

Knowledge First Financial

Family Single Student Education Savings Plan

(Education savings program provided by Knowledge First Foundation)

Financial Statements

For the years ended December 31, 2019 and 2018



Independent auditor's report

To the Subscribers and Beneficiaries of Family Single Student Education Savings Plan

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, 2019 and 2018, and its financial performance and its cash flows for the years then ended 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, 2019 and 2018;
 - the statements of comprehensive income for the years then ended;
 - the statements of changes in net assets attributable to subscribers and beneficiaries for the years then ended;
 - the statements of cash flows for the years then ended; 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.

Other information

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

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



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 30, 2020

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 judgments. 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.

Board of Directors
Mississauga, Ontario
March 25, 2020

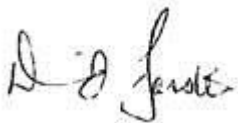
**FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN
STATEMENTS OF FINANCIAL POSITION**

As at December 31, 2019 and December 31, 2018

All amounts in Canadian dollars

	2019	2018
Assets		
Current Assets		
Cash	9,776,201	11,665,475
Investments (Note 5)	137,762,257	113,913,858
Interest receivable	537,935	400,352
	<u>148,076,393</u>	<u>125,979,685</u>
Liabilities		
Current Liabilities		
Grants payable	103,943	13,750
Principal payable to subscribers	37,187,431	24,201,069
Accounts payable and other liabilities (Notes 7 and 8)	1,368,780	887,485
	<u>38,660,154</u>	<u>25,102,304</u>
Net assets attributable to subscribers and beneficiaries (Note 6)	<u>109,416,239</u>	<u>100,877,381</u>

Approved by the Board of Directors of Knowledge First Foundation



_____, Director



_____, Director

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

For the years ended December 31, 2019 and December 31, 2018

All amounts in Canadian dollars

	<u>2019</u>	<u>2018</u>
Income		
Interest income	3,211,948	2,502,319
Other income	94	1,325
Other changes in fair value of investments:		
Net realized gains (losses) on investments	2,326,185	(478,233)
Net change in unrealized gains (losses) on investments	234,759	(199,725)
Total income (net)	<u>5,772,986</u>	<u>1,825,686</u>
Expenses		
Administration fees (Note 8)	797,011	504,039
Investment counsel fees (Note 9)	113,666	168,241
Custodian fees	10,721	15,749
Independent Review Committee fees	2,096	2,824
Total expenses	<u>923,494</u>	<u>690,853</u>
Increase in net assets attributable to subscribers and beneficiaries	<u>4,849,492</u>	<u>1,134,833</u>

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 years ended December 31, 2019 and December 31, 2018
All amounts in Canadian dollars

	2019	2018
Net assets attributable to subscribers and beneficiaries, beginning of period	100,877,381	87,935,709
Subscribers' contributions (Note 6)		
Contributions	30,887,499	42,400,810
Return of contributions	(44,686,919)	(42,983,630)
Contributions transferred in from terminated plans (Note 1)	1,046,116	-
	<u>(12,753,304)</u>	<u>(582,820)</u>
Government grants (Note 6)		
Government grant contributions	370,623	417,879
Government grant, transfers in (net)	10,845,678	(1,299,784)
Government grant repayments	(2,283,159)	12,379,724
Government grant payments to beneficiaries	(8,509,835)	(7,800,652)
Government grants transferred in from terminated plans (Note 1)	3,400,125	-
	<u>3,823,432</u>	<u>3,697,167</u>
Accumulated income (Note 6)		
Increase in net assets attributable to subscribers and beneficiaries	4,849,492	1,134,833
Education Assistance Payments	(21,492,693)	(16,700,527)
Payments of government grant income to beneficiaries	(6,372,070)	(4,758,681)
Payments of government grant income to educational institutions	(62,294)	(81,201)
Income transferred in, net	32,048,820	30,232,901
Income transferred in from terminated plans (Note 1)	8,497,474	-
	<u>17,468,729</u>	<u>9,827,325</u>
Net assets attributable to subscribers and beneficiaries, end of period	109,416,239	100,877,381

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

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

For the years ended December 31, 2019 and December 31, 2018

All amounts in Canadian dollars

	2019	2018
Cash flows from (used in) operating activities		
Increase in net assets attributable to subscribers and beneficiaries	4,849,492	1,134,833
Adjustments for:		
Net realized (gains) losses on investments	(2,326,185)	478,233
Net change in unrealized (gains) losses on investments	(234,759)	199,725
Amortization of bond discounts and premiums	819,148	472,748
Purchases of investments	(205,013,778)	(160,083,108)
Proceeds from sale or maturity of investments	182,907,172	132,382,643
Interest receivable	(137,583)	(65,716)
Accounts payable and other liabilities	505,585	(132,652)
Net cash used in operating activities	(18,630,908)	(25,613,294)
Cash flows from (used in) in financing activities		
Subscribers' contributions	30,887,499	42,400,810
Return of subscribers' contributions	(31,700,556)	(35,859,425)
Government grant receipts	370,623	453,748
Government grant repayments	(2,192,966)	(1,286,034)
Government grant transfers in	10,845,678	12,379,724
Government grant payments to beneficiaries	(8,509,835)	(7,800,652)
Income payments to beneficiaries:		
Education Assistance Payments	(21,492,693)	(16,700,527)
Government grants	(6,372,070)	(4,758,681)
Funds transferred out	(1,959,766)	(1,366,321)
Funds transferred in	33,984,299	31,599,222
Income payments to educational institutions from government grants	(62,294)	(42,669)
Funds transferred in from terminated plans	12,943,715	-
Net cash from financing activities	16,741,634	19,019,195
Net decrease in cash	(1,889,274)	(6,594,099)
Cash, beginning of period	11,665,475	18,259,574
Cash, end of period	9,776,201	11,665,475
Supplementary Information *		
Interest received	3,893,513	2,908,777
* 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, 2019

All amounts in Canadian dollars

Bond Name	Coupon %	Maturity Date	Par Value \$	Cost \$	Market Value \$
FEDERAL (38.2%)					
GOVERNMENT OF CANADA	2.50%	2024-06-01	2,025,000	2,086,840	2,095,124
GOVERNMENT OF CANADA	2.25%	2025-06-01	2,295,000	2,347,414	2,362,452
GOVERNMENT OF CANADA	1.50%	2026-06-01	5,815,000	5,699,299	5,748,698
GOVERNMENT OF CANADA	2.00%	2028-06-01	9,835,000	10,359,343	10,051,519
GOVERNMENT OF CANADA	5.75%	2029-06-01	4,645,000	6,179,358	6,255,476
GOVERNMENT OF CANADA	5.75%	2033-06-01	12,965,000	19,235,850	19,148,574
CANADA HOUSING TRUST	2.90%	2024-06-15	4,920,000	5,075,360	5,115,832
CANADA HOUSING TRUST	1.90%	2026-09-15	645,000	630,082	639,568
CANADA HOUSING TRUST	2.65%	2028-03-15	1,100,000	1,102,104	1,146,806
FEDERAL TOTAL				52,715,650	52,564,049
PROVINCIAL (46.7%)					
PROVINCE OF ALBERTA	2.35%	2025-06-01	7,335,000	7,308,760	7,415,886
PROVINCE OF BRITISH COLUMBIA	2.85%	2025-06-18	1,305,000	1,339,518	1,359,157
PROVINCE OF BRITISH COLUMBIA	5.70%	2029-06-18	3,150,000	3,967,736	4,061,868
PROVINCE OF BRITISH COLUMBIA	6.35%	2031-06-18	950,000	1,250,095	1,330,772
PROVINCE OF BRITISH COLUMBIA	2.95%	2028-12-18	4,065,000	4,411,666	4,296,377
PROVINCE OF ONTARIO	3.50%	2024-06-02	2,700,000	2,809,372	2,867,773
PROVINCE OF ONTARIO	2.60%	2025-06-02	9,296,000	9,400,338	9,538,048
PROVINCE OF ONTARIO	2.40%	2026-06-02	8,699,000	8,472,408	8,822,491
PROVINCE OF ONTARIO	2.60%	2027-06-02	6,355,000	6,420,343	6,510,841
PROVINCE OF ONTARIO	6.50%	2029-03-08	1,465,000	1,915,926	1,966,526
PROVINCE OF ONTARIO	5.85%	2033-03-08	335,000	448,530	462,987
PROVINCE OF QUEBEC	3.75%	2024-09-01	1,765,000	1,878,970	1,900,496
PROVINCE OF QUEBEC	2.50%	2026-09-01	1,215,000	1,198,207	1,241,420
PROVINCE OF QUEBEC	2.75%	2027-09-01	6,455,000	6,794,243	6,694,041
PROVINCE OF SASKATCHEWAN	5.75%	2029-03-05	485,000	603,582	619,265
PROVINCE OF SASKATCHEWAN	3.20%	2024-06-03	3,900,000	4,044,962	4,092,055
PROVINCE OF SASKATCHEWAN	2.55%	2026-06-02	1,165,000	1,167,790	1,189,578
PROVINCIAL TOTAL				63,432,446	64,369,581

CORPRATE (14.0%)

BANK OF MONTREAL	2.89%	2023-06-20	495,000	499,783	506,216
BANK OF MONTREAL	3.19%	2028-03-01	4,920,000	5,119,808	5,191,980
BANK OF NOVA SCOTIA	3.10%	2028-02-02	4,440,000	4,776,294	4,657,833
BANK OF NOVA SCOTIA	2.29%	2024-06-28	1,535,000	1,510,766	1,536,725
CANADIAN IMPERIAL BANK OF COMMERCE	3.30%	2025-05-26	3,635,000	3,735,086	3,815,345
CANADIAN IMPERIAL BANK OF COMMERCE	2.97%	2023-07-11	1,665,000	1,684,560	1,706,933
TORONTO DOMINION BANK	3.01%	2023-05-30	900,000	913,144	924,020
TORONTO DOMINION BANK	3.06%	2032-01-26	915,000	926,779	917,015
CORPORATE TOTAL				<u>19,166,220</u>	<u>19,256,067</u>

SHORT TERM SECURITIES (1.1%)*

GOVERNMENT OF CANADA TREASURY BILL	0.00%	2020-02-06	1,150,000	1,148,089	1,148,074
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2020-01-23	365,000	364,623	364,624
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2020-02-20	60,000	59,862	59,862
SHORT TERM SECURITIES TOTAL				<u>1,572,574</u>	<u>1,572,560</u>
TOTAL INVESTMENTS				<u>136,886,890</u>	<u>137,762,257</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, 2019

All amounts in Canadian dollars

Year of Eligibility	Principal amounts*	Accumulated income **
2020 and prior	36,853,211	47,120,044
2021	3,659,907	6,528,046
2022	2,122,248	443,540
2023	1,529,124	354,619
2024	662,167	251,820
2025	422,531	166,779
2026	263,143	97,677
2027	228,959	101,469
2028	295,955	65,849
2029	302,461	58,807
2030	525,297	51,896
2031	173,804	30,888
2032 and thereafter	93,125	32,940
	47,131,932	55,304,374

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

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

Foundation Education Assistance Payment (FEAP) Account 52,370,769

Education Assistance Payment (EAP) Account 2,933,605

55,304,374

FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

All amounts in Canadian dollars

1. General information

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

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

Subscribers to the Plan make periodic deposits into the Plan, net of enrolment fees, insurance premiums, depository fees and service charges charged to each Subscriber. The income earned on Subscriber contributions is held in the Education Assistance Payment account. When a plan matures, is terminated, or is cancelled, such deposits, net of deductions, will be returned to the Subscriber. All or a portion of the income may be paid to the Subscriber as an accumulated income payment. Upon registration of a plan, Knowledge First Financial will apply for government grants on behalf of the Subscriber. The income earned on government grants is held in the Grant Income account. The Plan invests in Canadian government bonds and short-term investments.

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

The financial statements were authorized for issue by the Board of Directors of the Foundation on March 25, 2020.

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.

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 and ETFs, the Plan uses the last traded market price where the last traded price falls within 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. 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 statements 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

Financial Instruments ("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.

Cash is not held in the legal name of the Plan. The Plan has agreed on an intercompany cash agreement in which Knowledge First Financial maintains a collective cash account for the participating legal entities ("the Plans"). A separate account ledger exists for each Plan and each transaction is recorded in the respective Plans' sub-ledger. Each Plan only has access to and an interest in its share of the cash as determined under the intercompany cash agreement.

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. Knowledge First Financial deducts the applicable subscriber fees such as enrolment fees, insurance premiums, depository fees 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. Refer to Note 6 for a breakdown of the changes to subscribers' contributions.

Subscriber principal balances on matured agreements are reported as 'Principal payable to subscribers' under current liabilities in the Statement of Financial Position.

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.

Transfer of net assets into the Family Single Student Plan

Effective February 13, 2019 and June 30, 2019 and, pursuant to a subscriber vote, Knowledge First Financial transferred agreements and assets of the Impression Plan and Classic Plan, (the "terminating plans") into the Family Single Student Education Savings Plan, which has a similar mandate. Accordingly, subscribers of the terminating plans became subscribers of the Plan.

The net assets transferred from the terminating plans into the Plan for the period ending December 31, 2019 are as follows:

Terminating Plans	\$
Classic Plan	12,717,210
Impression Plan	<u>226,505</u>
Total net assets transferred to the Plan	12,943,715

In connection with the transfer of net assets from the terminating plans to the Plan:

- (a) the assets were transferred at fair value; and,
- (b) the components of the terminating plans' subscribers' principal and income that were transferred into the Plan included: subscribers' contributions; government grants; and accumulated income.
- (c) as part of the Classic Plan windup, surplus funds of \$6,771,932 were transferred to the Foundation; \$2,384,207 represented cash held for outstanding cheques (liability for outstanding cheques) and \$4,387,725 represented excess funds in the income account (liability in trust for plans).

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,

2019 and December 31, 2018. The analysis below summarizes the credit quality of the Plan's debt portfolio as at December 31, 2019 and December 31, 2018. Credit ratings are obtained from Standard & Poor's, Moody's and DBRS Morningstar. Where one or more rating is obtained for a security, the lowest rating has been used.

Percentage of Debt Investments (%)		
As at		
Credit Rating	December 31, 2019	December 31, 2018
"AAA"	38.6	31.4
"AA"	25.8	21.4
"A"	35.6	46.0
"NR"	-	1.2
Total	100.0	100.0

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Plan has current exposure to the 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. Government grants payable to the government are presented net of government grants receivable in the Statements of Financial Position, as the Plan has the ability and intent to settle net. Income on the subscriber's principal and returned government grants become immediately payable to the subscriber or to a qualified educational institution, as applicable, and is included in accounts payable and other liabilities in the Statements of Financial Position. 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, 2019 and December 31, 2018.

Percentage of Investments (%)		
As at		
Concentration	December 31, 2019	December 31, 2018
Federal Bonds	38.2	29.8
Provincial Bonds	46.7	65.3
Municipal Bonds	0.0	4.7
Corporate	14.0	0.0
Short Term Investments	1.1	0.2
Total	100.0	100.0

Market risk

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

could be material. 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, 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 \$2.3 million (approximately 1.6% of the total investment portfolio) (December 31, 2018 - \$2.2 million (approximately 2.0% of the total investment portfolio)).

The tables below summarize the Plan's exposure to interest rate risk as at December 31, 2019 and December 31, 2018 by remaining term to maturity.

December 31, 2019	Within 1 year	From 1 to 5 years	Over 5 years	Total
Short-term investments	1,572,560	-	-	1,572,560
Government guaranteed instruments				
Federal	-	7,210,957	45,353,092	52,564,049
Provincial	-	8,860,324	55,509,257	64,369,581
Corporate	-	4,673,894	14,582,173	19,256,067
Total	1,572,560	20,745,175	115,444,522	137,762,257
Percentage of total	1.1%	15.1%	83.8%	100.0%

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%

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, 2019 and December 31, 2018.

As of December 31, 2019	Level 1	Level 2	Level 3	Total
Short-term investments	-	1,572,560	-	1,572,560
Government guaranteed instruments				
Federal	-	52,564,049	-	52,564,049
Provincial	-	64,369,581	-	64,369,581
Corporate	-	19,256,067	-	19,256,067
Investments at fair value	-	137,762,257	-	137,762,257

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

All fair value measurements above are recurring. The carrying values of receivable for investments sold, government grants payable, interest 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 years ended December 31, 2019 and December 31, 2018, or Level 3 securities held as at December 31, 2019 or December 31, 2018.

6. Net assets attributable to subscribers and beneficiaries

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

	As at	
	December 31, 2019	December 31, 2018
Subscribers' contributions, net of returns	9,944,502	22,697,805
Government grants	24,668,314	20,844,882
Accumulated income		
Education assistance payment account	2,933,605	12,801,338
Income from government grants	19,499,049	13,175,573
Foundation education assistance payment account	52,370,769	31,357,783
Balance – End of period	109,416,239	100,877,381

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

	December 31, 2019	December 31, 2018
Subscribers' deposits and transfers in	32,051,740	42,521,366
Insurance premiums deducted	(20,038)	(21,867)
Enrolment fee deducted	(56,112)	(50,144)
Return of contributions	(44,686,919)	(42,983,630)
Depository fees and service charges deducted	(41,974)	(48,545)
Net increase in Subscribers' contributions	(12,753,303)	(582,820)
Balance – Beginning of period	22,697,805	23,280,625
Balance – End of period	9,944,502	22,697,805

7. Accounts payable and other liabilities

Included in accounts payable and other liabilities is \$839,850 (December 31, 2018 - \$674,073) 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 0.5% plus HST 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 \$115,284 (December 31, 2018 - \$122,093) due to Knowledge First Financial relating to administration fees and subscriber fees. 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. Refer to Note 10 for changes to the Plan's fee structure effective January 1, 2020.

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. Investment counsel fees paid for the year amounted to 0.09% (period ended December 31, 2018 - 0.15%) of the total fair value of the investment portfolio in the Plan.

10. Subsequent Events

On May 30, 2019, subscribers of the Family Group Education Savings Plan (“Family Group Plan”) voted in favour of amendments to Family Group Plan’s Education Assistance Agreement (“EAA”), granting the Foundation discretion to transfer the assets from Family Group Plan to the Plan and to allow the Foundation to enter into an EAA for the Plan on behalf of each subscriber, in the manner described in the Management Information Circular of the Group Plan dated April 1, 2019 and to terminate the Group Plan’s EAA.

As noted in the Management Information Circular, the asset transfer from Family Group Plan to the Plan occurred on January 1, 2020, after which the management has taken steps to formally wind-up Family Group Plan. The total assets transferred on January 1, 2020 were \$3.3 billion.

On May 30, 2019, subscribers of the Plan voted in favour of amendments to the Plan’s EAA to eliminate the Depository Fees, Administration Fee, Custodian Fees and Portfolio Management Fees, and replace these fees with a single, consolidated Management Fee not to exceed 1% per annum of all funds on deposit related to the Plan, plus applicable taxes, with such changes not to take effect for a minimum of seven (7) months and by no later than thirteen (13) months, following the date by which these changes were approved, for all existing and future subscribers to the EAA. The proposed changes were described in the Management Information Circular of the Plan dated April 1, 2019. The Management Fee rate of 0.79% went in effect starting January 1, 2020 as approved by the Foundation.

Since the latter part of February 2020, the financial markets have been very volatile in response to the developing COVID-19 pandemic and the equity markets in particular have experienced significant declines. Since a portion of the Plan’s portfolio is invested in the US and Canadian equity markets, it has correspondingly experienced declines and continue to experience significant volatility as the situation evolves.