

Knowledge First Financial
Family Single Student Education Savings Plan
(Education savings program provided by Knowledge First Foundation)

Financial Statements

For the six months ended June 30, 2018

Unaudited semi-annual financial statements

The auditor has not reviewed the Plan's June 30, 2018 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.

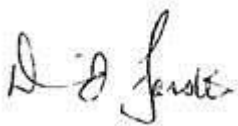
**FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN
STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

As at June 30, 2018 and December 31, 2017

All amounts in Canadian Dollars

	June 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash	21,260,780	18,259,574
Investments (Note 5)	87,960,464	87,364,099
Receivables for Investments Sold	1,739,806	-
Government grants receivable	-	35,869
Interest receivable	319,943	334,636
	<u>111,280,993</u>	<u>105,994,178</u>
Liabilities		
Current Liabilities		
Grant Payable	58,957	-
Payable for Investments Purchased	1,754,203	-
Principal Payable to Subscribers	14,965,566	17,076,864
Accounts payable and other liabilities (Notes 7 and 8)	834,492	981,605
	<u>17,613,218</u>	<u>18,058,469</u>
Net assets attributable to subscribers and beneficiaries (Note 6)	<u>93,667,775</u>	<u>87,935,709</u>

Approved by the Board of Directors of Knowledge First Foundation



Director



Director

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

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

For the six months ended June 30, 2018 and 2017

All amounts in Canadian Dollars

	2018	2017
Income		
Interest income	1,141,850	831,024
Other income	1,586	-
Other changes in fair value of investments:		
Net realized gains (losses) on investments	(269,739)	159,026
Net change in unrealized gains or (losses) on investments	(248,741)	462,164
Total income (net)	624,956	1,452,214
Expenses		
Administration fees (Note 8)	238,289	197,284
Investment counsel fees (Note 9)	85,721	52,290
Custodian fees	8,493	8,127
Independent review committee fees	1,715	810
Total expenses	334,218	258,511
Increase (decrease) in net assets attributable to subscribers and beneficiaries	290,738	1,193,703

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

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

For the six months ended June 30, 2018 and 2017

All amounts in Canadian Dollars

	2018	2017
Net assets attributable to subscribers and beneficiaries, beginning of period	87,935,709	70,732,736
Subscribers' contributions (Note 6)		
Contributions	11,710,781	14,774,298
Return of contributions	(6,989,048)	(7,408,764)
	4,721,733	7,365,534
Government grants (Note 6)		
Government grant contributions	254,872	226,803
Government grant repayments and transfers	2,388,459	3,321,815
Government grant payments to beneficiaries	(2,449,444)	(2,087,770)
	193,887	1,460,848
Accumulated income (Note 6)		
Increase in net assets attributable to subscribers and beneficiaries	290,738	1,193,703
Education Assistance Payments	(5,227,591)	(4,739,565)
Payments of government grant income to beneficiaries	(1,582,598)	(1,208,758)
Payments of government grant income to educational institutions	(11,761)	(9,246)
Funds transferred in, net	7,347,658	9,153,763
	816,446	4,389,897
Net assets attributable to subscribers and beneficiaries, end of period	93,667,775	83,949,015

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

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

For the six months ended June 30, 2018 and 2017

All amounts in Canadian Dollars

	2018	2017
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to subscribers and beneficiaries	290,738	1,193,703
Adjustments for:		
Net realized losses on investments	269,739	(159,026)
Net change in unrealized losses on investments	248,741	(462,164)
Amortization of bond discounts and premiums	239,792	205,049
Purchases of investments	(51,233,857)	(127,628,239)
Proceeds from sale or maturity of investments	49,893,617	128,602,679
Interest receivable	14,693	14,469
Accounts payable and other liabilities	(175,868)	241,527
Net cash used in operating activities	(452,405)	2,007,998
Cash flows from (used in) in financing activities		
Subscribers' contributions	11,710,781	14,774,298
Return of subscribers' contributions	(9,100,346)	(8,804,106)
Government grant receipts	290,741	226,803
Government grant repayments and transfers	2,447,416	3,289,613
Government grant payments to beneficiaries	(2,449,444)	(2,087,770)
Income payments to beneficiaries:		
Education Assistance Payments	(5,227,591)	(4,739,565)
Government Grants	(1,582,598)	(1,208,758)
Funds transferred out	(698,567)	(555,588)
Funds transferred in	8,046,225	9,709,351
Income payments to educational institutions from government grants	16,994	15,138
Net cash from financing activities	3,453,611	10,589,140
Net increase in cash and cash equivalents	3,001,206	12,597,138
Cash and cash equivalents, beginning of period	18,259,574	4,821,439
Cash and cash equivalents, end of period	21,260,780	17,418,577

Supplementary Information *

Interest received

1,379,945

1,028,547

* Included in operating activities

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

**FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN
SCHEDULE OF INVESTMENT PORTOLIO (UNAUDITED)**

As at June 30, 2018

All amounts in Canadian Dollars

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
FEDERAL (27.5%)					
CANADA HOUSING TRUST	1.93%	2021-09-15	2,550,000	2,576,393	2,576,766
CANADA HOUSING TRUST	3.35%	2020-12-15	5,425,000	5,652,679	5,585,141
CANADA HOUSING TRUST	2.65%	2028-03-15	3,401,000	3,395,237	3,426,908
CANADA HOUSING TRUST	2.40%	2022-12-15	3,375,000	3,416,319	3,383,312
GOVERNMENT OF CANADA	0.50%	2019-02-01	165,000	164,103	163,992
GOVERNMENT OF CANADA	1.00%	2027-06-01	2,451,000	2,200,710	2,222,318
GOVERNMENT OF CANADA	2.75%	2048-12-01	2,214,000	2,470,505	2,481,783
GOVERNMENT OF CANADA	5.75%	2029-06-01	302,000	389,138	406,145
GOVERNMENT OF CANADA	4.00%	2041-06-01	7,000	9,001	9,224
EXPORT DEVELOPMNT CANADA	1.80%	2022-09-01	140,000	139,836	137,397
FARM CREDIT CANADA	4.30%	2020-10-05	612,000	621,085	640,660
MILIT-AIR INC	5.75%	2019-06-30	345,659	354,415	354,209
PSP CAPITAL INC	3.03%	2020-10-22	935,000	945,679	952,328
PSP CAPITAL INC	3.29%	2024-04-04	260,000	259,943	269,153
ROYAL OFFICE FINANCE LP	5.21%	2032-11-12	1,495,000	1,489,501	1,611,461
				24,084,544	24,220,797
PROVINCIAL (67.6%)					
55 SCHOOL BOARD TRUST	5.90%	2033-06-02	414,000	516,426	542,735
HOSPITAL SICK CHILDREN/T	3.42%	2057-12-07	310,000	310,000	309,562
HYDRO-QUEBEC	6.00%	2040-02-15	353,000	427,098	520,870
MCGILL UNIV HEALTH CENTE	5.36%	2043-12-31	470,000	569,463	615,630
MCGILL UNIVERSITY	3.98%	2056-01-29	205,000	205,000	231,799
NEW BRUNSWICK FM PROJECT	6.47%	2027-11-30	289,036	305,163	336,820
ONT SCHOOL BOARDS FIN CP	4.79%	2030-08-08	83,685	88,191	90,666
PRINCE EDWARD ISLAND	5.70%	2035-06-15	110,000	125,745	144,166
PROVINCE OF ALBERTA	3.30%	2046-12-01	107,000	113,390	113,149
PROVINCE OF ALBERTA	3.90%	2033-12-01	1,058,000	1,099,128	1,181,234
PROVINCE OF BRITISH COLUMBIA	3.20%	2044-06-18	456,000	435,347	480,898
PROVINCE OF BRITISH COLUMBIA	6.35%	2031-06-18	950,000	1,282,165	1,312,745
PROVINCE OF NEW BRUNSWICK	3.10%	2048-08-14	33,000	33,348	32,552
PROVINCE OF NEWFOUNDLAND	3.00%	2026-06-02	900,000	926,396	909,305
PROVINCE OF NEWFOUNDLAND	3.70%	2048-10-17	100,000	109,516	110,064
PROVINCE OF NOVA SCOTIA	4.10%	2021-06-01	820,000	873,584	861,571
PROVINCE OF ONTARIO	2.60%	2027-06-02	7,730,000	7,535,302	7,599,637
PROVINCE OF ONTARIO	1.95%	2023-01-27	175,000	175,374	171,317
PROVINCE OF ONTARIO	3.45%	2045-06-02	5,450,000	5,835,433	5,881,003
PROVINCE OF ONTARIO	6.20%	2031-06-02	54,000	73,223	72,910

PROVINCE OF ONTARIO	3.50%	2024-06-02	2,037,000	2,128,194	2,134,744
PROVINCE OF ONTARIO	2.60%	2025-06-02	7,550,000	7,666,337	7,509,642
PROVINCE OF ONTARIO	3.15%	2022-06-02	1,809,000	1,847,998	1,857,970
PROVINCE OF ONTARIO	3.50%	2043-06-02	537,000	528,660	582,343
PROVINCE OF ONTARIO	4.70%	2037-06-02	176,000	219,015	219,092
PROVINCE OF ONTARIO	4.20%	2020-06-02	3,400,000	3,590,633	3,531,576
PROVINCE OF ONTARIO	5.60%	2035-06-02	48,000	63,651	64,596
PROVINCE OF ONTARIO	2.80%	2048-06-02	1,027,000	962,894	986,403
PROVINCE OF ONTARIO	2.90%	2046-12-02	3,598,000	3,494,047	3,517,895
PROVINCE OF ONTARIO	2.85%	2023-06-02	3,211,000	3,198,090	3,258,975
PROVINCE OF QUEBEC	1.65%	2022-03-03	479,000	478,651	468,403
PROVINCE OF QUEBEC	2.60%	2025-07-06	1,758,000	1,754,203	1,754,239
PROVINCE OF QUEBEC	5.75%	2036-12-01	495,000	686,241	690,080
PROVINCE OF QUEBEC	3.50%	2022-12-01	3,000,000	3,127,052	3,131,353
PROVINCE OF QUEBEC	3.50%	2048-12-01	3,000	3,151	3,324
PROVINCE OF QUEBEC	3.75%	2024-09-01	1,765,000	1,913,249	1,879,711
PROVINCE OF QUEBEC	4.50%	2019-12-01	1,762,000	1,826,684	1,823,460
PROVINCE OF QUEBEC	8.50%	2026-04-01	1,200,000	1,695,451	1,676,371
PROVINCE OF QUEBEC	3.50%	2045-12-01	1,242,000	1,326,652	1,363,874
PROVINCE OF SASKATCHEWAN	3.90%	2045-06-02	500,000	591,313	583,235
SINAI HEALTH SYSTEM	3.53%	2056-06-09	214,000	214,000	209,055
TCHC ISSUER TRUST	5.40%	2040-02-22	85,000	101,068	110,857
UNIV OF WESTERN ONTARIO	3.39%	2057-12-04	42,000	42,000	41,911
UNIV OF WESTERN ONTARIO	4.80%	2047-05-24	210,000	249,455	261,110
UNIVERSITY OF OTTAWA	3.26%	2056-10-12	95,000	95,000	92,526
YORK UNIVERSITY	4.46%	2054-02-26	147,000	147,000	176,503
				<u>58,989,981</u>	<u>59,447,881</u>

MUNICIPAL (4.8%)

CITY OF LAVAL	3.30%	2022-03-07	44,000	45,477	45,036
CITY OF LAVAL	2.75%	2027-01-25	368,000	367,118	359,381
CITY OF LAVAL	2.35%	2026-10-13	134,000	129,905	127,237
CITY OF MONTREAL	3.50%	2024-09-01	801,000	833,826	833,797
CITY OF TERREBONNE	2.95%	2026-12-21	144,000	143,733	142,105
CITY OF TORONTO CANADA	4.70%	2041-06-10	500,000	567,164	619,094
FIRST NATIONS FINAN AUTH	3.40%	2024-06-26	315,000	327,069	324,500
MUSKOKA DISTRICT MUNICIPALITY	2.95%	2030-11-27	100,000	99,586	97,356
MUSKOKA DISTRICT MUNICIPALITY	3.00%	2031-11-27	100,000	99,615	97,512
MUSKOKA DISTRICT MUNICIPALITY	3.05%	2032-11-27	100,000	99,593	98,392
MUNICIPALITE ST-ISIDORE	2.80%	2027-04-05	221,000	217,808	213,550
QUEBEC CITY	1.70%	2022-04-05	297,000	289,988	286,433
QUEBEC CITY	2.95%	2025-10-06	280,000	284,548	278,415
QUEBEC CITY	2.60%	2025-03-03	196,000	195,275	191,370
QUEBEC CITY	3.15%	2025-12-08	84,000	86,463	84,492
QUEBEC CITY	2.60%	2027-04-05	88,000	86,674	84,515
QUEBEC CITY	2.50%	2026-10-05	375,000	370,644	358,736
				<u>4,244,486</u>	<u>4,241,921</u>

SHORT TERM SECURITIES (0.1%)					
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2018-09-20	50,000	<u>49,861</u>	<u>49,865</u>
				<u>49,861</u>	<u>49,865</u>
TOTAL INVESTMENTS				<u>87,368,872</u>	<u>87,960,464</u>

FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2018

All amounts in Canadian Dollars

1. General information

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

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

Subscribers to the Plan make periodic deposits into the Plan, net of enrolment fees, insurance premiums, depository fees and service charges charged to each subscriber. The income earned on subscriber 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. All or a portion of the income may be paid to the subscriber as an accumulated income payment. 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 short-term investments.

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

The financial statements were authorized for issue by the Board of Directors of the Foundation on August 29, 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 debt securities, which have been designated at FVTPL. All other financial assets and liabilities, including interest receivable, amounts receivable for investments sold, government grants receivable, other receivables, amounts payable for securities purchased, principal payable to subscribers and accounts payable and other liabilities, are measured at amortized cost. The Plan's obligation for net assets attributable to subscribers and beneficiaries is presented at the distribution amount, which is the residual amount of assets of the Plan after deducting all of its liabilities.

Fair value measurement

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

Funds transferred in, net

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

Income recognition, transaction costs and expenses

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

Impairment of financial assets

At each reporting date, the Plan assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Plan recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Foreign currency

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

Cash

Cash is comprised of demand deposits with financial institutions.

Net Assets Attributable to Subscribers and Beneficiaries

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

Subscribers' contributions are comprised of deposits received from subscribers, after deductions for various fees, and do not include amounts receivable on outstanding agreements, as subscribers may terminate their plans at any time. Knowledge First Financial deducts the applicable enrolment fees, insurance premiums, and depository and service charges from the deposits made from subscribers and the net amount is invested in the Plan. During the life of an agreement, subscribers may choose to change the level of their contributions.

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

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

Taxation

The income on Subscribers' 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 or their designated nominees.

Interests in Unconsolidated Structured Entities

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

Fair Value Reserve

The fair value reserve reported in the net assets attributable to subscribers and beneficiaries includes the net unrealized gains (losses) on investments and the net unamortized realized gains (losses). Realized gains and losses are transferred to the EAP Account and Income from government grants over a five year period in proportion to the balances in those accounts at the time of allocation. Refer to Note 6 for a continuity of the Fair Value Reserve.

Accounting standards issued

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 noted no measurement impact on the net assets attributable to subscribers and beneficiaries.

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 securities.

5. Financial Instruments Risks

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

Credit risk

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

The fair value of debt investments includes consideration of the credit worthiness of the debt issuer. The carrying amount of cash, receivables and debt investments represents the maximum credit risk exposure as at June 30, 2018 and December 31, 2017. The analysis below summarizes the credit quality of the Plan's debt portfolio as at June 30, 2018 and December 31, 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	June 30, 2018	December 31, 2017
"AAA"	27.6	34.5
"AA"	9.5	8.0
"A"	62.5	57.5
"NR"	0.4	-
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' contributions and government grant balances as subscribers can cancel or terminate their agreement at any time at which point the full balance would become immediately payable to the subscribers or the government. The Plan is also exposed to agreement maturities and obligations with respect to the accumulated income account. Therefore, the Plan invests the majority of its assets in investments that are traded in an active market and can be easily liquidated. In addition, the Plan endeavours to retain adequate cash positions to maintain adequate liquidity.

Maturity Profile

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

If a subscriber cancels an agreement, subscriber's principal and associated government contributions are due upon demand. Income on the subscribers' principal and returned government grants become immediately payable to the subscriber or to a qualified educational institution, as applicable. All other liabilities of the Plan are due within three months.

Concentration Risk

The table below summarizes this Plan's concentration risk as a percentage of investments as at June 30, 2018 and December 31, 2017.

Percentage of Investments (%) As at		
Concentration	June 30, 2018	December 31, 2017
Federal Bonds	27.5	33.1
Provincial Bonds	67.6	59.2
Municipal Bonds	4.8	3.5
Short Term Investments	0.1	4.2
Total	100.0	100.0

Market risk

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

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plan holds securities with fixed interest rates that expose the Plan to fair value interest rate risk. As at June 30, 2018, 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 \$1.8 million (approximately 2.0% of the total investment portfolio) (December 31, 2017 - \$1.7 million, approximately 1.9% 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 June 30, 2018 and December 31, 2017, by remaining term to maturity.

June 30, 2018	Within 1 year	From 1 to 5 years	Over 5 years	Total
Short term investments	49,865	-	-	49,865
Government guaranteed instruments				
Federal	518,201	13,275,604	10,426,992	24,220,797
Provincial	-	15,104,625	44,343,256	59,447,881
Municipal	-	331,469	3,910,452	4,241,921
	568,066	28,711,698	58,680,700	87,960,464
Percentage of total	0.7%	32.6%	66.7%	100.0%

December 31, 2017	Within 1 year	From 1 to 5 years	Over 5 years	Total
Short term investments	3,707,766	-	-	3,707,766
Government guaranteed instruments				
Federal	-	18,845,995	10,017,425	28,863,420
Provincial	-	13,278,550	38,426,086	51,704,636
Municipal	-	334,127	2,754,150	3,088,277
	3,707,766	32,458,672	51,197,661	87,364,099
Percentage of total	4.2%	37.2%	58.6%	100.0%

b) Other price risk

The Plan is exposed to other price risk, which is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Financial instruments held by the Plan are susceptible to market price risk arising from uncertainties about future prices of those instruments. Market prices of these instruments are predominantly a function of interest rate movements and changes in the market's perceived credit risks applicable to non-federal government securities. The maximum risk resulting from financial instruments held by the Plan is equivalent to their fair value. The investment manager manages this risk through the selection of securities within the parameters of the investment strategy. As at June 30, 2018 and December 31, 2017, the Plan had no significant exposure to other price risk as it did not hold equities.

Capital risk management

The capital of the Plan is represented by the net assets attributable to subscribers and beneficiaries. The capital of the Plan can change on a daily basis as the Plan is subject to ongoing contributions 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' 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 June 30, 2018 and December 31, 2017.

As of June 30, 2018	Level 1	Level 2	Level 3	Total
Short-term investments	-	49,865	-	49,865
Government guaranteed instruments				
Federal	-	24,220,797	-	24,220,797
Provincial	-	59,447,881	-	59,447,880
Municipal	-	4,241,921	-	4,241,921
Investments at fair value	-	87,960,464	-	87,960,464

As of December 31, 2017	Level 1	Level 2	Level 3	Total
Short-term investments	-	3,707,766	-	3,707,766
Government guaranteed instruments				
Federal	-	28,863,420	-	28,863,420
Provincial	-	51,704,636	-	51,704,636
Municipal	-	3,088,277	-	3,088,277
Investments at fair value	-	87,364,099	-	87,364,099

All fair value measurements above are recurring. The carrying values of receivable for investments sold, government grant receivable, interest receivable, other receivables, payable for investments purchased, principal payable to subscribers and accounts payable and other liabilities and the Plan's obligation for net assets attributable to subscribers and beneficiaries approximate their fair value due to their short-term nature. There were no transfers between levels during the periods ended June 30, 2018 and December 31, 2017 or Level 3 securities held as at June 30, 2018 and December 31, 2017.

6. Net assets attributable to subscribers and beneficiaries

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

	As at	
	June 30, 2018	December 31, 2017
Subscribers' contributions, net of returns	28,002,358	23,280,625
Government grants	17,341,605	17,147,715
Accumulated income		
Education assistance payment account	14,421,377	11,749,603
Income from government grants	10,718,966	10,528,221
Foundation education assistance payment account	22,762,233	24,360,385
Fair value reserve	421,236	869,160
Balance – End of period	93,667,775	87,935,709

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

	Period ended	
	June 30, 2018	June 30, 2017
Subscribers' deposits	11,765,786	14,865,158
Insurance premiums deducted	(10,286)	(10,905)
Enrolment fee deducted	(22,832)	(51,757)
Return of contributions	(6,989,048)	(7,408,764)
Depository fees and service charges deducted	(21,887)	(28,198)
Net increase (decrease) in Subscribers' contributions	4,721,733	7,365,534
Balance – Beginning of period	23,280,625	21,154,383
Balance – End of period	28,002,358	28,519,917

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

	Period ended	
	June 30, 2018	June 30, 2017
Change in unrealized gains (losses)	(248,741)	462,164
Realized gains (losses)	(269,739)	159,026
Allocation of realized gains and losses	70,556	(121,877)
Net increase (decrease) in fair value reserve	(447,924)	499,313
Balance – Beginning of period	869,160	1,365,877
Balance – End of period	421,236	1,865,190

Fair value reserve is comprised of the following:

	As at	
	June 30, 2018	December 31, 2017
Unrealized gains (losses) on investments	591,593	840,334
Realized gains (losses) on investments	5,536,344	5,806,083
Allocation of realized gains and losses on investments	(5,706,701)	(5,777,257)
Balance – End of period	421,236	869,160

7. Accounts payable and other liabilities

Included in accounts payable and other liabilities is \$675,388 (December 31, 2017 - \$506,084) payable to subscribers for stale dated cheques for which the subscriber has not requested the funds to be reissued. Also included in accounts payable and other liabilities is forfeited grant income from terminated agreements that will be paid out to a designated educational institution and second and third Education Assistance Payments, which have been deferred by students to a later date when they may qualify to receive such payments.

8. Related party transactions

The Foundation is the sponsor of the Plan. The general administration of the Plan is carried out on behalf of the Foundation by its wholly owned subsidiary, Knowledge First Financial, and includes processing and call centre services related to new agreements, payments, government grants, plan modifications, terminations, maturities and EAPs. Under a fund management agreement dated May 1, 2013, in consideration for its administrative services (inclusive of audit fees), Knowledge First Financial is entitled to receive from the Plan an annual fee of up to 0.5% of all funds on deposit related to the Plan, insurance administration-related fees, and special processing fees involving one-time fees for specific transactions. Accounts payable and other liabilities includes \$107,338 (December 31, 2017 - \$432,567) due to Knowledge First Financial relating to Administration fees and subscriber fees received by the Plan on behalf of Knowledge First Financial. The Plan also pays remuneration to members of the Independent Review Committee which are included in Independent Review Committee Fees in the Statements of Comprehensive Income.

9. Investment counsel fees

Investment counsel fees, which are paid to the Plan's third party investment manager, are calculated as a percentage of the total fair value of the Plan's investment portfolio and during the current and prior years ranged from 0.08% to 0.089%. Investment counsel fees paid for the year amounted to 0.089% (0.08% as at December 31, 2017) of the total fair value of the investment portfolio in the Plan.