTRADE LOGISTICS INCOME FUND	933,847	893,024	
53,500	CORUS ENTERTAINMENT INC	703,664	673,565	
83,300	ENBRIDGE INC	4,822,673	4,705,617	
20,600	FORTIS INC	822,083	854,076	
35,400	KEYERA CORP	1,427,068	1,429,098	
77,600	MANULIFE FINANCIAL CORP	1,411,653	1,854,640	
51,000	MILESTONE APARTMENTS REIT	903,796	966,960	
30,052	NORTHVIEW APARTMENT REIT	615,380	598,335	
77,685	PEMBINA PIPELINE CORP	3,066,207	3,254,225	
41,846	PEYTO EXPLORATION &	1,499,673	1,386,358	
35,798	POWER FINANCIAL CORP	1,262,807	1,198,875	
75,800	RIOCAN REIT	2,020,709	2,017,796	
27,000	ROGERS COMMUNICATIONS INC	1,376,821	1,398,060	
48,600	ROYAL BANK OF CANADA	3,924,755	4,416,282	
95,500	SHAW COMMUNICATIONS INC	2,504,519	2,571,815	
67,716	SUPERIOR PLUS CORP	875,216	863,379	
17,500	TORONTO-DOMINION BANK	968,272	1,158,675	
75,661	TRANSCANADA CORPORATION	4,684,863	4,578,247	
23,949	VERMILION ENERGY INC	1,456,395	1,352,161	
25,305	WSP GLOBAL INC	975,082	1,128,603	
Total Equity Securities		\$55,687,875	\$58,039,656	20.3%
		287,853,046	286,200,203	100.0%

Schedule of Investment Portfolio for Subscriber deposits under Escrow Agreements

December 31, 2016

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	
229,000	CANADA HOUSING TRUST	0.725%	15Sep2020	227,656	229,165	
282,000	CANADA HOUSING TRUST NO.1	1.250%	15Dec2020	281,950	280,931	
30,000	GOVERNMENT OF CANADA	0.250%	01May2018	29,873	29,816	
240,000	GOVERNMENT OF CANADA	1.500%	01Jun2026	240,036	235,555	
21,000	GOVERNMENT OF CANADA	3.500%	01Dec2045	27,805	26,096	
110,000	PROVINCE OF ALBERTA	3.450%	01Dec2043	113,156	112,331	
134,000	PROVINCE OF MANITOBA	2.550%	02Jun2023	137,430	137,645	
94,000	PROVINCE OF MANITOBA	6.300%	05Mar2031	127,513	127,823	
115,000	PROVINCE OF NEW BRUNSWICK	4.650%	26Sep2035	135,090	133,736	
313,000	PROVINCE OF ONTARIO	0.996%	26Aug2019	312,263	313,044	
182,000	PROVINCE OF ONTARIO	4.000%	02Jun2021	200,303	200,276	
170,000	PROVINCE OF ONTARIO	2.400%	02Jun2026	171,376	168,807	
105,000	PROVINCE OF ONTARIO	5.850%	08Mar2033	141,545	141,982	
248,000	PROVINCE OF ONTARIO	3.500%	02Jun2043	261,280	258,929	
265,000	PROVINCE OF QUEBEC	2.750%	01Sep2025	272,597	271,909	
20,000	PROVINCE OF SASKATCHEWAN	3.400%	03Feb2042	20,679	20,101	
Total Fixed Income Securities				\$2,700,552	\$2,688,146	100.0%

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Investment Portfolio for Subscriber deposits under Scholarship Enhancement Fund

December 31, 2016

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	
277,000	CANADA HOUSING TRUST	0.725%	15Sep2020	275,356	277,199	
362,000	CANADA HOUSING TRUST NO.1	1.250%	15Dec2020	361,862	360,628	
39,000	GOVERNMENT OF CANADA	0.250%	01May2018	38,835	38,761	
330,000	GOVERNMENT OF CANADA	1.500%	01Jun2026	329,815	323,888	
21,000	GOVERNMENT OF CANADA	3.500%	01Dec2045	28,196	26,096	
140,000	PROVINCE OF ALBERTA	3.450%	01Dec2043	144,122	142,967	
172,000	PROVINCE OF MANITOBA	2.550%	02Jun2023	176,442	176,678	
120,000	PROVINCE OF MANITOBA	6.300%	05Mar2031	162,782	163,178	
148,000	PROVINCE OF NEW BRUNSWICK	4.650%	26Sep2035	173,838	172,112	
402,000	PROVINCE OF ONTARIO	0.996%	26Aug2019	401,045	402,056	
232,000	PROVINCE OF ONTARIO	4.000%	02Jun2021	255,312	255,297	
222,000	PROVINCE OF ONTARIO	2.400%	02Jun2026	223,867	220,442	
130,000	PROVINCE OF ONTARIO	5.850%	08Mar2033	175,378	175,787	
313,000	PROVINCE OF ONTARIO	3.500%	02Jun2043	329,453	326,794	
335,000	PROVINCE OF QUEBEC	2.750%	01Sep2025	344,541	343,733	
25,000	PROVINCE OF SASKATCHEWAN	3.400%	03Feb2042	25,848	25,126	
Total Fixed Income Securities				\$3,446,692	\$3,430,742	100.0%

Summary of Schedules of Investment Portfolio

December 31, 2016

	Average Cost (\$)	Fair Value (\$)
Schedule of Investment Portfolio for Subscriber deposits under Scholarship Agreements	778,761,056	790,738,034
Schedule of Investment Portfolio for Government Grants	287,853,046	286,200,203
Schedule of Investment Portfolio for Subscriber deposits under Escrow Agreements	2,700,552	2,688,146
Schedule of Investment Portfolio for the Scholarship Enhancement Fund	3,446,692	3,430,742
	1,072,761,346	1,083,057,125

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Notes to the Financial Statements

December 31, 2016

1. Nature of business

The Children's Educational Foundation of Canada (the "Foundation") was incorporated as a non-profit corporation under the laws of Canada on April 23, 1990. During 1991, the Foundation commenced offering scholarship agreements through its exclusive Scholarship Plan Dealer, Children's Education Funds Inc. These agreements are collectively referred to as The Children's Education Trust of Canada (the "Plans").

The Foundation offers scholarship plans to enable the subscriber and their designated beneficiaries to save for a beneficiary's post-secondary education. The Foundation's assets are invested in equity securities, bonds and treasury bills, and equity-linked notes in accordance with the guidelines of the Foundation's investment policy statement established by the Trustees and also within the investment restrictions and practices contained in National Policy 15 of the Canadian Securities Administrators. Under an agreement with the securities regulators in May, 2014, the Foundation was allowed to invest in equity securities and was no longer permitted to acquire any new equity-linked notes (the "Undertaking").

The Foundation is not a trust company and, accordingly, is not registered under any federal or provincial trust company legislation nor does it carry on, or intends to carry on, the business of a trust company.

Agreements are registered with appropriate government authorities if all required information is provided, and once registered are subject to the rules for Registered Education Savings Plans ("RESPs") under the Income Tax Act (Canada). The current tax legislation provides that income credited to subscribers' principal is not taxable income of the subscriber unless withdrawn as an accumulated income payment subject to certain eligibility requirements being met. The deposits are not deductible for income tax purposes and are not taxable when returned to the subscriber. Government grants and investment income earned on Government grants will constitute taxable income of that student in the year that the payments are made.

The address of the head office is 3221 North Service Road, Burlington, Ontario.

The financial statements include the education assistance payments (including scholarships and government grants) paid to beneficiaries in the fiscal year. Most payments are typically paid out in September of each fiscal year and, therefore, education assistance payments will be significantly higher in the last six months of the year.

2. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and under the historical cost convention, as modified by revaluation of certain financial assets. Accounting policies are consistently applied to all years presented, unless otherwise stated.

The financial statements were authorized for issue by the Board of Directors of the Foundation on March 21, 2017.

3. Summary of significant accounting policies

Financial Instruments

(a) Recognition, initial measurement and classification

The Foundation's financial instruments consist of cash, accrued interest, dividend receivable, government grants receivable, receivables for securities sold, investments, due to Scholarship Plan Dealer, payables for securities purchased, subscriber liability due to terminations and the Foundation's obligation for net assets attributable to subscribers and beneficiaries. Net assets attributable to subscribers and beneficiaries comprise subscriber deposits received in advance, subscriber deposits under scholarship agreements, subscriber deposits under escrow agreements, accumulated interest and dividend income earned on subscriber deposits, accumulated interest and dividend income earned on subscriber deposits under escrow agreements, government grants, accumulated interest and dividend income earned on government grants, funds for Scholarship Enhancements and funds for Enrichment.

The Foundation's investments have been designated at fair value through profit or loss ("FVTPL"). Financial assets and financial liabilities at FVTPL are initially recognized at fair value, with transaction costs recognized in profit or loss. Purchases and sales of financial assets are recognized on their trade date. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, where appropriate, at the contract's effective interest rate.

Net assets attributable to subscribers and beneficiaries is measured at redemption amount and is considered to be a residual interest in the assets of the Plan after deducting all of its liabilities. Net assets attributable to subscribers and beneficiaries are classified as a financial liability given the Foundation's obligation to pay out. The increase or decrease in the redemption amount is shown in the Statements of Comprehensive Income as a change in the net assets attributable to subscribers and beneficiaries.

Comparative figures have been reclassified to conform with the presentation adopted in the current year.

(b) 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 the measurement date. The fair value of financial assets that are traded in active markets, which includes equity securities, bonds and treasury bills, are based on quoted market prices at the close of trading on the reporting date. The Foundation uses the last bid price to value these financial assets at each reporting date.

The fair value of financial assets that are not traded in an active market, which includes equity-linked notes, is determined using valuation techniques. Valuation techniques include discounted cash flow analysis, reference to other instruments, comparable recent arm's-length transactions, and making maximum use of observable inputs. Equity-linked notes are valued at fair values using external pricing models to value their components. The Foundation uses an external pricing model that values its equity-linked notes based on the price at which these securities could be sold to the counterparty. These equity-linked notes have been issued by a Canadian bank.

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Notes to the Financial Statements

December 31, 2016

3. Summary of significant accounting policies (continued)

Investment transactions and income recognition

Interest income from investments in bonds and treasury bills are recognized at the effective interest rate. Dividends are recognized as income on the ex-dividend date. Accrued interest and dividends receivable are calculated as the difference between amounts received and amounts earned which have been recorded in income.

Realized gains and losses from investment transactions are calculated with reference to the amortized cost of the related investments and are recognized in the period in which these occurred. Amortized cost is the original purchase price adjusted for amortization of any premiums or discounts.

Unrealized gains and losses are calculated as the difference between fair value and the amortized cost of the related investments at the dates of the statements of financial position. Unrealized gains and losses are not allocated to specific beneficiaries until they are realized by the Foundation. As at December 31, 2016 there was a net unrealized gain of \$10,295,780 (2015 – loss of \$16,506,331) included in net assets attributable to subscribers and beneficiaries.

Foreign currency

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

Impairment of financial assets

As at each reporting date, the Foundation assesses whether there is objective evidence that a financial asset measured at amortized cost is impaired. If such evidence exists, the Foundation recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent years if the amount of the loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognized.

Subscribers' deposits

Subscribers' principal balances reflect only amounts received from subscribers and do not include amounts receivable on outstanding agreements, as subscribers may terminate their plans at any time. The principal deposits are returned to the subscriber (or the subscriber's beneficiary if certain conditions are met) either on termination or maturity of the scholarship agreement. Subscriber deposits, upon termination of the plan or cancellation by the subscriber, are shown in liabilities. The financial statements reflect all other subscriber deposits in net assets attributable to subscribers and beneficiaries. As the subscriber deposits are due on demand, they are recorded at their fair value. Subscriber deposits received in advance of plan payments terms are recorded in subscriber deposits received in advance. Subscriber deposits received prior to receipt of the beneficiary's social insurance number are held in subscriber deposits under escrow agreements.

The Foundation deducts sales charges, depository fees, administrative fees, where applicable, and other service charges and insurance premiums from deposits made by subscribers in accordance with the terms of the Prospectus (see Note 11).

Government grants

Since January 1998, the Government of Canada has provided for the payment of Canada Education Savings Grants ("CESG") on behalf of eligible beneficiaries of the Foundation's RESPs. Eligible beneficiaries are entitled to CESG equal to 20% of the eligible contributions. The Canada Education Savings Act, passed into law on December 15, 2004, enhanced the CESG program by providing additional grant amounts to beneficiaries based upon family income. Generally, families with annual income less than \$45,916 are eligible for an additional 20% of CESG on the first \$500 contributed. Families with annual income between \$45,916 and \$91,831 are eligible for an additional 10% of CESG on the first \$500 contributed. In addition, the Canada Education Savings Act introduced the Canada Learning Bond ("CLB"). Children born on or after January 1, 2004 will be eligible for CLB in each year that the beneficiary's family is entitled to the National Child Benefit Supplement up to and including the year in which the beneficiary turns 15 years of age. CLB is \$500 in the first year of entitlement and \$100 thereafter.

On March 26, 2015, the Government of Alberta issued an information bulletin announcing the closure of the Alberta Centennial Education Savings Plan ("ACES") for children born to Alberta residents effective January 1, 2005. As such, subscribers could no longer apply for ACES grants after July 31, 2015. The ACES Plan closed on January 1, 2016 and ACES applications are no longer being accepted. After January 1, 2016, all awarded ACES Plan grants were treated the same as accumulated income in an RESP.

In 2007, the Government of Quebec introduced an education savings incentive for beneficiaries residing in the Province of Quebec. The incentive is applicable for contributions made after February 20, 2007 and is equal to 10% of the first \$2,500 contributed. Generally, families with annual income less than \$42,706 are eligible for an additional 10% on contributions to a maximum of \$50. Families with annual income between \$42,706 and \$85,405 are eligible for an additional 5% on contributions to a maximum of \$25. Family income thresholds are indexed for inflation and will be revised annually by the Quebec Ministry of Revenue. The maximum lifetime education savings incentive is \$3,600 per beneficiary.

The Government of Saskatchewan introduced the Saskatchewan Advantage Grant for Education Savings ("SAGES") that provides a grant of 10% on contributions made since January 1, 2013, into the RESP of a beneficiary who is a Saskatchewan resident to a maximum of \$250 per beneficiary per year. The maximum lifetime SAGES grant is \$4,500 per beneficiary.

Effective August 15, 2015, the Government of British Columbia introduced a one-time grant (British Columbia Training and Education Savings Grant) of \$1,200 into the RESP for any British Columbia resident child who is born on or after January 1, 2006.

The Foundation is receiving grants in respect of eligible RESPs. The financial statements reflect the funds received for these grants in net assets attributable to subscribers and beneficiaries and an accrual for the estimated amount of grants receivable based on subscriber deposits. Grants are recorded at their face value as they are due on demand. Repayable government grants are netted against government grants receivable if a plan is terminated by the Foundation or cancelled by the subscriber as the funds must be reimbursed to the government.

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3. Summary of significant accounting policies (continued)

Operating segments

The Foundation is organized into one main operating segment, which invests contributed funds in order to provide investment returns. Accordingly, all significant operating decisions are based upon an analysis of the Foundation as one operating segment. Substantially all of the investment income is derived from Canadian investments with foreign investments accounting for approximately 1% of investments as at December 31, 2016. The financial results of this segment are equivalent to the financial statements of the Foundation as a whole.

Future accounting changes

Financial instruments

In July 2014, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"), which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard requires assets to be classified based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets will be measured at FVTPL unless certain conditions are met, which permit measurement at amortized cost or fair value through other comprehensive income. The classification and measurement of financial liabilities remain generally unchanged, with the exception of financial liabilities recorded at FVTPL. For financial liabilities designated at FVTPL, IFRS 9 requires the presentation of the effects of changes in our own credit risk in other comprehensive income instead of decrease in net assets attributable to subscribers and beneficiaries. IFRS 9 also introduces an impairment model for financial instruments not measured at FVTPL that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. A new model for hedge accounting expands the scope of eligible hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Foundation has not yet determined the impact of IFRS 9 on its financial statements.

4. Tax status

Scholarship agreements are submitted to Canada Revenue Agency for registration as RESPs under the Income Tax Act (Canada). The Plans are exempt from income taxes under 146.1 of the Income Tax Act (Canada). As a result of such registration, investment income earned on the net assets attributable to subscribers and beneficiaries of the Foundation will not be subject to current income tax. Qualifying beneficiaries are taxed at the time amounts of accumulated investment income are disbursed.

5. 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 accounting judgments and estimates that the Foundation has made in preparing the financial statements:

Fair value measurement of securities not quoted in an active market

The Foundation holds financial assets that are not traded in an active market, including equity-linked notes, whose fair value is determined using valuation techniques. Valuation techniques which make maximum use of observable inputs are used. Refer to Note 6 for further information.

Measurement of investments and application of the fair value option

In measuring financial instruments held by the Foundation, the manager is required to make significant judgments about whether or not the business of the Foundation is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, *Financial Instruments: Recognition and Measurement*. The most significant judgments made include management's assertion that equity-linked notes may be designated as FVTPL.

6. Risks associated with financial instruments

The Foundation is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include credit risk, liquidity risk and market risk (which includes interest rate risk, price risk and currency risk). These risks and related risk management practices employed by the Foundation are discussed below. There have been no changes in the risks and management of such risks from the previous year.

Credit risk

The Foundation is 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. The majority of the credit risk to which the Foundation is exposed arises from cash and its investments in debt securities. Credit risk relating to cash relates to the financial institution where the cash is held. The Foundation maintains its cash with a single Canadian financial institution. Credit risk for the investment in debt securities relates to the capability of the issuer of debt securities to make interest payments and repay the principal. The Foundation's maximum exposure to credit risk is limited to the carrying amount of cash and investments in debt securities as summarized below:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Cash	\$ 3,282,929	\$ 6,836,755
Investment in debt securities	<u>816,169,606</u>	<u>821,712,535</u>
	<u>\$ 819,452,535</u>	<u>\$ 828,549,290</u>

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6. Risks associated with financial instruments (continued)

The table below analyzes the investment in debt securities by type of counterparty:

	December 31, 2016	<u>December 31, 2015</u>
Government – Federal	\$ 209,833,424	\$ 210,792,865
Government – Provincial	479,643,728	446,514,743
Financial institution bonds	58,063,516	86,466,951
Corporate bonds	20,975,938	12,463,266
Equity-linked notes	47,653,000	65,474,710
	\$ 816,169,606	\$ 821,712,535

The debt securities (and all other securities) are invested according to the standard investment restrictions and practices contained in National Policy 15 of the Canadian Securities Administrators. The investments in the Foundation primarily comprise of bonds which have been issued or guaranteed by either the Federal or any provincial government, and financial institution bonds, corporate bonds and Government of Canada treasury bills. All of the variable rate securities held in the portfolio have an "approved credit rating" as defined in National Instrument 81-102. In addition, the Foundation invests in equity-linked notes. Under the terms of the Undertaking described in Note 1, the Foundation may no longer purchase equity-linked notes. These equity-linked notes are issued or guaranteed by a Canadian chartered bank. Risk is managed through guidelines mandated by the Canadian Securities Administrators.

The Foundation is invested in debt instruments with the following credit ratings:

Debt instruments* by credit rating	Percentage of total debt instruments*	
	December 31, 2016	<u>December 31, 2015</u>
AAA	28.4%	35.5%
AA	42.9%	18.2%
A	27.8%	45.6%
BBB	0.9%	0.7%

* Excludes Government of Canada treasury bills and Money Market deposits

All investments represent a risk of loss of capital. The investment advisors of the Foundation moderate this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Foundation's investment objective, policies and restrictions. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Foundation's overall market positions are monitored on a daily basis by the investment advisors of the Foundation.

The Foundation's activities may give rise to settlement risk. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. For the majority of transactions, the Plans mitigate this risk by conducting settlements through an intermediary to ensure that the trade is settled only when both parties have fulfilled their contractual settlement obligations.

Liquidity risk

Liquidity risk is defined as the risk that the Foundation may not be able to settle or meet its obligations on time. The Foundation's exposure to liquidity risk is concentrated in principal repayments to subscribers and payments of educational assistance payments. The Foundation moderates liquidity risk by investing primarily in bonds and treasury bills that are traded in an active secondary market. The Foundation also invests in equity securities of issuers traded on a Canadian stock exchange which may contain inactive issuers with wide bid-ask spreads. This risk is mitigated by the Investment Policy Statement which stipulates investment in equity securities with a sufficiently large market capitalization to ensure adequate liquidity in execution and minimization of trading costs.

Equity-linked notes, however, do not trade on stock exchanges or other secondary markets. These investments are considered to be buy-and-hold investments and it is the intention of the Foundation to hold these investments until maturity. The Foundation was limited to a weighting of 30% of the aggregate amount of Subscribers' deposits in equity-linked notes and pursuant to the Undertaking, is no longer permitted to purchase equity-linked notes.

All of the Foundation's financial liabilities are due on demand.

The Foundation retains sufficient cash to meet liquidity requirements.

Market risk

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

The value of the investments within the Foundation can fluctuate on a daily basis and the level of risk depends on the Foundation's investment objectives and the securities it invests in. The investment objective of the Foundation is to achieve long-term growth of income on subscribers' savings while ensuring the preservation of those savings. In an effort to provide investment returns superior to the benchmark index, the investment advisors of the Foundation utilize active portfolio management strategies. These strategies include duration management, sector allocation, credit analysis and investment in equity-linked notes with a guarantee of principal. Pursuant to an Undertaking, interest and dividend income on subscribers' savings and government grants may be invested in equity securities traded on a Canadian stock exchange. As such, beginning May 2014, the Foundation began investing in equity securities. Currently, the Foundation utilizes the investment advisory services of three registered investment advisors to assist the Foundation in investing subscriber savings and government grants and interest and dividend income earned thereon. Each of these investment advisors provides advisory and discretionary managed account services with respect to purchasing, selling and otherwise dealing in securities and other investments comprising the investment portfolios. The investment advisors are charged with broad diversification across issuers and securities and constantly monitor how the various risks affect the investment portfolios.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of investments. If

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6. Risks associated with financial instruments (continued)

interest rates decrease or increase, the value of the investments will increase or decrease, respectively. The Foundation's investment advisors are required to manage the investments in accordance with their Investment Policy Statement. To moderate risk, the investment advisors must maintain a modified duration of their portfolio within approved limits of the benchmark index, the FTSE TMX Canada All Government Bond Index.

The Foundation's holding of debt instruments by maturity is as follows:

	<u>December 31,</u> 2016	<u>December 31,</u> 2015
Due in one year or less	5.0%	10.3%
Due one year through five years	35.7%	30.4%
Due after five years	59.3%	59.3%

As at December 31, 2016, if prevailing interest rates had increased or decreased by 25 basis points, assuming a parallel shift in the yield curve with all other variables held constant, the investment portfolio of debt instruments of \$768,516,606 (2015 - \$756,237,825) which excludes equity-linked notes would have decreased or increased by approximately \$16,316,000 (2015 - \$14,160,000). In practice, the actual trading results may differ materially.

(ii) Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Financial instruments held are susceptible to market price risk arising from uncertainties about future prices of instruments. Equity securities and equity-linked notes are most impacted by price risk. The total fair value of equity securities on hand as at December 31, 2016 was \$266,887,520 (2015 - \$209,973,904). As at December 31, 2016, if underlying index prices increased or decreased by 1%, with all other variables held constant, the investment portfolio of equity securities and equity-linked notes of \$314,540,520 (2015 - \$275,448,614) would increase or decrease by approximately \$2,962,875 (2015 - \$2,463,739). In practice, the actual trading results may differ materially. Investments in equity-linked notes carry a guarantee at maturity of principal. The amount of interest, if any, payable on equity-linked notes at maturity will be based on the performance of the underlying assets or market index. Investments in equity-linked notes are made on a long buy and hold basis.

The equity-linked notes are subject to pricing based on the returns on the underlying investments for each note. The pricing is also impacted by the value attributable to the extent of principal protection provided in the note.

(iii) Currency risk

The Foundation invests in an exchange-traded fund ("ETF") denominated in Canadian dollars. The investment creates currency risk as the underlying investments within this ETF are exposed to the US dollar and therefore the Foundation is indirectly exposed to the risk that the fair value of future cash flows of a financial

instrument will fluctuate because of changes in foreign exchange rates. The total fair value of equity ETFs exposed to the US dollar as at December 31, 2016 was \$12,338,576 (2015 - \$10,537,247). As at December 31, 2016, if the Canadian dollar had strengthened or weakened by 5%, with all other variables held constant, the total value of equity ETFs exposed to the US dollar would increase or decrease by approximately \$616,929 (2015 - \$526,862).

Fair value of financial instruments

Financial instrument disclosures require a three-level fair value hierarchy. Level 1 financial instruments are valued using quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 financial instruments are valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 financial instruments are valued using unobservable inputs. 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 Foundation's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the transaction giving rise to the transfer.

Investments are measured at fair value on a recurring basis. The carrying values of cash, accrued interest, dividends receivable, government grants receivable, receivables for securities sold, due to Scholarship Plan Dealer, payables for securities purchased, subscriber liability due to terminations and the Foundation's obligation for net assets attributable to subscribers and beneficiaries approximate their fair values due to their short-term nature.

The Foundation's management is responsible for performing the fair value measurements, including Level 3 measurements. The Foundation's management obtains pricing from a third party pricing vendor.

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6. Risks associated with financial instruments (continued)

The following is a summary of the classification of the Foundation's investments, the only financial instrument measured at fair value, as at December 31, 2016 and December 31, 2015:

As at December 31, 2016

	Level 1	Level 2	Level 3	Total
Equities	\$ 266,887,520	\$ -	\$ -	\$ 266,887,520
Bonds and treasury bills	-	768,516,605	-	768,516,605
Equity-linked notes	-	-	47,653,000	47,653,000
	<u>\$ 266,887,520</u>	<u>\$ 768,516,605</u>	<u>\$ 47,653,000</u>	<u>\$ 1,083,057,125</u>

As at December 31, 2015

	Level 1	Level 2	Level 3	Total
Equities	\$ 209,973,904	\$ -	\$ -	\$ 209,973,904
Bonds and treasury bills	-	750,488,885	5,748,940	756,237,825
Equity-linked notes	-	-	65,474,710	65,474,710
	<u>\$ 209,973,904</u>	<u>\$ 750,488,885</u>	<u>\$ 71,223,650</u>	<u>\$ 1,031,686,439</u>

Equities

The Foundation's equity positions are classified as Level 1 when the security is actively traded and a quoted price is available.

Bonds and treasury bills

Bonds and treasury bills traded on secondary markets are classified as Level 2. The Foundation uses the last bid price to value these financial assets at each reporting date.

Equity-linked notes

Equity-linked notes are not traded in an active market nor otherwise valued using observable inputs. The Foundation uses an external pricing model that values its equity-linked notes based on the price for which these securities could be sold to the counterparty. The unobservable inputs used in the external pricing model relate to the impact of the following attributes of each individual note: all notes have principal protection which relies on the credit capacity of TD Bank, which is the issuer of each note. The notes are non-interest bearing and the return on the notes to the maturity date of the note are a basket of specific securities or specific indices as follows:

Equity-linked note

TD Bank Canadian Index Linked Note
TD Bank Diversified Energy Linked Note
TD Bank Fix-8 North American Linked Note
TD Bank North American Linked Note
TD Bank US Index Linked Note

Basis for underlying return

S&P TSX 60 index
Ten diversified energy publicly traded companies
Twenty North American publicly traded companies
Ten North American publicly traded companies
Two US equity indices

The Ornge Issuer Trust Bond was reclassified from Level 2 to Level 3 in 2015 and then from Level 3 to Level 2 in 2016. Except for the Ornge Issuer Bond, there were no financial instruments that were transferred into or out of Level 1 or 2 during the years ended December 31, 2016 and December 31, 2015. The change in unrealized gains is recorded in net changes in unrealized gains (losses) on the Statements of Comprehensive Income.

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6. Risks associated with financial instruments (continued)

The reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Level 3 – Equity-linked notes	<u>For the year ended</u> <u>December 31, 2016</u>	<u>For the year ended</u> <u>December 31, 2015</u>
Balance - beginning of year	\$ 65,474,710	\$ 67,067,000
Maturity of Notes	(20,000,000)	-
Increase (decrease) in unrealized gains	2,178,290	(1,592,290)
Balance - end of year	<u>\$ 47,653,000</u>	<u>\$ 65,474,710</u>

Level 3 – Bonds and treasury bills	<u>For the year ended</u> <u>December 31, 2016</u>	<u>For the year ended</u> <u>December 31, 2015</u>
Balance - beginning of year	\$5,748,940	\$ -
Reclassification of bonds from level 2	(5,748,940)	5,748,940
Balance - end of year	<u>\$ -</u>	<u>\$5,748,940</u>

7. Financial instruments by category

The following table presents the carrying amounts of the Foundation's financial assets by category as at December 31, 2016 and December 31, 2015. All of the Foundation's financial liabilities as at December 31, 2016 and December 31, 2015 were measured at amortized cost.

As at December 31, 2016

Financial assets at fair value

	<u>Designated at</u> <u>FVTPL</u>	<u>Financial assets at</u> <u>amortized cost</u>	<u>Total</u>
Investments	\$ 1,083,057,125	\$ -	\$ 1,083,057,125
Cash	-	3,282,929	3,282,929
Accrued interest	-	4,064,964	4,064,964
Dividends receivable	-	1,203,782	1,203,782
Government grants receivable	-	1,507,811	1,507,811
Receivables for securities sold	-	2,852,690	2,852,690
	<u>\$ 1,083,057,125</u>	<u>\$ 12,912,176</u>	<u>\$ 1,095,969,301</u>

As at December 31, 2015

Financial assets at fair value

	<u>Designated at</u> <u>FVTPL</u>	<u>Financial assets at</u> <u>amortized cost</u>	<u>Total</u>
Investments	\$ 1,031,686,439	\$ -	\$ 1,031,686,439
Cash	-	6,836,755	6,836,755
Accrued interest	-	3,806,954	3,806,954
Dividends receivable	-	1,536,050	1,536,050
Government grants receivable	-	1,637,437	1,637,437
Receivables for securities sold	-	81,002,662	81,002,662
	<u>\$ 1,031,686,439</u>	<u>\$ 94,819,858</u>	<u>\$ 1,126,506,297</u>

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7. Financial instruments by category (continued)

Equity-linked notes are recorded at FVTPL. These financial assets are part of a group of financial assets that are managed and their performance evaluated on a fair value basis, in accordance with the documented investment strategy, and information about the financial assets as a group is provided internally on that basis to the Foundation's key management personnel.

8. Capital risk management

The capital of the Plans is represented by subscribers' units in the Plans. The units of the Plans are entitled to subscribers' contributions, government grants received and the accumulated income thereon. At maturity or cancellation, subscribers will be entitled to their net contributions, as outlined in the Plans' Prospectus. Restrictions on Subscribers' contributions, are outlined in the Plans' Prospectus and defined by the Income Tax Act (Canada). Restrictions on payments from the Plans are also outlined in the Plans' Prospectus and are dependent on whether the beneficiary qualifies for payments under the Plan. The relevant movements are shown on the Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries. The Foundation endeavors to invest the subscriptions received in

appropriate investments while maintaining sufficient liquidity to meet its obligations.

9. Funds for Scholarship Enhancements and Enrichment

Under the terms of the Scholarship Plan agreements, there are specified periods, whereby investment income is accrued to the beneficiaries (typically to Maturity Date which is an earlier date than the payment of Educational Assistance Payments). Investment income after Maturity Date and other discretionary contributions made by the Scholarship Plan Dealer in any year are excluded from comprehensive income.

These amounts are then allocated to funds for Scholarship Enhancements and Enrichment for additional Educational Assistance Payments, the timing of which is at the discretion of the Foundation's Trustees. The Trustees determine the amount of any Scholarship Enhancements and Enrichment on an annual basis. The payments of Scholarship Enhancements and Enrichments are included as distributions to beneficiaries in the Statement of Changes in Net Assets Attributable to Subscribers and Beneficiaries.

The balance of the funds for Scholarship Enhancements and funds for Enrichment at each year end is determined as follows:

Funds for Scholarship Enhancements

	<u>For the year ended</u> <u>December 31, 2016</u>	<u>For the year ended</u> <u>December 31, 2015</u>
Balance, beginning of year	\$ 6,446,413	\$ 5,627,778
Interest and dividend income after maturity date	5,467,125	3,638,003
Investment income earned on fund balance	63,984	226,986
Return of sales charges	(228,048)	(191,884)
Net change in unrealized (losses) gains	(13,527)	(109,627)
Additional educational assistance payments	(3,651,994)	(2,744,843)
Balance, end of year	\$ 8,083,953	\$ 6,446,413

Funds for Enrichment

	<u>For the year ended</u> <u>December 31, 2016</u>	<u>For the year ended</u> <u>December 31, 2015</u>
Balance, beginning of year	\$ 54,598	\$ 54,640
Interest and dividend income after maturity date	50,945	39,757
Investment income earned on fund balance	486	516
Return of sales charges	(15,940)	(40,315)
Balance, end of year	\$ 90,089	\$ 54,598

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10. Education assistance payments

	2016	2015
Number of units		
First scholarship	14,288	12,979
Second scholarship	11,530	11,445
Third scholarship	9,841	8,108
Amount of scholarships per unit		
First scholarship	\$530	\$550
Second scholarship	\$530	\$550
Third scholarship	\$530	\$550

The education assistance payments comprise the specified per unit scholarship payments as well as additional payments of \$2,073,423 (2015 - \$1,823,967) for students where the qualifying programs are less than four full years.

The Foundation also made education assistance payments of \$616,910 (2015 - \$558,091) and \$127,370 (2015 - \$142,678) for students enrolled in plans under the self-initiated option and Achievers plans, respectively.

Under the Group Option Plan, a beneficiary may advance the year of eligibility to an earlier year. Such advancement may result in a present valued education assistance payment. In addition, late applications for education assistance payments are subject to fees. The adjustments to scholarship payments as a result of the above amounted to \$207,813 (2015 - \$206,291). During the year, scholarships for late applications totaling \$698,306 were paid based on the 2015 Scholarship rate. Total scholarships paid in 2016 for 35,659 units (2015 - 32,532 units) of \$530 per unit (2015 - \$550), net of the above adjustments, and including the payments of \$2,073,423 (2015 - \$1,823,967), \$616,910 (2015 - \$558,091) and \$127,370 (2015 - \$142,678) for programs less than 4 years, payments under the self-initiated option and Achievers plans respectively, were \$22,207,466 (2015 - \$20,729,438)

11. Related party transactions

Fees to Scholarship Plan Dealer

The distribution and administration of the Plans is carried out on behalf of the Foundation by the Scholarship Plan Dealer, Children's Education Funds Inc. By agreement with the Foundation, the Scholarship Plan Dealer has been appointed as exclusive distributor and administrator of the Plans. Under the terms of a distribution and administration agreement and in accordance with the Prospectus, the Scholarship Plan Dealer is entitled to receive fees which are approved on an annual basis and consequently, occur at the negotiated exchange amount in accordance with the agreement. Fees charged in the years ended December 31, 2016 and December 31, 2015 are as follows:

	<u>For the year ended</u> <u>December 31, 2016</u>	<u>For the year ended</u> <u>December 31, 2015</u>
<i>Paid directly by subscriber</i>		
Sales charges	\$ 3,318,060	\$ 3,787,634
Group insurance premiums	2,692,516	2,526,953
Depository fees	1,068,362	1,125,799
Annual administration fees on subscriber deposits	5,383,305	5,378,740
Service charges	1,083,852	955,644
<i>Deducted from Foundation's income</i>		
Administration fees	\$ 303,440	\$ 239,435

Independent Review Committee and Directors' Fees

The total remuneration paid to members of the Independent Review Committee and Directors during the year ended December 31, 2016 were \$ 25,081 (2015 - \$ 31,467).

12. Subsequent Event

On February 8, 2017, the Foundation appointed Guardian Capital, L.P. as an investment advisor to the Plans. As of February 28, 2017, Guardian Capital, L.P. managed approximately 9% of the Plan's assets.

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Scholarship and Escrow Agreements

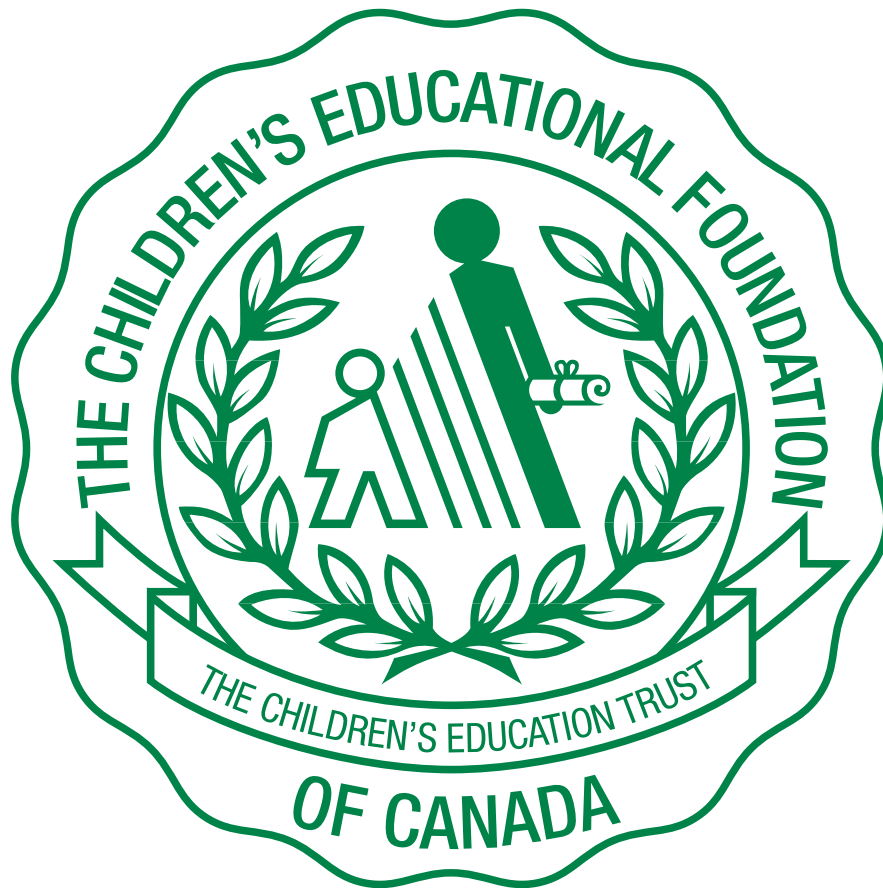
December 31, 2016 (Unaudited)

Year of eligibility	Opening units	Inflow units	Outflow units	Closing units	Principal deposits	Investment income	Government grants	Investment income on government grants
Plans eligible for assistance payments						\$20,169,099	\$14,739,710	\$10,388,631
2017	27,400	-	4,458	22,942	\$4,921,184	20,397,167	11,352,789	5,927,648
2018	28,780	9,236	-	38,016	72,979,715	31,123,421	18,293,956	8,927,989
2019	32,947	-	136	32,811	58,868,169	22,479,367	15,052,548	6,401,611
2020	35,619	1	190	35,430	57,041,950	20,288,199	14,919,651	5,835,782
2021	39,936	-	190	39,746	57,856,543	18,968,467	15,315,500	5,500,825
2022	40,984	8	447	40,545	54,116,844	16,227,023	14,907,429	4,855,627
2023	44,106	86	590	43,602	52,394,348	14,190,821	17,233,836	5,226,087
2024	44,998	72	747	44,323	47,079,547	11,659,780	17,430,060	5,476,464
2025	43,905	146	720	43,331	41,162,619	8,931,410	15,811,951	4,589,645
2026	37,834	194	824	37,204	31,365,471	5,796,496	12,416,621	3,130,088
2027	34,492	295	901	33,886	24,509,637	3,924,890	10,163,303	2,292,406
2028	30,661	317	740	30,238	18,443,870	2,416,208	8,032,559	1,611,688
2029	27,935	322	784	27,473	13,685,203	1,470,026	6,367,856	1,119,695
2030	24,793	503	734	24,562	9,628,514	834,516	4,833,219	750,610
2031	21,175	732	830	21,077	6,016,950	396,232	3,343,295	410,511
2032	15,844	1,231	735	16,340	3,070,167	145,703	1,994,870	203,389
2033	11,418	1,657	715	12,360	1,102,487	40,324	1,044,734	89,980
2034	6,357	4,665	1,055	9,967	367,584	9,713	484,562	24,769
2035	-	5,247	59	5,188	70,234	1,795	89,407	1,657
Self-initiated	2,657	1,049	180	3,526	6,548,838	3,259,592	3,732,738	1,982,358
Achievers	58,388	2,518	4,513	56,393	8,333,913	1,081,384	3,519,247	657,151
	<u>610,229</u>	<u>28,279</u>	<u>19,548</u>	<u>618,960</u>	<u>\$569,563,787</u>	<u>203,811,633</u>	<u>\$211,079,841</u>	<u>75,404,612</u>
Unrealized gains(losses)						<u>11,964,580</u>		<u>(1,652,850)</u>
						<u>\$215,776,213</u>		<u>\$73,751,762</u>

Represented by:

Scholarship agreements	567,656,866	214,902,428
Escrow agreements	1,906,921	873,785
	<u>\$569,563,787</u>	<u>\$215,776,213</u>

Note: Subscriber deposits held are fully refundable to subscribers



THE CHILDREN'S EDUCATION
TRUST OF CANADA
Offered to the public by
CHILDREN'S EDUCATION FUNDS INC.

Administered by
THE CHILDREN'S EDUCATIONAL
FOUNDATION OF CANADA

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