

Knowledge First Financial

Family Single Student Education Savings Plan

(Education savings program provided by Knowledge First Foundation)

Financial Statements

For the year ended December 31, 2018, the period from May 1, 2017 to December 31, 2017 and the year ended April 30, 2017

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Family Single Student Education Savings Plan (the Plan) have been prepared by management and approved by the Board of Directors of Knowledge First Foundation. The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities.

Knowledge First Foundation, through Knowledge First Financial Inc., its wholly owned subsidiary which administers the Plan, maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgements. The significant accounting policies, which management believe are appropriate for the Plan are described in Note 3 to the financial statements.

PricewaterhouseCoopers LLP is the independent auditor of the Plan. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Directors of Knowledge First Foundation their opinion on the financial statements. Their report follows.



R. George Hopkinson
President and Chief Executive Officer
Mississauga, Ontario
March 20, 2019



Independent auditor's report

To the Board of Directors of Knowledge First Foundation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Family Single Student Education Savings Plan (the Plan) as at December 31, 2018, December 31, 2017 and April 30, 2017 and its financial performance and its cash flows for the year ended December 31, 2018, the period from May 1, 2017 to December 31, 2017 and the year ended April 30, 2017 in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Plan's financial statements comprise:

- the statements of financial position as at December 31, 2018, December 31, 2017 and April 30, 2017;
 - the statements of comprehensive income for the year ended December 31, 2018, the period from May 1, 2017 to December 31, 2017 and the year ended April 30, 2017;
 - the statements of changes in net assets attributable to subscribers and beneficiaries for the year ended December 31, 2018, the period from May 1, 2017 to December 31, 2017 and the year ended April 30, 2017;
 - the statements of cash flows for the year ended December 31, 2018, the period from May 1, 2017 to December 31, 2017 and the year ended April 30, 2017; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
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Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 20, 2019

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

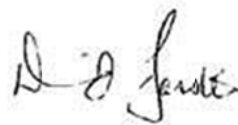
As at December 31, 2018, December 31, 2017 and April 30, 2017
All amounts in Canadian dollars

	December 31, 2018	December 31, 2017	April 30, 2017
Assets			
Current Assets			
Cash	11,665,475	18,259,574	7,282,227
Investments (Note 5)	113,913,858	87,364,099	72,510,831
Government grants receivable	-	35,869	20,542
Interest receivable	400,352	334,636	677,104
	<u>125,979,685</u>	<u>105,994,178</u>	<u>80,490,704</u>
Liabilities			
Current Liabilities			
Grants payable	13,750	-	-
Principal payable to subscribers	24,201,069	17,076,864	5,834,876
Accounts payable and other liabilities (Notes 7 and 8)	887,485	981,605	921,703
	<u>25,102,304</u>	<u>18,058,469</u>	<u>6,756,579</u>
Net assets attributable to subscribers and beneficiaries (Note 6)	<u>100,877,381</u>	<u>87,935,709</u>	<u>73,734,125</u>

Approved by the Board of Directors of Knowledge First Foundation



_____, Director
Don Hunter



_____, Director
David Forster

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

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

For the year ended December 31, 2018, the period from May 1, 2017 to December 31, 2017 and the year ended April 30, 2017

All amounts in Canadian dollars

	Year ended December 31, 2018	Period ended December 31, 2017	Year ended April 30, 2017
Income			
Interest income	2,502,319	1,197,957	1,623,308
Other income	1,325	135	-
Other changes in fair value of investments:			
Net realized gains (losses) on investments	(478,233)	(448,096)	(50,480)
Net change in unrealized gains or (losses) on investments	(199,725)	(1,240,186)	(331,031)
Total income (net)	1,825,686	(490,190)	1,241,797
Expenses			
Administration fees (Note 8)	504,039	294,026	375,665
Investment counsel fees (Note 9)	168,241	71,931	105,691
Custodian fees	15,749	10,694	16,221
Independent review committee fees	2,824	2,077	1,696
Total expenses	690,853	378,728	499,273
Increase (decrease) in net assets attributable to subscribers and beneficiaries	1,134,833	(868,918)	742,524

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

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

For the year ended December 31, 2018, the period from May 1, 2017 to
December 31, 2017 and the year ended April 30, 2017

All amounts in Canadian dollars

	Year ended December 31, 2018	Period ended December 31, 2017	Year ended April 30, 2017
Net assets attributable to subscribers and beneficiaries, beginning of period	87,935,709	73,734,125	66,108,641
Subscribers' contributions (Note 6)			
Contributions	42,400,810	33,960,021	34,625,774
Return of contributions	(42,983,630)	(34,243,610)	(34,219,374)
	(582,820)	(283,589)	406,400
Government grants (Note 6)			
Government grant contributions	417,879	356,026	410,923
Government grant repayments and transfers	11,079,940	10,056,673	7,023,081
Government grant payments to beneficiaries	(7,800,652)	(5,353,377)	(6,080,317)
	3,697,167	5,059,322	1,353,687
Accumulated income (Note 6)			
Increase in net assets attributable to subscribers and beneficiaries	1,134,833	(868,918)	742,524
Education Assistance Payments	(16,700,527)	(11,530,065)	(13,106,728)
Payments of government grant income to beneficiaries	(4,758,681)	(2,928,510)	(3,135,118)
Payments of government grant income to educational institutions	(81,201)	(41,251)	(15,068)
Income transferred (out)/in, net	30,232,901	24,794,595	21,379,787
	9,827,325	9,425,851	5,865,397
Net assets attributable to subscribers and beneficiaries, end of period	100,877,381	87,935,709	73,734,125

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

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

For the year ended December 31, 2018, the period from May 1, 2017 to December 31, 2017 and the year ended April 30, 2017

All amounts in Canadian dollars

	Year ended December 31, 2018	Period ended December 31, 2017	Year ended April 30, 2017
Cash flows from (used in) operating activities			
Increase (decrease) in net assets attributable to subscribers and beneficiaries	1,134,833	(868,918)	742,524
Adjustments for:			
Net realized losses on investments	478,233	448,096	50,480
Net change in unrealized losses on investments	199,725	1,240,186	331,031
Amortization of bond discounts and premiums	472,748	175,551	489,020
Purchases of investments	(160,083,108)	(203,429,149)	(324,125,171)
Proceeds from sale or maturity of investments	132,382,643	186,712,049	317,466,966
Interest receivable	(65,716)	342,468	67,569
Accounts payable and other liabilities	(132,652)	34,835	157,021
Net cash used in operating activities	(25,613,294)	(15,344,882)	(4,820,560)
Cash flows from (used in) in financing activities			
Subscribers' contributions	42,400,810	33,960,021	34,625,774
Return of subscribers' contributions	(35,859,425)	(23,001,622)	(34,363,078)
Government grant receipts	453,748	340,699	453,930
Government grant repayments and transfers	11,093,690	10,056,673	7,173,601
Government grant payments to beneficiaries	(7,800,652)	(5,353,377)	(6,080,317)
Income payments to beneficiaries:			
Education Assistance Payments	(16,700,527)	(11,530,065)	(13,106,728)
Government Grants	(4,758,681)	(2,928,510)	(3,285,638)
Funds transferred out	(1,366,321)	(850,894)	(1,085,917)
Funds transferred in	31,599,222	25,645,488	22,465,704
Income payments to educational institutions from government grants	(42,669)	(16,184)	(17,746)
Net cash from financing activities	19,019,195	26,322,229	6,779,585
Net increase in cash	(6,594,099)	10,977,347	1,959,025
Cash, beginning of period	18,259,574	7,282,227	5,323,202
Cash, end of period	11,665,475	18,259,574	7,282,227
Supplementary Information *			
Interest received	2,908,777	1,715,976	2,179,897

* Included in operating activities

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

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

As at December 31, 2018

All amounts in Canadian dollars

Bond Name	Coupon %	Maturity Date	Par Value \$	Cost \$	Market Value \$
FEDERAL (29.8%)					
GOVERNMENT OF CANADA	2.75%	2048-12-01	4,329,000	4,720,948	4,868,393
GOVERNMENT OF CANADA	2.00%	2028-06-01	133,000	129,958	133,406
GOVERNMENT OF CANADA	4.00%	2041-06-01	3,000	3,844	3,959
GOVERNMENT OF CANADA	2.75%	2022-06-01	9,044,000	9,245,566	9,304,196
CANADA HOUSING TRUST	3.35%	2020-12-15	5,125,000	5,297,304	5,258,250
CANADA HOUSING TRUST	2.40%	2022-12-15	3,375,000	3,412,073	3,397,916
CANADA HOUSING TRUST	2.46%	2021-09-15	6,093,000	6,146,546	6,147,898
CANADA HOUSING TRUST	2.65%	2028-03-15	1,100,000	1,102,481	1,112,397
EXPORT DEVELOPMENT CANADA	1.80%	2022-09-01	140,000	139,856	138,407
FARM CREDIT CANADA	4.30%	2020-10-05	612,000	619,135	635,703
MILIT-AIR INC	5.75%	2019-06-30	118,398	120,399	120,397
PSP CAPITAL INC	3.03%	2020-10-22	935,000	943,416	950,876
PSP CAPITAL INC	3.29%	2024-04-04	260,000	259,953	269,919
ROYAL OFFICE FIN LTD PARTNERSHIP	5.21%	2032-11-12	1,345,461	1,472,827	1,576,820
TOTAL FEDERAL				<u>33,614,306</u>	<u>33,918,537</u>
PROVINCIAL (65.3%)					
55 SCHOOL BOARD TRUST	5.90%	2033-06-02	414,000	513,884	534,081
HOSPITAL FOR SICK CHILDREN	3.42%	2057-12-07	310,000	310,000	296,986
HYDRO-QUEBEC	6.00%	2040-02-15	353,000	426,062	507,745
MCGILL UNIVERSITY	5.36%	2043-12-31	470,000	568,507	605,727
MCGILL UNIVERSITY	3.98%	2056-01-29	205,000	205,000	221,738
NEW BRUNSWICK FM PROJECT	6.47%	2027-11-30	277,786	292,861	321,235
ONT SCHOOL BOARDS FIN CP	4.79%	2030-08-08	81,201	85,478	87,071
ORNGE ISSUER TRUST	5.73%	2034-06-11	249,276	279,941	302,842
PRINCE EDWARD ISLAND	5.70%	2035-06-15	110,000	125,446	141,193
PROVINCE OF ALBERTA	3.30%	2046-12-01	357,000	364,232	357,232
PROVINCE OF ALBERTA	3.90%	2033-12-01	1,058,000	1,098,223	1,151,369
PROVINCE OF BRITISH COLUMBIA	6.35%	2031-06-18	950,000	1,271,758	1,294,252
PROVINCE OF BRITISH COLUMBIA	3.20%	2044-06-18	456,000	435,635	464,860
PROVINCE OF NEW BRUNSWICK	3.10%	2048-08-14	33,000	33,344	31,198
PROVINCE OF NEWFOUNDLAND	3.00%	2026-06-02	1,300,000	1,325,656	1,313,078
PROVINCE OF NEWFOUNDLAND	3.70%	2048-10-17	100,000	109,421	104,118

PROVINCE OF ONTARIO	4.00%	2021-06-02	820,000	846,437	855,112
PROVINCE OF ONTARIO	3.15%	2022-06-02	4,029,000	4,110,290	4,136,856
PROVINCE OF ONTARIO	3.50%	2043-06-02	537,000	528,816	564,328
PROVINCE OF ONTARIO	2.85%	2023-06-02	3,211,000	3,199,562	3,264,206
PROVINCE OF ONTARIO	3.45%	2045-06-02	5,950,000	6,350,677	6,214,478
PROVINCE OF ONTARIO	3.50%	2024-06-02	2,037,000	2,121,200	2,135,000
PROVINCE OF ONTARIO	2.90%	2046-12-02	3,598,000	3,495,494	3,398,959
PROVINCE OF ONTARIO	1.95%	2023-01-27	175,000	175,334	172,191
PROVINCE OF ONTARIO	2.40%	2026-06-02	7,724,000	7,440,458	7,559,479
PROVINCE OF ONTARIO	2.80%	2048-06-02	4,064,000	3,751,433	3,765,702
PROVINCE OF ONTARIO	2.60%	2027-06-02	2,584,000	2,528,141	2,548,341
PROVINCE OF ONTARIO	6.20%	2031-06-02	54,000	72,610	72,168
PROVINCE OF ONTARIO	5.60%	2035-06-02	4,896,000	6,405,375	6,443,112
PROVINCE OF ONTARIO	4.70%	2037-06-02	176,000	218,181	213,606
PROVINCE OF ONTARIO	4.20%	2020-06-02	5,600,000	5,802,444	5,768,448
PROVINCE OF QUEBEC	4.50%	2019-12-01	3,862,000	3,948,891	3,951,328
PROVINCE OF QUEBEC	3.50%	2022-12-01	3,439,000	3,566,348	3,586,017
PROVINCE OF QUEBEC	3.50%	2045-12-01	2,482,000	2,643,130	2,635,760
PROVINCE OF QUEBEC	3.75%	2024-09-01	1,765,000	1,901,967	1,879,425
PROVINCE OF QUEBEC	3.50%	2048-12-01	3,000	3,150	3,210
PROVINCE OF QUEBEC	2.50%	2026-09-01	1,595,000	1,557,190	1,576,610
PROVINCE OF QUEBEC	8.50%	2026-04-01	2,200,000	3,035,950	3,036,484
PROVINCE OF QUEBEC	5.75%	2036-12-01	495,000	682,378	672,359
PROVINCE OF QUEBEC	1.65%	2022-03-03	479,000	478,699	471,379
PROVINCE OF SASKATCHEWAN	3.90%	2045-06-02	750,000	869,127	834,608
SINAI HEALTH SYSTEM	3.53%	2056-06-09	214,000	214,000	207,694
TCHC ISSUER TRUST	5.40%	2040-02-22	85,000	100,833	107,076
UNIVERSITY OF OTTAWA	3.26%	2056-10-12	95,000	95,000	88,035
WESTERN UNIVERSITY	4.80%	2047-05-24	210,000	249,154	253,725
WESTERN UNIVERSITY	3.39%	2057-12-04	42,000	42,000	40,414
YORK UNIVERSITY	4.46%	2054-02-26	147,000	147,000	169,981
PROVINCIAL TOTAL				74,026,717	74,360,816
MUNICIPAL (4.7%)					
CITY OF LAVAL	3.30%	2022-03-07	44,000	45,284	45,005
CITY OF LAVAL	3.30%	2022-06-27	119,000	120,777	121,813
CITY OF LAVAL	2.35%	2026-10-13	134,000	130,127	128,020
CITY OF LAVAL	2.75%	2027-01-25	368,000	367,163	359,808
CITY OF LAVAL	2.75%	2022-10-24	500,000	498,897	502,495
CITY OF MONTREAL	2.75%	2026-09-01	500,000	489,092	492,515
CITY OF TORONTO	4.70%	2041-06-10	500,000	566,295	592,985
CITY OF TORONTO	2.40%	2027-06-07	365,000	346,478	348,670
FIRST NATIONS FINAN AUTH	3.40%	2024-06-26	315,000	326,133	325,162

HAMILTON CITY	3.00%	2024-10-01	850,000	849,452	853,579
MUSKOKA DISTRICT MUNICIPALITY	2.95%	2030-11-27	100,000	99,624	97,636
MUSKOKA DISTRICT MUNICIPALITY	3.00%	2031-11-27	100,000	99,651	97,805
MUSKOKA DISTRICT MUNICIPALITY	3.05%	2032-11-27	100,000	99,630	98,020
QUEBEC CITY	2.60%	2025-03-03	196,000	195,325	192,307
QUEBEC CITY	2.95%	2025-10-06	280,000	284,262	279,916
QUEBEC CITY	3.15%	2025-12-08	84,000	86,319	83,852
QUEBEC CITY	2.50%	2026-10-05	375,000	370,882	361,699
QUEBEC CITY	1.70%	2022-04-05	297,000	290,885	288,838
QUEBEC CITY	2.60%	2027-04-05	88,000	86,741	85,162
MUNICIPAL TOTAL				<u>5,353,017</u>	<u>5,355,287</u>
SHORT TERM SECURITIES (0.2%)					
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2019-03-07	230,000	229,325	229,331
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2019-02-21	50,000	49,885	49,887
TOTAL SHORT TERM SECURITIES				<u>279,210</u>	<u>279,218</u>
TOTAL INVESTMENTS				<u>113,273,250</u>	<u>113,913,858</u>

*Debt investments with no coupon rate are zero coupon securities.

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

As at December 31, 2018

All amounts in Canadian dollars

Year of Eligibility	Principal amounts*	Accumulated income **
2018 and prior	-	5,035,338
2019	383,692	1,133,103
2020	15,322,187	35,843,333
2021	1,919,618	648,333
2022	1,676,362	381,124
2023	1,173,065	352,478
2024	381,139	216,855
2025	331,008	157,954
2026	210,066	92,643
2027	192,585	87,223
2028	224,705	63,900
2029	234,914	48,225
2030 and thereafter	648,464	98,612
	<u>22,697,805</u>	<u>44,159,121</u>

* Reflects Subscribers' contributions (see notes 6 and 8)

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

Foundation Education Assistance Payment (FEAP) Account	31,357,783
Education Assistance Payment (EAP) Account	12,801,338
	<u>44,159,121</u>

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

December 31, 2018, December 31, 2017 and April 30, 2017

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 subscriber (Subscriber) 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 Plan changed its financial year-end in the prior year from April 30 to December 31. The Statements of Financial Position are as at December 31, 2018, December 31, 2017 and April 30, 2017 and the Statements of Comprehensive Income, Changes in Net Assets Attributable to Subscribers and Beneficiaries and Cash Flows are for the year ended December 31, 2018, the period from May 1, 2017 to December 31, 2017 and for the year ended April 30, 2017.

The financial statements were authorized for issue by the Board of Directors of the Foundation on March 20, 2019.

2. Basis of accounting

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"). 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.

Transition to IFRS 9

Effective January 1, 2018, the Plan adopted IFRS 9 "Financial Instruments". The new standard addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39. It requires financial assets to be classified as amortized cost, fair value, with changes in fair value recognized in profit and loss (FVTPL) or fair value through other comprehensive

income (FVOCI) based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

The adoption of IFRS 9 has been applied retrospectively by the Plan and did not result in a change to the measurement of financial instruments, in either the current or the comparative period. Upon transition to IFRS 9, the Plan's investments previously classified as FVTPL under IAS 39 continued to be categorized as fair value through profit and loss. Financial assets and liabilities previously measured at amortized cost under IAS 39 continue to be measured at amortized cost. There was no material impact on adoption from the application of the new impairment model.

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 classified as fair value through profit or loss (FVTPL), including its investments in equities, ETFs and debt securities. 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 Plan 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. The fair value of financial assets and liabilities that are not quoted in an active market is determined using valuation techniques. The use of valuation techniques for financial instruments that are not quoted in an active market requires the Manager to make assumptions that are based on market conditions existing as at the date of the financial statements. Changes in these assumptions as a result of changes in market conditions could affect the reported fair value of financial instruments.

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 debt securities.

Impairment of financial assets

IFRS 9 requires that an entity recognize a loss allowance for expected credit losses on financial assets which are measured at amortized cost. With respect to financial assets at amortized cost, the Plan considers both historical analysis and forward-looking information in determining any expected credit loss. As at the financial statement dates, all loans and receivables are due to be settled within the short term. The Plan considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligation in the near term. Given the limited exposure of the Plan to credit risk, no loss allowance has been recognized as any such impairment will not have a significant impact on the financial statements.

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.

Change in Accounting Policy**Fair Value Reserve**

Effective September 1, 2018, the Plan changed the way realized and unrealized gains or losses in respect of debt securities were allocated to net assets attributable to subscribers and beneficiaries. Due to this change, the Plan's Fair Value Reserve was eliminated as of that date. There was no net impact to the total balance of net assets attributable to subscribers and beneficiaries as a result of this change.

Prior to this change, the fair value reserve included in net assets attributable to subscribers and beneficiaries represented the net unrealized gains (losses) on debt investments and the net unamortized debt realized gains (losses). Fixed-income realized gains and losses were 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 were transferred to the EAP Account, Income from government grants, and the Income Account monthly in proportion to the balances in those accounts at the time of allocation. Effective September 1, 2018, all realized and unrealized gains/losses on investments are allocated in the month in which they are earned.

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 financial instruments

In classifying and measuring financial instruments held by the Plan, the Manager is required to make significant judgments in determining the most appropriate classification in accordance with IFRS 9. In making this judgment, the Manager has assessed the Plan's business model for managing the portfolio and the contractual cash flow characteristics and determined the investments are managed on a fair value basis, and that fair value is used to assess performance and make investment decisions. The contractual cash flows of the Plan's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Plan's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

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 financial institutions. 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 December 31, 2018, December 31, 2017 and April 30, 2017. The analysis below summarizes the credit quality of the Plan's debt portfolio as at December 31, 2018, December 31, 2017 and April 30, 2017. Credit ratings are obtained from Standard & Poor's, Moody's and DBRS. Where one or more rating is obtained for a security, the lowest rating has been used.

Credit Rating	Percentage of Debt Investments (%)		
	As at		
	December 31, 2018	December 31, 2017	April 30, 2017
“AAA”	31.4	34.5	38.7
“AA”	21.4	8.0	8.0
“A”	46.0	57.5	53.3
“NR”	1.2	0.00	0.00
Total	100.0	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 accounts. Therefore, the Plan invests the majority of its assets in investments that are traded in an active market and can be easily liquidated. In addition, the Plan endeavours to retain adequate cash positions to maintain adequate liquidity.

Maturity Profile

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

If a subscriber cancels an agreement, subscriber’s principal and associated government contributions are due upon demand. Income on the subscriber’s principal and returned government grants become immediately payable to the subscriber or to 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 December 31, 2018, December 31, 2017 and April 30, 2017

Concentration	Percentage of Investments (%)		
	As at		
	December 31, 2018	December 31, 2017	April 30, 2017
Federal Bonds	29.8	33.1	35.0
Provincial Bonds	65.3	59.2	53.8
Municipal Bonds	4.7	3.5	1.8
Short Term Investments	0.2	4.2	9.4
Total	100.0	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. The Plan manages interest rate risk through our portfolio managers by diversifying in various investments, as well as through investment committee oversight.

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 December 31, 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 \$2.2 million (approximately 2.0% of the total investment portfolio) (December 31, 2017 - \$1.7 million (approximately 1.9% of the total investment portfolio) (April 30, 2017 - \$1.2 million, approximately 1.7% of the total investment portfolio).

The table below summarizes the Plan's exposure to interest rate risk as at December 31, 2018, December 31, 2017 and April 30, 2017, by remaining term to maturity.

December 31, 2018	Within 1 year	From 1 to 5 years	Over 5 years	Total
Short term investments	279,218	-	-	279,218
Government guaranteed instruments				
Federal	120,397	25,833,246	7,964,894	33,918,537
Provincial	3,951,328	18,254,209	52,155,279	74,360,816
Municipal	-	958,151	4,397,136	5,355,287
Total	4,350,943	45,045,606	64,517,309	113,913,858
Percentage of total	3.8%	39.6%	56.6%	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%

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

b) 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 December 31, 2018, December 31, 2017 and April 30, 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 December 31, 2018, December 31, 2017 and April 30, 2017.

As of December 31, 2018	Level 1	Level 2	Level 3	Total
Short-term investments	-	279,218	-	279,218
Government guaranteed instruments				
Federal	-	33,918,537	-	33,918,537
Provincial	-	74,360,816	-	74,360,816
Municipal	-	5,355,287	-	5,355,287
Investments at fair value	-	113,913,858	-	113,913,858

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

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

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 December 31, 2018, December 31, 2017 and April 30, 2017 or Level 3 securities held as at December 31, 2018, December 31, 2017 and April 30, 2017.

6. Net assets attributable to subscribers and beneficiaries

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

	As at		
	December 31, 2018	December 31, 2017 (restated)	April 30, 2017 (restated)
Subscribers' contributions, net of returns	22,697,805	23,280,625	23,564,214
Government grants	20,844,882	17,147,715	12,088,393
Accumulated income			
Education assistance payment account	12,801,338	12,208,009	12,561,256
Income from government grants	13,175,573	10,938,975	7,640,771
Foundation education assistance payment account	31,357,783	24,360,385	17,879,491
Balance – End of period	100,877,381	87,935,709	73,734,125

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

	December 31, 2018	December 31, 2017	April 30, 2017
Subscribers' deposits	42,521,366	34,143,888	34,943,036
Insurance premiums deducted	(21,867)	(16,156)	(23,419)
Enrolment fee deducted	(50,144)	(85,275)	(205,413)
Return of contributions	(42,983,630)	(34,243,610)	(34,219,374)
Depository fees and service charges deducted	(48,545)	(82,436)	(88,430)
Net increase (decrease) in Subscribers' contributions	(582,820)	(283,589)	406,400
Balance – Beginning of period	23,280,625	23,564,214	23,157,814
Balance – End of period	22,697,805	23,280,625	23,564,214

As described in note 3, the Plan changed its accounting policies with respect to the classification of realized and unrealized gains or losses on fixed income securities within net assets attributable to subscribers and beneficiaries. This change has been applied retrospectively, with all prior periods restated. As a result of this change, the Plan's fair value reserve was eliminated. The balance of the fair value reserve is now included in the education assistance payment account and income from government grants. There was no net impact to the net assets attributable to subscribers and beneficiaries as a result of this adjustment. The change aligned customer balances with the financial statements by reflecting all realized and unrealized gains (losses) in the customer records reflected in the accumulated income accounts.

The impact as a result of this change in accounting policy and its retroactive application to the accumulative income balances are below:

December 31, 2017

	As previously reported	Allocation of Fair Value Reserve	As Restated
Education assistance payment account	11,749,603	458,406	12,208,009
Income from government grants	10,528,221	410,754	10,938,975
Fair value reserve	869,160	(869,160)	-
Balance – End of period	23,146,984	-	23,146,984

April 30, 2017

	As previously reported	Allocation of Fair Value Reserve	As Restated
Education assistance payment account	10,970,907	1,590,349	12,561,256
Income from government grants	6,673,392	967,379	7,640,771
Fair value reserve	2,557,728	(2,557,728)	-
Balance – End of period	20,202,027	-	20,202,027

7. Accounts payable and other liabilities

Included in accounts payable and other liabilities is \$674,073 (December 31, 2017 - \$506,084) (April 30, 2017 - \$564,177) 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 institutions.

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 \$122,093 (December 31, 2017 - \$432,567) (April 30, 2017 - \$306,424) 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 0.09% to 0.27%. Investment counsel fees paid for the year amounted to 0.15% (period ended December 31, 2017 - 0.08%) (year ended April 30, 2017 – 0.13%) of the total fair value of the investment portfolio in the Plan.