

**Knowledge First Financial**  
**Family Single Student 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 Family Single Student 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 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 Family Single Student 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

**FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN  
STATEMENTS OF FINANCIAL POSITION**

As at April 30, 2017 and April 30, 2016

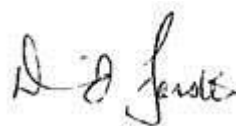
All amounts in Canadian Dollars

	<b>April 30 2017</b>	<b>April 30 2016</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	7,282,227	5,323,202
Investments (Note 5)	72,510,831	66,462,003
Receivable for investments sold	-	2,481,156
Government grants receivable	20,542	63,549
Interest receivable	677,104	744,673
	<u>80,490,704</u>	<u>75,074,583</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payable for investments purchased	-	2,220,002
Principal payable to subscribers	5,834,876	5,978,580
Accounts payable and other liabilities (Notes 7 and 8)	921,703	767,360
	<u>6,756,579</u>	<u>8,965,942</u>
<b>Net assets attributable to subscribers and beneficiaries (Note 6)</b>	<u>73,734,125</u>	<u>66,108,641</u>

**Approved by the Board of Directors of Knowledge First Foundation**



\_\_\_\_\_, Director



\_\_\_\_\_, Director

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

**FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN  
STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended April 30, 2017 and 2016

All amounts in Canadian Dollars

	<b>2017</b>	<b>2016</b>
<b>Income</b>		
Interest income	1,623,308	1,477,506
Other income	-	38,032
Other changes in fair value of investments:		
Net realized gains (losses) on investments	(50,480)	764,232
Net change in unrealized gains or (losses) on investments	(331,031)	(725,782)
<b>Total income (net)</b>	<b>1,241,797</b>	<b>1,553,988</b>
<b>Expenses</b>		
Administration fees (Note 8)	375,665	332,033
Investment counsel fees (Note 9)	105,691	99,421
Custodian fees	16,221	13,721
Independent review committee fees	1,696	2,028
<b>Total expenses</b>	<b>499,273</b>	<b>447,203</b>
<b>Increase in net assets attributable to subscribers and beneficiaries</b>	<b>742,524</b>	<b>1,106,785</b>

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

**FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN**  
**STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SUBSCRIBERS AND**  
**BENEFICIARIES**

For the years ended April 30, 2017 and 2016

All amounts in Canadian Dollars

	<b>2017</b>	<b>2016</b>
<b>Net assets attributable to subscribers and beneficiaries, beginning of year</b>	66,108,641	60,985,360
Subscribers' deposits (Note 6)		
Deposits	34,625,774	28,610,961
Return of deposits	(34,219,374)	(29,751,568)
	406,400	(1,140,607)
Government grants (Note 6)		
Government grant contributions	410,923	542,816
Government grant repayments and transfers	7,023,081	5,754,586
Government grant payments to beneficiaries	(6,080,317)	(4,945,507)
	1,353,687	1,351,895
Accumulated income (Note 6)		
Increase in net assets attributable to subscribers and beneficiaries	742,524	1,106,785
Education Assistance Payments	(13,106,728)	(10,320,000)
Payments of government grant income to beneficiaries	(3,135,118)	(2,382,166)
Payments of government grant income to educational institutions	(15,068)	(39,102)
Funds transferred in, net	21,379,787	16,546,476
	5,865,397	4,911,993
<b>Net assets attributable to subscribers and beneficiaries, end of year</b>	<b>73,734,125</b>	<b>66,108,641</b>

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

**FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN  
STATEMENTS OF CASH FLOWS**

For the years ended April 30, 2017 and 2016

All amounts in Canadian Dollars

	<b>2017</b>	<b>2016</b>
<b>Cash flows from (used in) operating activities</b>		
Increase in net assets attributable to subscribers and beneficiaries	742,524	1,106,785
Adjustments for:		
Net realized (losses) on investments	50,480	(764,232)
Net change in unrealized gains or (losses) on investments	331,031	725,782
Amortization of bond discounts and premiums	489,020	436,706
Purchases of investments	(324,125,171)	(210,424,593)
Proceeds from sale or maturity of investments	317,466,966	208,579,040
Interest receivable	67,569	(69,701)
Accounts payable and other liabilities	157,021	33,289
<b>Net cash used in operating activities</b>	<b>(4,820,560)</b>	<b>(376,924)</b>
<b>Cash flows from (used in) in financing activities</b>		
Subscribers' deposits	34,625,774	28,610,961
Return of subscribers' deposits	(34,363,078)	(28,476,660)
Government grant receipts	453,930	517,760
Government grant repayments and transfers	7,173,601	5,754,586
Government grant payments to beneficiaries	(6,080,317)	(4,945,507)
Income payments to beneficiaries:		
Education Assistance Payments	(13,106,728)	(10,320,000)
Government Grants	( 3,285,638 )	(2,382,166)
Funds transferred out	(1,085,917)	(830,111)
Funds transferred in	22,465,704	17,376,587
Income payments to educational institutions from government grants	(17,746)	(66,746)
Due from Knowledge First Financial	-	9,801
<b>Net cash from financing activities</b>	<b>6,779,585</b>	<b>5,248,505</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,959,025</b>	<b>4,871,581</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>5,323,202</b>	<b>451,621</b>
<b>Cash and cash equivalents, end of year</b>	<b>7,282,227</b>	<b>5,323,202</b>

Supplementary Information \*

*Interest received*

2,179,897

1,844,511

\* Included in operating activities

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

**FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN  
SCHEDULE OF INVESTMENT PORTOLIO**

As at April 30, 2017

All amounts in Canadian Dollars

<b>Bond Name</b>	<b>Coupon%</b>	<b>Maturity Date</b>	<b>Par Value \$</b>	<b>Cost \$</b>	<b>Fair Value \$</b>
<b>FEDERAL (35.0%)</b>					
CANADA HOUSING TRUST	2.05%	2017-06-15	374,000	374,392	374,643
CANADA HOUSING TRUST	2.65%	2022-03-15	675,000	710,364	714,904
CANADA HOUSING TRUST	3.35%	2020-12-15	2,275,000	2,454,877	2,449,153
CANADA HOUSING TRUST	1.95%	2019-06-15	3,875,000	3,915,811	3,960,293
FARM CREDIT CANADA	4.30%	2020-10-05	612,000	625,504	674,640
GOVERNMENT OF CANADA	0.50%	2019-02-01	5,744,000	5,713,374	5,725,149
GOVERNMENT OF CANADA	5.75%	2029-06-01	302,000	397,018	434,045
GOVERNMENT OF CANADA	4.00%	2041-06-01	1,062,000	1,376,117	1,425,557
GOVERNMENT OF CANADA	3.50%	2045-12-01	974,000	1,289,939	1,244,250
GOVERNMENT OF CANADA	1.50%	2026-06-01	4,774,000	4,716,446	4,799,099
MILIT-AIR INC	5.75%	2019-06-30	560,395	590,557	587,972
PSP CAPITAL INC	3.03%	2020-10-22	935,000	950,854	989,496
PSP CAPITAL INC	3.29%	2024-04-04	260,000	259,923	282,738
ROYAL OFFICE FINANCE LP	5.21%	2032-11-12	1,495,000	1,489,172	1,729,610
TOTAL FEDERAL				24,864,348	25,391,549
<b>PROVINCIAL (53.8%)</b>					
55 SCHOOL BOARD TRUST	5.90%	2033-06-02	414,000	522,291	558,373
HYDRO-QUEBEC	6.00%	2040-02-15	353,000	429,415	524,129
MCGILL UNIV HEALTH CENTRE	5.36%	2043-12-31	470,000	571,997	606,792
MCGILL UNIVERSITY	3.98%	2056-01-29	205,000	205,000	221,648
NEW BRUNSWICK FM PROJECT	6.47%	2027-11-30	320,715	340,237	395,524
ONTARIO SCHOOL BOARDS FINANCING CORPORATION	4.79%	2030-08-08	88,479	93,586	101,176
PROVINCE OF ALBERTA	3.90%	2033-12-01	1,058,000	1,101,416	1,191,238
PROVINCE OF BRITISH COLUMBIA	5.86%	2029-06-18	180,000	201,936	243,598
PROVINCE OF BRITISH COLUMBIA	3.20%	2044-06-18	726,000	692,209	753,349
PROVINCE OF BRITISH COLUMBIA	6.35%	2031-06-18	950,000	1,306,050	1,369,200
PROVINCE OF MANITOBA	4.05%	2045-09-05	935,000	1,037,418	1,083,998
PROVINCE OF NOVA SCOTIA	4.10%	2021-06-01	820,000	894,181	907,287
PROVINCE OF ONTARIO	4.40%	2019-06-02	234,000	247,372	250,376
PROVINCE OF ONTARIO	1.95%	2023-01-27	175,000	175,464	177,263
PROVINCE OF ONTARIO	3.45%	2045-06-02	1,080,000	1,119,878	1,160,013
PROVINCE OF ONTARIO	3.50%	2024-06-02	2,037,000	2,144,494	2,249,456
PROVINCE OF ONTARIO	2.60%	2025-06-02	1,399,000	1,428,046	1,455,463
PROVINCE OF ONTARIO	3.15%	2022-06-02	2,809,000	2,886,396	3,022,769
PROVINCE OF ONTARIO	3.50%	2043-06-02	672,000	661,266	725,750
PROVINCE OF ONTARIO	4.70%	2037-06-02	350,000	439,393	441,620



PROVINCE OF ONTARIO	4.20%	2020-06-02	3,400,000	3,703,857	3,706,469
PROVINCE OF ONTARIO	5.50%	2017-06-02	290,000	290,740	288,345
PROVINCE OF ONTARIO	2.90%	2046-12-02	1,447,000	1,434,622	1,403,619
PROVINCE OF ONTARIO	2.85%	2023-06-02	3,211,000	3,195,303	3,411,178
PROVINCE OF PRINCE EDWARD ISLAND	5.70%	2035-06-15	110,000	126,448	146,720
PROVINCE OF QUEBEC	1.65%	2022-03-03	479,000	478,547	482,236
PROVINCE OF QUEBEC	5.75%	2036-12-01	495,000	695,157	699,875
PROVINCE OF QUEBEC	3.50%	2022-12-01	3,286,000	3,459,371	3,607,890
PROVINCE OF QUEBEC	3.50%	2048-12-01	334,000	351,220	365,808
PROVINCE OF QUEBEC	3.75%	2024-09-01	2,550,000	2,801,307	2,866,310
PROVINCE OF QUEBEC	4.50%	2019-12-01	1,474,000	1,573,067	1,602,195
PROVINCE OF QUEBEC	3.50%	2045-12-01	559,000	577,098	605,410
PROVINCE OF QUEBEC	2.75%	2025-09-01	1,713,000	1,760,835	1,802,766
SINAI HEALTH SYSTEM	3.53%	2056-06-09	214,000	214,000	206,162
TCHC ISSUER TRUST	5.40%	2040-02-22	85,000	101,597	111,643
UNIVERSITY OF OTTAWA	3.26%	2056-10-12	95,000	95,000	88,503
YORK UNIVERSITY	4.46%	2054-02-26	147,000	147,000	169,748
TOTAL PROVINCIAL				<u>37,503,214</u>	<u>39,003,899</u>
<b>MUNICIPAL (1.8%)</b>					
CITY OF QUEBEC	2.50%	2026-10-05	375,000	370,108	370,271
CITY OF TORONTO	4.70%	2041-06-10	500,000	569,251	614,024
FIRST NATIONS FINANCE AUTHORITY	3.40%	2024-06-26	315,000	329,193	335,648
MUNICIPAL TOTAL				<u>1,268,552</u>	<u>1,319,943</u>
<b>SHORT TERM (9.4%)</b>					
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2017-06-01	120,000	119,874	119,944
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2017-06-15	6,680,000	6,674,324	6,675,496
TOTAL SHORT TERM SECURITIES				<u>6,794,198</u>	<u>6,795,440</u>
<b>TOTAL INVESTMENTS</b>				<u><b>70,430,312</b></u>	<u><b>72,510,831</b></u>

**FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN  
SCHEDULE OF EDUCATION ASSISTANCE AGREEMENTS**

As at April 30, 2017

All amounts in Canadian Dollars

<b>Year of Eligibility</b>	<b>Principal amounts*</b>	<b>Accumulated income **</b>
2017 and prior	-	17,609,300
2018	15,352,088	8,996,134
2019	3,237,117	1,131,400
2020	1,544,552	355,564
2021	1,086,753	236,996
2022	602,093	137,252
2023	329,382	117,308
2024	195,016	63,843
2025	218,330	60,680
2026	149,974	33,455
2027	127,567	29,954
2028	138,682	23,000
2029 and thereafter	582,660	55,512
	<u>23,564,214</u>	<u>28,850,398</u>

\* Reflects Subscribers' deposits (see notes 6 and 8)

\*\* Reflects total FEAP and EAP accounts (see note 6)

Foundation Education Assistance Payment (FEAP) Account	17,879,491
Education Assistance Payment (EAP) Account	<u>10,970,907</u>
	<u>28,850,398</u>

## **FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN NOTES TO THE FINANCIAL STATEMENTS**

**April 30, 2017 and 2016**

All amounts in Canadian Dollars

### **1. General information**

Family Single Student 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 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. All or a portion of the income may be paid to the subscriber as an accumulated income payment. The Plan invests in Canadian government bonds and short-term investments.

EAPs are paid from interest, other income, and 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 terminates an account, the subscriber's deposits less fees are returned to the subscriber, income earned on that subscriber's deposit is due and payable to the subscriber in the form of an accumulated income payment or payable to a designated educational institution. Government grant contributions are returned to the originating government agency. Forfeited grant income is payable to an eligible educational institution.

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 subscribers 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.

**Funds transferred in, net**

During the life of an agreement, subscribers of another Knowledge First Financial Education Savings Plan or subscribers at another provider may choose to convert their agreement to the Plan or alternatively, subscribers of the Plan may choose to convert their agreement to another Knowledge First Financial Education Savings Plan or convert to another provider. Deposits, government grants and income transferred in/out are reported as changes in net assets attributable to subscribers and beneficiaries.

**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 the subscriber in the form of an accumulated income payment or payable to a designated educational institution. Government grant contributions are returned to the government and forfeited income on the government grants is owed to a designated educational institution. Refer to Note 6 for a breakdown of net assets attributable to subscribers and beneficiaries.

Subscribers' deposits are 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 deducts the applicable enrolment fees, insurance premiums, and depository and service charges from the deposits made from subscribers and the net amount is invested in the Plan. During the life of an agreement, subscribers may choose to change the level of their contributions.

Government grants represent contributions received from federal and provincial governments. Government grants are recognized upon receipt of an eligible contribution to a registered education savings plan by a subscriber to the Plan.

Accumulated income includes the increase (decrease) in net assets attributable to subscribers and beneficiaries. Education assistance payments, and payments of grant income to beneficiaries and designated financial institutions reduce the accumulated income account.

## **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 investments and the net unamortized realized gains (losses). Realized gains and losses are transferred to the EAP Account and Income from government grants over a five year period in proportion to the balances in those accounts at the time of allocation.

## **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.

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"	38.7	46.8
"AA"	8.0	10.3
"A"	53.3	42.9
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 the subscribers' deposits and government grant balances as subscribers can cancel or terminate their agreement at any time at which point the full balance would become immediately payable to the subscribers or the government. The 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 positions to maintain adequate liquidity.

### Maturity Profile

EAPs (accumulated income and government contributions) are paid 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. Income on the subscribers' principal and returned government grants become immediately payable to the subscriber or to a qualified educational institution, as applicable.

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.

<b>Percentage of Investments (%) As at</b>		
<b>Concentration</b>	<b>April 30, 2017</b>	<b>April 30, 2016</b>
Federal Bonds	35.0	46.7
Provincial Bonds	53.8	49.5
Municipal Bonds	1.8	3.5
Short Term Investments	9.4	0.3
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 fair value 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 \$1.2 million (approximately 1.7% of the total investment portfolio) (April 30, 2016 - \$1.4 million, approximately 2.1% 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.

<b>April 30, 2017</b>	<b>Within 1 year</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Short term investments	6,795,440	-	-	6,795,440
Government guaranteed instruments				
Federal	374,643	15,101,607	9,915,299	25,391,549
Provincial	288,345	6,948,563	31,766,991	39,003,899
Municipal	-	-	1,319,943	1,319,943
	7,458,428	22,050,170	43,002,233	72,510,831
Percentage of total	10.3%	30.4%	59.3%	100.0%

<b>April 30, 2016</b>	<b>Within 1 year</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Short term investments	199,865	-	-	199,865
Government guaranteed instruments				
Federal	1,780,054	15,428,215	13,830,854	31,039,123
Provincial	-	3,479,415	29,395,330	32,874,745
Municipal	-	1,337,531	1,010,739	2,348,270
	1,979,919	20,245,161	44,236,923	66,462,003
Percentage of total	3.0%	30.5%	66.5%	100.0%

b) Other price risk

The Plan is exposed to other price risk, which is the risk that fair value of 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.



<b>As of April 30, 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Short-term investments	-	6,795,440	-	6,795,440
Government guaranteed instruments				
Federal	-	25,391,549	-	25,391,549
Provincial	-	39,003,899	-	39,003,899
Municipal	-	1,319,943	-	1,319,943
Investments at fair value	-	72,510,831	-	72,510,831

<b>As of April 30, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Short-term investments	-	199,865	-	199,865
Government guaranteed instruments				
Federal	-	31,039,123	-	31,039,123
Provincial	-	32,874,745	-	32,874,745
Municipal	-	2,348,270	-	2,348,270
Investments at fair value	-	66,462,003	-	66,462,003

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 subscribers 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 is comprised as follows:

	<b>As at</b>	
	<b>April 30, 2017</b>	<b>April 30, 2016</b>
Subscribers' deposits, net of returns	23,564,214	23,157,814
Government grants	12,088,393	10,734,706
Accumulated income		
Education assistance payment account	10,970,907	9,543,042
Income from government grants	6,673,392	5,212,330
Foundation education assistance payment account	17,879,491	14,028,436
Fair value reserve	2,557,728	3,432,313
Balance – End of year	73,734,125	66,108,641

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

	<b>April 30, 2017</b>	<b>April 30, 2016</b>
Subscribers' deposits	34,943,036	28,797,206
Insurance premiums deducted	(23,419)	(27,582)
Enrolment fee deducted	(205,413)	(75,504)
Return of deposits	(34,219,374)	(29,751,568)
Depository fees and service charges deducted	(88,430)	(83,159)
Net increase (decrease) in Subscribers' deposits	406,400	(1,140,607)
Balance – Beginning of year	23,157,814	24,298,421
Balance – End of year	23,564,214	23,157,814

**7. Accounts payable and other liabilities**

Included in accounts payable and other liabilities is \$564,177(April 30, 2016 - \$578,821) payable to subscribers for stale dated cheques for which the subscriber has not requested the funds to be reissued. 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 and second and third Education Assistance Payments, which have been deferred by students to a later date when they may qualify to receive such payments.

**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 \$306,424 (April 30, 2016 - \$39,612) 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 manager, 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 0.27% to 0.09%. Investment counsel fees paid for the year amounted to 0.13% (0.13% as at April 30, 2016) of the total fair value of the investment portfolio in the Plan.