Knowledge First Financial

Classic Education Savings Plan

(Education savings program provided by Knowledge First Foundation)

Financial Statements

For the years ended April 30, 2017 and 2016

Management’s Responsibility for Financial Reporting

The accompanying financial statements of the Classic Education Savings Plan (the Plan) have been prepared by management and approved by the Board of Directors of Knowledge First Foundation. The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management’s performance of its financial reporting responsibilities.

Knowledge First Foundation, through Knowledge First Financial Inc., its wholly owned subsidiary which administers the Plan, maintains appropriate processes to ensure that relevant and reliable financial 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 judgements. The significant accounting policies, which management believe are appropriate for the Plan are described in Note 3 to the financial statements.

PricewaterhouseCoopers LLP is the external auditor of the Plan. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Board of Directors of Knowledge First Foundation their opinion on the financial statements. Their report follows.

R. George Hopkinson
President and Chief Executive Officer
Mississauga, Ontario
July 13, 2017

July 13, 2017

Independent Auditor's Report

To the Directors of Knowledge First Foundation

We have audited the accompanying financial statements of the Classic Education Savings Plan (the Plan), which comprise the statements of financial position as at April 30, 2017 and April 30, 2016, and the statements of comprehensive income, changes in net assets attributable to subscribers and beneficiaries and cash flows for years ended April 30, 2017 and April 30, 2016, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Plan as at April 30, 2017 and April 30, 2016, and its financial performance and its cash flows for the years ended April 30, 2017 and April 30, 2016 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario

CLASSIC EDUCATION SAVINGS PLAN
STATEMENTS OF FINANCIAL POSITION
As at April 30, 2017, and April 30, 2016
All Amounts in Canadian Dollars

	April 30 2017	April 30 2016
Assets		
Current Assets		
Cash	3,490,846	87,866
Investments (Note 5)	34,608,585	56,811,813
Interest receivable	311,141	516,199
	38,410,572	57,415,878
Liabilities		
Current Liabilities		
Cash overdraft	-	1,517,862
Government grants payable	738,886	84,493
Principal payable to subscribers	2,226,517	2,890,291
Accounts payable and other liabilities (Note 7 and 8)	2,905,454	3,566,599
	5,870,857	8,059,245
Net assets attributable to subscribers and beneficiaries (Note 6)	32,539,715	49,356,633

Approved by the Board of Directors of Knowledge First Foundation

____________________,Director ____________________,Director

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

CLASSIC EDUCATION SAVINGS PLAN
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended April 30, 2017 and 2016
All Amounts in Canadian Dollars

	2017	2016
Income		
Interest income	459,228	761,380
Other income	363,899	355,339
Other changes in fair value of investments:		
Net realized gains on investments	-	2,500,349
Net change in unrealized gains (losses) on investments	80,147	(2,664,843)
Total income (net)	903,274	952,225
Expenses		
Administration fees (Note 8)	214,198	284,774
Investment counsel fees (Note 9)	28,574	26,100
Custodian fees	9,000	9,000
Independent review committee fees	1,227	2,553
Total expenses	252,999	322,427
Increase in net assets attributable to subscribers and beneficiaries	650,275	629,798

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

CLASSIC EDUCATION SAVINGS PLAN
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SUBSCRIBERS AND BENEFICIARIES
For the years ended April 30, 2017 and 2016
All Amounts in Canadian Dollars

	2017	2016
Net assets attributable to subscribers and beneficiaries, beginning of year	49,356,633	77,235,927
Subscribers' deposits (Note 6)		
Deposits	42,304	75,661
Return of deposits	(1,362,441)	(5,060,210)
	(1,320,137)	(4,984,549)
Government grants		
Government grant repayments and transfers	(1,641,360)	(2,228,288)
Government grant payments to beneficiaries	(1,235,330)	(1,931,949)
	(2,876,690)	(4,160,237)
Accumulated income (Note 6)		
Increase in net assets attributable to subscribers and beneficiaries	650,275	629,798
Education Assistance Payments	(7,756,197)	(12,636,684)
Deferred EAP payments	(2,543,405)	(3,244,898)
Payments of government grant income to beneficiaries	(2,158,313)	(2,496,807)
Payments of government grant income to educational institutions	(812,938)	(987,696)
Subscribers' equivalency transactions	487	1,779
	(12,620,091)	(18,734,508)
Net assets attributable to subscribers and beneficiaries, end of year	32,539,715	49,356,633

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

CLASSIC EDUCATION SAVINGS PLAN
STATEMENTS OF CASH FLOWS
For the years ended April 30, 2017 and 2016
All Amounts in Canadian Dollars

	2017	2016
Cash flows from (used in) operating activities		
Increase in net assets attributable to subscribers and beneficiaries	650,275	629,798
Adjustments for:		
Net realized (gains) on investments	-	(2,500,349)
Net change in unrealized (gains) losses on investments	(80,147)	2,664,843
Amortization of bond discounts/premiums	793,842	962,425
Purchases of investments	(120,668,068)	(354,929,246)
Proceeds from sale or maturity of investments	142,157,601	379,176,365
Interest receivable	205,058	(51,405)
Accounts payable and other liabilities	(519,055)	(667,191)
Net cash from operating activities	22,539,506	25,285,240
Cash flows from (used in) financing activities		
Subscribers' deposits	42,304	75,661
Return of subscribers' deposits	(2,026,215)	(4,091,047)
Government grant repayments	(975,367)	(2,396,952)
Government grant payments to beneficiaries	(1,235,330)	(1,931,949)
Income payments to beneficiaries:		
Education Assistance Payments	(10,299,602)	(15,881,582)
Government Grants	(2,169,913)	(2,496,807)
Subscribers' equivalency transactions/income transferred in	487	1,779
Income payments to educational institutions from government grants	(955,028)	(777,829)
Due from Knowledge First Financial Inc.	-	24,869
Net cash used in financing activities	(17,618,664)	(27,473,857)
Net increase (decrease) in cash (cash overdraft)	4,920,842	(2,188,617)
Cash (cash overdraft), beginning of year	(1,429,996)	758,621
Cash (cash overdraft), end of year**	3,490,846	(1,429,996)

Supplementary Information *		
Interest received	*1,458,128*	*1,672,399*
* Included in operating activities		

** Cash (cash overdraft)

Cash	3,490,846	87,866
Cash overdraft	-	(1,517,862)
	3,490,846	(1,429,996)

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

CLASSIC EDUCATION SAVINGS PLAN
SCHEDULE OF INVESTMENT PORTOLIO
As at April 30, 2017
All amounts in Canadian Dollars

Bond Name	Coupon %	Maturity Date	Par Value $	Cost $	Fair Value $
FEDERAL (11.1%)					
CANADA HOUSING TRUST	2.05%	2017-06-15	2,100,000	2,103,685	2,103,612
CANADA HOUSING TRUST	3.80%	2021-06-15	1,600,000	1,748,446	1,762,711
TOTAL FEDERAL				3,852,131	3,866,323
PROVINCIAL (41.9%)					
PROVINCE OF BRITISH COLUMBIA	4.70%	2017-12-01	800,000	818,271	818,785
PROVINCE OF MANITOBA	3.85%	2021-12-01	1,100,000	1,198,935	1,213,525
PROVINCE OF MANITOBA	5.50%	2018-11-15	250,000	267,008	267,434
PROVINCE OF NEW BRUNSWICK	3.35%	2021-12-03	1,100,000	1,172,070	1,188,134
PROVINCE OF NEW BRUNSWICK	4.40%	2019-06-03	100,000	106,544	106,964
PROVINCE OF NEW BRUNSWICK	6.75%	2017-06-27	1,450,000	1,463,646	1,463,595
PROVINCE OF NOVA SCOTIA	4.15%	2019-11-25	350,000	374,712	376,954
PROVINCE OF NOVA SCOTIA	4.45%	2021-10-24	600,000	666,181	675,381
PROVINCE OF ONTARIO	5.50%	2018-06-02	900,000	944,155	945,457
PROVINCE OF QUEBEC	4.25%	2021-12-01	3,500,000	3,880,356	3,930,066
PROVINCE OF QUEBEC	4.50%	2017-12-01	2,700,000	2,758,279	2,759,863
PROVINCE OF QUEBEC	4.50%	2018-12-01	700,000	738,399	739,553
TOTAL PROVINCIAL				14,388,556	14,485,711
CORPORATE (13.3%)					
BANK OF MONTREAL	4.55%	2017-08-01	300,000	300,004	302,749
BANK OF MONTREAL	6.02%	2018-05-02	150,000	156,691	157,266
BANK OF MONTREAL	3.40%	2021-04-23	350,000	368,302	374,661
BANK OF NOVA SCOTIA	2.87%	2021-06-04	350,000	360,742	367,557
BANK OF NOVA SCOTIA	2.40%	2019-10-28	50,000	50,878	51,303
BANK OF NOVA SCOTIA	2.75%	2018-08-13	150,000	152,574	153,034
CAISSE CENTRALE DESJARDINS	2.80%	2018-11-19	450,000	458,974	460,926
CAISSE CENTRALE DESJARDINS	3.50%	2017-10-05	250,000	252,373	252,689
CANADIAN IMPERIAL BANK OF COMMERCE	2.35%	2019-06-24	150,000	152,784	153,448
CANADIAN IMPERIAL BANK OF COMMERCE	3.95%	2017-07-14	150,000	150,850	150,926
CANADIAN IMPERIAL BANK OF COMMERCE	2.35%	2017-10-18	550,000	552,798	553,459
ROYAL BANK OF CANADA	2.82%	2018-07-12	150,000	152,504	152,963

ROYAL BANK OF CANADA	2.36%	2017-09-21	200,000	200,819	201,072
ROYAL BANK OF CANADA	2.86%	2021-03-04	350,000	361,050	366,724
TORONTO DOMINION BANK	2.43%	2017-08-15	550,000	551,979	552,433
TORONTO DOMINION BANK	2.56%	2020-06-24	150,000	153,360	155,363
TORONTO DOMINION BANK	2.17%	2018-04-02	200,000	201,568	201,960
CORPORATE TOTAL				4,578,250	4,608,533
SHORT TERM SECURITIES (33.7%)					
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2017-06-01	2,650,000	2,647,801	2,648,758
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2017-05-04	9,000,000	8,993,790	8,999,260
TOTAL SHORT TERM SECURITIES				11,641,591	11,648,018
TOTAL INVESTMENTS				**34,460,528**	**34,608,585**

CLASSIC EDUCATION SAVINGS PLAN
SCHEDULE OF EDUCATION ASSISTANCE AGREEMENTS
As at April 30, 2017
All amounts in Canadian Dollars

Year of Eligibility	Opening units	Unit inflows	Unit outflows	Ending units	Principal amounts *	Accumulated income **
2014	15,993	-	(15,993)	-	-	-
2015	12,151	-	(2,282)	9,869	-	7,378,707
2016	9,751	-	(4,563)	5,188	-	3,227,859
2017	3,336	2,036	(679)	4,693	-	2,340,249
2018	1,233	716	(11)	1,938	1,129,935	903,079
2019	612	8	(2)	618	359,168	244,782
	43,076	2,760	(23,530)	22,306	1,489,103	14,094,676

* Reflects Subscribers' Deposits (see note 6)
** Reflects total of FEAP and EAP accounts (see note 6)

Foundation Education Assistance Payment (FEAP) Account	12,970,471
Education Assistance Payment (EAP) Account	1,124,205
	14,094,676

Calendar year of eligibility and payments *

	2016	2015	2014	2013	2012
Amounts paid per unit **					
First payments	280	250	250	280	300
Second payments	-	310	280	260	340
Third payments	-	-	350	320	300
	280	560	880	860	940
Number of units disbursed					
First payments	5,272	12,291	21,438	36,430	48,456
Second payments	439	10,912	18,207	30,899	41,541
Third payments	62	823	16,995	26,644	36,964
	5,773	24,026	56,640	93,973	126,961

* Includes Education Assistance Payments paid to students for their year of eligibility together with Education Assistance Payments deferred
** Amounts may include additional funds provided by Knowledge First Foundation

Education Assistance Payments (EAP) Reconciliation	**2017 $**	**2016 $**
Current year payments to students	7,435,787	11,924,390
Advance EAP payments	320,410	712,294
	7,756,197	12,636,684
EAPs Paid from FEAP Account	6,657,186	12,496,099
EAP Supplement from Income Account* (note 6)	1,099,011	140,585
	7,756,197	12,636,684

*excludes Deferred EAP Supplement of $136,868 in fiscal 2017

CLASSIC EDUCATION SAVINGS PLAN
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2017 and 2016

1. General information

Classic Education Savings Plan (the Plan) was established by Knowledge First Foundation (the Foundation) as a savings vehicle for subscribers to save for a designated student's (beneficiary) post-secondary education. The Plan is no longer accepting new subscribers and is winding down as the remaining accounts reach maturity. The Plan invests in Canadian fixed income securities including Canadian federal, provincial and municipal government and corporate bonds.

The Foundation, the sponsor of the Plan, is a not-for-profit organization, which was incorporated without share capital on February 19, 1990 under the Canada Corporations Act and continued under the amended act of October 17, 2011. The Foundation has engaged its wholly-owned subsidiary, Knowledge First Financial Inc. (Knowledge First Financial) to be the distributor and investment fund manager of the Plan and to provide general administration services to the Plan. Knowledge First Financial is incorporated under the laws of Canada. The primary place of business of the Plan is 50 Burnhamthorpe Road West, Mississauga, Ontario, Canada.

Subscribers to the Plan make periodic deposits into the Plan, net of enrolment fees, insurance premiums, depository fees and service charges charged to each subscriber. The income earned on subscriber deposits is held in the Education Assistance Payment (EAP) Account. When a plan matures, is terminated, or is cancelled, such deposits, net of deductions, will be returned to the subscriber or a beneficiary and the plan income is transferred to the Foundation Education Assistance Payment (FEAP) Account and used to provide payments to qualified students. The Plan invests in Canadian government bonds, corporate bonds and short-term investments.

EAPs are paid over three years from interest, other income, and income earned on education grants accumulated in the Plan. Deposits are not included in EAPs, however are returned to the Subscriber upon maturity, net of applicable fees. In order to be entitled to an EAP, the administrator must receive proof that a beneficiary meets EAP eligibility requirements for enrolment in a post-secondary program, inclusive of confirmation of beneficiary residency status. If a subscriber to the Plan terminates an account, a refund of net deposits is due to the subscriber and government grant monies are returned to the originating government agency. Forfeited grant income is payable to eligible educational institutions.

The financial statements were authorized for issue by the Board of Directors of the Foundation on July 13, 2017.

2. Basis of presentation and adoption of IFRS

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued and adopted by the International Accounting Standards Board ("IASB"). The Plan has consistently applied the accounting policies used in the preparation of its financial statements.

3. Summary of significant accounting policies

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

Financial instruments

The Plan recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit or loss. Regular purchases and sales of financial assets are recognized at their trade date. The Plan's investments are measured at fair value through profit or loss (FVTPL), including its investments in debt securities, which have been designated at FVTPL. All other financial assets and liabilities, including interest receivable, amounts receivable for investments sold, government grants receivable, other receivables, amounts payable for securities purchased, principal payable to beneficiaries and accounts payable and other liabilities, are measured at amortized cost. The Plan's obligation for net assets attributable to subscribers and beneficiaries is presented at the distribution amount, which is the residual amount of assets of the Plan after deducting all of its liabilities.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. For bonds, the Plan uses mid prices provided by independent security pricing vendors. The Plan's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

Income recognition, transaction costs and expenses
Interest income from investments in bonds and short-term investments is recognized at the effective interest rate. Interest receivable is shown separately on the Statement of Financial Position based on the debt instruments' stated rates of interest. The cost of investments is determined using the average cost method. Average cost includes amortization of premiums and discounts on the Plan's fixed income securities.

Impairment of financial assets
At each reporting date, the Plan assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Plan 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 periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

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

Cash
Cash is comprised of demand deposits with financial institutions.

Net Assets Attributable to Subscribers and Beneficiaries
Net assets attributable to subscribers and beneficiaries is comprised of subscribers' deposits, government grants and income earned on both subscribers' deposits and government grants. Net assets attributable to subscribers and beneficiaries is classified as a liability as subscribers have the option to withdraw at any point prior to maturity. If a subscriber withdraws before maturity, the subscriber's deposits less fees are returned to the subscriber, income earned on that subscriber's deposits is due and payable to other members of the Plan, government grant contributions are returned to the government and forfeited income on the government grants is payable to designated educational institutions. Refer to Note 6 for a breakdown of net assets attributable to subscribers and beneficiaries.

Subscribers' deposits is comprised of deposits received from subscribers, after deductions for various fees, and do not include amounts receivable on outstanding agreements, as subscribers may terminate their plans at any time. Knowledge First Financial as Investment Fund Manager of the Plan deducts a portion of the applicable enrolment fees, insurance premiums, and depository and service charges from the deposits made by subscribers and the net amount is invested in the Plan. During the life of an agreement, subscribers may choose to purchase additional units, or convert their present agreements to fully paid-up status. In order to effect the purchase or conversion, subscribers must contribute additional funds, or convert a portion of their principal deposits into income contributions, to reflect the equivalent amount of income that would have been earned if the revised agreement was in place since the inception of their plan. These are called subscribers' equivalency transactions. These additional funds are included in accumulated income.

Government grants represent contributions received from federal and provincial governments. Government grants are recognized upon receipt of an eligible contribution to a registered education savings plan by a subscriber to the Plan.
Accumulated income includes the increase (decrease) in net assets attributable to subscribers and beneficiaries, and income earned on matured accounts, cancelled or terminated accounts (the Income Account). Education assistance payments and payments of grant income to beneficiaries and designated financial institutions reduce the accumulated income account. At the discretion of the Foundation, Income Account monies may be used to supplement EAPs to qualified students or disbursed for the advancement of education, consistent with the objectives of the Foundation.

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

Interests in Unconsolidated Structured Entities
A structured entity is an entity that has been designed so that voting or similar rights are not dominant factors in deciding who controls the entity, or when voting rights relate to administrative tasks only and the relevant activities are directed by means of a contractual arrangement. The Plan invests in asset-backed securities which are disclosed on the Schedule of Investment Portfolio and the Plan has determined that these securities are unconsolidated structured entities. The Plan accounts for its investments in unconsolidated structured entities at fair value through profit and loss. The asset-backed securities include Canada Housing Trust bonds which are secured by and payable from mortgage loans on real property and guaranteed by the Government of Canada, through CMHC. These investments are included in "Investments" in the Statements of Financial Position. The Plan's maximum exposure to loss from its interest in these securities is equal to the total fair value of its investments.

Fair Value Reserve
The fair value reserve reported in the net assets attributable to subscribers and beneficiaries includes the net unrealized gains (losses) on fixed income investments and the net unamortized fixed income realized gains (losses), calculated on an average cost basis. Fixed income realized gains and losses are transferred to the EAP Account, Income from government grants, and the Income Account on a proportionate basis of units remaining in the plan as it winds down.

Accounting standards issued but not yet adopted

IFRS 9, Financial instruments
The final version of IFRS 9, Financial instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. Knowledge First Financial is in the process of assessing the impact of IFRS 9 on the Plan.

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

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

Classification and measurement of investments and the application of the fair value option
In classifying and measuring financial instruments held by the Plan, Knowledge First Financial is required to make significant judgements about whether or not the business of the Plan 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 (IAS 39). The most significant judgment made includes the determination that the fair value option can be applied to the Plan's investments in debt securities.

5. Financial Instruments Risks

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

Credit risk

The Plan 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. Cash on hand is kept on deposit at a Canadian Schedule I bank. The majority of the credit risk to which the Plan is exposed arises from its investments in debt securities. The debt instruments held by the Plan are issued or guaranteed by federal, provincial, or municipal governments along with corporate debt instruments with an investment grade credit rating at the time of acquisition.

The fair value of debt investments includes consideration of the credit worthiness of the debt issuer. The carrying amount of cash, receivables and debt investments represents the maximum credit risk exposure as at April 30, 2017 and April 30, 2016. The analysis below summarizes the credit quality of the Plan's debt portfolio as at April 30, 2017 and April 30, 2016. Credit ratings are obtained from Standard & Poor's, Moody's and DBRS. Where one or more rating is obtained for a security, the lowest rating has been used.

	Percentage of Fixed Income Investments (%) As At	
Credit Rating	**April 30, 2017**	**April 30, 2016**
"AAA"	16.8	15.6
"AA"	13.8	15.2
"A"	69.4	69.2
Total	100.0	100.0

Liquidity risk

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

Maturity Profile

EAPs (accumulated income and government contributions) are paid over three years upon submission of required documentation to Knowledge First Financial. Subscriber's principal is paid upon maturity of a respective agreement. See Schedule of EAP payments for details of maturity with respect to principal and accumulated income.

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

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

Concentration Risk
The table below summarizes this Plan's concentration risk as a percentage of investments as at April 30, 2017, and April 30, 2016.

	Percentage of Investments (%) As at	
Concentration	April 30, 2017	April 30, 2016
Federal	11.1	11.5
Provincial	41.9	48.1
Corporate	13.3	13.8
Short term	33.7	26.6
Total	100.0	100.0

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

a) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plan holds securities with fixed interest rates that expose the Plan to interest rate risk. As at April 30, 2017, had prevailing interest rates increased or decreased by 25 basis points, assuming a parallel shift in the yield curve, with all other variables held constant, net assets of the Plan would have decreased or increased, respectively, by approximately $0.1 million (approximately 0.4% of the total investment portfolio) (April 30, 2016 - $0.2 million, approximately 0.4% of the total investment portfolio). In practice, actual results may differ from this analysis and the difference could be material.

The table below summarizes the Plan's exposure to interest rate risk as at April 30, 2017 and April 30, 2016 by remaining term to maturity.

April 30, 2017	Within 1 year	From 1 to 5 years	Over 5 years	Total
Short term investments				
Treasury Bills	11,648,018	-	-	11,648,018
Government & Corporate instruments				
Federal	2,103,612	1,762,711	-	3,866,323
Provincial	5,042,243	9,443,468	-	14,485,711
Corporate	2,215,288	2,393,245	-	4,608,533
	21,009,161	13,599,424	-	34,608,585
Percentage of total	60.7%	39.3%	-	100.0%

April 30, 2016	Within 1 year	From 1 to 5 years	Over 5 years	Total
Short term investments				
Treasury Bills	15,089,820	-	-	15,089,820
Government & Corporate instruments				
Federal	2,578,508	2,131,332	1,797,023	6,506,863
Provincial	12,484,783	7,761,621	7,095,574	27,341,978
Corporate	3,220,870	4,286,198	366,084	7,873,152
	33,373,981	14,179,151	9,258,681	56,811,813
Percentage of total	58.7%	25.0%	16.3%	100.0%

b) Other price risk

The Plan is exposed to other price risk, which is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Financial instruments held by the Plan are susceptible to market price risk arising from uncertainties about future prices of those instruments. Market prices of these instruments are predominantly a function of interest rate movements and changes in the market's perceived credit risks applicable to non-federal government securities. The maximum risk resulting from financial instruments held by the Plan is equivalent to their fair value. The investment manager manages this risk through the selection of securities within the parameters of the investment strategy. As at April 30, 2017 and April 30, 2016, the Plan had no significant exposure to other price risk as it did not hold equities.

Capital risk management

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

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

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

Fair value measurement

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

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

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Plan's assets and liabilities measured at fair value within the fair value hierarchy as at April 30, 2017, and April 30, 2016.

As of April 30, 2017	Level 1	Level 2	Level 3	Total
Short-term investments	-	11,648,018	-	11,648,018
Government guaranteed instruments				
Federal	-	3,866,323	-	3,866,323
Provincial	-	14,485,711	-	14,485,711
Corporate	-	4,608,533	-	4,608,533
Investments at fair value	-	34,608,585	-	34,608,585

As of April 30, 2016	Level 1	Level 2	Level 3	Total
Short-term investments	-	15,089,820	-	15,089,820
Government guaranteed instruments				
Federal	-	6,506,863	-	6,506,863
Provincial	-	27,341,978	-	27,341,978
Corporate	-	7,873,152	-	7,873,152
Investments at fair value	-	56,811,813	-	56,811,813

All fair value measurements above are recurring. The carrying values of receivable for investments sold, government grant receivable, interest receivable, other receivables, payable for investments purchased, principal payable to beneficiaries and accounts payable and other liabilities and the Plan's obligation for net assets attributable to subscribers and beneficiaries approximate their fair value due to their short term nature. There were no transfers between levels during the years ended April 30, 2017 and April 30, 2016 or Level 3 securities held as at April 30, 2017 and April 30, 2016.

6. Net assets attributable to subscribers and beneficiaries

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

	As at	
	April 30, 2017	April 30, 2016
Subscribers' deposits, net of returns	1,489,103	2,809,240
Government grants	5,520,222	8,396,912
Accumulated income		
Education assistance payment account	1,124,205	2,278,101
Deferred EAP account	3,810,367	5,387,395
Income from government grants	6,379,227	8,894,962
Foundation education assistance payment account*	12,970,471	19,245,162
Income account	872,068	1,633,461
Fair value reserve	374,052	711,400
Balance – End of year	32,539,715	49,356,633

* FEAP account and Advance EAP payments were combined for presentation purposes.

The changes to subscribers' deposits to the Plan are as follows:

	For the years ending	
	April 30, 2017	April 30, 2016
Subscribers' deposits	284,524	80,187
Insurance premiums deducted	(621)	(1,284)
Enrolment fee (deducted) refunded	(240,299)	(32)
Return of deposits	(1,362,441)	(5,060,210)
Depository fees and service charges deducted	(1,300)	(3,210)
Net increase (decrease) in Subscribers' deposits	(1,320,137)	(4,984,549)
Balance – Beginning of year	2,809,240	7,793,789
Balance – End of year	1,489,103	2,809,240

The changes in the Income account for the years are as follows:

	For the years ending April 30, 2017	April 30, 2016
Increase		
Net investment income	145,427	585,855
Other income	363,736	502,300
Decrease		
Supplement to EAP	(1,235,879)	(140,585)
Administration fees	(31,065)	(82,299)
Investment Counsel fees	(2,443)	(4,943)
Custodial fees	(915)	(2,720)
Independent review committee fees	(254)	(825)
Net increase (decrease) in income account	(761,393)	856,783
Balance - Beginning of year	1,633,461	776,678
Balance – End of year	872,068	1,633,461

Income earned on monies held in the FEAP Accounts is credited to the Income Account.

At the discretion of the Foundation, Income Account monies may be used to supplement EAPs to qualified students or disbursed for the advancement of education, consistent with the objectives of the Foundation.

7. Accounts payable and other liabilities

Included in accounts payable and other liabilities is $2,002,768 (April 30, 2016 - $ 2,519,318) payable to subscribers for stale dated cheques for which the subscriber has not requested the funds to be reissued. If the funds are not claimed within six years of cancellation or maturity, the funds are forfeited and transferred into other income. Also included in accounts payable and other liabilities is forfeited grant income from terminated agreements that will be paid out to a designated educational institution.

8. Related party transactions

The Foundation is the sponsor of the Plan. The general administration of the Plan is carried out on behalf of the Foundation by its wholly owned subsidiary, Knowledge First Financial, and includes processing and call centre services related to new agreements, payments, government grants, plan modifications, terminations, maturities and EAPs. Under a fund management agreement dated May 1, 2013, in consideration for its administrative services (inclusive of audit fees), Knowledge First Financial is entitled to receive from the Plan an annual fee of up to 0.5% of all funds on deposit related to the Plan, insurance administration-related fees, and special processing fees involving one-time fees for specific transactions. All such expenses are included in Administration fees in the Statements of Comprehensive Income. Accounts payable and other liabilities includes $21,745 (April 30, 2016 - $13,851) due to Knowledge First Financial relating to Administration fees and subscriber fees received by the Plan on behalf of Knowledge First Financial. The Plan also pays remuneration to members of the Independent Review Committee which are included in Independent Review Committee Fees in the Statements of Comprehensive Income.

9. Investment counsel fees

Investment counsel fees, which are paid to the Plan's third party investment managers, are calculated as a percentage of the total fair value of the Plan's investment portfolio and during the current and prior years ranged from 0.07% to 0.02%. Investment counsel fees paid for the year amounted to 0.05% (0.05% as at April 30, 2016) of the total fair value of the investment portfolio in the Plan.