

Knowledge First Financial

Flex First Plan

(Education savings program provided by Knowledge First Foundation)

Financial Statements

For the six months ended June 30, 2019

Unaudited semi-annual financial statements

The auditor has not reviewed the Plan's June 30, 2019 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.

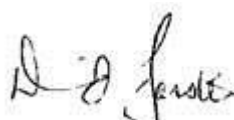
FLEX FIRST PLAN
STATEMENTS OF FINANCIAL POSITION
As at June 30, 2019 and December 31, 2018
All amounts in Canadian Dollars

	June 30, 2019	December 31, 2018
	(Unaudited)	(Audited)
Assets		
Current Assets		
Cash	10,370,935	7,332,105
Investments (Note 5)	192,080,137	149,778,617
Government grants receivable	2,302,350	2,646,789
Interest and dividends receivable	758,732	567,483
Other receivables	391,805	1,590,190
	<u>205,903,959</u>	<u>161,915,184</u>
Liabilities		
Current Liabilities		
Accounts payable and other liabilities (Note 7)	2,381,518	2,156,691
	<u>2,381,518</u>	<u>2,156,691</u>
Net assets attributable to subscribers and beneficiaries (Note 6)	<u>203,522,441</u>	<u>159,758,493</u>

Approved by the Board of Directors of Knowledge First Foundation



_____, Director



_____, Director

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

FLEX FIRST PLAN
STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended June 30, 2019 and 2018

All amounts in Canadian Dollars

	2019	2018
Income		
Interest income	1,562,532	988,185
Dividend income	499,853	1,023,480
Other changes in fair value of investments:		
Net realized gains on investments	1,052,065	174,279
Net change in unrealized gains/(losses) on investments	10,888,231	(783,595)
Total income (net)	14,002,681	1,402,349
Expenses		
Management fees (note 7)	1,278,827	873,161
Independent review committee fees	1,295	1,813
Transaction costs	9,707	7,568
Total Expenses (net)	1,289,829	882,542
Increase in net assets attributable to subscribers and beneficiaries	12,712,852	519,807

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

FLEX FIRST PLAN
STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE
TO SUBSCRIBERS AND BENEFICIARIES (UNAUDITED)

For the six months ended June 30, 2019 and 2018

All amounts in Canadian Dollars

	2019	2018
Net assets attributable to subscribers and beneficiaries, beginning of period	159,758,493	110,499,863
Subscribers' contributions (Note 6)		
Contributions and transfers in	22,306,012	17,358,253
Return of contributions	(1,954,973)	(938,822)
	20,351,039	16,419,431
Government grants (Note 6)		
Government grant contributions	11,086,479	8,127,922
Government grant repayments and transfers	(258,467)	(408,093)
Government grant payments to beneficiaries	(218,869)	(105,977)
	10,609,143	7,613,852
Accumulated income (Note 6)		
Increase in net assets attributable to subscribers and beneficiaries	12,712,852	519,807
Education Assistance Payment (EAP) disbursements	(66,348)	(32,726)
Payments of government grant income to beneficiaries	(17,269)	(7,276)
Income transferred in, net	174,531	28,936
	12,803,766	508,741
Net assets attributable to subscribers and beneficiaries, end of period	203,522,441	135,041,887

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

FLEX FIRST PLAN
STATEMENTS OF CASH FLOWS (UNAUDITED)
For the six months ended June 30, 2019 and 2018
All amounts in Canadian Dollars

	2019	2018
Cash flows from (used in) operating activities		
Increase in net assets attributable to subscribers and beneficiaries	12,712,852	519,807
Adjustments for:		
Net realized (gains) on investments	(1,052,065)	(174,279)
Net change in unrealized (gains) or losses on investments	(10,888,231)	783,595
Amortization of bond discounts / premiums	184,539	162,168
Purchase of investments	(91,293,625)	(97,321,803)
Proceeds from sale or maturity of investments	60,747,862	67,722,518
Interest and dividends receivable	(191,249)	(81,201)
Other receivables	1,198,385	755,333
Accounts payable and other liabilities	224,827	(56,941)
Net cash used in operating activities	(28,356,705)	(27,690,803)
Cash flows from (used in) financing activities		
Subscribers' contributions	22,306,012	17,358,253
Return of subscribers' contributions	(1,954,973)	(938,822)
Government grant receipts	11,430,918	7,984,815
Government grant repayments	(258,467)	(408,093)
Government grant payments to beneficiaries	(218,869)	(105,977)
Income payments to beneficiaries		
Education Assistance Payments	(66,348)	(32,726)
Government grants	(17,269)	(7,276)
Income transferred in, net	174,531	28,936
Net cash from financing activities	31,395,535	23,879,110
Net increase (decrease) in cash	3,038,830	(3,811,693)
Cash, beginning of period	7,332,105	4,547,903
Cash, end of period	10,370,935	736,210
Supplementary Information *		
Interest received	1,686,597	1,073,705
Dividend received	461,205	1,018,928
* Included in operating activities		

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

FLEX FIRST PLAN
SCHEDULE OF INVESTMENT PORTOLIO
As at June 30, 2019
All amounts in Canadian Dollars

BONDS	Coupon %	Maturity Date	Par Value \$	Cost \$	Fair Value \$
FEDERAL (18.7%)					
CANADA HOUSING TRUST	2.65%	2022-03-15	670,000	678,643	687,957
CANADA HOUSING TRUST	3.15%	2023-09-15	1,480,000	1,526,319	1,568,678
CANADA HOUSING TRUST	2.90%	2024-06-15	10,105,000	10,353,518	10,681,258
CANADA HOUSING TRUST	1.50%	2021-12-15	5,125,000	5,051,076	5,109,579
GOVERNMENT OF CANADA	2.50%	2024-06-01	2,670,000	2,741,800	2,810,121
GOVERNMENT OF CANADA	2.25%	2025-06-01	2,520,000	2,591,068	2,639,545
GOVERNMENT OF CANADA	1.50%	2026-06-01	1,000,000	974,797	1,004,634
GOVERNMENT OF CANADA	2.00%	2028-06-01	1,200,000	1,253,530	1,254,501
GOVERNMENT OF CANADA	5.75%	2029-06-01	600,000	779,811	834,155
GOVERNMENT OF CANADA	5.75%	2033-06-01	6,090,000	8,947,283	9,277,097
				<u>34,897,845</u>	<u>35,867,525</u>
PROVINCIAL (22.8%)					
PROVINCE OF ALBERTA	2.35%	2025-06-01	2,695,000	2,701,744	2,757,289
PROVINCE OF ALBERTA	2.20%	2026-06-01	2,990,000	2,908,464	3,024,600
PROVINCE OF BRITISH COLUMBIA	2.85%	2025-06-18	4,655,000	4,808,256	4,915,085
PROVINCE OF BRITISH COLUMBIA	8.00%	2023-09-08	170,000	209,416	212,501
PROVINCE OF BRITISH COLUMBIA	5.70%	2029-06-18	1,605,000	2,072,621	2,116,825
PROVINCE OF BRITISH COLUMBIA	2.70%	2022-12-18	790,000	820,233	816,607
PROVINCE OF BRITISH COLUMBIA	3.30%	2023-12-18	2,450,000	2,588,033	2,611,624
PROVINCE OF ONTARIO	2.85%	2023-06-02	3,110,000	3,178,314	3,237,673
PROVINCE OF ONTARIO	3.50%	2024-06-02	1,645,000	1,748,216	1,773,298
PROVINCE OF ONTARIO	2.60%	2025-06-02	5,875,000	5,887,788	6,098,334
PROVINCE OF ONTARIO	2.40%	2026-06-02	3,660,000	3,643,873	3,755,128
PROVINCE OF ONTARIO	2.60%	2027-06-02	3,055,000	3,037,015	3,173,022
PROVINCE OF ONTARIO	6.50%	2029-03-08	985,000	1,314,544	1,353,763
PROVINCE OF ONTARIO	5.85%	2033-03-08	130,000	173,224	183,286
PROVINCE OF QUEBEC	3.50%	2022-12-01	1,045,000	1,097,068	1,106,349
PROVINCE OF QUEBEC	3.00%	2023-09-01	1,285,000	1,344,040	1,348,686
PROVINCE OF QUEBEC	2.75%	2027-09-01	690,000	699,129	726,604
PROVINCE OF SASKATCHEWAN	3.20%	2024-06-03	1,490,000	1,552,130	1,585,293
PROVINCE OF SASKATCHEWAN	2.55%	2026-06-02	2,830,000	2,840,394	2,926,005
				<u>42,624,502</u>	<u>43,721,972</u>

CORPORATE (27.7%)

BANK OF MONTREAL	2.70%	2026-12-09	870,000	882,869	898,386
BANK OF MONTREAL	2.89%	2023-06-20	1,230,000	1,234,007	1,269,880
BANK OF MONTREAL	3.19%	2028-03-01	7,060,000	7,155,631	7,565,854
BANK OF NOVA SCOTIA	3.89%	2029-01-18	2,600,000	2,600,000	2,722,990
BANK OF NOVA SCOTIA	0.00%	2029-07-03	1,505,000	1,506,189	1,503,532
BANK OF NOVA SCOTIA	2.62%	2026-12-02	1,860,000	1,870,726	1,911,438
BANK OF NOVA SCOTIA	3.10%	2028-02-02	2,730,000	2,754,539	2,905,982
BANK OF NOVA SCOTIA	2.98%	2023-04-17	790,000	789,825	817,038
BELL CANADA	3.80%	2028-08-21	3,200,000	3,207,644	3,421,169
CANADIAN IMPERIAL BANK OF COMMERCE	3.30%	2025-05-26	2,995,000	3,041,215	3,186,758
CANADIAN IMPERIAL BANK OF COMMERCE	3.29%	2024-01-15	2,680,000	2,715,870	2,785,428
CANADIAN IMPERIAL BANK OF COMMERCE	2.95%	2029-06-19	1,750,000	1,749,913	1,758,604
FAIRFAX FINANCIAL HOLDINGS LIMITED	4.23%	2029-06-14	1,980,000	1,979,050	2,003,283
HSBC BANK CANADA	2.17%	2022-06-29	1,000,000	1,000,000	1,000,336
INTACT FINANCIAL CORPORATION	2.85%	2027-06-07	1,525,000	1,528,655	1,541,309
NATIONAL BANK OF CANADA	2.11%	2022-03-18	565,000	564,869	566,923
PEMBINA PIPELINE CORPORATION	4.89%	2021-03-29	600,000	619,816	626,743
ROYAL BANK OF CANADA	2.33%	2023-12-05	4,585,000	4,609,671	4,637,667
ROYAL BANK OF CANADA	2.00%	2022-03-21	1,480,000	1,472,668	1,481,068
ROYAL BANK OF CANADA	0.00%	2024-07-02	955,000	955,000	955,506
TORONTO-DOMINION BANK	1.91%	2023-07-18	3,460,000	3,403,057	3,446,452
TORONTO-DOMINION BANK	3.59%	2028-09-14	970,000	970,000	1,008,330
TORONTO-DOMINION BANK	3.01%	2023-05-30	2,245,000	2,245,036	2,328,527
TRANSCANADA PIPELINES LIMITED	3.39%	2028-03-15	2,800,000	2,740,625	2,941,691

51,596,875	53,284,894
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SHORT TERM SECURITIES (0.7%)

GOVERNMENT OF CANADA	0.00%	2019-07-25	145,000	144,836	144,827
GOVERNMENT OF CANADA	0.00%	2019-08-22	205,000	204,510	204,492
GOVERNMENT OF CANADA	0.00%	2019-08-08	1,000,000	998,231	998,178
GOVERNMENT OF CANADA	0.00%	2019-09-05	70,000	69,788	69,782

1,417,365	1,417,279
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TOTAL DEBT

130,536,587	134,291,670
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EQUITIES	# of Shares	Cost \$	Fair Value \$
COMMUNICATION SERVICES (0.4%)			
ROGERS COMMUNICATIONS INC	6550	394,749	459,155
TELUS CORPORATION	7450	360,357	360,655
		<u>755,106</u>	<u>819,810</u>
CONSUMER DISCRETIONARY (0.4%)			
GILDAN ACTIVEWEAR INC	9850	384,401	499,198
MAGNA INTERNATIONAL INC	3625	233,086	236,205
		<u>617,487</u>	<u>735,403</u>
CONSUMER STAPLES (0.7%)			
ALIMENTATION COUCHE-TARD INC	9,275	576,635	764,353
LOBLAWS COMPANIES LIMITED	7,300	427,540	489,465
		<u>1,004,175</u>	<u>1,253,818</u>
ENERGY (1.4%)			
CAMECO CORPORATION	15,250	218,426	214,110
CANADIAN NATURAL RESOURCES LIMITED	4,400	172,591	155,364
ENBRIDGE INC	3,525	173,493	166,733
HUSKY ENERGY INC	14,300	235,125	177,463
SHAWCOR LTD	17,300	446,954	316,936
SUNCOR ENERGY INC	19,975	837,800	815,979
TC ENERGY CORPORATION	12,825	715,002	832,599
		<u>2,799,391</u>	<u>2,679,184</u>
FINANCIALS (2.8%)			
BANK OF MONTREAL	6,600	609,037	652,872
BANK OF NOVA SCOTIA	7,250	514,359	509,965
BROOKFIELD ASSET MANAGEMENT INC	11,825	593,993	740,836
FAIRFAX FINANCIAL HOLDINGS LIMITED	425	272,956	273,173
INTACT FINANCIAL CORPORATION	5,850	589,946	707,967
ROYAL BANK OF CANADA	9,150	836,456	952,241
SUN LIFE FINANCIAL INC	4,800	233,098	260,304
TMX GROUP LIMITED	4,200	348,690	382,620
TORONTO-DOMINION BANK	12,550	834,160	960,326
		<u>4,832,695</u>	<u>5,440,304</u>
INDUSTRIALS (0.9%)			
CANADIAN NATIONAL RAILWAY COMPANY	3,575	343,137	433,290
CANADIAN PACIFIC RAILWAY LIMITED	1,600	357,354	493,488
FINNING INTERNATIONAL INC	15,950	422,103	380,727
THOMSON REUTERS CORPORATION	3,072	179,841	259,523
WASTE CONNECTIONS INC	2,050	190,006	256,455
		<u>1,492,441</u>	<u>1,823,483</u>

INFORMATION TECHNOLOGY (0.6%)			
CGI INC	3,725	255,746	375,033
CELESTICA INC	27,257	380,180	243,678
OPEN TEXT CORP	10,250	443,340	553,910
		<u>1,079,266</u>	<u>1,172,621</u>
MATERIALS (1.0%)			
AGNICO EAGLE MINES LIMITED	8,550	440,245	574,047
FRANCO-NEVADA CORPORATION	3,950	349,191	439,043
METHANEX CORPORATION	6,625	442,960	393,856
WEST FRASER TIMBER CO LTD	7,800	483,768	465,660
		<u>1,716,164</u>	<u>1,872,606</u>
REAL ESTATE (0.2%)			
BROOKFIELD PROPERTY PARTNERS LP	7,450	188,396	184,313
H&R REAL ESTATE INVESTMENT TRUST	8,450	180,152	192,998
		<u>368,548</u>	<u>377,311</u>
UTILITIES (0.4%)			
BROOKFIELD INFRASTRUCTURE PARTNERS LP	3,625	184,314	203,471
FORTIS INC	9,100	386,722	470,561
		<u>571,036</u>	<u>674,032</u>
US EQUITY (21.3%)			
BMO S&P 500 HEDGED TO CAD INDEX ETF	709,487	28,336,303	30,933,633
BMO S&P 500 INDEX ETF	236,387	8,946,992	10,006,262
		<u>37,283,295</u>	<u>40,939,895</u>
Total Equities		<u>52,519,604</u>	<u>57,788,467</u>
Less: Transaction costs		9,707	
Total Investments		<u>183,046,484</u>	<u>192,080,137</u>

FLEX FIRST PLAN
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
As at June 30, 2019

All amounts in Canadian Dollars

1. General information

Flex First Plan (the Plan) was established by Knowledge First Foundation (the Foundation) as a savings vehicle for subscribers to save for a designated student's (beneficiary) post-secondary education. The Plan commenced operations in November 2012.

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

Subscribers to the Plan make periodic deposits into the Plan, net of enrolment fees charged to each subscriber. The income earned on subscriber contributions is held in the Education Assistance Payment account. When a plan matures, is terminated, or is cancelled, such deposits, net of deductions, will be returned to the subscriber or a beneficiary. Upon registration of a plan, Knowledge First Financial will apply for government grants on behalf of the Subscriber. The income earned on government grants is held in the Grant Income account.

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

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

The financial statements were authorized for issue by the Board of Directors of the Foundation on August 22, 2019.

2. Basis of presentation and adoption of IFRS

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

At initial recognition, the Plan measures financial instruments at their fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or its financial liability. Regular purchases and sales of financial assets are recognized at their trade date. The Plan's investments are measured at fair value through profit or loss (FVTPL), including its investments in equities, ETFs and debt securities, which have been designated at FVTPL. All other financial assets and liabilities, including interest and dividends receivable, amounts receivable for investments sold, government grants receivable, other receivables, amounts payable for securities purchased and accounts payable, principal payable to beneficiaries and other liabilities, are measured at amortized cost. The Plan's obligation for net assets attributable to subscribers and beneficiaries is presented at the distribution amount, which is the residual amount of assets of the Plan after deducting all of its liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. For equities and ETFs, the Plan uses the last traded market price where the last traded price falls between that day's closing bid-ask spread. In circumstances where the last traded price is not within the closing bid-ask spread, Knowledge First Financial determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. For bonds, the Plan uses mid prices provided by independent security pricing vendors. The Plan's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

Income recognition, transaction costs and expenses

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

Impairment of financial assets

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 are comprised of subscribers' contributions, government grants and income earned on both subscribers' contributions and government grants. Net assets attributable to subscribers and beneficiaries is classified as a liability as subscribers have the option to withdraw at any point prior to maturity. If a subscriber withdraws before maturity, the subscriber's contributions are returned to the subscriber, income earned on that subscriber's contributions is due and payable to the subscriber as an accumulated income payment or payable to a designated educational institution, government grant contributions are returned to the government and forfeited income on the government grants is owed to a designated educational institution. Refer to Note 6 for a breakdown of net assets attributable to subscribers and beneficiaries.

Subscribers' contributions are comprised of deposits received from subscribers, after deductions for enrolment fees, and do not include amounts receivable on outstanding agreements, as subscribers may terminate their plans at any time. Knowledge First Financial deducts the applicable enrolment fees from the deposits made from subscribers and the net amount is invested in the Plan.

Government grants represent contributions received from federal and provincial governments. Government grants are recognized upon receipt of an eligible contribution to a registered education savings plan by a subscriber to the Plan. Accumulated income includes the increase (decrease) in net assets attributable to subscribers and beneficiaries. Education assistance payments and payments of grant income to beneficiaries and designated financial institutions reduce the accumulated income account.

Funds transferred in/out

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

Taxation

The income on Subscribers' contributions is currently exempt from income taxes under the Income Tax Act (Canada) prior to the maturity of the plan. Education Assistance Payments, comprising government grants and all accumulated income, made to qualified nominees will be included in their income for the purposes of the Income Tax Act (Canada). The amounts deposited by subscribers are not deductible to the subscribers for tax purposes and are not taxable when returned to subscribers.

Interests in Unconsolidated Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not dominant factors in deciding who controls the entity, or when voting rights relate to administrative tasks only and the relevant activities are directed by means of a contractual arrangement. The Plan invests in exchange traded funds (ETFs) and asset-backed securities which are disclosed on the Schedule of Investment Portfolio and the Plan has determined that these investments are unconsolidated structured entities. The Plan accounts for its investments in unconsolidated structured entities at fair value through profit and loss. The ETFs finance their operations by issuing redeemable shares which are puttable at the holder's option and entitle the holder to a proportional stake in the ETF's net asset value. The ETFs are domiciled in Canada and listed on the Toronto Stock Exchange. The asset-backed securities include Canada Housing Trust bonds which are secured by and payable from mortgage loans on real property and guaranteed by the Government of Canada, through CMHC. These investments are included in "Investments" in the Statements of Financial Position. The Plan's maximum exposure to loss from its interest in these securities is equal to the total fair value of its investments.

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 investments and the application of the fair value option

In classifying and measuring financial instruments held by the Plan, the Manager is required to make significant 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 significant activities in currencies other than the Canadian dollar and only its holdings of US equities via the unhedged ETF are exposed to a direct currency risk. The Plan's overall risk management approach includes investment guidelines, objectives, and limits which are designed to ensure that risk is mitigated through maximum currency exposure limits and allocation of investments across different market sectors, maturity segments and issuers. The Plan employs a third-party investment manager and monitors the investments for compliance with the stated investment guidelines and relevant securities and tax regulations. Oversight responsibility and authority rests with the Foundation's Board of Directors and its Investment Committee. An Independent Review Committee is also in place.

Credit risk

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

The fair value of debt investments includes consideration of the credit worthiness of the debt issuer. The carrying amount of cash, receivables and debt investments represents the maximum credit risk exposure as at June 30, 2019 and December 31, 2018. The analysis below summarizes the credit quality of the Plan's debt portfolio as at June 30, 2019 and December 31, 2018. 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, 2019	December 31, 2018
“AAA”	27.0	32.0
“AA”	27.5	32.4
“A”	31.0	31.6
“BBB”	14.5	4.0
Total	100	100

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Plan has current exposure to the subscriber contributions and government grant balances as subscribers can cancel or terminate their agreement at any time at which point the full balances would become immediately payable to the subscribers and the government. The Plan is also exposed to agreement maturities and obligations with respect to scholarship payments and the accumulated income account. Therefore, the Plan invests the majority of its assets in investments that are traded in an active market and can be easily liquidated. In addition, the Plan endeavours to retain adequate cash positions to maintain adequate liquidity.

Maturity Profile

EAPs (accumulated income and government contributions) are paid upon submission of required documentation to Knowledge First Financial. Subscriber’s principal is paid upon maturity of a respective agreement.

If a subscriber cancels an agreement, subscriber’s principal and associated government contributions are due upon demand. Income on the subscriber’s principal and returned government grants become immediately payable to the subscriber or to qualified educational institutions, as applicable.

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

Concentration Risk

The table below summarizes this Plan's concentration risk as a percentage of investments as at June 30, 2019 and December 31, 2018.

Percentage of Investments (%) As at		
Concentration	June 30, 2019	December 31, 2018
<u>Fixed Income</u>		
Federal	18.7	16.4
Provincial	22.8	24.9
Corporate	27.7	30.8
Short-term	0.7	2.6
<u>Equities</u>		
Communication Services	0.4	0.6
Consumer Discretionary	0.4	0.5
Consumer Staples	0.7	0.9
Energy	1.4	2.1
Financials	2.8	3.8
Industrials	0.9	1.6
Information Technology	0.6	1.2
Materials	1.0	1.2
Real Estate	0.2	0.3
Utilities	0.4	0.5
US ETFs	21.3	12.6
Total	100	100

Market risk

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

a) Currency Risk

The Plan invests in exchange traded funds (ETF) denominated in Canadian dollars. The underlying investments held by the ETFs are exposed to the US dollar. The BMO S&P 500 Hedged to CAD Index ETF has been hedged back to the Canadian dollar and therefore has no currency risk. The Plan is subject to the risk that the fair value of future cash flows of the BMO S&P 500 Index ETF which are not hedged back to Canadian dollar will fluctuate because of changes in foreign exchange rates. As at June 30, 2019, if the exchange rate had increased or decreased by 5%, with all other variables held constant, the net assets attributable to subscribers and beneficiaries would have increased or decreased by approximately \$0.5 million (\$0.2 million as at December 31, 2018).

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plan holds securities with fixed interest rates that expose the Plan to interest rate risk. As at June 30, 2019, 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 \$1.9 million (approximately 1.0% of the total investment portfolio) (December 31, 2018 - \$1.4 million, approximately 0.9% 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, 2019 and December 31, 2018, by remaining term to maturity.

June 30, 2019	Within 1 year	From 1 to 5 years	Over 5 years	Total
Short term investment – Treasury Bill	1,417,279	-	-	1,417,279
Government guaranteed instruments				
Federal	-	20,857,593	15,009,932	35,867,525
Provincial	-	12,692,031	31,029,941	43,721,972
Corporate	-	18,960,062	34,324,832	53,284,894
	1,417,279	52,509,686	80,364,705	134,291,670
Percentage of total	1.1%	39.1%	59.8%	100.0%

December 31, 2018	Within 1 year	From 1 to 5 years	Over 5 years	Total
Short term investment – Treasury Bill	3,925,023	-	-	3,925,023
Government guaranteed instruments				
Federal	-	1,536,640	23,051,923	24,588,563
Provincial	-	12,081,541	25,200,912	37,282,453
Corporate	-	31,996,243	14,174,142	46,170,385
	3,925,023	45,614,424	62,426,977	111,966,424
Percentage of total	3.5%	40.7%	55.8%	100.0%

c) Other price risk

The Plan is exposed to other price risk, which is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Financial instruments held by the Plan are susceptible to market price risk arising from uncertainties about future prices of those instruments. 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, 2019, if the investment in equities and ETFs had increased or decreased by 5%, with all other variables held constant, the net assets attributable to subscribers and beneficiaries would have increased or decreased by approximately \$2.9 million (\$1.9 million as at December 31, 2018), representing approximately 0.2% of net assets of the Plan.

Capital risk management

The capital of the Plan is represented by the net assets attributable to subscribers and beneficiaries. The capital of the Plan can change on a daily basis as the Plan is subject to ongoing contributions and cancellations. The Plan is not subject to externally imposed capital requirements. The Plan's objective, when managing capital risk, is to safeguard subscribers' contributions and government grants received and earn income on those amounts in order to pay EAPs to qualified beneficiaries. The Plan endeavours to invest subscribers' contributions, government grants received, and income earned in appropriate investments while maintaining sufficient liquidity to meet maturities, EAPs, cancellations and expenses in accordance with its investment objectives and risk management policies as described above. In order to manage the Plan's capital, the Plan's policy is to perform the following:

- Monitor the level of daily subscriber contributions and withdrawals relative to the liquid assets and adjust the amount of cash invested accordingly.
- Monitor the level of expected future payments for maturities and EAPs based on maturity and student applications received, and historical beneficiary qualification rates, and adjust the investment portfolio accordingly.

- Invest in securities which are traded in an active market and can be easily liquidated.

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

Fair value measurement

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

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

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Plan's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2019 and December 31, 2018.

As of June 30, 2019	Level 1	Level 2	Level 3	Total
Short-term investment	-	1,417,279	-	1,417,279
Government guaranteed instruments				
Federal	-	35,867,525	-	35,867,525
Provincial	-	43,721,972	-	43,721,972
Corporate	-	53,284,894	-	53,284,894
Equities & ETFs	57,788,467	-	-	57,788,467
Investments at fair value	57,788,467	134,291,670	-	192,080,137
As of December 31, 2018	Level 1	Level 2	Level 3	Total
Short-term investment	-	3,925,023	-	3,925,023
Government guaranteed instruments				
Federal	-	24,588,563	-	24,588,563
Provincial	-	37,282,453	-	37,282,453
Corporate	-	46,170,385	-	46,170,385
Equities & ETFs	37,812,193	-	-	37,812,193
Investments at fair value	37,812,193	111,966,424	-	149,778,617

All fair value measurements above are recurring. The carrying values of receivable for investments sold, government grant receivable, interest and dividend receivable, other receivables, payable for investments purchased and accounts payable and other liabilities, principal payable to subscribers and the Plan's obligation for net assets attributable to subscribers and beneficiaries approximate their fair value due to their short-term nature. There were no transfers between levels during the periods ended June 30, 2019 and December 31, 2018 or Level 3 securities held as at June 30, 2019 or December 31, 2018.

Investments in unconsolidated structured entities

Underlying Fund as at June 30, 2019	Country of establishment and principal place of business	% Ownership in the underlying Fund	Fair value of the Plan's investment in the underlying Fund
BMO S&P 500 Index ETF	Canada	0.17%	\$10,006,262
BMO S&P 500 Hedged to CAD Index ETF	Canada	1.81%	\$30,933,633

Underlying Fund as at December 31, 2018	Country of establishment and principal place of business	% Ownership in the underlying Fund	Fair value of the Plan's investment in the underlying Fund
BMO S&P 500 Index ETF	Canada	0.10%	\$4,840,646
BMO S&P 500 Hedged to CAD Index ETF	Canada	1.23%	\$13,963,200

6. Net assets attributable to subscribers and beneficiaries

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

	As at June 30, 2019	As at December 31, 2018
Subscribers' contributions, net of returns	120,495,394	100,144,355
Government grants	67,470,397	56,861,254
Accumulated income		
Education assistance payment account	9,979,561	1,588,805
Income from government grants	5,577,089	1,164,079
Balance – End of period	203,522,441	159,758,493

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

	Period ended June 30, 2019	Period ended June 30, 2018
Subscribers' deposits	31,554,643	23,888,725
Enrolment fee deducted	(9,238,512)	(6,528,002)
Special processing fees	(10,119)	(2,470)
Return of contributions	(1,954,973)	(938,822)
Net increase in Subscribers' contributions	20,351,039	16,419,431
Balance – Beginning of period	100,144,355	66,235,466
Balance – End of period	120,495,394	82,654,897

7. Related party transactions

The Foundation is the sponsor of the Plan. Knowledge First Financial, a wholly owned subsidiary of the Foundation, carries out the general administration of the Plan on its behalf that includes processing and call centre services related to new agreements, payments, government grants, plan modifications, terminations, maturities and EAPs. Under the fund management agreement dated May 1, 2013, in consideration for its administrative services (inclusive of depository, audit, portfolio management and custodial fees), Knowledge First Financial is entitled to receive from the Plan an annual management fee of up to 1.5% of all funds on deposit related to the Plan and special processing fees including one-time fees for specific transactions. The actual management fee charged for the period ended June 30, 2019 was 1.3% (period ended December 31, 2018 - 1.3%).

Accounts payable and other liabilities includes \$2,292,789 (December 31, 2018 – \$1,968,595) due to Knowledge First Financial relating primarily to Management 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.

8. Maturities

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