

*Knowledge First Financial*

**Family Group Education Savings Plan**

(Education savings program provided by Knowledge First Foundation)

Financial Statements

**For the six months ended October 31, 2016**

*Unaudited semi-annual financial statements*

*The auditor has not reviewed the Plan's October 31, 2016 financial statements. The Foundation appoints an independent auditor to audit the Plan's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the interim financial statements, this must be disclosed in an accompanying notice.*


**FAMILY GROUP EDUCATION SAVINGS PLAN  
STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

As at October 31, 2016 and April 30, 2016

All amounts in Canadian Dollars

	<b>October 31, 2016</b>	<b>April 30, 2016</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	-	10,690,480
Investments (Note 5)	3,429,248,998	3,360,154,583
Receivable for investments sold	20,382,586	34,165,675
Government grants receivable	5,804,815	7,320,991
Interest and dividends receivable	27,060,362	27,511,252
Other receivables	15,441	20,455
	<b>3,482,512,202</b>	<b>3,439,863,436</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Cash Overdraft	20,430,035	-
Payable for investments purchased	32,588,128	35,845,644
Principal payable to subscribers	58,296,147	42,340,488
Accounts payable and other liabilities (Notes 8 and 10)	11,524,581	10,172,340
	<b>122,838,891</b>	<b>88,358,472</b>
<b>Net assets attributable to subscribers and beneficiaries (Note 6)</b>	<b>3,359,673,311</b>	<b>3,351,504,964</b>

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

Director 

Director 

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

**FAMILY GROUP EDUCATION SAVINGS PLAN  
STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

For the six months ended October 31, 2016 and 2015

All amounts in Canadian Dollars

	<b>2016</b>	<b>2015</b>
<b>Income</b>		
Interest income	28,969,177	29,027,843
Dividend income	10,333,239	10,109,193
Other income	491,063	523,748
Other changes in fair value of investments:		
Net realized gains on investments	40,645,237	56,300,707
Net change in unrealized gains or (losses) on investments	53,235,960	(83,094,715)
<b>Total income (net)</b>	<b>133,674,676</b>	<b>12,866,776</b>
<b>Expenses</b>		
Administration fees (Note 10)	10,351,822	9,985,626
Investment counsel fees (Note 11)	2,101,059	1,982,898
Custodian fees	203,749	243,089
Independent review committee fees	46,485	45,976
Transaction costs	160,429	198,682
<b>Total expenses</b>	<b>12,863,544</b>	<b>12,456,271</b>
<b>Increase (decrease) in net assets attributable to subscribers and beneficiaries</b>	<b>120,811,132</b>	<b>410,505</b>

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**FAMILY GROUP EDUCATION SAVINGS PLAN  
STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SUBSCRIBERS AND  
BENEFICIARIES (UNAUDITED)**

For the six months ended October 31, 2016 and 2015

All amounts in Canadian Dollars

	<b>2016</b>	<b>2015</b>
<b>Net assets attributable to subscribers and beneficiaries, beginning of year</b>	3,351,504,964	3,329,710,320
Subscribers deposits (Note 6)		
Deposits and transfers in	83,934,348	86,724,926
Return of deposits and transfers out	(159,971,006)	(147,533,334)
	(76,036,658)	(60,808,408)
Government grants		
Government grant contributions	26,536,812	28,908,312
Government grant repayments and transfers	(10,135,009)	(10,603,731)
Government grant payments to beneficiaries	(8,227,422)	(6,403,608)
	8,174,381	11,900,973
Accumulated income (Note 6)		
Increase in net assets attributable to subscribers and beneficiaries	120,811,132	410,505
Education Assistance Payments (EAP)	(20,895,444)	(16,575,813)
Deferred EAP	(2,608,084)	(1,174,548)
Payments of government grant income to beneficiaries	(5,437,137)	(4,349,308)
Payments of government grant income to educational institutions	(595,052)	(490,359)
Subscribers' equivalency transactions	2,069,281	4,692,667
Income transfers out	(17,314,072)	(13,263,334)
	76,030,624	(30,750,190)
<b>Net assets attributable to subscribers and beneficiaries, end of period</b>	<b>3,359,673,311</b>	<b>3,250,052,695</b>

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

**FAMILY GROUP EDUCATION SAVINGS PLAN  
STATEMENTS OF CASH FLOWS (UNAUDITED)**

For the six months ended October 31, 2016 and 2015

All amounts in Canadian Dollars

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets attributable to subscribers and beneficiaries	120,811,132	410,505
Adjustments for:		
Net realized (gains) losses on investments	(40,645,237)	(56,300,707)
Net change in unrealized (gains) or losses on investments	(53,235,960)	83,094,715
Amortization of bond discounts/premiums	9,807,888	9,291,935
Purchases of investments	(1,118,958,635)	(1,303,633,296)
Proceeds from sale or maturity of investments	1,144,388,787	1,319,557,314
Interest and dividends receivable	525,206	(475,146)
Other receivable	5,014	(13,052)
Accounts payable and other liabilities	(65,172)	(511,659)
<b>Net cash flow from operating activities</b>	<b>62,633,023</b>	<b>51,420,609</b>
<b>Cash flows used in financing activities</b>		
Subscribers deposits	83,934,347	86,724,926
Return of subscriber deposits	(144,015,347)	(125,847,940)
Government grant receipts	28,052,988	28,820,142
Government grant repayments	(10,135,009)	(10,603,731)
Government grant payments to beneficiaries	(8,227,422)	(6,403,608)
Income payments to beneficiaries		
Education Assistance Payments	(23,503,528)	(17,750,361)
Government Grants	(5,437,137)	(4,349,308)
Income transferred out	(17,314,072)	(13,263,334)
Subscribers' equivalency transactions	2,069,282	4,692,667
Income payments to educational institutions from government grants	(986,976)	-
Due from Knowledge First Financial	1,809,336	1,718,573
<b>Net cash from financing activities</b>	<b>(93,753,538)</b>	<b>(56,261,974)</b>
<b>Net increase (decrease) in cash</b>	<b>(31,120,515)</b>	<b>(4,841,365)</b>
<b>Cash, beginning of year</b>	<b>10,690,480</b>	<b>6,670,343</b>
<b>Cash (Overdraft), end of each period</b>	<b>(20,430,035)</b>	<b>1,828,978</b>
Supplementary Information		
Interest received *	38,834,392	38,016,684
Dividends received *	10,743,868	10,031,819
* Included in operating activities		
** Cash (cash overdraft)		
Cash	573,245	
Cash overdraft	(21,003,280)	
	(20,430,035)	1,828,978

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**FAMILY GROUP EDUCATION SAVINGS PLAN  
SCHEDULE OF INVESTMENT PORTOLIO**

As at October 31, 2016

All amounts in Canadian Dollar

<b>BONDS</b>	<b>Coupon %</b>	<b>Maturity Date</b>	<b>Par Value \$</b>	<b>Cost \$</b>	<b>Fair Value \$</b>
<b>FEDERAL (6.7%)</b>					
CANADA HOUSING TRUST	1.75%	15-Jun-18	900,000	901,803	915,547
CANADA HOUSING TRUST	1.20%	15-Jun-20	1,875,000	1,868,689	1,894,302
CANADA HOUSING TRUST	1.70%	15-Dec-17	9,300,000	9,287,016	9,411,161
CANADA HOUSING TRUST	2.35%	15-Dec-18	5,940,000	5,954,463	6,142,376
CANADA HOUSING TRUST	1.95%	15-Jun-19	5,570,000	5,571,371	5,738,007
CANADA HOUSING TRUST	3.75%	15-Mar-20	1,775,000	1,921,918	1,944,015
CANADA HOUSING TRUST	4.10%	15-Dec-18	4,000,000	4,199,662	4,283,213
CANADA HOUSING TRUST	1.25%	15-Dec-20	8,539,000	8,515,033	8,630,964
CANADA HOUSING TRUST	1.45%	15-Jun-20	3,812,000	3,826,045	3,884,784
CANADA HOUSING TRUST	2.00%	15-Dec-19	5,756,000	5,868,163	5,959,818
CANADA HOUSING TRUST	1.25%	15-Jun-21	10,435,000	10,538,127	10,526,301
CANADA HOUSING TRUST	3.15%	15-Sep-23	12,500,000	13,989,399	13,968,019
CPPIB CAPITAL INC	1.40%	4-Jun-20	244,000	243,668	246,133
CPPIB CAPITAL INC	1.00%	15-Jan-19	482,000	482,000	482,698
CPPIB CAPITAL INC	1.10%	10-Jun-19	456,000	455,927	457,397
GOVERNMENT OF CANADA	4.25%	1-Jun-18	6,200,000	6,478,628	6,560,225
GOVERNMENT OF CANADA	3.50%	1-Jun-20	9,351,000	10,236,047	10,310,108
GOVERNMENT OF CANADA	1.25%	1-Mar-18	15,325,000	15,413,115	15,466,145
GOVERNMENT OF CANADA	0.75%	1-Sep-21	2,167,000	2,170,960	2,171,767
GOVERNMENT OF CANADA	1.75%	1-Mar-19	6,758,000	6,894,151	6,948,201
GOVERNMENT OF CANADA	1.75%	1-Sep-19	6,416,000	6,526,390	6,629,527
GOVERNMENT OF CANADA	2.50%	1-Jun-24	425,000	439,907	471,620
GOVERNMENT OF CANADA	1.50%	1-Mar-20	5,588,000	5,719,138	5,755,950
GOVERNMENT OF CANADA	1.25%	1-Feb-18	6,325,000	6,381,793	6,379,464
GOVERNMENT OF CANADA	0.75%	1-Mar-21	5,865,000	5,876,656	5,889,423
GOVERNMENT OF CANADA	3.75%	1-Jun-19	8,682,000	9,172,748	9,395,154
GOVERNMENT OF CANADA	3.25%	1-Jun-21	2,653,000	2,958,896	2,963,338
GOVERNMENT OF CANADA	0.75%	1-Sep-20	11,276,000	11,308,198	11,337,439
GOVERNMENT OF CANADA	1.25%	1-Sep-18	10,171,000	10,249,291	10,302,510
GOVERNMENT OF CANADA	5.75%	1-Jun-29	12,200,000	18,150,480	18,179,373
GOVERNMENT OF CANADA	3.50%	1-Dec-45	5,708,000	7,779,801	7,817,296
GOVERNMENT OF CANADA	1.50%	1-Jun-26	7,083,000	7,255,317	7,275,225
GOVERNMENT OF CANADA REAL RETURN	4.25%	1-Dec-21	4,235,000	8,362,458	8,147,039
GOVERNMENT OF CANADA RESIDUAL	0.00%	1-Dec-45	592,000	269,548	344,020
MERRILL LYNCH	1.30%	1-Aug-21	11,955,000	11,771,315	11,817,434
PSP CAPITAL INC	1.34%	18-Aug-21	551,000	550,843	551,208
PSP CAPITAL INC	3.29%	4-Apr-24	615,000	614,792	677,049
<b>TOTAL FEDERAL</b>				<b>228,203,756</b>	<b>229,874,250</b>
<b>PROVINCIAL (62.6%)</b>					
CDP FINANCIAL	4.60%	15-Jul-20	2,600,000	2,891,043	2,908,495
CENTRE HOSPITALIER DE L'UNIVERSITE DE MONTREAL	4.45%	1-Oct-49	800,000	840,488	955,546
HYDRO-QUEBEC	1.00%	25-May-19	2,451,000	2,442,710	2,454,552
NEW BRUNSWICK FM PROJECT	6.47%	30-Nov-27	854,487	938,563	1,068,321
ONTARIO SCHOOL BOARDS FINANCING CORPORATION	7.20%	9-Jun-25	1,609,803	1,840,513	1,994,063
ONTARIO SCHOOL BOARDS FINANCING CORPORATION	5.48%	26-Nov-29	2,339,552	2,461,598	2,819,956

ONTARIO SCHOOL BOARDS FINANCING CORPORATION	6.55%	19-Oct-26	1,519,421	1,669,829	1,879,387
ONTARIO SCHOOL BOARDS FINANCING CORPORATION	5.90%	11-Oct-27	171,915	183,897	208,166
ORNGE ISSUER TRUST	5.73%	11-Jun-34	627,992	627,992	760,429
PROVINCE OF ALBERTA	4.00%	1-Dec-19	2,100,000	2,274,979	2,289,760
PROVINCE OF ALBERTA	1.60%	15-Jun-18	4,500,000	4,495,570	4,560,123
PROVINCE OF ALBERTA	1.25%	1-Jun-20	11,411,000	11,344,834	11,462,263
PROVINCE OF ALBERTA	1.35%	1-Sep-21	8,758,000	8,776,058	8,776,535
PROVINCE OF ALBERTA	1.70%	15-Dec-17	4,500,000	4,503,013	4,549,620
PROVINCE OF ALBERTA	2.00%	1-Jun-19	1,037,000	1,046,735	1,065,178
PROVINCE OF ALBERTA	3.40%	1-Dec-23	44,580,000	45,858,842	49,489,994
PROVINCE OF ALBERTA	2.35%	1-Jun-25	92,400,000	91,558,902	94,906,562
PROVINCE OF ALBERTA	2.20%	1-Jun-26	6,500,000	6,608,356	6,543,138
PROVINCE OF ALBERTA	3.10%	1-Jun-24	9,750,000	9,912,893	10,613,996
PROVINCE OF ALBERTA	2.55%	15-Dec-22	12,000,000	11,930,569	12,699,258
PROVINCE OF ALBERTA	3.30%	1-Dec-46	1,713,000	1,741,576	1,840,825
PROVINCE OF BRITISH COLUMBIA	4.10%	18-Dec-19	7,200,000	7,722,134	7,897,598
PROVINCE OF BRITISH COLUMBIA	3.70%	18-Dec-20	7,800,000	8,557,449	8,613,013
PROVINCE OF BRITISH COLUMBIA	4.65%	18-Dec-18	6,500,000	6,892,038	7,025,770
PROVINCE OF BRITISH COLUMBIA	2.25%	1-Mar-19	5,008,000	5,059,331	5,172,656
PROVINCE OF BRITISH COLUMBIA	8.00%	8-Sep-23	15,320,000	19,084,255	21,604,511
PROVINCE OF BRITISH COLUMBIA	3.30%	18-Dec-23	61,415,000	65,760,194	68,457,926
PROVINCE OF BRITISH COLUMBIA	2.70%	18-Dec-22	4,600,000	4,778,170	4,942,215
PROVINCE OF BRITISH COLUMBIA	5.70%	18-Jun-29	45,110,000	61,228,047	61,655,164
PROVINCE OF BRITISH COLUMBIA	3.25%	18-Dec-21	33,000,000	34,163,125	36,263,053
PROVINCE OF BRITISH COLUMBIA	2.85%	18-Jun-25	13,000,000	13,363,329	14,042,679
PROVINCE OF BRITISH COLUMBIA	0.92%	10-Jan-20	1,400,000	1,400,947	1,399,118
PROVINCE OF MANITOBA	1.85%	5-Sep-18	3,375,000	3,415,106	3,438,081
PROVINCE OF MANITOBA	4.15%	3-Jun-20	4,200,000	4,596,172	4,642,428
PROVINCE OF MANITOBA	4.75%	11-Feb-20	250,000	277,543	279,341
PROVINCE OF MANITOBA	5.50%	15-Nov-18	1,500,000	1,614,380	1,639,468
PROVINCE OF MANITOBA	1.55%	5-Sep-21	3,500,000	3,539,916	3,537,412
PROVINCE OF MANITOBA	2.55%	2-Jun-26	29,500,000	30,592,092	30,466,385
PROVINCE OF MANITOBA	3.30%	2-Jun-24	4,900,000	5,039,553	5,386,381
PROVINCE OF NEW BRUNSWICK	4.40%	3-Jun-19	4,000,000	4,231,028	4,347,307
PROVINCE OF NEW BRUNSWICK	4.45%	26-Mar-18	5,800,000	6,045,930	6,095,745
PROVINCE OF NEW BRUNSWICK	4.50%	2-Jun-20	3,000,000	3,301,179	3,346,086
PROVINCE OF NEW BRUNSWICK	3.35%	3-Dec-21	22,500,000	24,349,775	24,598,924
PROVINCE OF NEW BRUNSWICK	3.65%	3-Jun-24	3,800,000	3,971,425	4,249,676
PROVINCE OF NEWFOUNDLAND	2.30%	2-Jun-25	10,000,000	9,688,439	9,927,423
PROVINCE OF NEWFOUNDLAND	3.00%	2-Jun-26	13,545,000	13,849,799	14,088,572
PROVINCE OF NOVA SCOTIA	4.10%	1-Jun-21	6,416,000	7,073,821	7,212,073
PROVINCE OF NOVA SCOTIA	4.15%	25-Nov-19	5,050,000	5,421,068	5,522,025
PROVINCE OF NOVA SCOTIA	4.45%	24-Oct-21	700,000	802,052	801,176
PROVINCE OF NOVA SCOTIA	2.10%	1-Jun-27	2,000,000	1,998,857	1,961,479
PROVINCE OF ONTARIO	2.10%	8-Sep-19	14,722,000	15,004,532	15,194,841
PROVINCE OF ONTARIO	4.40%	2-Jun-19	29,325,000	31,107,085	31,921,136
PROVINCE OF ONTARIO	2.10%	8-Sep-18	28,756,000	28,901,198	29,439,644
PROVINCE OF ONTARIO	4.00%	2-Jun-21	110,811,000	121,173,383	124,380,583
PROVINCE OF ONTARIO	4.20%	2-Jun-20	41,594,000	45,366,379	46,105,650
PROVINCE OF ONTARIO	4.20%	8-Mar-18	8,350,000	8,646,713	8,739,354
PROVINCE OF ONTARIO	1.75%	9-Oct-18	223,000	222,804	226,944
PROVINCE OF ONTARIO	8.10%	8-Sep-23	15,375,000	19,994,170	21,749,190
PROVINCE OF ONTARIO	5.85%	8-Mar-33	7,460,000	10,634,349	10,609,791
PROVINCE OF ONTARIO	3.50%	2-Jun-24	93,865,000	98,955,263	105,262,508
PROVINCE OF ONTARIO	2.60%	2-Jun-25	112,014,000	114,906,228	117,928,488
PROVINCE OF ONTARIO	3.15%	2-Jun-22	212,791,000	220,135,870	232,450,535
PROVINCE OF ONTARIO	6.50%	8-Mar-29	39,570,000	55,141,022	56,950,252
PROVINCE OF ONTARIO	2.40%	2-Jun-26	54,873,000	56,397,437	56,578,994

PROVINCE OF ONTARIO	2.85%	2-Jun-23	159,890,000	163,114,613	172,275,884
PROVINCE OF ONTARIO	1.34%	16-Mar-21	6,200,000	6,245,340	6,255,428
PROVINCE OF ONTARIO	2.90%	2-Dec-46	5,506,000	5,438,722	5,596,343
PROVINCE OF ONTARIO RESIDUAL	0.00%	2-Jun-45	11,281,000	4,401,955	4,999,839
PROVINCE OF QUEBEC	4.50%	1-Dec-20	33,305,000	36,965,565	37,714,485
PROVINCE OF QUEBEC	4.50%	1-Dec-19	30,050,000	32,529,854	33,238,615
PROVINCE OF QUEBEC	4.50%	1-Dec-17	8,700,000	8,968,810	9,054,292
PROVINCE OF QUEBEC	4.50%	1-Dec-18	18,425,000	19,463,694	19,811,354
PROVINCE OF QUEBEC	3.50%	1-Dec-22	96,778,000	100,104,086	107,938,284
PROVINCE OF QUEBEC	4.25%	1-Dec-21	35,145,000	37,437,192	40,131,865
PROVINCE OF QUEBEC	3.00%	1-Sep-23	54,525,000	53,533,951	59,219,057
PROVINCE OF QUEBEC	2.75%	1-Sep-25	33,610,000	34,664,403	35,720,953
PROVINCE OF QUEBEC	3.75%	1-Sep-24	51,720,000	55,805,711	58,980,506
PROVINCE OF QUEBEC	2.50%	1-Sep-26	9,138,000	9,508,702	9,476,737
PROVINCE OF QUEBEC	1.32%	19-Apr-22	8,200,000	8,219,210	8,219,434
PROVINCE OF QUEBEC	1.45%	19-Oct-23	4,150,000	4,151,840	4,162,367
PROVINCE OF SASKATCHEWAN	1.95%	1-Mar-19	3,353,000	3,388,429	3,433,360
PROVINCE OF SASKATCHEWAN	5.80%	5-Sep-33	9,940,000	13,430,991	13,887,112
PROVINCE OF SASKATCHEWAN	3.20%	3-Jun-24	39,020,000	39,843,806	42,779,756
PROVINCE OF SASKATCHEWAN	2.55%	2-Jun-26	10,000,000	9,992,370	10,358,301
QUEBEC FINANCE CORPORATION	2.40%	1-Dec-18	6,000,000	6,067,218	6,188,526
QUEBEC FINANCE CORPORATION	3.50%	1-Dec-17	7,000,000	7,143,591	7,208,040
SINAI HEALTH SYSTEM	3.53%	9-Jun-56	695,000	695,000	704,047
UNIVERSITY HEALTH NETWORK	5.64%	8-Dec-22	751,582	781,976	846,183
<b>TOTAL PROVINCIAL</b>				<b>2,060,249,576</b>	<b>2,148,198,530</b>

**CORPORATE (4.2%)**

407 INTERNATIONAL INC	3.30%	27-Mar-45	346,000	312,418	337,527
407 INTERNATIONAL INC	3.60%	21-May-47	335,000	334,634	345,639
407 INTERNATIONAL INC	3.98%	11-Sep-52	3,654,000	3,663,246	3,986,289
ABC SCHOOLS PARTNERSHIP	4.25%	31-Dec-43	673,916	673,915	687,300
AEROPORTS DE MONTREAL	3.92%	26-Sep-42	1,413,000	1,409,014	1,566,501
ALTAGAS LTD	3.84%	15-Jan-25	3,000,000	3,173,661	3,185,142
ALTALINK LP	4.05%	21-Nov-44	4,036,000	4,289,551	4,452,284
BANK OF MONTREAL	2.12%	16-Mar-22	5,000,000	5,098,510	5,114,091
BANK OF NOVA SCOTIA	2.87%	4-Jun-21	5,000,000	5,041,210	5,290,216
BANK OF NOVA SCOTIA	2.58%	30-Mar-27	593,000	563,227	582,645
BLACKBIRD INFRASTRUCTURE 407	3.76%	30-Jun-47	407,000	407,000	403,617
BROOKFIELD RENEW KWAGIS	4.45%	31-Dec-53	2,100,000	2,100,000	2,258,823
CANADIAN IMPERIAL BANK OF COMMERCE	1.64%	12-Jul-21	5,000,000	4,989,607	5,020,886
CAPITAL CITY LINK GP	4.39%	31-Mar-46	3,400,000	3,400,001	3,679,922
COMBER WIND FINANCIAL CORPORATION	5.13%	15-Nov-30	704,252	704,249	780,459
CSS FSCC PARTNERSHIP	6.92%	31-Jul-42	1,215,811	1,517,824	1,661,497
ENBRIDGE INC	3.94%	30-Jun-23	2,095,000	2,208,066	2,267,463
ENBRIDGE INCOME FUND	4.85%	22-Feb-22	3,000,000	3,324,912	3,379,555
GRANDLINQ GP	4.77%	31-Mar-47	680,000	680,000	732,958
HEALTH MONTREAL COLLECTIVE	6.72%	30-Sep-49	3,735,000	4,630,750	4,887,565
HOSPITAL INFRASTRUCTURE PARTNERSHIP	5.44%	31-Jan-45	2,099,451	2,308,121	2,451,193
INPOWER BC GP	4.47%	31-Mar-33	450,000	447,579	494,051
INTEGRATED TEAM SOLUTIONS	5.95%	30-Nov-42	1,809,023	2,142,600	2,241,723
INTEGRATED TEAM SOLUTIONS	4.88%	31-May-46	746,000	746,005	848,224
LOWER MATTAGAMI ENERGY	4.18%	23-Apr-52	222,000	202,879	247,496
LOWER MATTAGAMI ENERGY	4.18%	23-Feb-46	1,945,000	1,940,378	2,187,435
NORTH WEST REDWATER PNR	4.05%	22-Jul-44	2,007,000	2,007,869	2,124,137
NORTH WEST REDWATER PNR	4.35%	10-Jan-39	1,487,000	1,480,426	1,617,248
PLENARY HEALTH BRIDGEPOINT	7.25%	31-Aug-42	1,388,236	1,958,553	2,001,794
PLENARY HEALTH HAMILTON	5.80%	31-May-43	1,940,357	2,278,666	2,375,947
PLENARY PROPERTIES LTAP	6.29%	31-Jan-44	1,295,912	1,667,170	1,724,730
RAINBOW HOSPITAL PARTNERSHIP	4.99%	31-Mar-44	1,672,944	1,673,107	1,767,198
RELIANCE LP	5.19%	15-Mar-19	909,000	909,000	953,298
ROYAL BANK OF CANADA	1.97%	2-Mar-22	26,200,000	26,122,949	26,534,665



ROYAL BANK OF CANADA	1.58%	13-Sep-21	15,000,000	14,886,124	14,964,328
ROYAL BANK OF CANADA	4.93%	16-Jul-25	3,000,000	3,660,540	3,672,670
ROYAL BANK OF CANADA	3.31%	20-Jan-26	1,500,000	1,505,768	1,533,998
ROYAL BANK OF CANADA	2.86%	4-Mar-21	1,385,000	1,384,943	1,460,249
SGTP HIGHWAY BYPASS LP	4.11%	31-Jan-45	1,772,000	1,772,000	1,887,875
SGTP HIGHWAY BYPASS LP	4.16%	31-Jul-49	414,000	414,000	439,465
SNC-LAVALIN INNISFREE MC	6.63%	30-Jun-44	2,122,510	2,651,243	2,786,835
SPY HILL POWER LP	4.14%	31-Mar-36	1,208,933	1,208,936	1,308,090
SSL FINANCE INC	4.10%	31-Oct-45	1,624,000	1,624,004	1,741,157
THP PARTNERSHIP	4.39%	31-Oct-46	834,000	876,716	919,566
TORONTO DOMINION BANK	1.91%	18-Jul-23	10,610,000	10,630,814	10,621,883
TORONTO DOMINION BANK	2.05%	8-Mar-21	3,000,000	3,050,938	3,063,795
TRANSCANADA PIPELINES	3.30%	17-Jul-25	2,000,000	2,107,176	2,124,171
TRILLIUM WINDPOWER LP	5.80%	15-Feb-33	82,960	82,960	97,831
<b>CORPORATE TOTAL</b>				<b>140,263,259</b>	<b>144,811,431</b>

#### MUNICIPAL SECURITIES (0.1%)

CITY OF QUEBEC	2.50%	5-Oct-26	1,500,000	1,479,531	1,471,200
FIRST NATIONS FINANCE AUTHORITY	3.40%	26-Jun-24	2,725,000	2,855,455	2,943,804
<b>MUNICIPAL TOTAL</b>				<b>4,334,986</b>	<b>4,415,004</b>

#### SHORT TERM SECURITIES (0.9%)

GOVERNMENT OF CANADA TREASURY BILL	0.00%	1-Dec-16	1,295,000	1,294,182	1,294,472
GOVERNMENT OF CANADA TREASURY BILL	0.00%	26-Jan-17	750,000	749,048	749,142
GOVERNMENT OF CANADA TREASURY BILL	0.00%	12-Jan-17	320,000	319,640	319,693
GOVERNMENT OF CANADA TREASURY BILL	0.00%	29-Dec-16	11,400,000	11,390,164	11,391,155
GOVERNMENT OF CANADA TREASURY BILL	0.00%	4-Nov-16	2,040,000	2,039,714	2,039,893
GOVERNMENT OF CANADA TREASURY BILL	0.00%	15-Dec-16	9,700,000	9,693,508	9,694,260
GOVERNMENT OF CANADA TREASURY BILL	0.00%	3-Nov-16	905,000	903,985	904,964
PROVINCE OF MANITOBA TREASURY BILL	0.00%	2-Nov-16	50,000	49,945	49,998
PROVINCE OF NEWFOUNDLAND TREASURY BILL	0.00%	29-Dec-16	1,200,000	1,198,740	1,198,902
PROVINCE OF NEWFOUNDLAND TREASURY BILL	0.00%	8-Dec-16	1,250,000	1,248,436	1,249,267
PROVINCE OF ONTARIO TREASURY BILL	0.00%	12-Apr-17	1,000,000	997,020	999,894
PROVINCE OF ONTARIO TREASURY BILL	0.00%	22-Mar-17	150,000	149,625	149,643
PROVINCE OF QUEBEC TREASURY BILL	0.00%	23-Jan-17	250,000	249,585	249,659
PROVINCE OF QUEBEC TREASURY BILL	0.00%	13-Apr-17	300,000	299,125	299,179
ROYAL BANK OF CANADA TERM DEOISIT	0.45%	1-Nov-16	400,000	400,000	400,000
<b>TOTAL SHORT TERM SECURITIES</b>				<b>30,982,717</b>	<b>30,990,121</b>

#### TOTAL BONDS

**2,464,034,294    2,558,289,336**

#### EQUITIES

##### CONSUMER DISCRETIONARY (0.4%)

	# of Shares	Cost \$	Fair Value \$
AIMIA INC	670,604	9,413,866	4,861,879
BRP INC	10,200	238,067	264,486
CANADIAN TIRE LTD	8,100	1,039,792	1,056,078
COGECO INC	9,900	630,681	619,344
COGECO INC	100	5,128	4,945
DOLLARAMA INC	28,700	1,877,077	2,876,601
LINAMAR CORP	4,900	324,080	267,295
MAGNA INTERNATIONAL INC	2,700	166,767	148,689
MARTINREA INTERNATIONAL INC	5,000	68,051	39,350
MTY FOOD GROUP INC	1,800	73,868	87,120
QUEBECOR INC	50,600	1,736,659	1,904,584
REITMANS CANADA LTD	2,300	18,676	15,111
RESTAURANT BRANDS INTERNATIONAL INC	36,500	1,890,241	2,176,495
SIRIUS XM CANADA HOLDINGS INC	5,500	34,152	26,620
SLEEP COUNTRY CANADA HOLDINGS INC	5,300	138,903	151,103
SPIN MASTER LTD	2,300	62,585	77,280

TRANSAT A.T. INC	200	1,521	1,224
UNI-SELECT INC	6,900	207,899	208,242
		<b>17,928,013</b>	<b>14,786,446</b>

**CONSUMER STAPLES (0.7%)**

AGT FOOD AND INGREDIENTS	3,800	142,521	144,932
ALIMENTATION COUCHE-TARD INC	235,900	11,944,248	15,894,942
CORBY SPIRIT AND WINE LTD	1,500	30,819	36,510
COTT CORP	87,742	1,242,725	1,543,382
HIGH LINER FOODS	1,000	24,427	24,570
JEAN COUTU GROUP	23,900	535,216	482,780
LANTIC INC	7,800	43,044	48,984
LOBLAWS COMPANIES LTD	10,800	676,284	714,744
MAPLE LEAF FOODS INC	66,000	1,414,634	2,016,300
METRO INC	71,600	2,606,958	2,968,536
PREMIUM BRANDS HOLDINGS CORP	14,700	621,689	954,177
SAPUTO INC	10,600	408,313	510,920
THE NORTHWEST COMPANY INC	6,300	179,081	161,280
		<b>19,869,959</b>	<b>25,502,057</b>

**ENERGY (3.4%)**

ADVANTAGE OIL & GAS LTD	47,400	363,195	428,970
AFRICA OIL CORP	3,600	7,928	6,912
ARC RESOURCES LTD	5,400	116,501	122,958
ATHABASCA OIL CORP	59,000	71,908	74,340
BAYTEX ENERGY CORP	39,000	247,607	201,240
BELLATRIX EXPLORATION LTD	130,400	209,924	157,784
BIRCHCLIFF ENERGY LTD	2,600	23,127	22,204
BONAVISTA ENERGY CORP	116,600	352,452	510,708
BONTERRA ENERGY CORP	2,700	68,632	68,148
CANACOL ENERGY LTD	23,200	100,716	96,048
CANADIAN NATURAL RESOURCES LTD	86,200	3,214,425	3,669,534
CENOVUS ENERGY INC	906,710	20,083,041	17,544,839
CREW ENERGY INC	134,800	694,974	888,332
DELPHI ENERGY CORP	12,000	8,910	12,480
ENBRIDGE INC	218,500	9,831,235	12,655,520
ENBRIDGE INCOME FUND HOLDINGS INC	6,800	208,788	231,472
ENCANA CORPORATION	122,700	1,085,007	1,569,333
ENERPLUS CORPORATION	97,400	618,651	879,522
GIBSON ENERGY INC	1,900	33,958	31,977
GRAN TIERRA ENERGY INC	158,100	568,495	619,752
GRANITE OIL CORP	5,800	42,319	29,406
HUSKY ENERGY INC	500	8,012	7,215
IMPERIAL OIL LTD	261,900	11,140,849	11,392,650
INTER PIPELINE LTD	18,300	478,645	508,923
ITHACA ENERGY INC	21,400	19,022	27,606
KEYERA CORP	11,600	489,274	467,016
MULLEN GROUP LTD	800	15,271	14,872
NORTHERN BLIZZARD RESOURCES INC	8,600	40,302	29,756
NUVISTA ENERGY LTD	61,200	406,586	417,384
PAINTED PONY PETROLEUM LTD	14,600	125,634	120,012
PAREX RESOURCES INC	86,000	1,052,525	1,326,980
PARKLAND FUEL CORP	12,900	353,239	404,157
PENGROWTH ENERGY CORP	8,600	16,997	17,802
PENN WEST PETROLEUM LTD	44,300	64,192	94,802
PEYTO EXPLORATION & DEVELOPMENT CORP	279,360	9,042,532	9,626,746
PRAIRIESKY ROYALTY LTD	678,138	17,448,506	19,781,285
PRECISION DRILLING CORP	52,600	309,933	314,548
RAGING RIVER EXPLORATION INC	39,100	369,476	420,325
RMP ENERGY INC	133,400	201,286	106,720
SEVEN GENERATIONS ENERGY LTD	29,300	797,565	837,980

SUNCOR ENERGY INC	451,839	17,859,360	18,186,520
SURGE ENERGY INC	188,600	423,050	516,764
TAMARACK VALLEY	19,075	74,328	63,901
TORC OIL & GAS LTD	13,500	109,996	102,465
TOURMALINE OIL CORP	257,100	10,503,479	9,037,065
TRANSCANADA CORP	59,100	3,322,030	3,588,552
TRANSGLOBE ENERGY CORP	31,300	106,576	76,685
TRICAN WELL SERVICES LTD	57,900	71,270	166,752
TRILOGY ENERGY CORP	38,900	203,602	280,080
VERESEN INC	19,800	261,974	240,570
ZCL COMPOSITES INC	2,000	17,677	23,380
		<b>113,284,981</b>	<b>118,020,992</b>

**FINANCIALS (3.9%)**

AGF MANAGEMENT LTD	7,000	33,811	35,770
BANK OF MONTREAL	42,400	3,447,080	3,619,264
BANK OF NOVA SCOTIA	261,300	17,478,095	18,834,504
BROOKFIELD ASSET MANAGEMENT INC	459,100	18,739,859	21,563,927
CANADIAN IMPERIAL BANK OF COMMERCE	62,000	6,232,477	6,231,000
CANADIAN WESTERN BANK	18,700	466,228	475,915
CI FINANCIAL INC	284,100	8,221,411	7,011,588
EQUITABLE GROUP INC	1,431	81,294	75,614
FIERA CAPITAL CORP	6,800	88,574	81,804
FIRST NATIONAL FINANCIAL CORP	5,400	154,820	132,030
GENWORTH MI CANADA INC	1,692	56,522	49,288
GMP CAPITAL INC	2,800	12,683	13,524
IGM FINANCIAL INC	191,500	9,014,176	6,894,000
INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC	17,700	757,991	919,338
INTACT FINANCIAL CORP	24,800	2,064,941	2,261,264
LAURENTIAN BANK OF CANADA	15,600	773,239	773,292
NATIONAL BANK CANADA	31,300	1,433,149	1,498,644
ONEX CORP	4,400	308,667	381,744
POWER CORPORATION CANADA	576,500	17,735,393	16,585,905
POWER FINANCIAL CORPORATION	15,200	544,460	481,840
ROYAL BANK OF CANADA	246,800	19,333,785	20,681,840
SUN LIFE FINANCIAL INC	114,700	4,750,163	5,148,883
TMX GROUP LIMITED	2,900	167,233	179,481
TORONTO DOMINION BANK	325,500	17,894,347	19,809,930
		<b>129,790,398</b>	<b>133,740,389</b>

**HEALTH CARE (0.1%)**

CRH CORP	4,400	23,950	28,600
EXTENDICARE INC	77,700	664,989	716,394
MEDICAL FACILITIES CORP	4,200	78,135	91,896
PROMETIC LIFE SCIENCES INC	19,000	42,066	53,580
QLT INC	4,600	20,873	10,350
SIENNA SENIOR LIVING INC	15,770	254,365	251,847
		<b>1,084,378</b>	<b>1,152,667</b>

**INDUSTRIALS (1.8%)**

AECON GROUP INC	31,800	526,454	551,412
AIR CANADA	1,700	21,743	21,505
BIRD CONSTRUCTION INC	19,500	247,865	214,500
BLACK DIAMOND GROUP LTD	7,100	55,071	31,098
BOYD GROUP INCOME FUND	6,376	414,286	528,379
BROOKFIELD BUSINESS PARTNERS	9,852	267,574	306,594
CAE INC	17,500	291,234	329,700
CANADIAN NATIONAL RAILWAY COMPANY	210,837	16,198,837	17,777,776
CANADIAN PACIFIC RAILWAY LTD	14,500	2,936,081	2,780,230
CARGOJET INC	1,400	47,697	61,642
CHORUS AVIATION	16,200	98,341	101,088

EXCHANGE INCOME CORP	7,700	232,904	289,828
EXCO TECHNOLOGIES LTD	4,700	70,727	54,050
FINNING INTERNATIONAL INC	731,100	16,835,119	18,248,256
HARDWOODS INC	5,700	101,523	108,243
MORNEAU SHEPELL INC	16,000	263,818	320,640
NEW FLYER INDUSTRIES INC	39,000	1,464,426	1,462,500
RITCHIE BROTHERS AUCTIONEERS INC	302,053	9,841,512	14,009,218
SAVARIA	7,600	69,361	94,392
SNC-LAVALIN GROUP INC	7,600	366,402	414,200
STUART OLSON INC	1,400	7,958	8,190
STUDENT TRANSPORTATION OF AMERICA	1,221	9,566	9,487
TOROMONT INDUSTRIES LTD	118,665	4,537,850	4,675,401
TRANSCONTINENTAL INC	29,800	573,931	534,612
WESTJET AIRLINES LTD	11,100	244,535	243,645
WESTSHORE TERMINALS LTD	14,000	275,767	362,180
		<b>56,000,582</b>	<b>63,538,766</b>

**INFORMATION TECHNOLOGY (0.5%)**

ABSOLUTE SOFTWARE CORPORATION	5,441	45,125	34,659
BLACKBERRY LTD	258,900	2,817,409	2,451,783
CELESTICA INC	128,300	1,879,698	2,036,121
CGI GROUP INC	61,800	3,061,954	3,937,278
CONSTELLATION SOFTWARE INC	7,600	3,013,917	4,775,460
DESCARTES SYSTEMS GROUP INC	14,400	300,124	402,480
ENGHOUSE SYSTEMS LTD	1,191	63,597	60,014
EVERTZ MICROSYSTEMS LTD	900	16,291	14,742
KINAXIS INC	4,500	214,355	294,930
OPEN TEXT CORP	36,900	2,288,152	3,073,032
SANDVINE CORPORATION	10,600	34,557	31,906
WI-LAN INC	8,100	15,546	15,552
		<b>13,750,725</b>	<b>17,127,957</b>

**MATERIALS (1.5%)**

AGNICO EAGLE MINES LTD	18,000	1,265,292	1,226,160
AGRIUM INC	100	11,818	12,313
ALACER GOLD CORP	47,600	133,748	128,996
ARGONAUT GOLD INC	5,500	15,137	14,905
ASANKO GOLD INC	41,900	187,343	207,405
BANRO CORPORATION	700	306	242
BARRICK GOLD CORP	214,300	3,977,626	5,057,480
CANAM GROUP INC	3,700	48,548	33,337
CANEXUS CORPORATION	1,520	1,859	2,341
CAPSTONE MINING CORP	127,800	57,398	103,518
CASCADES INC	21,378	237,107	270,432
CCL INDUSTRIES INC	5,500	783,721	1,311,970
CENTERRA GOLD	157,396	1,091,258	1,067,151
DETOUR GOLD CORP	20,200	248,290	516,514
DUNDEE PRECIOUS METALS INC	4,600	14,136	12,604
ELDORADO GOLD CORP	2,200	10,156	9,306
ENDEAVOUR MINING CORP	31,900	574,646	835,780
ENDEAVOUR SILVER CORP	59,700	354,681	351,633
FIRST MAJESTIC SILVER CORP	43,900	668,782	472,803
FIRST QUANTUM MINERALS LTD	12,300	141,848	156,702
FORTUNA SILVER MINES LTD	142,800	939,209	1,309,476
FRANCO-NEVADA CORP	38,900	2,665,383	3,415,031
GUYANA GOLDFIELDS INC	29,200	193,525	230,388
IAMGOLD CORPORATION	42,200	158,939	226,614
IMPERIAL METALS CORP	997	4,237	5,135
INTERTAPE POLYMER GROUP INC	18,100	334,111	411,232
IVANHOE MINES LTD	45,500	73,045	95,095
KINROSS GOLD CORP	18,300	88,094	95,343

KIRKLAND LAKE GOLD INC	72,500	441,447	674,250
KLONDEX MINES LTD	2,900	20,625	21,431
LABRADOR IRON ORE ROYALTY CORP	47,000	604,605	690,430
LUCARA DIAMOND CORP	84,700	297,449	321,013
MAG SILVER CORPORATION	31,700	390,452	623,856
MAJOR DRILLING GROUP INTERNATIONAL INC	18,900	130,325	129,843
NEVSUN RESOURCES LTD	14,400	60,999	56,016
NEW GOLD INC	108,100	513,320	571,849
NORANDA INCOME FUND	400	1,379	956
NORBORD INC	6,100	190,518	192,455
NORTHERN DYNASTY MINERALS LTD	3,800	4,526	4,256
NOVAGOLD RESOURCES INC	84,800	407,845	569,008
OCEANAGOLD CORP	77,800	322,240	318,980
PAN AMERICAN SILVER CORP	142,800	2,279,798	3,058,776
POTASH CORPORATION OF SASKATCHEWAN	736,100	23,584,040	16,054,341
PREMIER GOLD MINES LTD	58,400	181,422	164,688
PRETIUM RESOURCES INC	51,200	488,615	671,232
RICHMONT MINES INC	62,300	390,429	791,210
SABINA GOLD & SILVER CORP	8,597	12,998	11,864
SEMAFO INC	206,900	867,086	1,088,294
SHERRITT INTERNATIONAL CORP	35,300	29,681	30,358
SILVER STANDARD RESOURCES INC	49,600	472,461	730,112
SILVER WHEATON CORP	84,500	2,925,136	2,731,040
SILVERCORP METALS INC	38,600	129,634	135,486
STELLA-JONES CORP	7,700	358,865	366,520
STORNOWAY DIAMOND CORP	7,000	6,486	8,050
TAHOE RESOURCES INC	10,900	194,607	175,272
TECK RESOURCES LTD	114,900	2,007,701	3,327,504
TOREX GOLD RESOURCES INC	5,700	155,868	142,215
TURQUOISE HILL RESOURCES LTD	156,000	568,090	648,960
WEST FRASER TIMBER LTD	300	13,732	13,776
WESTERN FOREST PRODUCTS INC	73,200	159,136	149,328
WINPAK LTD	1,700	79,527	77,928
YAMANA GOLD INC	12,000	62,792	57,480
		<b>52,634,077</b>	<b>52,188,683</b>
<b>REAL ESTATE (0.2%)</b>			
ALLIED PROPERTIES REIT	9,800	363,470	353,388
BROOKFIELD CANADA OFFICE PROPERTIES	8	225	212
CANADIAN APARTMENT PROPERTIES REIT	9,800	294,383	287,336
COMINAR REIT	43,900	788,291	652,354
CROMBIE REIT	36,238	538,430	490,300
CT REIT	3,900	52,671	57,330
DREAM GLOBAL REIT	100	930	912
DREAM INDUSTRIAL REIT	5,400	45,602	40,986
DREAM UNLIMITED CORP	289	2,348	1,997
FIRST CAPITAL REALITY INC	38,995	798,473	834,103
FIRSTSERVICE CORPORATION	7,600	407,901	413,060
GRANITE REIT	2,000	84,867	84,400
INTERRENT REIT	1,500	11,202	11,070
KILLAM PROPERTIES INC	30,800	376,126	365,288
MILESTONE APARTMENTS REIT	37,700	664,647	680,108
MORGUARD REIT	100	1,452	1,520
NORTHWEST HEALTHCARE PROPERTIES	9,400	99,019	98,700
ONEREIT	5,800	18,914	20,474
PURE INDUSTRIAL REAL ESTATE TRUST	23,800	121,947	128,044
RIOCAN REIT	3,883	110,964	101,269
SLATE OFFICE REIT	800	6,191	6,656
SMART REIT	14,200	477,934	474,990
TRICON CAPITAL GROUP INC	13,900	144,045	121,486
		<b>5,410,032</b>	<b>5,225,983</b>

**TELECOMMUNICATION SERVICES (0.1%)**

BCE INC	34,500	2,022,573	2,102,430
MANITOBA TELECOM SERVICES INC	6,700	202,409	251,183
ROGERS COMMUNICATION INC	14,100	740,449	760,836
		<b>2,965,431</b>	<b>3,114,449</b>

**UTILITIES (0.1%)**

ATCO LTD	1,988	93,630	93,476
ATLANTIC POWER CORP	35,961	109,751	111,479
BROOKFIELD RENEWABLE ENERGY PARTNERS LP	7,600	259,404	311,068
CANADIAN UTILITIES LTD	100	3,880	3,833
EMERA INC	23,300	1,082,078	1,089,974
HYDRO ONE NETWORKS INC	1,300	31,870	31,811
INNERGEX RENEWABLE ENERGY INC	29,500	429,991	439,845
JUST ENERGY GROUP INC	88,000	739,176	619,520
NORTHLAND POWER INC	35,100	731,908	842,400
POLARIS INFRASTRUCTURE INC	700	10,827	11,515
SUPERIOR PLUS CORP	12,900	137,535	154,026
TRANSALTA RENEWABLES INC	34,700	462,390	513,907
VALENER INC	15,700	340,998	330,642
		<b>4,433,438</b>	<b>4,553,496</b>

**US EQUITY (12.8%)**

BMO S&P 500 Hedged to CAD Index	9,880,929	322,638,290	321,525,431
BMO S&P 500 INDEX ETF	3,507,376	89,519,063	110,482,346
		<b>412,157,353</b>	<b>432,007,777</b>

**TOTAL EQUITIES****829,309,367 870,959,662**

Less: Transaction costs

160,429

**TOTAL INVESTMENTS****3,293,183,232 3,429,248,998**

## **FAMILY GROUP EDUCATION SAVINGS PLAN NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

As at October 31, 2016

### **1. General information**

Family Group Education Savings Plan (the Plan) was established by Knowledge First Foundation (the Foundation) as a savings vehicle for subscribers to save for a designated student's (beneficiary) post-secondary education.

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

Subscribers to the Plan make periodic deposits into the Plan, net of enrolment fees, insurance premiums, depository fees and service charges charged to each subscriber. The income earned on subscriber deposits is held in the Education Assistance Payment (EAP) Account. When a plan matures, is terminated, or is cancelled, such deposits, net of deductions, will be returned to the subscriber or a beneficiary and the income is transferred to the Foundation Education Assistance Payment (FEAP) Account and used to provide payments to qualified students. The Plan invests in Canadian government bonds 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 to CAD Index EFT has been hedged back to the Canadian dollar and therefore has no currency exposure. The Plan's investment in equities is limited to income accumulated in the Plan.

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

The financial statements were authorized for issue by the Board of Directors of the Foundation on December 8, 2016.

### **2. Basis of presentation**

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 way 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 and other liabilities, and principal payable to subscribers 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 & 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, the Manager 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 recorded in 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 is comprised of subscribers' deposits, government grants and income earned on both subscribers' deposits and government grants. Net assets attributable to subscribers and beneficiaries is classified as a liability as subscribers have the option to withdraw at any point prior to maturity. If a subscriber withdraws before maturity, the subscriber's deposits less fees are returned to the subscriber, income earned on that subscriber's deposits is allocated to other members of the Plan, government grant contributions are returned to the government and 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 various fees, and do not include amounts receivable on outstanding agreements, as subscribers may terminate their plans at any time. Knowledge First Financial deducts a portion of the applicable enrolment fees, insurance premiums, and depository and service charges from the deposits made from subscribers and the net amount is invested in the Plan. During the life of an agreement, subscribers may choose to purchase additional units, or convert their present agreements to fully paid-up status. In order to affect the purchase or conversion, subscribers must contribute additional funds, or convert a portion of their principal deposits into income contributions, to reflect the equivalent amount of income that would have been earned if the revised agreement was in place since the inception of their plan. These are called subscribers' equivalency transactions. These additional funds are included in accumulated income.

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

Accumulated income includes the increase (decrease) in net assets attributable to subscribers and beneficiaries, and income earned on matured accounts, cancelled or terminated accounts (the Income Account). Education assistance



payments and payments of grant income to beneficiaries and designated financial institutions reduce the accumulated income account. At the discretion of the Foundation, Income Account monies may be used to supplement EAPs to qualified students or disbursed for the advancement of education, consistent with the objectives of the Foundation.

### **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 convert to 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 or their designated nominees.

### **Interests in Unconsolidated Structured Entities**

A structured entity is an entity that has been designed so that voting or similar rights are not dominant factors in deciding who controls the entity, or when voting rights relate to administrative tasks only and the relevant activities are directed by means of a contractual arrangement. The Plan invests in exchange traded funds (ETFs) which are disclosed on the Schedule of Investment Portfolio and the Plan has determined that the ETFs 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 ETFs' net asset value. ETFs are domiciled in Canada and listed on the Toronto Stock Exchange. ETFs are included in "Investments" in the Statements of Financial Position. The Plan's maximum exposure to loss from its interest in ETFs is equal to the total fair value of its investments in the ETFs.

### **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, Income from government grants, and the Income Account over a five year period in proportion to the balances in those accounts at the time of allocation. Equity realized and unrealized gains and losses are transferred to the EAP Account, Income from government grants, and the Income Account immediately 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. The Manager is in the process of assessing the impact of IFRS 9 on the Plan and has not yet determined when it will adopt the new standard.

## **IFRS 15, Revenue from Contracts with Customers**

IFRS 15, Revenue from Contracts with Customers, is a new standard effective for years beginning on or after January 1, 2018, which will supersede IAS 18, Revenue and related interpretations. The Plan is in the process of assessing the impact of IFRS 15.

## **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, the Manager 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, market risk (including price risk, currency risk and interest rate risk). The Plan does not conduct any activities in currencies other than the Canadian dollar and is therefore not subject to significant direct currency risk. The Plan does not conduct any significant activities in currencies other than the Canadian dollar and only its holding of the 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 allocation of investments across different market sectors, maturity segments and issuers. The Plan employs third party investment managers and monitors the investments for compliance with the stated investment guidelines and relevant securities and tax regulations. Oversight responsibility and authority rests with the Foundation's Board of Directors and its Investment Committee. An Independent Review Committee is also in place.

### **Credit risk**

The Plan is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash on hand is kept on deposit at a Canadian Schedule I bank. The majority of the credit risk to which the Plan is exposed arises from its investments in debt securities. The debt instruments held by the Plan are issued or guaranteed by federal, provincial, or municipal governments along with corporate debt instruments with an investment grade credit rating at the time of acquisition.

The fair value of debt investments includes consideration of the credit worthiness of the debt issuer. The carrying amount of cash, receivables and debt investments represents the maximum credit risk exposure as at October 31, 2016 and April 30, 2016. The analysis below summarizes the credit quality of the Plan's debt portfolio as at October 31, 2016 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	October 31, 2016	April 30, 2016
“AAA”	9.2	7.1
“AA”	24.3	26.6
“A”	65.5	65.6
“BBB”	1.0	0.7
Total	100.0	100.0

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Plan has current exposure to the subscribers’ deposits and government grant balances as subscribers can cancel or terminate their agreement at any time at which point the full balance would become immediately payable to the subscribers or the government. The Plan is also exposed to agreement maturities and obligations with respect to 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 over three years upon submission of required documentation to the Manager. Subscriber’s principal is paid upon maturity of a respective agreement.

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

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

**Concentration Risk**

The table below summarizes this Fund’s concentration risk as a percentage of investments as at October 31, 2016 and April 30, 2016.

Concentration	Percentage of Investments (%) As at	
	October 31, 2016	April 30, 2016
<u>Fixed Income</u>		
Federal	6.7	5.2
Provincial	62.6	62.3
Corporate	4.2	6.8
Short term investments	0.9	0.1
Municipal	0.1	-
<u>Equities</u>		
Consumer Discretionary	0.4	0.6
Consumer Staples	0.7	0.4
Energy	3.4	3.7
Financials	3.9	4.7
Health Care	0.1	0.1
Industrials	1.8	1.7
Information Technology	0.5	0.5
Materials	1.5	1.3
Real Estate	0.2	-
Telecommunications	0.1	0.1
Utilities	0.1	0.1
US ETF	12.8	12.4
Total	100	100

**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 or 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.

b) Interest rate risk

Interest rate risk is the risk that the fair value of 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 October 31, 2016, 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 \$37.8 million (approximately 1.1% of the total investment portfolio) (April 30, 2016 - \$37 million, approximately 1.45% 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 October 31, 2016 and April 30, 2016, by remaining term to maturity.

<b>October 31, 2016</b>	<b>Within 1 year</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Short term investments				
Treasury Bill	30,590,121	-	-	30,590,121
Term Deposits	400,000	-	-	400,000
Government guaranteed instruments				
Federal		172,994,609	56,879,641	229,874,250
Provincial		487,948,075	1,660,250,455	2,148,198,530
Municipal		-	4,415,004	4,415,004
Corporate		30,752,772	114,058,659	144,811,431
<b>Total</b>	<b>30,990,121</b>	<b>691,695,456</b>	<b>1,835,603,759</b>	<b>2,558,289,336</b>
Percentage of total	1.2%	27.0%	71.8%	100%
<hr/>				
<b>April 30, 2016</b>	<b>Within 1 year</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Short term investments				
Treasury Bill	3,133,410	-	-	3,133,410
Term Deposits	300,000	-	-	300,000
Government guaranteed instruments				
Federal		159,305,158	15,734,952	175,040,110
Provincial		458,530,398	1,634,511,847	2,093,042,245
Corporate		53,688,808	176,043,812	229,732,620
<b>Total</b>	<b>3,433,410</b>	<b>671,524,364</b>	<b>1,826,290,611</b>	<b>2,501,248,385</b>
Percentage of total	0.1%	26.9%	73.0%	100.0%

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. The Plan's exposure to other

price risk arises primarily from its investments in equity securities and ETFs. As at October 31, 2016, if the investment in equities and ETFs had increased or decreased by 5%, with all other variable held constant, the net assets attributable to subscribers and beneficiaries would have increased or decreased by approximately \$44 million (\$43.0 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. In addition, EAPs and maturities occur at specified times during the year. The Plan is not subject to externally imposed capital requirements. The Plan's objective, when managing capital risk, is to safeguard subscribers' deposits and government grants received and earn income on those amounts in order to pay EAPs to qualified beneficiaries. The Plan endeavours to invest subscribers' deposits, government grants received, and income earned in appropriate investments while maintaining sufficient liquidity to meet maturities, EAPs, cancellations and expenses in accordance with its investment objectives and risk management policies as described above. In order to manage the Plan's capital, the Plan's policy is to perform the following:

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

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

### **Fair value measurement**

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

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

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Plan's assets and liabilities measured at fair value within the fair value hierarchy as at October 31, 2016 and April 30, 2016.

<b>As at October 31, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Short-term investments	-	30,990,121	-	30,990,121
Government guaranteed instruments				
Federal	-	229,874,250	-	229,874,250
Provincial	-	2,148,198,530	-	2,148,198,530
Municipal		4,415,004		4,415,004
Corporate debt instruments		144,811,431		144,811,431
Equities & ETFs	870,959,662	-	-	870,959,662
Investments at fair value	870,959,662	2,558,289,336	-	3,429,248,998

<b>As at April 30, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Short-term investments	-	3,433,410	-	3,433,410
Government guaranteed instruments				
Federal	-	175,040,110	-	175,040,110
Provincial	-	2,093,042,245	-	2,093,042,245
Corporate debt instruments		229,732,620		229,732,620
Equities & ETFs	858,906,198	-	-	858,906,198
Investments at fair value	858,906,198	2,501,248,385	-	3,360,154,583

All fair value measurements above are recurring. The carrying values of receivable for investments sold, government grant receivable, interest receivable, dividends receivable, other receivables, receivables due from KFF, payable for investments purchased, principal payable to beneficiaries and accounts payable and other liabilities and the Plan's obligation for net assets attributable to subscribers and beneficiaries approximate their fair value due to their short term nature. There were no transfers between levels during the years ended October 31, 2016 and April 30, 2016 or Level 3 securities held as at October 31, 2016 and April 30, 2016.

#### **Investments in unconsolidated structured entities**

Fiscal 2017:

<b>Underlying Fund As at October 31, 2016</b>	<b>Country of establishment and principal place of business</b>	<b>% Ownership in the underlying Fund</b>	<b>Fair value of the Plan's investment in the underlying Fund</b>
BMO S&P 500 INDEX ETF	Canada	4.0%	\$110,482,346
BMO S&P 500 HEDGED TO CAD INDEX ETF	Canada	30.3%	\$321,525,431

Fiscal 2016:

<b>Underlying Fund As at April 30, 2016</b>	<b>Country of establishment and principal place of business</b>	<b>% Ownership in the underlying Fund</b>	<b>Fair value of the Plan's investment in the underlying Fund</b>
BMO S&P 500 INDEX ETF	Canada	8.8%	\$201,680,794
BMO S&P 500 HEDGED TO CAD INDEX ETF	Canada	20.2%	\$214,808,076

## 6. Net assets attributable to subscribers and beneficiaries

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

	As at	
	October 31, 2016	April 30, 2016
Subscribers' deposits, net of returns	1,540,069,095	1,616,105,753
Government grants	617,324,568	609,150,187
Accumulated income		
Education assistance payment account	572,181,733	584,040,899
Deferred EAP account	5,442,477	8,050,561
Income from government grants	229,501,912	205,610,124
Foundation education assistance payment account*	203,331,729	151,756,646
Income account	8,894,414	4,367,567
Fair value reserve	182,927,383	172,423,227
<b>Balance – End of period / year</b>	<b>3,359,673,311</b>	<b>3,351,504,964</b>

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

The changes to subscribers' deposits to the Plan for the six months period and year are as follows:

	October 31, 2016	April 30, 2016
Subscribers' deposits	90,854,533	195,948,994
Insurance premiums deducted	(1,624,638)	(3,524,894)
Enrolment fee (deducted) Refunded	(4,142,472)	(9,950,186)
Return of deposits	(159,971,005)	(159,286,786)
Depository fees and service charges deducted	(1,153,076)	(2,728,632)
<b>Net increase (decrease) in Subscribers' deposits</b>	<b>(76,036,658)</b>	<b>20,458,496</b>
<b>Balance – Beginning of year</b>	<b>1,616,105,753</b>	<b>1,595,647,257</b>
<b>Balance – End of period / year</b>	<b>1,540,069,095</b>	<b>1,616,105,753</b>

The changes in the Income account for the six months period and year are as follows:

	October 31, 2016	April 30, 2016
Increase		
Net investment income	5,120,124	4,690,005
Other income	476,502	980,326
Decrease		
Supplement to EAP	-	(4,674,203)
Administration fees	(951,983)	(1,007,178)
Investment Counsel fees	(101,367)	(157,240)
Custodial fees	(12,905)	(19,767)
Independent review committee fees	(3,524)	(4,137)
<b>Net increase (decrease) in income account</b>	<b>4,526,847</b>	<b>(192,194)</b>
<b>Balance - Beginning of year</b>	<b>4,367,567</b>	<b>4,559,761</b>
<b>Balance – End of period / year</b>	<b>8,894,414</b>	<b>4,367,567</b>

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

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

## **7. Commitments**

Pursuant to certain agreements entered into with the subscribers of the Plan in 1994, an amount equivalent to 1/3 of the enrolment fees paid will be added to and form part of each year's EAP paid to those qualifying students in the Plan. The source of these amounts is the Income Account. In the event that there are insufficient funds in the Income Account to meet this commitment the Foundation will be expected to provide funds for this purpose.

Management has estimated this total commitment to be \$385,285 (\$451,506 as at April 30, 2016) and that the present value of this amount is \$383,720 (\$445,906 as at April 30, 2016) through to 2021. The discount rate used to determine the present value was 1.79% (2.02% in fiscal 2016) which is based on the FTSE TMX Canada Universe All Government Bond Index (formally the DEX All Government Bond Index) as of October 31, 2016.

## **8. Accounts Payable**

Included in accounts payable are unclaimed deposits held for cancelled and matured plans. If these deposits are not claimed within three to six years of cancellation or maturity, the deposits are forfeited and transferred into the Income Account. Forfeited grant income from terminated agreements will be paid out to a designated educational institution.

Also included in accounts payable are second and third Education Assistance Payments, which have been deferred by students to a later date when they may qualify to receive such payments.

## **9. Maturities**

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.

## **10. Related party transactions**

The Foundation is the sponsor of the Plan. Knowledge First Financial, 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. In consideration for its administrative services (inclusive of audit fees), Financial is entitled to receive from the Plan an annual fee of up to 0.6% of all funds on deposit related to the Plan, insurance administration-related fees, and special processing fees involving one-time fees for specific transactions. All such expenses are included in Administration fees in the Statements of Comprehensive Income. Accounts payable of \$2,260,205 (April 30, 2016 - \$2,058,035) are due to Financial. Accounts Payable of 2,374,748 (April 30, 2016 - \$990,864) are due to Flex First in respect of government grants received from the ESDC that are due to Flex First.

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.

## **11. Investment counsel fees**

Investment counsel fees, which are paid to the Plan's third party investment managers, are calculated as a percentage of the total fair value of the Plan's investment portfolio and during the current and prior years ranged from 0.45% to 0.02%, including the potential performance based fee, on a graduated scale. Investment counsel fees paid for the year ended October 31, 2016, excluding the performance based fee, amounted to 0.1195% (0.116% as at April 30, 2016) of the total fair market value of the investment portfolio in the Plan.

One investment manager is eligible to qualify for a performance-based fee of up to 0.125% of the fair value of the assets managed by that manager dependent upon the performance of the investments under its management during any calendar year. This performance-based fee is included in the preceding range of investment counsel fees and is determined on a calendar year basis. This investment manager did not qualify for this performance-based fee during the period ended October 31, 2016 (\$0 for the year ended April 30, 2016).