

Financial Statements of

FLEX FIRST
EDUCATION SAVINGS PLAN

Education savings program provided by Embark Student Foundation

Unaudited Semi-Annual Financial Statements

For the six months ended June 30, 2023

FLEX FIRST EDUCATION SAVINGS PLAN

Statements of Financial Position

As at June 30, 2023 and December 31, 2022

(All amounts in Canadian dollars)

	June 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Assets		
Current Assets		
Cash	\$ 470,177	\$ 265,335
Due from Foundation (Note 8)	14,853,783	—
Investments (Note 5)	613,757,539	548,358,883
Government Grants Receivable	3,287,049	4,635,552
Interest and Dividends Receivable	2,787,996	2,365,563
Other Receivables	276,680	361,878
Total Assets	\$ 635,433,224	\$ 555,987,211
Liabilities		
Current Liabilities		
Due to Foundation (Note 8)	—	4,319,330
Accounts Payable and Other Liabilities (Notes 7 and 8)	2,544,797	3,488,656
Total Liabilities	\$ 2,544,797	\$ 7,807,986
Net Assets Attributable to Subscribers and Beneficiaries (Note 6)	\$ 632,888,427	\$ 548,179,225

Approved by the Board of Directors of Embark Student Foundation

"David Forster"

David Forster, Director

"Andrea Bolger"

Andrea Bolger, Director

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

FLEX FIRST EDUCATION SAVINGS PLAN

Statements of Comprehensive Income (Loss)

For the six months ended June 30, 2023 and June 30, 2022

(All amounts in Canadian dollars)

	June 30, 2023	June 30, 2022
	(Unaudited)	(Unaudited)
Income		
Interest Income	\$ 6,089,057	\$ 3,334,909
Dividend Income	2,023,446	1,641,573
Other Changes in Fair Value of Investments:		
Net Realized (Losses) Gains on Investments	(1,816,564)	7,029,800
Net Change in Unrealized Gains (Losses) on Investments	24,935,178	(77,326,584)
Total Income (Loss) (Net)	\$ 31,231,117	\$ (65,320,302)
Expenses		
Management Fees (Note 8)	4,768,041	3,424,046
Independent Review Committee Fees	826	4,005
Transaction Costs	10,838	13,067
Total Expenses	\$ 4,779,705	\$ 3,441,118
Increase (Decrease) in Net Assets Attributable to Subscribers and Beneficiaries	\$ 26,451,412	\$ (68,761,420)

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

FLEX FIRST EDUCATION SAVINGS PLAN

Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries

For the six months ended June 30, 2023 and June 30, 2022

(All amounts in Canadian dollars)

	June 30, 2023	June 30, 2022
	(Unaudited)	(Unaudited)
Net Assets Attributable to Subscribers and Beneficiaries, Beginning of Period	\$ 548,179,225	\$ 492,802,272
Subscribers' Contributions (Note 6)		
Contributions	54,757,316	49,038,953
Return of Contributions and Transfers Out	(9,471,915)	(5,887,686)
	\$ 45,285,401	\$ 43,151,267
Government Grants (Note 6)		
Government Grant Contributions	17,123,134	19,610,135
Government Grant Repayments	(803,265)	(664,278)
Government Grant Transfers (Out) In	(877,954)	(131,584)
Government Grant Payments to Beneficiaries	(1,430,485)	(980,666)
	\$ 14,011,430	\$ 17,833,607
Accumulated Income (Note 6)		
Increase (Decrease) in Net Assets Attributable to Subscribers and Beneficiaries	26,451,412	(68,761,420)
Education Assistance Payments	(718,258)	(754,873)
Payments of Government Grant Income to Beneficiaries	(193,742)	(196,028)
Payments of Government Grant Income to Educational Institutions	(58,430)	(57,223)
Income Transferred (Out) In, Net	(68,611)	27,459
	\$ 25,412,371	\$ (69,742,085)
Net Assets Attributable to Subscribers and Beneficiaries, End of Period	\$ 632,888,427	\$ 484,045,061

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

FLEX FIRST EDUCATION SAVINGS PLAN

Statements of Cash Flows

For the six months ended June 30, 2023 and June 30, 2022

(All amounts in Canadian dollars)

Cash Provided by (Used in)	June 30, 2023	June 30, 2022
	(Unaudited)	(Unaudited)
Operating Activities		
Increase (Decrease) in Net Assets Attributable to Subscribers and Beneficiaries	\$ 26,451,412	\$ (68,761,420)
Adjustments for:		
Due to/from Foundation	(19,173,113)	(8,929,681)
Net Realized Losses (Gains) on Investments	1,816,564	(7,029,800)
Net Change in Unrealized (Gains) Losses on Investments	(24,935,178)	77,326,584
Amortization of Bond Discounts and Premiums	(560,340)	325,380
Purchase of Investments	(140,707,945)	(255,153,721)
Proceeds from Sale or Maturity of Investments	98,988,243	202,000,773
Interest and Dividends Receivable	(422,433)	(61,175)
Other Receivables	85,198	134,494
Accounts Payable and Other Liabilities	(1,002,289)	(1,164,075)
Net Cash (Used in) Provided by Operating Activities	\$ (59,459,881)	\$ (61,312,641)
Financing Activities		
Subscribers' Contributions	54,757,316	49,038,953
Return of Contributions and Transfers Out	(9,471,915)	(5,887,686)
Government Grant Receipts	18,471,637	20,895,917
Government Grant Repayments	(803,265)	(664,278)
Government Grant Transfers (Out) In	(877,954)	(131,584)
Government Grant Payments to Beneficiaries	(1,430,485)	(980,666)
Income Payments to Beneficiaries:		
Education Assistance Payments	(718,258)	(754,873)
Government Grants	(193,742)	(196,028)
Income Transferred (Out) In	(68,611)	27,459
Net Cash Provided by (Used in) Financing Activities	\$ 59,664,723	\$ 61,347,214
Net Increase (Decrease) in Cash During the Period	204,842	34,573
Cash, Beginning of Period	265,335	260,621
Cash, End of Period	\$ 470,177	\$ 295,194
Supplementary Disclosure of Cash Flow Information		
Interest Received*	\$ 5,302,708	\$ 3,742,679
Dividends Received*	1,827,022	1,498,008

*Included in operating activities

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

FLEX FIRST EDUCATION SAVINGS PLAN

Notes to the Financial Statements

For the six months ended June 30, 2023

(All amounts in Canadian dollars)

1 General Information

Flex First Education Savings Plan (the Plan) was established by Embark Student 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.

On February 27, 2023, "Knowledge First Foundation" and "Knowledge First Financial Inc." filed articles of amendment to effect the change of their names to "Embark Student Foundation" and "Embark Student Corp." respectively.

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, Embark Student Corp., to be the distributor and investment fund manager ("the Manager") of the Plan and to provide general administration services to the Plan. Embark Student Corp. 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 enrollment 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. All or a portion of the income may be paid to the subscriber as an accumulated income payment. Upon registration of a plan, Embark Student Corp. 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 high-grade corporate debt and in Canadian equities and Exchange Traded Funds (ETFs). The underlying investments held by the ETFs are exposed to the US dollar. The Plan is subject to the risk that the fair value of future cash flows of BMO MSCI USA ESG Leaders Index EFT, 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 40% 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 enrollment in a post-secondary program, inclusive of confirmation of beneficiary residency status. If a subscriber to the Plan 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 institutions.

The Foundation has stopped offering Flex First Plan for sale effective March 7, 2023.

The financial statements were authorized for issue by the Audit, Finance and Risk Management Committee of the Board of Directors of the Foundation on August 22, 2023.

FLEX FIRST EDUCATION SAVINGS PLAN

Notes to the Financial Statements

For the six months ended June 30, 2023

(All amounts in Canadian dollars)

2 Basis of Accounting

These unaudited semi-annual financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting as issued by the International Accounting Standards Board. 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

A financial instrument is recognized when the Plan becomes a party to the contractual requirements of the instrument and is derecognized when the right to receive cash flows from the instrument has expired or the Plan has transferred substantially all risk and rewards of ownership, 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, government grants receivable, other receivables, and accounts payable and other liabilities are measured at amortized cost. The Plan’s obligation for net assets attributable to subscribers and beneficiaries is presented at the distribution amount, which is the residual amount of assets of the Plan after deducting all of its liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. For bonds, the Plan uses mid prices provided by independent security pricing vendors. 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. 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 because of changes in market conditions could affect the reported fair value of financial instruments.

Income Recognition, Transaction Costs and Expenses

Interest income for distribution purposes from investments in fixed income securities and short-term investments represents the coupon interest received by the Plan accounted for on an accrual basis. Interest receivable is recognized 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 debt securities. Transaction costs represent broker’s commissions.

FLEX FIRST EDUCATION SAVINGS PLAN

Notes to the Financial Statements

For the six months ended June 30, 2023

(All amounts in Canadian dollars)

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, interest, dividends, other and government grant 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. With respect to the fixed income securities portfolio, the market embeds the risk of default and probability weighted expected credit loss in the pricing of each bond. The credit rating and trading price of each security incorporate this risk, although such expected credit loss allowance is not segregated and identifiable. Thus, the Plan does not include any incremental loss allowance for its portfolio of fixed income securities.

Foreign Currency

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

Cash

Cash is comprised of cash with the custodian.

Due from/to Foundation

Due from Foundation is comprised of demand deposits with financial institutions. Due to Foundation is comprised of funds owing to Foundation through financial institutions.

Cash, except cash with the custodian, is not held in the legal name of the Plan. The Plan has agreed on an intercompany cash agreement in which the Foundation 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.

Funds Transferred In / (Out)

During the life of an agreement, subscribers of another Embark Student Corp. 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 Embark Student Corp. 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.

FLEX FIRST EDUCATION SAVINGS PLAN

Notes to the Financial Statements

For the six months ended June 30, 2023

(All amounts in Canadian dollars)

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, net of applicable fees, 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 of various fees. Embark Student Corp. deducts the applicable subscriber fees such as enrollment fees and special processing fees 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.

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 each subscriber's 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.

The Plan is exempt from income taxes under Section 146.1 of the Income Tax Act (Canada).

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 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 on a Canadian 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 (Canadian Mortgage and Housing Corporation). 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.

FLEX FIRST EDUCATION SAVINGS PLAN

Notes to the Financial Statements

For the six months ended June 30, 2023

(All amounts in Canadian dollars)

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. Consequently, the Plan does not consolidate their investment in subsidiaries, if any, but instead measure these at fair value through profit or loss, as required by the accounting standard.

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.

Key areas of estimation, where the Manager has made complex or subjective judgments, include the determination of fair values of financial instruments that are not quoted in an active market. 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.

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, 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 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.

FLEX FIRST EDUCATION SAVINGS PLAN

Notes to the Financial Statements

For the six months ended June 30, 2023

(All amounts in Canadian dollars)

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. Most of the debt instruments held by the Plan are issued or guaranteed by federal, provincial, or municipal governments. The plan also invests in 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, 2023 and December 31, 2022. The analysis below summarizes the credit quality of the Plan's debt portfolio as at June 30, 2023 and December 31, 2022. 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 (%)		
Credit Rating	June 30, 2023	December 31, 2022
"AAA"	28.1%	26.8%
"AA"	12.9%	14.8%
"A"	46.6%	44.8%
"BBB"	12.4%	13.6%
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 endeavors to retain cash positions to maintain adequate liquidity.

Maturity Profile

EAPs (accumulated income and government contributions) are paid upon submission of required documentation to Embark Student Corp. Subscriber's principal is paid upon maturity of a respective agreement.

If a subscriber cancels an agreement, subscriber's principal and associated government grants 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.

FLEX FIRST EDUCATION SAVINGS PLAN

Notes to the Financial Statements

For the six months ended June 30, 2023

(All amounts in Canadian dollars)

Concentration Risk

The table below summarizes this Plan's concentration risk as a percentage of investments as at June 30, 2023 and December 31, 2022.

Percentage of Investments (%) As at		
Concentration	June 30, 2023	December 31, 2022
Fixed Income		
Provincial	23.8 %	22.1 %
Corporate	20.8 %	25.0 %
Federal	17.5 %	17.3 %
Short-Term Investments	0.8 %	1.4 %
Total Fixed Income	62.9 %	65.8 %
Equities		
US Equity ETF	26.3 %	24.7 %
Financials	3.2 %	2.8 %
Industrials	1.7 %	1.4 %
Energy	1.7 %	1.4 %
Materials	1.4 %	1.2 %
Information Technology	0.9 %	0.6 %
Consumer Discretionary	0.8 %	0.8 %
Utilities	0.4 %	0.4 %
Communication Services	0.3 %	0.4 %
Consumer Staples	0.3 %	0.4 %
Real Estate	0.1 %	0.1 %
Total Equities	37.1 %	34.2 %
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.

FLEX FIRST EDUCATION SAVINGS PLAN

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For the six months ended June 30, 2023

(All amounts in Canadian dollars)

a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plan holds securities with fixed interest rates that expose the Plan to fair value interest rate risk. As at June 30, 2023, 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 \$5.3 million (approximately 1.4% of the total investment portfolio) (December 31, 2022 - \$5.2 million, approximately 1.0% of the total investment portfolio). This analysis has been applied only to the fixed income securities within the portfolio. The investment manager manages interest rate risk through the Plan's portfolio managers by diversifying in various investments, as well as through investment committee oversight.

The tables below summarize the Plan's exposure to interest rate risk as at June 30, 2023 and December 31, 2022 by remaining term to maturity.

June 30, 2023	< 1 Year	1 - 5 Years	> 5 Years	Total
Short Term Investments				
Treasury Bills	\$ 4,960,280	\$ —	\$ —	\$ 4,960,280
Government Guaranteed Instruments				
Federal	—	—	107,253,434	107,253,434
Provincial	—	14,866,084	131,484,194	146,350,278
Corporate	—	49,218,148	78,787,593	128,005,741
Total	\$ 4,960,280	\$ 64,084,232	\$ 317,525,221	\$ 386,569,733
Percentage of Total	1.3%	16.6%	82.1%	100.0%

December 31, 2022	< 1 Year	1 - 5 Years	> 5 Years	Total
Short Term Investments				
Treasury Bills	\$ 7,483,163	\$ —	\$ —	\$ 7,483,163
Government Guaranteed Instruments				
Federal	—	1,167,910	93,531,228	94,699,138
Provincial	—	28,511,794	92,979,298	121,491,092
Corporate	—	31,223,252	106,163,585	137,386,837
Total	\$ 7,483,163	\$ 60,902,956	\$ 292,674,111	\$ 361,060,230
Percentage of Total	2.0%	16.9%	81.1%	100.0%

b) Currency Risk

The Plan invests in ETFs denominated in Canadian dollars. The underlying investments held by the ETFs are exposed to the US dollar. The Plan is subject to the risk that the fair value of future cash flows of the BMO MSCI USA ESG Leaders Index ETF, which are not hedged back to Canadian dollar, will fluctuate because of changes in foreign exchange rates. As at June 30, 2023, 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 \$5.7 million (\$6.8 million as at December 31, 2022).

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(All amounts in Canadian dollars)

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, whether the 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, credit risks, unemployment rates in the North American economy, general business conditions, commodity prices and corporate profits. The maximum risk resulting from financial instruments held by the Plan is equivalent to their fair value. The investment managers manage this risk through the selection of securities within the parameters of the investment strategy. As at June 30, 2023, 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 \$11.4 million (\$9.4 million as at December 31, 2022).

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 daily 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 endeavors 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 period.

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. |

FLEX FIRST EDUCATION SAVINGS PLAN

Notes to the Financial Statements

For the six months ended June 30, 2023

(All amounts in Canadian dollars)

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 tables illustrate the classification of the Plan's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2023 and December 31, 2022.

June 30, 2023	Level 1	Level 2	Level 3	Total
Short Term Investments	\$ —	\$ 4,960,280	\$ —	\$ 4,960,280
Government Guaranteed Instruments				
Federal	—	107,253,434	—	107,253,434
Provincial	—	146,350,278	—	146,350,278
Corporate Debt Instruments	—	128,005,741	—	128,005,741
Equities & ETFs	227,187,806	—	—	227,187,806
Investments at Fair Value	\$ 227,187,806	\$ 386,569,733	\$ —	\$ 613,757,539

December 31, 2022	Level 1	Level 2	Level 3	Total
Short Term Investments	\$ —	\$ 7,483,163	\$ —	\$ 7,483,163
Government Guaranteed Instruments				
Federal	—	94,699,138	—	94,699,138
Provincial	—	121,491,092	—	121,491,092
Corporate Debt Instruments	—	137,386,837	—	137,386,837
Equities & ETFs	187,298,653	—	—	187,298,653
Investments at Fair Value	\$ 187,298,653	\$ 361,060,230	\$ —	\$ 548,358,883

All fair value measurements above are recurring. The carrying values of government grants receivable, interest and dividends receivable, other receivables, accounts payable and other liabilities approximate their fair value due to their short-term nature. There were no transfers between levels during the period ended June 30, 2023 and December 31, 2022.

Investments in Unconsolidated Structured Entities

Underlying Fund as at June 30, 2023	Country of Establishment and Principal Place of Business	% Ownership in the Underlying Fund	Plan's Share in the Underlying Fund
BMO MSCI USA ESG Leaders Index ETF	Canada	9.07 %	3,919,240

Underlying Fund as at December 31, 2022	Country of Establishment and Principal Place of Business	% Ownership in the Underlying Fund	Plan's Share in the Underlying Fund
BMO MSCI USA ESG Leaders Index ETF	Canada	8.34 %	3,758,600

FLEX FIRST EDUCATION SAVINGS PLAN

Notes to the Financial Statements

For the six months ended June 30, 2023

(All amounts in Canadian dollars)

6 Net Assets Attributable to Subscribers and Beneficiaries

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

	June 30, 2023	December 31, 2022
Subscribers' Contributions, Net of Returns	\$ 401,830,235	\$ 356,544,834
Government Grants	192,771,579	178,760,560
Accumulated Income		
Education Assistance Payment Account	24,494,327	533,904
Income from Government Grants	13,792,286	12,339,927
Balance, End of Period	\$ 632,888,427	\$ 548,179,225

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

	Period ended June 30, 2023	Period ended June 30, 2022
Subscribers' Deposits and Transfers In	\$ 59,664,141	\$ 127,686,454
Special Processing Fees Deducted	—	(134,037)
Enrollment Fee Deducted	(4,906,825)	(23,779,222)
Return of Contributions	(9,471,915)	(18,922,704)
Net Increase in Subscribers' Contributions	\$ 45,285,401	\$ 84,850,491
Balance, Beginning of Period	356,544,834	271,694,343
Balance, End of Period	\$ 401,830,235	\$ 356,544,834

7 Accounts Payable and Other Liabilities

Included in accounts payable and other liabilities is \$385,139 (December 31, 2022 - \$309,017) 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 \$352,214 (December 31, 2022 - \$455,749) of forfeited grant income from terminated agreements that will be transferred to the Foundation and paid out to a designated educational institution as a donation as required under the Income Tax Act (Canada) annually.

8 Related Party Transactions

The Foundation is the sponsor of the Plan. Embark Student Corp. carries out the general administration of the Plan on its behalf that includes processing and call center services related to new agreements, payments, government grants, plan modifications, terminations, maturities and EAPs and other back office functions such as accounting, reporting, compliance, legal and human resources. Embark Student Corp. is entitled to receive from the Plan an annual management fee between 1.3% and 1.5% per year of all funds on deposit related to the Plan, plus applicable taxes. The actual management fees charged in the period ended June 30, 2023 was \$4,768,041 (December 31, 2022 - \$3,424,046) or 1.46% of the net assets of the Plan due to increase from 1.30% to 1.49% on Feb 1, 2023 (December 31, 2022 - 1.30%), plus applicable taxes. The management fee is not charged on any accumulated loyalty bonus held on behalf of the subscribers in plan.

FLEX FIRST EDUCATION SAVINGS PLAN

Notes to the Financial Statements

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(All amounts in Canadian dollars)

Accounts payable and other liabilities include \$1,272,572 (December 31, 2022 – \$2,142,491) due to Embark Student Corp. relating to management fees inclusive of HST and subscriber fees received by the Plan on behalf of Embark Student Corp..

The Plan also pays remuneration to members of the Independent Review Committee, which is included in Independent Review Committee fees in the Statements of Comprehensive Income.

The Plan has an intercompany cash agreement in which the Foundation maintains a collective cash account for the Plans, which is represented by \$14,853,783 as due from Foundation (December 31, 2022 - \$4,319,330 as due to Foundation).

FLEX FIRST EDUCATION SAVINGS PLAN

Schedule of Investment Portfolio

As at June 30, 2023

(All amounts in Canadian dollars)

Composition	Concentration	Page
Bonds		
Provincial	23.8 %	20
Corporate	20.8 %	21
Federal	17.5 %	22
Short-Term Securities	0.8 %	22
Equities		
US Equity	26.3 %	22
Financials	3.2 %	22
Energy	1.7 %	23
Industrials	1.7 %	23
Materials	1.4 %	23
Information Technology	0.9 %	23
Consumer Discretionary	0.8 %	23
Utilities	0.4 %	23
Communication Services	0.3 %	23
Consumer Staples	0.3 %	24
Real Estate	0.1 %	24

FLEX FIRST EDUCATION SAVINGS PLAN

Schedule of Investment Portfolio

As at June 30, 2023

(All amounts in Canadian dollars)

Bond Name	Coupon %*	Maturity Date	Par Value \$	Cost \$	Fair Value \$
PROVINCIAL (23.8%)					
PROVINCE OF ONTARIO	2.15%	6/2/2031	40,070,000	37,187,997	35,138,381
PROVINCE OF ONTARIO	3.75%	6/2/2032	33,455,000	34,064,629	32,884,603
PROVINCE OF ONTARIO	2.25%	12/2/2031	16,785,000	15,435,203	14,732,221
PROVINCE OF BRITISH COLUMBIA	1.55%	6/18/2031	15,900,000	14,097,152	13,296,718
PROVINCE OF ONTARIO	2.60%	6/2/2027	11,760,000	11,714,927	11,106,573
PROVINCE OF BRITISH COLUMBIA	2.95%	12/18/2028	10,365,000	10,772,945	9,837,412
PROVINCE OF ONTARIO	6.50%	3/8/2029	7,265,000	8,836,774	8,187,359
PROVINCE OF BRITISH COLUMBIA	5.70%	6/18/2029	3,845,000	4,513,933	4,197,266
PROVINCE OF QUEBEC	2.75%	9/1/2028	4,175,000	4,398,150	3,934,404
PROVINCE OF ONTARIO	2.05%	6/2/2030	4,390,000	4,350,016	3,887,024
PROVINCE OF QUEBEC	2.75%	9/1/2027	3,960,000	4,053,582	3,759,511
PROVINCE OF ALBERTA	1.65%	6/1/2031	4,280,000	4,036,441	3,605,030
PROVINCE OF BRITISH COLUMBIA	2.20%	6/18/2030	1,995,000	2,021,645	1,783,776
				155,483,394	146,350,278

FLEX FIRST EDUCATION SAVINGS PLAN

Schedule of Investment Portfolio

As at June 30, 2023

(All amounts in Canadian dollars)

Bond Name	Coupon %*	Maturity Date	Par Value \$	Cost \$	Fair Value \$
CORPORATE (20.8%)					
SUN LIFE FINANCIAL INC	2.80%	11/21/2033	24,555,000	22,611,371	21,532,213
BANK OF MONTREAL	3.19%	3/1/2028	13,145,000	13,219,685	12,295,133
BELL CANADA	1.65%	8/16/2027	7,930,000	7,707,616	6,950,261
BELL CANADA	2.90%	9/10/2029	7,615,000	7,666,038	6,781,480
BELL CANADA	2.20%	5/29/2028	7,165,000	7,070,464	6,311,642
GREAT-WEST LIFECO INC	2.38%	5/14/2030	6,945,000	6,743,709	5,989,515
SUN LIFE FINANCIAL INC	2.06%	10/1/2035	7,360,000	5,873,904	5,886,485
BANK OF NOVA SCOTIA	3.10%	2/2/2028	5,085,000	5,206,990	4,743,133
BELL CANADA	3.80%	8/21/2028	4,960,000	4,935,326	4,693,228
ROYAL BANK OF CANADA	1.83%	7/31/2028	5,175,000	4,955,782	4,441,417
SUN LIFE FINANCIAL INC	3.15%	11/18/2036	5,090,000	4,329,662	4,305,844
ROYAL BANK OF CANADA	1.67%	1/28/2033	5,125,000	4,249,508	4,292,891
TRANSCANADA PIPELINES LTD	5.33%	5/12/2032	4,020,000	4,066,678	4,017,841
ROGERS COMMUNICATIONS INC	4.25%	4/15/2032	3,650,000	3,628,658	3,347,875
TRANSCANADA PIPELINES LTD	3.80%	4/5/2027	3,230,000	3,288,290	3,075,624
ROYAL BANK OF CANADA	4.64%	1/17/2028	3,125,000	3,125,080	3,058,926
ROYAL BANK OF CANADA	4.61%	7/26/2027	2,830,000	2,829,824	2,773,072
TORONTO-DOMINION BANK	4.48%	1/18/2028	2,660,000	2,659,575	2,586,749
NATIONAL BANK OF CANADA	5.43%	8/16/2032	2,615,000	2,607,377	2,574,265
TORONTO-DOMINION BANK	4.21%	6/1/2027	2,375,000	2,368,973	2,294,138
ENBRIDGE INC	3.20%	6/8/2027	2,385,000	2,391,720	2,222,727
FAIRFAX FINANCIAL HOLDINGS LTD	4.23%	6/14/2029	2,285,000	2,267,705	2,116,576
SUN LIFE FINANCIAL INC	4.78%	8/10/2034	2,015,000	1,999,896	1,951,698
BROOKFIELD FINANCE II INC	5.43%	12/14/2032	1,720,000	1,718,592	1,702,065
INTACT FINANCIAL CORPORATION	2.85%	6/7/2027	1,810,000	1,795,292	1,672,286
ROYAL BANK OF CANADA	5.01%	2/1/2033	1,600,000	1,587,511	1,552,408
CANADIAN IMPERIAL BANK OF COMMERCE	5.33%	1/20/2033	1,475,000	1,474,721	1,445,810
BANK OF MONTREAL	4.31%	6/1/2027	1,275,000	1,269,198	1,234,457
CANADIAN IMPERIAL BANK OF COMMERCE	4.20%	4/7/2032	1,290,000	1,246,251	1,218,806
SUNCOR ENERGY INC	5.00%	4/9/2030	950,000	948,178	937,176
				\$ 135,843,574	\$ 128,005,741

FLEX FIRST EDUCATION SAVINGS PLAN

Schedule of Investment Portfolio

As at June 30, 2023

(All amounts in Canadian dollars)

Bond Name	Coupon % [*]	Maturity Date	Par Value \$	Cost \$	Fair Value \$
FEDERAL (17.5%)					
CANADIAN GOVERNMENT BOND	1.50%	6/1/2031	41,355,000	39,077,117	36,089,933
CANADA HOUSING TRUST	3.55%	9/15/2032	28,700,000	28,714,136	28,360,547
CANADA HOUSING TRUST	2.10%	9/15/2029	22,610,000	22,779,245	20,473,968
CANADIAN GOVERNMENT BOND	1.50%	12/1/2031	6,605,000	5,781,575	5,727,625
CANADA HOUSING TRUST	1.40%	3/15/2031	5,905,000	5,582,523	4,984,178
CANADA HOUSING TRUST	1.75%	6/15/2030	5,205,000	4,634,664	4,562,385
CANADIAN GOVERNMENT BOND	1.25%	6/1/2030	3,690,000	3,632,282	3,209,113
CANADIAN GOVERNMENT BOND	2.25%	12/1/2029	3,080,000	3,051,573	2,879,154
CANADA HOUSING TRUST	2.65%	12/15/2028	1,030,000	1,055,740	966,531
				114,308,855	107,253,434
SHORT TERM SECURITIES (0.8%)					
GOVERNMENT OF CANADA TREASURY BILL	—%	8/3/2023	3,446,000	3,431,137	3,430,751
GOVERNMENT OF CANADA TREASURY BILL	—%	7/20/2023	936,000	933,720	933,634
GOVERNMENT OF CANADA TREASURY BILL	—%	8/17/2023	410,000	407,424	407,439
GOVERNMENT OF CANADA TREASURY BILL	—%	8/31/2023	190,000	188,449	188,456
				4,960,730	4,960,280
				410,596,553	386,569,733

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

EQUITIES	# of Shares	Cost \$	Fair Value \$
US EQUITY (26.3%)			
BMO MSCI USA ESG LEADERS INDEX ETF	3,919,240	148,782,707	161,159,147
		148,782,707	161,159,147
FINANCIALS (3.2%)			
BANK OF MONTREAL	37,242	4,197,179	4,455,633
ROYAL BANK OF CANADA	29,753	3,202,366	3,764,350
BROOKFIELD CORP	46,906	1,861,000	2,092,008
INTACT FINANCIAL CORPORATION	10,093	1,545,024	2,064,422
TORONTO-DOMINION BANK	21,348	1,866,131	1,752,884
ELEMENT FLEET MANAGEMENT CORPORATION	77,838	1,157,212	1,570,771
FAIRFAX FINANCIAL HOLDINGS LTD	1,440	1,299,079	1,428,898

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(All amounts in Canadian dollars)

EQUITIES	# of Shares	Cost \$	Fair Value \$
MANULIFE FINANCIAL CORPORATION	36,692	817,244	918,768
TMX GROUP LTD	27,780	737,770	828,122
SUN LIFE FINANCIAL INC	11,397	630,009	787,077
		17,313,014	19,662,933
ENERGY (1.7%)			
SUNCOR ENERGY INC	100,415	2,701,768	3,902,127
CANADIAN NATURAL RESOURCES LTD	40,041	2,310,826	2,982,254
TC ENERGY CORPORATION	41,190	2,417,812	2,205,313
CAMECO CORPORATION	20,147	704,274	835,899
		8,134,680	9,925,593
INDUSTRIALS (1.7%)			
CANADIAN PACIFIC KANSAS CITY LTD	27872	2,397,819	2,982,304
FINNING INTERNATIONAL INC	49,356	1,402,200	2,011,257
SNC-LAVALIN GROUP INC	47,425	1,420,366	1,648,019
BOYD GROUP SERVICES INC	4,220	799,971	1,066,605
CANADIAN NATIONAL RAILWAY COMPANY	6,638	895,551	1,064,868
THOMSON REUTERS CORPORATION	5,061	678,747	905,210
STANTEC INC	9,370	466,483	810,411
		8,061,137	10,488,674
MATERIALS (1.4%)			
AGNICO EAGLE MINES LTD	39,432	2,907,264	2,608,427
WHEATON PRECIOUS METALS CORP	45,251	2,566,515	2,592,430
CCL INDUSTRIES INC	27,303	1,449,717	1,777,971
TECK RESOURCES LTD	30,246	1,531,169	1,685,912
		8,454,665	8,664,740
INFORMATION TECHNOLOGY (0.9%)			
CGI INC	21,559	2,079,568	3,011,792
OPEN TEXT CORPORATION	32,995	1,596,099	1,818,025
CELESTICA INC	41,888	697,382	805,506
		4,373,049	5,635,323
CONSUMER DISCRETIONARY (0.8%)			
RESTAURANT BRANDS INTERNATIONAL INC	19,905	1,596,025	2,044,443
GILDAN ACTIVEWEAR INC	44,161	1,657,613	1,886,116
ARITZIA INC	19,303	806,522	709,964
		4,060,160	4,640,523
UTILITIES (0.4%)			
FORTIS INC	19,659	1,061,493	1,122,332
BROOKFIELD INFRASTRUCTURE PARTNERS LP	14,679	570,263	710,757

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Schedule of Investment Portfolio

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(All amounts in Canadian dollars)

EQUITIES	# of Shares	Cost \$	Fair Value \$
BROOKFIELD RENEWABLE CORP	15,658	788,023	654,348
		2,419,779	2,487,437
COMMUNICATION SERVICES (0.3%)			
TELUS CORPORATION	76,797	2,034,021	1,979,827
		2,034,021	1,979,827
CONSUMER STAPLES (0.3%)			
MAPLE LEAF FOODS INC	40,018	1,087,038	1,035,666
METRO INC	9,864	639,349	738,024
		1,726,387	1,773,690
REAL ESTATE (0.1%)			
CANADIAN APARTMENT PROPERTIES REIT	15,138	708,458	769,919
		708,458	769,919
Total Equities		206,068,057	227,187,806
Less: Transactions costs		10,838	
Total Investments		616,653,772	613,757,539