Knowledge First Financial

Flex First Plan

(Education savings program provided by Knowledge First Foundation)

Financial Statements

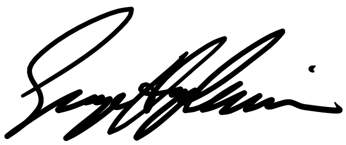
For the years ended April 30, 2017 and 2016

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Flex First 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. The significant accounting policies, which management believes 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 Flex First 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

FLEX FIRST 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	3,289,581	2,029,242
Investments (Note 5)	74,972,894	38,189,799
Receivable for investments sold	-	562,431
Government grants receivable	1,801,142	1,340,824
Interest and dividends receivable	485,579	265,439
Other receivables (Note 7)	1,694,273	1,058,421
	82,243,469	43,446,156
Liabilities		
Current Liabilities		
Accounts payable and other liabilities (Note 7)	1,145,739	201,586
Payable for investments purchased	3,499	631,046
	1,149,238	832,632
Net assets attributable to subscribers and beneficiaries (Note 6)	81,094,231	42,613,524

Approved by the Board of Directors of Knowledge First Foundation

__________________________, Director __________________________, Director

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

FLEX FIRST PLAN
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended April 30, 2017 and 2016
All amounts in Canadian Dollars

	2017	2016
Income		
Interest income	825,564	493,862
Dividend income	359,176	103,486
Other changes in fair value of investments:		
Net realized gains (losses) on investments	63,808	(520,257)
Net change in unrealized gains on investments	2,424,035	532,644
Total income (net)	3,672,583	609,735
Expenses		
Management fees (note 7)	847,315	413,997
Independent review committee fees	704	623
Transaction Costs	9,612	6,693
Total Expenses (net)	857,631	421,313
Increase in net assets attributable to subscribers and beneficiaries	2,814,952	188,422

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

FLEX FIRST 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

	2017	2016
Net assets attributable to subscribers and beneficiaries, beginning of year	42,613,524	17,894,167
Subscribers' deposits (Note 6)		
Deposits	24,192,979	15,081,188
Return of deposits	(898,648)	(378,976)
	23,294,331	14,702,212
Government grants (Note 6)		
Government grant contributions	13,071,923	10,310,839
Government grant repayments and transfers	(1,006,196)	(543,157)
Government grant payments to beneficiaries	(64,129)	(24,741)
	12,001,598	9,742,941
Accumulated income (Note 6)		
Increase in net assets attributable to subscribers and beneficiaries	2,814,952	188,422
Education Assistance Payments	(22,418)	(3,968)
Payments of government grant income to beneficiaries	(3,850)	(1,023)
Income transferred in, net	396,094	90,773
	3,184,778	274,204
Net assets attributable to subscribers and beneficiaries, end of year	81,094,231	42,613,524

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

FLEX FIRST 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	2,814,952	188,422
Adjustments for:		
Net realized (gains) losses on investments	(63,808)	520,257
Net change in unrealized gains on investments	(2,424,035)	(532,644)
Amortization of bond discounts / premiums	290,927	177,186
Purchase of investments	(72,758,237)	(55,052,828)
Proceeds from sale or maturity of investments	38,106,942	33,701,685
Interest and dividends receivable	(220,140)	(135,752)
Other receivables	(635,852)	(627,369)
Accounts payable and other liabilities	944,153	(612,219)
Net cash used in operating activities	(33,945,098)	(22,373,262)
Cash flows from (used in) financing activities		
Subscribers' deposits	24,192,979	15,081,188
Return of subscribers' deposits	(898,648)	(378,976)
Government grant receipts	12,611,605	9.664,892
Government grant repayments	(672,296)	(543,157)
Government grant payments to beneficiaries	(64,129)	(24,741)
Income payments to beneficiaries		
Education Assistance Payments	(22,418)	(3,968)
Government Grants	(3,850)	(334,923)
Income transferred in, net	62,194	424,672
Net cash from financing activities	35,205,437	23,884,987
Net increase in cash	1,260,339	1,511,725
Cash, beginning of year	2,029,242	517,517
Cash, end of year	3,289,581	2,029,242

Supplementary Information *		
Interest received	*904,755*	*543,171*
Dividend received	*350,772*	*95,610*

* Included in operating activities

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

FLEX FIRST PLAN
SCHEDULE OF INVESTMENT PORTOLIO
As at April 30, 2017
All amounts in Canadian Dollars

FIXED INCOME	Coupon %	Maturity Date	Par Value $	Cost $	Fair Value $
FEDERAL (7.0%)					
CANADA HOUSING TRUST	3.15%	2023-09-15	2,540,000	2,746,683	2,781,657
CANADA HOUSING TRUST	2.40%	2022-12-15	1,200,000	1,244,116	1,259,335
GOVERNMENT OF CANADA	5.75%	2029-06-01	580,000	830,402	833,596
GOVERNMENT OF CANADA	1.50%	2026-06-01	370,000	362,057	371,945
				5,183,258	5,246,533
PROVINCIAL (40.7%)					
PROVINCE OF ALBERTA	2.20%	2026-06-01	455,000	445,073	454,057
PROVINCE OF ALBERTA	2.35%	2025-06-01	2,420,000	2,421,703	2,466,721
PROVINCE OF BRITISH COLUMBIA	8.00%	2023-09-08	170,000	228,506	232,894
PROVINCE OF BRITISH COLUMBIA	3.30%	2023-12-18	2,450,000	2,650,613	2,683,273
PROVINCE OF BRITISH COLUMBIA	2.70%	2022-12-18	790,000	838,279	836,242
PROVINCE OF BRITISH COLUMBIA	5.70%	2029-06-18	1,305,000	1,757,053	1,744,945
PROVINCE OF BRITISH COLUMBIA	3.25%	2021-12-18	330,000	351,923	356,918
PROVINCE OF BRITISH COLUMBIA	2.85%	2025-06-18	1,305,000	1,395,543	1,390,269
PROVINCE OF MANITOBA	2.55%	2026-06-02	230,000	237,888	235,802
PROVINCE OF NEW BRUNSWICK	3.35%	2021-12-03	250,000	266,098	270,031
PROVINCE OF ONTARIO	8.10%	2023-09-08	170,000	229,652	233,543
PROVINCE OF ONTARIO	3.50%	2024-06-02	4,885,000	5,310,463	5,394,498
PROVINCE OF ONTARIO	2.60%	2025-06-02	3,850,000	3,949,855	4,005,383
PROVINCE OF ONTARIO	3.15%	2022-06-02	2,425,000	2,581,552	2,609,545
PROVINCE OF ONTARIO	6.50%	2029-03-08	255,000	355,672	358,671
PROVINCE OF ONTARIO	4.00%	2021-06-02	690,000	758,702	761,036
PROVINCE OF ONTARIO	2.40%	2026-06-02	2,190,000	2,202,564	2,229,565
PROVINCE OF ONTARIO	2.85%	2023-06-02	300,000	318,447	318,702
PROVINCE OF QUEBEC	3.50%	2022-12-01	1,045,000	1,128,222	1,147,366
PROVINCE OF QUEBEC	4.25%	2021-12-01	75,000	83,468	84,216
PROVINCE OF QUEBEC	3.00%	2023-09-01	1,285,000	1,373,282	1,377,434
PROVINCE OF SASKATCHEWAN	5.80%	2033-09-05	100,000	134,314	137,480
PROVINCE OF SASKATCHEWAN	3.20%	2024-06-03	920,000	980,967	997,965
PROVINCE OF SASKATCHEWAN	2.55%	2026-06-02	200,000	199,855	205,517
				30,199,694	30,532,073
CORPORATE (25.0%)					
BANK OF MONTREAL	2.12%	2022-03-16	3,505,000	3,506,032	3,572,165
BANK OF NOVA SCOTIA	3.27%	2021-01-11	1,195,000	1,253,861	1,268,561

BANK OF NOVA SCOTIA	1.90%	2021-12-02	1,800,000	1,795,067	1,815,751
BANK OF NOVA SCOTIA	2.62%	2026-12-02	500,000	500,000	509,628
CANADIAN IMPERIAL BANK	2.04%	2022-03-21	1,860,000	1,859,386	1,886,792
CANADIAN IMPERIAL BANK	1.64%	2021-07-12	1,070,000	1,066,714	1,072,133
NATIONAL BANK OF CANADA	2.11%	2022-03-18	1,520,000	1,519,422	1,543,004
ROYAL BANK OF CANADA	1.97%	2022-03-02	1,275,000	1,277,398	1,288,231
ROYAL BANK OF CANADA	2.00%	2022-03-21	950,000	954,091	960,512
ROYAL BANK OF CANADA	2.86%	2021-03-04	1,770,000	1,829,930	1,854,577
TORONTO-DOMINION BANK	2.62%	2021-12-22	2,340,000	2,411,904	2,436,572
TORONTO-DOMINION BANK	1.91%	2023-07-18	495,000	491,946	494,535
				18,465,751	18,702,461
SHORT TERM (2.1%)					
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2017-05-18	300,000	299,637	299,918
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2017-06-01	200,000	199,802	199,906
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2017-05-04	100,000	99,914	99,992
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2017-06-15	455,000	454,585	454,693
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2017-06-29	550,000	549,310	549,514
				1,603,248	1,604,023
Total fixed income				**55,451,951**	**56,085,090**

EQUITIES	**# of Shares**	**Cost $**	**Fair Value $**
CONSUMER DISCRETIONARY (0.6%)			
GILDAN ACTIVEWEAR INC	8,925	325,806	341,560
MAGNA INTERNATIONAL INC	1,975	110,698	112,615
		436,504	454,175
CONSUMER STAPLES (0.6 %)			
ALIMENTATION COUCHE-TARD INC	4,200	247,056	263,676
GEORGE WESTON LTD	1,295	141,164	158,754
		388,220	422,430
ENERGY (2.8%)			
CAMECO CORP	14,675	219,897	192,096
CANADIAN NATURAL RESOURCES LTD	9,800	363,990	426,104
ENBRIDGE INC	4,200	222,810	237,636
HUSKY ENERGY INC	7,500	113,333	118,200
SHAWCOR LTD	7,225	233,791	247,456
SUNCOR ENERGY INC	9,750	357,317	417,105
TRANSCANADA CORP	5,925	322,401	375,527

VERMILION ENERGY INC	2,300	115,109	110,538
		1,948,648	2,124,662
FINANCIALS (4.0%)			
BANK OF MONTREAL	5,250	434,231	507,465
BANK OF NOVA SCOTIA	6,725	441,713	510,293
BROOKFIELD ASSET MANAGEMENT INC	8,275	370,411	417,557
INTACT FINANCIAL CORP	2,200	198,596	205,722
MANULIFE FINANCIAL CORP	5,550	116,179	132,867
ROYAL BANK OF CANADA	5,475	434,506	511,748
SUN LIFE FINANCIAL INC	2,250	98,158	108,473
THOMSON REUTERS CORP	1,505	79,876	93,355
TORONTO DOMINION BANK	7,850	451,389	504,206
		2,625,059	2,991,686
INDUSTRIALS (1.2%)			
CANADIAN NATIONAL RAILWAY COMPANY	3,150	257,530	310,811
CANADIAN PACIFIC RAILWAY LTD	900	163,701	188,244
FINNING INTERNATIONAL INC	4,775	103,850	123,959
STANTEC INC	3,475	110,397	121,729
WASTE CONNECTIONS INC	1,150	134,183	144,417
		769,661	889,160
INFORMATION TECHNOLOGY (0.6%)			
CGI GROUP INC	3,650	213,472	240,462
OPEN TEXT CORP	5,100	191,106	241,383
		404,578	481,845
MATERIALS (1.5%)			
AGNICO EAGLE MINES LTD	4,175	215,267	272,419
FRANCO-NEVADA CORP	2,400	197,816	222,816
GOLDCORP INC	9,075	182,491	172,607
METHANEX CORP	4,725	220,922	296,399
WEST FRASER TIMBER LTD	2,325	111,282	142,616
		927,778	1,106,857
REAL ESTATE (0.4%)			
H&R REAL ESTATE INVESTMENT TRUST	5,425	116,533	125,643
RIOCAN REIT	5,800	152,412	150,394
		268,945	276,037

TELECOMMUNICATION SERVICES (0.4%)			
BCE INC	1,550	90,950	96,333
ROGERS COMMUNICATION INC	3,325	170,449	208,112
		261,399	304,445
UTILITIES (0.4%)			
FORTIS INC	6,950	276,821	308,719
		276,821	308,719
US EQUITY (12.7%)			
BMO S&P 500 Hedged to CAD Index ETF	195,377	6,472,640	7,111,721
BMO S&P 500 INDEX ETF	67,375	2,089,869	2,416,067
		8,562,509	9,527,788
Total Equities		16,870,122	18,887,804
Less: Transaction costs		9,612	
Total Investments		**72,312,461**	**74,972,894**

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

Year of Eligibility	Principal amounts *	Accumulated Income **
2016	228,631	34,940
2017	542,323	59,555
2018	1,929,755	123,522
2019	3,168,852	186,123
2020	4,415,721	214,239
2021	5,282,796	238,055
2022	4,834,931	212,369
2023	3,865,991	157,584
2024	2,697,713	123,794
2025	1,621,782	100,977
2026	1,517,813	80,621
2027	1,458,739	89,983
2028	1,385,442	84,360
2029	1,373,283	70,448
2030	1,450,045	79,810
2031	2,873,587	135,275
2032	5,130,268	192,219
2033	2,448,414	65,784
2034	573,091	11,588
2035 and thereafter	100,895	1,538
	46,900,072	2,262,784

* Reflects Subscribers' deposits (see note 6)
**Reflects Education Assistance Payment (EAP) Account (see note 6)

FLEX FIRST PLAN
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2017 and 2016
All amounts in Canadian Dollars

1. General information

Flex First 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 commenced operations in November 2012.

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 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. The Plan invests in Canadian government bonds and high grade corporate debt and in Canadian equities and ETFs. The underlying investments held by the ETFs are exposed to the US dollar. The BMO S&P 500 Hedged has been hedged back to the Canadian dollar and therefore has no currency exposure. The Plan is subject to the risk that the fair value of future cash flows of BMO S&P 500 Index ETF which are not hedged back to the Canadian dollar will fluctuate because of changes in foreign exchange rates. The Plan's investment in equities is limited to 30% of Net Assets of the Plan.

EAPs are paid from interest, dividends, other income, and income earned on education grants and subscriber deposits accumulated in the Plan. Contributions are not included in EAPs, however are returned to the Subscriber upon maturity. 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 contributions 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 equities, ETFs and debt securities, which have been designated at FVTPL. All other financial assets and liabilities, including interest and dividends receivable, amounts receivable for investments sold, government grants receivable, other receivables, amounts payable for securities purchased and accounts payable, principal payable to beneficiaries 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 equities and ETFs, the Plan uses the last traded market price where the last traded price falls between that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, Knowledge First Financial determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. For bonds, the 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 on the Statement of Financial Position based on the debt instruments' stated rates of interest. Dividends are recognized as income on the ex-dividend date. The cost of investments is determined using the average cost method. Average cost includes amortization of premiums and discounts on the 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 are 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 are returned to the subscriber, income earned on that subscriber's deposits is due and payable to the subscriber as 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 is comprised of deposits received from subscribers, after deductions for enrolment 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 from the deposits made from subscribers and the net amount is invested in the Plan.

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.

Funds transferred in/out
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 another provider. Deposits, government grants and income transferred in/out are reported as changes in net assets attributable to subscribers and beneficiaries.

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.

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 exchange traded funds (ETFs) and asset-backed securities which are disclosed on the Schedule of Investment Portfolio and the Plan has determined that these investments are unconsolidated structured entities. The Plan accounts for its investments in unconsolidated structured entities at fair value through profit and loss. The ETFs finance their operations by issuing redeemable shares which are puttable at the holder's option and entitle the holder to a proportional stake in the ETF's net asset value. The ETFs are domiciled in Canada and listed on the Toronto Stock Exchange. The asset-backed securities include Canada Housing Trust bonds which are secured by and payable from mortgage loans on real property and guaranteed by the Government of Canada, through CMHC. These investments are included in "Investments" in the Statements of Financial Position. The 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 included in net assets attributable to subscribers and beneficiaries represents the net unrealized gains (losses) on fixed income investments and the net unamortized fixed income realized gains (losses). Fixed income realized gains and losses are transferred to the EAP Account over a twelve-month period in proportion to the balances in those accounts at the time of allocation. Equity gains and losses, both realized and unrealized, are transferred to the EAP Account monthly 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 and equity 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 significant activities in currencies other than the Canadian dollar and only its holdings of US equities via the unhedged ETF are exposed to a direct currency risk. The Plan's overall risk management approach includes investment guidelines, objectives, and limits which are designed to ensure that risk is mitigated through maximum currency exposure limits and 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 and provincial governments along with corporate debt instruments with an investment grade credit rating at the time of acquisition. The Plan may also be exposed to indirect credit risk through its holdings in ETFs.

The fair value of debt investments includes consideration of the credit worthiness of the debt issuer. The carrying amount of cash, receivables and debt investments represents the maximum credit risk exposure as at 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"	9.6	0.2
"AA"	51.2	59.6
"A"	39.2	40.2
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 the subscriber deposits and government grant balances as subscribers can cancel or terminate their agreement at any time at which point the full balances would become immediately payable to the subscribers and the government. The Plan is also exposed to agreement maturities and obligations with respect to scholarship payments and 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 subscriber's principal and returned government grants become immediately payable to the subscriber or to qualified educational institutions, 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.

	Percentage of Investments (%) As at	
Concentration	**April 30, 2017**	**April 30, 2016**
<u>Fixed Income</u>		
Federal	7.0	0.1
Provincial	40.7	41.1
Corporate	25.0	34.6
Short-term	2.1	0.4
<u>Equities</u>		
Consumer Discretionary	0.6	1.1
Consumer Staples	0.6	0.6
Energy	2.8	2.4
Financials	4.0	4.1
Industrials	1.2	1.4
Information Technology	0.6	0.5
Materials	1.5	1.5
Real Estate	0.4	-
Telecommunications	0.4	0.4
Utilities	0.4	0.4
US ETFs	12.7	11.4
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) Currency Risk

The Plan invests in exchange traded funds (ETF) denominated in Canadian dollars. The underlying investments held by the ETFs are exposed to the US dollar. The BMO S&P 500 Hedged to CAD Index ETF has been hedged back to the Canadian dollar and therefore has no currency risk. The Plan is subject to the risk that the fair value of future cash flows of the BMO S&P 500 Index ETF which are not hedged back to Canadian dollar will fluctuate because of changes in foreign exchange rates. As at April 30, 2017, if the exchange rate had increased or decreased by 5%, with all other variables held constant, the net assets attributable to subscribers and beneficiaries would have increased or decreased by approximately $0.1 million ($0.1 million as at April 30, 2016).

b) 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 $0.8 million (approximately 1.1% of the total investment portfolio) (April 30, 2016 - $0.43 million, approximately 1.5% 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 investment – Treasury Bill	1,604,023	-	-	1,604,023
Government guaranteed instruments				
Federal	-	-	5,246,533	5,246,533
Provincial	-	1,472,201	29,059,872	30,532,073
Corporate	-	17,698,298	1,004,163	18,702,461
	1,604,023	19,170,499	35,310,568	56,085,090
Percentage of total	2.9%	34.2%	63.0%	100%

April 30, 2016	**Within 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
Short term investment – Treasury Bill	154,976	-	-	154,976
Government guaranteed instruments				
Federal	-	-	51,190	51,190
Provincial	-	798,354	14,892,683	15,691,037
Corporate	-	5,043,456	8,157,252	13,200,708
	154,976	5,841,810	23,101,125	29,097,911
Percentage of total	1%	20%	79%	100%

c) 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, if the investment in equities and ETFs had increased or decreased by 5%, with all other variables held constant, the net assets attributable to subscribers and beneficiaries would have increased or decreased by approximately $0.9 million ($0.5 million as at April 30, 2016).

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. 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 investment	-	1,604,023	-	1,604,023
Government guaranteed instruments				
Federal	-	5,246,533	-	5,246,533
Provincial	-	30,532,073	-	30,532,073
Corporate	-	18,702,461	-	18,702,461
Equities & ETFs	18,887,804	-	-	18,887,804
Investments at fair value	18,887,804	56,085,090	-	74,972,894

As of April 30, 2016	Level 1	Level 2	Level 3	Total
Short-term investment	-	154,976	-	154,976
Government guaranteed instruments				
Federal	-	51,190	-	51,190
Provincial	-	15,691,037	-	15,691,037
Corporate	-	13,200,708	-	13,200,708
Equities & ETFs	9,091,888	-		9,091,888
Investments at fair value	9,091,888	29,097,911	-	38,189,799

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

Investments in unconsolidated structured entities

Fiscal 2017:

Underlying Fund as at April 30, 2017	Country of establishment and principal place of business	% Ownership in the underlying Fund	Fair value of the Plan's investment in the underlying Fund
BMO S&P 500 Index ETF	Canada	0.07%	$2,416,067
BMO S&P 500 Hedged to CAD Index ETF	Canada	0.59%	$7,111,721

Fiscal 2016:

Underlying Fund as at April 30, 2016	Country of establishment and principal place of business	% Ownership in the underlying Fund	Fair value of the Plan's investment in the underlying Fund
BMO S&P 500 Index ETF	Canada	0.09%	$2,081,794
BMO S&P 500 Hedged to CAD Index ETF	Canada	0.22%	$2,315,414

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	46,900,072	23,605,741
Government grants	29,724,780	17,723,182
Accumulated income		
Education assistance payment account	2,262,784	817,370
Income from government grants	1,594,226	441,078
Fair value reserve	612,369	26,153
Balance – End of year	$81,094,231	42,613,524

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

	For the years ended	
	April 30, 2017	April 30, 2016
Subscribers' deposits	34,225,567	26,594,679
Enrolment fee deducted	(10,032,588)	(11,513,491)
Return of deposits	(898,648)	(378,976)
Net increase in Subscribers' deposits	23,294,331	14,702,212
Balance – Beginning of year	23,605,741	8,903,529
Balance – End of year	46,900,072	23,605,741

7. Related party transactions
The Foundation is the sponsor of the Plan. Knowledge First Financial, a wholly owned subsidiary of the Foundation, carries out the general administration of the Plan on its behalf that includes processing and call centre services related to new agreements, payments, government grants, plan modifications, terminations, maturities and EAPs. Under the fund management agreement dated May 1, 2013, in consideration for its administrative services (inclusive of depository, audit, portfolio management and custodial fees), Knowledge First Financial is entitled to receive from the Plan an annual management fee of up to 1.5% of all funds on deposit related to the Plan, insurance administration-related fees, and special processing fees including one-time fees for specific transactions. The actual management fee charged in fiscal 2017 was 1.3% (2016 - $1.3%). All such expenses are included in Management fees in the Statements of Comprehensive Income.

Accounts payable and other liabilities includes $1,122,692 (April 30, 2016 – 189,909) due to Knowledge First Financial relating to Management fees, subscriber fees received by the Plan on behalf of Knowledge First Financial, and education assistance payments and principal paid by Knowledge First Financial on behalf of the Plan.

Included in other receivables as at April 30, 2017 is $ 1,561,806 (April 30, 2016 - $990,864) owing from another plan managed by Knowledge First Financial relating to government grants received on behalf of the Plan.

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.

8. Maturities
Subject to the subscriber's right to early termination, Plan principal matures and is payable to the subscribers or their designated nominees on July 31 of the year in which students would normally enter the first academic year of post-secondary education.