Knowledge First Financial

Flex First Plan

(Education savings program provided by Knowledge First Foundation)

Financial Statements

For the period from May 1, 2017 to December 31, 2017 and the year ended April 30, 2017

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
March 8, 2018

March 8, 2018

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 December 31, 2017 and April 30, 2017, and the statements of comprehensive income, changes in net assets attributable to subscribers and beneficiaries and cash flows for the period from May 1, 2017 to December 31, 2017 and the year ended April 30, 2017, 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 December 31, 2017 and April 30, 2017, and its financial performance and its cash flows for the period from May 1, 2017 to December 31, 2017 and the year ended April 30, 2017 in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario

FLEX FIRST PLAN
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2017 and April 30, 2017
All amounts in Canadian Dollars

	December 31, 2017	April 30, 2017
Assets		
Current Assets		
Cash	4,547,903	3,289,581
Investments (Note 5)	103,032,684	74,972,894
Government grants receivable	2,037,651	1,801,142
Interest and dividends receivable	343,159	485,579
Other receivables (Note 7)	2,061,554	1,694,273
	112,022,951	82,243,469
Liabilities		
Current Liabilities		
Accounts payable and other liabilities (Note 7)	1,523,088	1,145,739
Payable for investments purchased	-	3,499
	1,523,088	1,149,238
Net assets attributable to subscribers and beneficiaries (Note 6)	110,499,863	81,094,231

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 period from May 1, 2017 to December 31, 2017 and for the year ended April 30, 2017
All amounts in Canadian Dollars

	Period ended December 31, 2017	Year ended April 30, 2017
Income		
Interest income	950,690	825,564
Dividend income	360,241	359,176
Other changes in fair value of investments:		
Net realized gains on investments	719,180	63,808
Net change in unrealized gains (losses) on investments	(878,064)	2,424,035
Total income (net)	1,152,047	3,672,583
Expenses		
Management fees (note 7)	889,883	847,315
Independent review committee fees	2,401	704
Transaction Costs	6,312	9,612
Total Expenses (net)	898,596	857,631
Increase in net assets attributable to subscribers and beneficiaries	253,451	2,814,952

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 period from May 1, 2017 to December 31, 2017 and the year ended April 30, 2017
All amounts in Canadian Dollars

	Period ended December 31, 2017	Year ended April 30, 2017
Net assets attributable to subscribers and beneficiaries, beginning of period	81,094,231	42,613,524
Subscribers' contributions (Note 6)		
Contributions	20,926,909	24,192,979
Return of contributions	(1,591,515)	(898,648)
	19,335,394	23,294,331
Government grants (Note 6)		
Government grant contributions	10,415,099	13,071,923
Government grant repayments and transfers	(432,846)	(1,006,196)
Government grant payments to beneficiaries	(155,091)	(64,129)
	9,827,162	12,001,598
Accumulated income (Note 6)		
Increase in net assets attributable to subscribers and beneficiaries	253,451	2,814,952
Education Assistance Payments	(43,370)	(22,418)
Payments of government grant income to beneficiaries	(10,916)	(3,850)
Income transferred in, net	43,911	396,094
	243,076	3,184,778
Net assets attributable to subscribers and beneficiaries, end of period	110,499,863	81,094,231

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

FLEX FIRST PLAN
STATEMENTS OF CASH FLOWS
For the period from May 1, 2017 to December 31, 2017 and the year ended April 30, 2017
All amounts in Canadian Dollars

	Period ended December 31, 2017	Year ended April 30, 2017
Cash flows from (used in) operating activities		
Increase in net assets attributable to subscribers and beneficiaries	253,451	2,814,952
Adjustments for:		
Net realized (gains) on investments	(719,180)	(63,808)
Net change in unrealized (gains) or losses on investments	878,064	(2,424,035)
Amortization of bond discounts / premiums	252,813	290,927
Purchase of investments	(73,677,582)	(72,758,237)
Proceeds from sale or maturity of investments	45,202,596	38,106,942
Interest and dividends receivable	142,420	(220,140)
Other receivables	(367,281)	(635,852)
Accounts payable and other liabilities	377,349	944,153
Net cash used in operating activities	(27,657,350)	(33,945,098)
Cash flows from (used in) financing activities		
Subscribers' contributions	20,875,761	24,192,979
Return of subscribers' contributions	(1,540,367)	(898,648)
Government grant receipts	10,178,590	12,611,605
Government grant repayments	(432,846)	(672,296)
Government grant payments to beneficiaries	(155,091)	(64,129)
Income payments to beneficiaries		
Education Assistance Payments	(43,370)	(22,418)
Government Grants	(10,916)	(3,850)
Income transferred in, net	43,911	62,194
Net cash from financing activities	28,915,672	35,205,437
Net increase in cash	1,258,322	1,260,339
Cash, beginning of period	3,289,581	2,029,242
Cash, end of period	4,547,903	3,289,581

Supplementary Information *		
Interest received	*1,425,269*	*904,755*
Dividend received	*280,895*	*350,772*

* Included in operating activities

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

FLEX FIRST PLAN
SCHEDULE OF INVESTMENT PORTOLIO
As at December 31, 2017
All amounts in Canadian Dollars

FIXED INCOME	Coupon %	Maturity Date	Par Value $	Cost $	Fair Value $
FEDERAL (7.2%)					
GOVERNMENT OF CANADA	2.25%	2025-06-01	1,105,000	1,144,874	1,124,573
GOVERNMENT OF CANADA	5.75%	2029-06-01	540,000	758,905	738,922
CANADA HOUSING TRUST	2.90%	2024-06-15	1,010,000	1,083,728	1,048,731
CANADA HOUSING TRUST	3.15%	2023-09-15	2,375,000	2,550,410	2,493,892
CANADA HOUSING TRUST	2.40%	2022-12-15	1,350,000	1,396,702	1,366,379
GOVERNMENT OF CANADA	1.00%	2027-06-01	675,000	621,759	615,156
				7,556,378	7,387,653
PROVINCIAL (38.0%)					
PROVINCE OF ALBERTA	2.20%	2026-06-01	2,080,000	2,020,386	2,016,299
PROVINCE OF ALBERTA	2.35%	2025-06-01	2,695,000	2,703,320	2,661,879
PROVINCE OF BRITISH COLUMBIA	8.00%	2023-09-08	170,000	222,701	220,861
PROVINCE OF BRITISH COLUMBIA	3.30%	2023-12-18	2,450,000	2,631,535	2,583,526
PROVINCE OF BRITISH COLUMBIA	2.70%	2022-12-18	790,000	832,759	808,582
PROVINCE OF BRITISH COLUMBIA	5.70%	2029-06-18	1,305,000	1,735,367	1,692,207
PROVINCE OF BRITISH COLUMBIA	2.85%	2025-06-18	3,875,000	4,056,626	3,980,367
PROVINCE OF MANITOBA	2.55%	2026-06-02	230,000	237,357	228,728
PROVINCE OF ONTARIO	8.10%	2023-09-08	170,000	223,731	221,446
PROVINCE OF ONTARIO	2.60%	2027-06-02	1,290,000	1,291,641	1,288,701
PROVINCE OF ONTARIO	3.50%	2024-06-02	6,645,000	7,179,963	7,073,107
PROVINCE OF ONTARIO	2.60%	2025-06-02	3,610,000	3,674,585	3,633,522
PROVINCE OF ONTARIO	3.15%	2022-06-02	2,105,000	2,223,706	2,190,046
PROVINCE OF ONTARIO	6.50%	2029-03-08	985,000	1,358,852	1,341,230
PROVINCE OF ONTARIO	4.20%	2020-06-02	170,000	182,272	179,137
PROVINCE OF ONTARIO	2.40%	2026-06-02	2,830,000	2,836,639	2,795,124
PROVINCE OF ONTARIO	2.85%	2023-06-02	2,065,000	2,159,114	2,122,282
PROVINCE OF QUEBEC	3.50%	2022-12-01	1,045,000	1,118,716	1,106,408
PROVINCE OF QUEBEC	3.00%	2023-09-01	1,285,000	1,364,408	1,331,556
PROVINCE OF SASKATCHEWAN	3.20%	2024-06-03	1,170,000	1,239,719	1,224,775
PROVINCE OF SASKATCHEWAN	2.55%	2026-06-02	490,000	486,532	488,346
				39,779,929	39,188,129
CORPORATE (26.1%)					
BANK OF MONTREAL	2.12%	2022-02-16	3,505,000	3,505,876	3,454,716
BANK OF MONTREAL	2.70%	2026-12-09	1,285,000	1,275,430	1,270,804
BANK OF NOVA SCOTIA	2.29%	2024-06-28	2,415,000	2,382,720	2,354,953
BANK OF NOVA SCOTIA	2.36%	2022-11-08	1,665,000	1,661,503	1,649,253
BANK OF NOVA SCOTIA	2.62%	2026-12-02	1,860,000	1,872,660	1,826,161
CANADIAN IMPERIAL BANK	2.04%	2022-03-21	1,860,000	1,859,459	1,827,723
FAIRFAX FINL HLDGS LTD	4.70%	2026-12-16	875,000	918,462	906,225
HSBC BANK CANADA	2.17%	2022-06-29	1,000,000	1,000,000	982,198
INTACT FINANCIAL CORP	2.85%	2027-06-07	1,525,000	1,529,684	1,468,110
NATIONAL BANK OF CANADA	2.11%	2022-03-18	1,520,000	1,519,491	1,496,684

ROYAL BANK OF CANADA	1.97%	2022-03-02	1,275,000	1,277,076	1,249,274
ROYAL BANK OF CANADA	2.00%	2022-03-21	950,000	953,548	931,875
ROYAL BANK OF CANADA	2.33%	2023-12-05	4,125,000	4,154,992	4,055,541
TORONTO-DOMINION BANK	2.62%	2021-12-22	890,000	913,558	896,940
TORONTO-DOMINION BANK	1.91%	2023-07-18	2,625,000	2,581,958	2,532,206
				27,406,417	26,902,663
SHORT TERM SECURITIES (3.4%)					
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2018-01-25	2,810,000	2,806,545	2,808,005
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2018-02-08	455,000	454,380	454,497
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2018-01-11	25,000	24,963	24,992
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2018-02-08	200,000	199,678	199,779
				3,485,566	3,487,273
Total Fixed Income				**78,228,290**	**76,965,718**

EQUITIES	**# of Shares**	**Cost $**	**Fair Value $**
CONSUMER DISCRETIONARY (0.6%)			
CINEPLEX INC	3500	133,858	130,655
GILDAN ACTIVEWEAR INC	8700	322,651	353,307
MAGNA INTERNATIONAL INC	2625	152,079	187,005
		608,588	670,967
CONSUMER STAPLES (0.5%)			
ALIMENTATION COUCHE-TARD INC	5,475	324,441	359,105
GEORGE WESTON LTD	1,720	189,151	187,755
		513,592	546,860
ENERGY (2.9%)			
ALTAGAS LTD	5,375	156,607	153,833
CAMECO CORP	18,800	270,313	218,268
CANADIAN NATURAL RESOURCES LTD	13,300	504,785	597,436
ENBRIDGE INC	5,325	280,694	261,777
HUSKY ENERGY INC	11,600	176,122	205,900
SHAWCOR LTD	10,050	314,294	275,571
SUNCOR ENERGY INC	12,250	462,770	565,338
TRANSCANADA CORP	7,600	427,036	464,968
VERMILION ENERGY INC	5,750	270,871	262,660
		2,863,492	3,005,751
FINANCIALS (4.0%)			
BANK OF MONTREAL	6,475	550,323	651,320
BANK OF NOVA SCOTIA	8,125	556,187	659,100
BROOKFIELD ASSET MANAGEMENT INC	9,925	456,757	543,096
INTACT FINANCIAL CORP	2,625	240,768	275,599
MANULIFE FINANCIAL CORP	9,800	221,537	256,956
ROYAL BANK OF CANADA	6,600	547,136	677,490
SUN LIFE FINANCIAL INC	2,975	132,795	154,343
THOMSON REUTERS CORP	2,580	141,523	141,358
TORONTO DOMINION BANK	9,675	577,842	712,564
		3,424,868	4,071,826

INDUSTRIALS (1.2%)			
CANADIAN NATIONAL RAILWAY COMPANY	3,625	311,994	375,731
CANADIAN PACIFIC RAILWAY LTD	1,400	272,299	321,524
FINNING INTERNATIONAL INC	6,150	140,909	195,078
STANTEC INC	5,725	184,351	201,291
WASTE CONNECTIONS INC	1,875	149,151	167,175
		1,058,704	1,260,799
INFORMATION TECHNOLOGY (0.7%)			
CGI GROUP INC	5,400	327,102	368,820
OPEN TEXT CORP	7,125	275,107	318,559
		602,209	687,379
MATERIALS (1.3%)			
AGNICO EAGLE MINES LTD	5,150	275,515	298,906
FRANCO-NEVADA CORP	2,675	228,049	268,731
GOLDCORP INC	13,975	265,951	224,019
METHANEX CORP	5,325	262,762	405,552
WEST FRASER TIMBER LTD	2,350	121,692	182,290
		1,153,969	1,379,498
REAL ESTATE (0.3%)			
H&R REAL ESTATE INV-REIT UTS	6,725	144,986	143,646
RIOCAN REIT	6,225	160,963	151,641
		305,949	295,287
TELECOMMUNICATION SERVICES (0.4%)			
BCE INC	2,075	122,306	125,289
ROGERS COMMUNICATION INC	3,900	209,743	249,795
		332,049	375,084
UTILITIES (0.5%)			
BROOKFIELD INFRASTRUCTURE PA	2,500	127,166	140,359
FORTIS INC	7,350	299,993	338,909
		427,159	479,268
US EQUITY (12.9%)			
BMO S&P 500 Hedged to CAD Index	246,275	8,818,500	10,016,006
BMO S&P 500 INDEX ETF	88,697	2,928,870	3,278,241
		11,747,370	13,294,247
Total Equities		23,037,949	26,066,966
Less: Transaction costs		6,312	
Total Investments		**101,259,927**	**103,032,684**

FLEX FIRST PLAN
SCHEDULE OF EDUCATION ASSISTANCE AGREEMENTS
As at December 31, 2017
All amounts in Canadian Dollars

Year of Eligibility	Principal amounts *	Accumulated Income **
2018	1,844,702	249,896
2019	3,851,923	270,472
2020	5,617,006	333,402
2021	7,063,848	384,791
2022	6,710,877	350,257
2023	5,666,376	275,018
2024	4,120,786	212,544
2025	2,617,024	153,123
2026	2,320,506	132,717
2027	2,197,543	143,313
2028	2,049,211	136,336
2029	2,074,509	116,002
2030	2,113,867	125,156
2031	4,022,165	231,397
2032	7,138,288	340,950
2033	4,411,286	155,180
2034	2,051,718	45,758
2035 and thereafter	363,831	7,592
	66,235,466	3,663,904

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

FLEX FIRST PLAN
NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2017 and April 30, 2017
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 contributions is held in the Education Assistance Payment account. When a plan matures, is terminated, or is cancelled, such deposits, net of deductions, will be returned to the subscriber or a beneficiary. Upon registration of a plan, Knowledge First Financial will apply for government grants on behalf of the Subscriber. The income earned on government grants is held in the Grant Income account.

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.

Education Assistance Payments (EAPs) are paid from government grants and income earned on contributions and governments grants through interest, dividends and other income. 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 Plan has changed its financial year-end from April 30 to December 31. The Statements of Financial Position are as at December 31, 2017 and April 30, 2017 and the Statements of Comprehensive Income, Changes in Net Assets Attributable to Subscribers and Beneficiaries and Cash Flows are for the period from May 1, 2017 to December 31, 2017 and for the year ended April 30, 2017.

The financial statements were authorized for issue by the Board of Directors of the Foundation on March 8, 2018.

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' contributions, government grants and income earned on both subscribers' contributions 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 contributions are returned to the subscriber, income earned on that subscriber's contributions 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' contributions are 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. Contributions, government grants and income transferred in/out are reported as changes in net assets attributable to subscribers and beneficiaries.

Taxation

The income on Subscribers' contributions is currently exempt from income taxes under the Income Tax Act (Canada) prior to the maturity of the 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. Refer to Note 6 for a continuity of the Fair Value Reserve.

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 replaces 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 requires more timely recognition of expected credit losses. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Management has completed the assessment of the impact of the adoption on the Plan and does not anticipate any measurement impact on the net assets attributable to subscribers and beneficiaries. Management continues to assess the potential impact on the presentation and disclosures in the Plan financial statements.

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' contributions 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 December 31, 2017 and April 30, 2017. The analysis below summarizes the credit quality of the Plan's debt portfolio as at December 31, 2017 and April 30, 2017. 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	**December 31, 2017**	**April 30, 2017**
"AAA"	10.1	9.6
"AA"	19.6	51.2
"A"	67.1	39.2
"BBB"	3.2	-
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 contributions 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 December 31, 2017 and April 30, 2017.

Concentration	**Percentage of Investments (%) As at**	
	December 31, 2017	**April 30, 2017**
Fixed Income		
Federal	7.2	7.0
Provincial	38.0	40.7
Corporate	26.1	25.0
Short-term	3.4	2.1
Equities		
Consumer Discretionary	0.6	0.6
Consumer Staples	0.5	0.6
Energy	2.9	2.8
Financials	4.0	4.0
Industrials	1.2	1.2
Information Technology	0.7	0.6
Materials	1.3	1.5
Real Estate	0.3	0.4
Telecommunications	0.4	0.4
Utilities	0.5	0.4
US ETFs	12.9	12.7
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 December 31, 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 $0.2 million ($0.1 million as at April 30, 2017).

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 December 31, 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 $1.1 million (approximately 1.1% of the total investment portfolio) (April 30, 2017 - $0.8 million, approximately 1.1% 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 December 31, 2017 and April 30, 2017, by remaining term to maturity.

December 31, 2017	**Within 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
Short term investment – Treasury Bill	3,487,273	-	-	3,487,273
Government guaranteed instruments				
Federal	-	1,366,379	6,021,274	7,387,653
Provincial	-	4,284,173	34,903,956	39,188,129
Corporate	-	12,488,663	14,414,000	26,902,663
	3,487,273	18,139,215	55,339,230	76,965,718
Percentage of total	4.5%	23.6%	71.9%	100%

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%

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 December 31, 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 $1.3 million ($0.9 million as at April 30, 2017).

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 contributions and cancellations. The Plan is not subject to externally imposed capital requirements. The Plan's objective, when managing capital risk, is to safeguard subscribers' contributions and government grants received and earn income on those amounts in order to pay EAPs to qualified beneficiaries. The Plan endeavours to invest subscribers' contributions, government grants received, and income earned in appropriate investments while maintaining sufficient liquidity to meet maturities, EAPs, cancellations and expenses in accordance with 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 contributions and withdrawals relative to the liquid assets and adjust the amount of cash invested accordingly.

- Monitor the level of expected future payments for maturities and EAPs based on maturity and student applications received, and historical beneficiary qualification rates, and adjust the investment portfolio accordingly.
- Invest in securities which are traded in an active market and can be easily liquidated.

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

Fair value measurement

The 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 December 31, 2017 and April 30, 2017.

As of December 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Short-term investment	-	3,487,273	-	3,487,273
Government guaranteed instruments				
Federal	-	7,387,653	-	7,387,653
Provincial	-	39,188,129	-	39,188,129
Corporate	-	26,902,663	-	26,902,663
Equities & ETFs	26,066,966	-	-	26,066,966
Investments at fair value	26,066,966	76,965,718	-	103,032,684

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

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 periods ended December 31, 2017 and April 30, 2017 or Level 3 securities held as at December 31, 2017 or April 30, 2017.

Investments in unconsolidated structured entities

Underlying Fund as at December 31, 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	0.08%	$3,278,241
BMO S&P 500 Hedged to CAD Index ETF	Canada	0.97%	$10,016,006

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

6. Net assets attributable to subscribers and beneficiaries

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

	As at December 31, 2017	April 30, 2017
Subscribers' contributions, net of returns	66,235,466	46,900,072
Government grants	39,551,942	29,724,780
Accumulated income		-
Education assistance payment account	3,663,904	2,262,784
Income from government grants	2,341,236	1,594,226
Fair value reserve	(1,292,685)	612,369
Balance – End of period	$110,499,863	$81,094,231

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

	Period ended December 31, 2017	Year ended April 30, 2017
Subscribers' deposits	28,833,348	34,225,567
Enrolment fee deducted	(7,904,444)	(10,032,588)
Special Processing Fees	(1,995)	-
Return of contributions	(1,591,515)	(898,648)
Net increase in Subscribers' contributions	19,335,394	23,294,331
Balance – Beginning of year	46,900,072	23,605,741
Balance – End of period	66,235,466	46,900,072

The changes to the fair value reserve for the periods are as follows:

	Period ended December 31, 2017	Year ended April 30, 2017
Change in unrealized gains (losses)	(1,895,667)	443,380
Realized gains (losses)	35,662	37,034
Allocation of realized gains and losses	(45,049)	105,802
Net increase (decrease) in fair value reserve	(1,905,054)	586,216
Balance – Beginning of period	612,369	26,153
Balance – End of period	(1,292,685)	612,369

Fair value reserve is comprised of the following:

	Period ended December 31, 2017	Year ended April 30, 2017
Unrealized gains (losses) on fixed income investments	(1,262,572)	633,095
Realized gains on fixed income investments	516,355	480,693
Allocation of realized gains and losses on fixed income investments	(546,468)	(501,419)
Balance – End of period	(1,292,685)	612,369

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 and special processing fees including one-time fees for specific transactions. The actual management fee charged in the eight months ended December 31, 2017 was 1.3% (year ended April 30, 2017 - $1.3%).

Accounts payable and other liabilities includes $ 1,428,294 (April 30, 2017 – $1,122,692) 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 December 31, 2017 is $1,912,328 (April 30, 2017 - 1,561,806) due from Family Group Plan (a separate plan established by the Foundation) 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.