

Financial Statements of

## **EMBARK STUDENT PLAN**

Education savings program provided by Embark Student Foundation

Audited Annual Financial Statements

For the year ended December 31, 2023, and the period from December 9, 2022  
to December 31, 2022

## **Management's Responsibility for Financial Reporting**

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

Embark Student Foundation, through Embark Student Corp., 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 material accounting policies, which management believe are appropriate for the Plan, are described in Note 3 to the financial statements.

KPMG 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 Trustee and the Subscribers and the Beneficiaries of the Embark Student Plan their opinion on the financial statements. Their report follows.

**Board of Directors**  
**Mississauga, Ontario**  
**March 25, 2024**



**KPMG LLP**  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Trustee and the Subscribers and Beneficiaries of Embark Student Plan

### ***Opinion***

We have audited the financial statements of Embark Student Plan (the "Plan"), which comprise:

- the statements of financial position as at December 31, 2023 and December 31, 2022
- the statements of comprehensive income (loss) for the year ended December 31, 2023 and for the period from December 9, 2022 to December 31, 2022
- the statement of changes in net assets attributable to subscribers and beneficiaries for the year ended December 31, 2023
- the statements of cash flows for the year ended December 31, 2023 and for the period from December 9, 2022 to December 31, 2022
- notes to the financial statements, including a summary of material accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the year ended December 31, 2023 and for the period from December 9, 2022 to December 31, 2022 in accordance with IFRS Accounting Standards.

### ***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 auditor's report.

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

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



### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will 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 and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

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 Accounting Standards, 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 the financial statements.



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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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 25, 2024

**EMBARK STUDENT PLAN**  
**Statements of Financial Position**  
**As at December 31, 2023, and December 31, 2022**  
(All amounts in Canadian dollars)

	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 2,160,360	\$ 4,872
Investments (Note 5)	43,792,371	—
Interest and Dividends Receivable	164,187	—
Subscriptions Receivable	1,372,865	—
<b>Total Assets</b>	<b>\$ 47,489,783</b>	<b>\$ 4,872</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payable for Investments Purchased	2,237,281	—
Due to Affiliate (Note 8)	90,590	—
Redemptions Payable	33,551	—
Accrued Liabilities	272	—
<b>Total Liabilities</b>	<b>\$ 2,361,694</b>	<b>\$ —</b>
<b>Net Assets Attributable to Subscribers and Beneficiaries</b>	<b>\$ 45,128,089</b>	<b>\$ 4,872</b>
<b>Net Assets Attributable to Subscribers and Beneficiaries for each unit class</b>		
Embark Student 2026	\$ 15,800,791	\$ 696
Embark Student 2029	10,748,709	696
Embark Student 2032	5,709,375	696
Embark Student 2035	3,822,303	696
Embark Student 2038	2,863,820	696
Embark Student 2041	1,997,817	696
Embark Student Graduation	4,185,274	696
	<b>\$ 45,128,089</b>	<b>\$ 4,872</b>
<b>Units Outstanding per unit class (Note 7)</b>		
Embark Student 2026	1,464,873	—
Embark Student 2029	990,609	—
Embark Student 2032	523,707	—
Embark Student 2035	349,185	—
Embark Student 2038	259,450	—
Embark Student 2041	179,552	—
Embark Student Graduation	395,489	—
<b>Net Assets attributable to Subscribers and Beneficiaries per unit</b>		
Embark Student 2026	10.79	—
Embark Student 2029	10.85	—
Embark Student 2032	10.90	—
Embark Student 2035	10.95	—
Embark Student 2038	11.04	—
Embark Student 2041	11.13	—
Embark Student Graduation	10.58	—

Approved by the Board of Directors of Embark Student Foundation

*"David Forster"* (Signed)  
David Forster, Director

*"Andrea Bolger"* (Signed)  
Andrea Bolger, Director

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

## EMBARK STUDENT PLAN

Statements of Comprehensive Income (Loss)

For the year ended December 31, 2023, and the period from December 9, 2022 to December 31, 2022

(All amounts in Canadian dollars)

	2023	2022
<b>Income</b>		
Interest Income	\$ 217,701	\$ —
Dividend Income	126,591	—
Net Realized Gain on Investments	83	—
Net change in Unrealized appreciation on investments	1,573,297	—
<b>Total Income (Net)</b>	<b>\$ 1,917,672</b>	<b>\$ —</b>
<b>Expenses</b>		
Management Fees (Note 8)	162,929	—
Management Fee Rebates (Note 8)	(30,994)	—
Transaction Costs	22,694	—
Bank Charges	4,860	128
Interest Expense	748	—
Independent Review Committee Fees	126	—
<b>Total Expenses</b>	<b>\$ 160,363</b>	<b>\$ 128</b>
<b>Increase in Net Assets attributable to Subscribers and Beneficiaries</b>	<b>\$ 1,757,309</b>	<b>\$ (128)</b>
<b>Increase (Decrease) in Net Assets attributable to Subscribers and Beneficiaries per unit class</b>		
Embark Student 2026	\$ 652,233	\$ (19)
Embark Student 2029	440,955	(19)
Embark Student 2032	216,763	(18)
Embark Student 2035	157,242	(18)
Embark Student 2038	115,691	(18)
Embark Student 2041	88,727	(18)
Embark Student Graduation	85,698	(18)
	<b>\$ 1,757,309</b>	<b>\$ (128)</b>
<b>Weighted Average Number of units outstanding</b>		
Embark Student 2026	377,584	—
Embark Student 2029	251,151	—
Embark Student 2032	112,938	—
Embark Student 2035	81,110	—
Embark Student 2038	57,753	—
Embark Student 2041	50,856	—
Embark Student Graduation	122,740	—
<b>Increase (decrease) in Net Assets Attributable to Subscribers and Beneficiaries per unit</b>		
Embark Student 2026	1.73	—
Embark Student 2029	1.76	—
Embark Student 2032	1.92	—
Embark Student 2035	1.94	—
Embark Student 2038	2.00	—
Embark Student 2041	1.74	—
Embark Student Graduation	0.70	—

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

## EMBARK STUDENT PLAN

Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries

For the year ended December 31, 2023

(All amounts in Canadian dollars)

	Total	Embark Student 2026	Embark Student 2029	Embark Student 2032	Embark Student 2035	Embark Student 2038	Embark Student 2041	Embark Student Graduation
	2023	2023	2023	2023	2023	2023	2023	2023
<b>Net Assets Attributable to Subscribers and Beneficiaries, Beginning of Year</b>	<b>4,872</b>	<b>696</b>	<b>696</b>	<b>696</b>	<b>696</b>	<b>696</b>	<b>696</b>	<b>696</b>
<b>Increase (decrease) in Net Assets attributable to Subscribers and Beneficiaries from operations</b>	<b>1,757,309</b>	<b>652,233</b>	<b>440,955</b>	<b>216,762</b>	<b>157,242</b>	<b>115,691</b>	<b>88,728</b>	<b>85,698</b>
<b>Redeemable Unit Transactions</b>								
Proceeds from redeemable units issued	44,275,766	15,398,321	10,329,213	5,519,178	3,706,039	2,770,457	1,929,887	4,622,671
Redemption of redeemable units	(909,858)	(250,457)	(22,155)	(27,260)	(41,674)	(23,025)	(21,495)	(523,792)
Reinvestments of distributions to holders of redeemable units	302,396	103,343	72,255	35,267	25,100	18,685	14,644	33,102
<b>Net increase from redeemable unit transactions</b>	<b>43,668,304</b>	<b>15,251,207</b>	<b>10,379,313</b>	<b>5,527,185</b>	<b>3,689,465</b>	<b>2,766,117</b>	<b>1,923,036</b>	<b>4,131,981</b>
<b>Distributions to holders of redeemable units</b>								
From net investment income	(301,640)	(103,343)	(72,106)	(35,188)	(24,960)	(18,577)	(14,415)	(33,051)
From net realized capital gains	(756)	—	(149)	(79)	(140)	(108)	(229)	(51)
<b>Total distributions to holders of redeemable units</b>	<b>(302,396)</b>	<b>(103,343)</b>	<b>(72,255)</b>	<b>(35,267)</b>	<b>(25,100)</b>	<b>(18,685)</b>	<b>(14,644)</b>	<b>(33,102)</b>
<b>Increase in Net Assets attributable to holders of redeemable units during the Year</b>	<b>45,123,217</b>	<b>15,800,097</b>	<b>10,748,013</b>	<b>5,708,680</b>	<b>3,821,607</b>	<b>2,863,123</b>	<b>1,997,120</b>	<b>4,184,577</b>
<b>Net Assets Attributable to Subscribers and Beneficiaries, End of Year</b>	<b>45,128,089</b>	<b>15,800,793</b>	<b>10,748,709</b>	<b>5,709,376</b>	<b>3,822,303</b>	<b>2,863,819</b>	<b>1,997,816</b>	<b>4,185,273</b>

\* No comparative financial statements have been provided as the Plan was created on December 9, 2022 but commenced its operations on March 1, 2023. See Note 1 for details.

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



## EMBARK STUDENT PLAN

### Statements of Cash Flows

For the year ended December 31, 2023, and the period from December 9, 2022 to December 31, 2022

(All amounts in Canadian dollars)

<b>Cash Provided by (Used in)</b>	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Increase (Decrease) in Net Assets Attributable to Subscribers and Beneficiaries	\$ 1,757,309	\$ (128)
Adjustments for:		
Realized Gain on Sale of Investments	(83)	—
Change in Unrealized Appreciation in the Value of Investments	(1,573,297)	—
Purchase of Investments	(42,349,321)	—
Proceeds from Sale of Investments	130,330	—
Increase in Payable for Investments Purchased	2,237,281	—
Increase in Dividends Receivable	(164,187)	—
Increase in Due to Affiliate	90,590	—
Increase in Accrued Expenses	272	—
<b>Net Cash Provided by (Used in) operating activities</b>	<b>\$ (39,871,106)</b>	<b>\$ (128)</b>
<b>Financing Activities</b>		
Subscribers' Contributions	29,651,750	—
Government Grant Contributions	1,148,038	—
Government Grant Repayments	(20,179)	—
Government Grant Transfers In	8,436,147	—
Government Grant Payments to Beneficiaries	(165,640)	—
Income Payment to Education Institution	(272)	—
Income Transferred In (Out), Net	3,140,511	—
Education Assistance Payments	(163,761)	—
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>\$ 42,026,594</b>	<b>\$ —</b>
Net Increase (Decrease) in Cash	2,155,488	(128)
Cash, Beginning of Period/Year	4,872	5,000
<b>Cash, End of Period/Year</b>	<b>\$ 2,160,360</b>	<b>\$ 4,872</b>
Supplementary Disclosure of Cash Flow Information:		
Dividends Received, Net of Withholding Taxes*	\$ 170,026	\$ —
Interest Received*	10,079	—
Interest Paid*	748	—

\*included in operating activities

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

# EMBARK STUDENT PLAN

Notes to the Financial Statements

**For the year ended December 31, 2023, and the period from December 9, 2022 to December 31, 2022**

(All amounts in Canadian dollars)

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## 1 General Information

Embark Student Plan (the “Plan”) is 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 opening Statement of Financial Position was prepared on December 9, 2022. The Plan was registered with the Ontario Securities Commission (the “OSC”) on February 6, 2023.

The distribution and general administration of the Plan is carried out on behalf of the Foundation by Embark Student Corp., (the “Manager”), a wholly owned subsidiary of the Foundation. The Manager 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 (Education Assistance Payments) and other back-office functions such as accounting, reporting, compliance, legal and human resources. The Plan commenced its operations on March 1, 2023.

The Trustee of the Plan is Bank of Nova Scotia Trust Company. The Custodian of the Plan is RBC Investor Services Trust.

The Plan meets its investment objectives for subscribers by investing contributions, government grants and earnings, according to a glide path long-term investment approach that seeks to match the age of beneficiaries and their expected date to attend post-secondary education with appropriate asset classes and investment mix. The Plan's investment manager, Bank of Montreal (BMO), invests primarily in a diversified mix of Exchange Traded Funds (“ETFs”) providing exposure to fixed income, money market, and equity securities. It will seek to achieve its objectives where considered appropriate by investing in exchange-traded funds or ETFs, cash, and cash equivalents.

Each class of units represents a glide path beneficiary age group. When an account is opened, each beneficiary is issued units of a class of units based on their date of birth. As the beneficiary ages, the target asset mix for each class of units will change over time with an emphasis on equity investing in the early years transitioning to a more conservative investment mix over time, with an emphasis on fixed income securities. When a particular class of units reaches the maturity date, it is merged with the Embark Student Graduation class of units, which has an asset mix intended for capital preservation. The actual asset mix of each class of units may vary based on changes in the market value of underlying securities and will be rebalanced periodically to maintain the target asset mix.

As at December 31, 2023, the plan consists of seven different classes of units to which each beneficiary is assigned to based on their date of birth: Embark Student 2026, Embark Student 2029, Embark Student 2032, Embark Student 2035, Embark Student 2038, Embark Student 2041, Embark Student Graduation. Every three years, the Plan intends to create a new class of units for youngest beneficiaries as soon as the class of units with oldest beneficiaries is merged with Embark Student Graduation.

The Plan’s primary place of business is 50 Burnhamthorpe Road West, Mississauga, Ontario, Canada.

On December 12, 2023, subscribers of the Family Single Student Education Savings Plan and Flex First Plan voted in favour of winding-up and transferring their assets to the Embark Student Plan or Embark Select Conservative Plan in the manner described in the Vote Information Circular dated September 20, 2023. As part of the vote, Family

# **EMBARK STUDENT PLAN**

Notes to the Financial Statements

**For the year ended December 31, 2023, and the period from December 9, 2022 to December 31, 2022**

(All amounts in Canadian dollars)

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Single Student Education Savings Plan subscribers will be entitled to a management fee rebate of 0.66% until January 1, 2026. Flex First Plan subscribers will be entitled to a lifetime management fee rebate of 1.16% and enrollment fee refund and loyalty bonus features will be removed effective December 31, 2023. The transfer of all assets, termination of ESP (Education Savings Plan) contracts, and creation of Education Assistance Agreements by the Foundation are planned to be completed on or around July 2, 2024. The Foundation is also authorized to amend the Trust Agreement, as it deems necessary, to permit the transfer of assets held to the appropriate Embark Plan.

The financial statements were authorized for issue by the Audit, Finance and Risk Management Committee of the Board of Directors of the Foundation on March 25, 2024.

## **2 Basis of Accounting**

These annual financial statements have been prepared in accordance with IFRS Accounting Standards. The Plan has consistently applied the accounting policies used in the preparation of its financial statements.

## **3 Material Accounting Policies**

The material accounting policies followed by the Plan are as follows.

### **New Accounting Standards Applied in 2023**

The fund adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

### **Financial instruments**

The financial instruments held by the Plan include financial assets and liabilities such as investments (third-party exchange-traded funds), cash, due from affiliate, interest and dividend receivable, subscription receivable, management fees payable, redemptions payable and accrued liabilities. 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). All other financial assets and 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**

For ETFs, the Plan uses the last traded market price where the last traded price falls between that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Plan determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The

## **EMBARK STUDENT PLAN**

Notes to the Financial Statements

**For the year ended December 31, 2023, and the period from December 9, 2022 to December 31, 2022**

(All amounts in Canadian dollars)

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Plan's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

### **Income Recognition, Transaction Costs and Expenses**

Interest income 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.

### **Foreign Currency**

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

### **Cash and Cash Equivalents**

Cash is comprised of demand deposits with financial institutions.

### **Funds Transferred In / (Out)**

During the life of an agreement, subscribers of other plans managed by Embark Student Corp. or subscribers at another provider may choose to transfer their agreement to the Plan. Alternatively, subscribers of the Plan may choose to transfer their agreements to another provider. Contributions, government grants and income transferred in/out are reported as changes in net assets attributable to subscribers and beneficiaries.

### **Management Fee Rebates**

The Manager may reduce the management fees based on size of a unitholder investment or participation in a program offered by the Manager. Following the end of each quarter, the amount of any management fee rebate is distributed to qualified unitholders by the Plan in the form of a reinvestment in additional units of the respective series of the Plan. The management fee rebate, if applicable, is included in "Due to Affiliate" and in "Management fees" in the Statement of Financial Position and Statements of Comprehensive Income of each Series, respectively, if applicable. The Manager may reduce or waive the management fees without giving notice to unitholders.

At December 31, 2023, management fee rebates in the amount of \$30,994 were distributed.

### **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 are classified as a liability as subscribers have the option to withdraw at any point prior

## **EMBARK STUDENT PLAN**

Notes to the Financial Statements

**For the year ended December 31, 2023, and the period from December 9, 2022 to December 31, 2022**

(All amounts in Canadian dollars)

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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.

Subscribers' contributions are comprised of deposits received from subscribers. During the life of an agreement, subscribers may choose to change the amount of their contributions.

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

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

### **Taxation**

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

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 which are disclosed on the Schedule of Investment Portfolio, and the Plan has determined that these investments are unconsolidated structured entities. The Plan accounts for its investments in unconsolidated structured entities at fair value through profit and loss. The ETFs finance their operations by issuing redeemable shares, which are puttable at the holder's option and entitle the holder to a proportional stake in the ETF's net asset value. The ETFs are domiciled in Canada and listed on the Toronto Stock Exchange.

### **New and Revised Standards and Interpretations Issued but Not Yet Effective**

The Plan has determined there are no IFRS standards that are issued but not yet effective that could materially impact the Plan's financial statements.

## **EMBARK STUDENT PLAN**

Notes to the Financial Statements

**For the year ended December 31, 2023, and the period from December 9, 2022 to December 31, 2022**

(All amounts in Canadian dollars)

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### **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. 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. The Plan may have been indirectly exposed to credit risk, to

## **EMBARK STUDENT PLAN**

Notes to the Financial Statements

**For the year ended December 31, 2023, and the period from December 9, 2022 to December 31, 2022**

(All amounts in Canadian dollars)

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the extent that its investment in the ETFs have underlying investments in debt instruments, preferred securities and derivatives.

### **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 its assets in investments that are traded in an active market and can be easily liquidated. In addition, the Plan endeavors 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 the Manager. 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.

## EMBARK STUDENT PLAN

Notes to the Financial Statements

For the year ended December 31, 2023, and the period from December 9, 2022 to December 31, 2022

(All amounts in Canadian dollars)

### Concentration Risk

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

	Percentage of Investments (%) as at December 31, 2023						
	2026	2029	2032	2035	2038	2041	Graduation
<b>Canadian Fixed Income</b>	<b>75.2%</b>	<b>59.3%</b>	<b>46.1%</b>	<b>32.4%</b>	<b>21.1%</b>	<b>13.7%</b>	<b>46.6%</b>
BMO Aggregate Bond Index ETF	48.7%	44.2%	29.8%	20.4%	12.0%	7.5%	—%
BMO Mid Corporate Bond Index ETF	18.1%	15.1%	16.4%	12.0%	9.1%	6.2%	—%
BMO Mid Federal Bond Index ETF	7.4%	—%	—%	—%	—%	—%	—%
BMO Short Corporate Bond ETF	1.0%	—%	—%	—%	—%	—%	36.5%
BMO Canadian MBS Index ETF	—%	—%	—%	—%	—%	—%	5.1%
BMO Ultra Short-Term Bond ETF	—%	—%	—%	—%	—%	—%	5.0%
<b>Money Market</b>	<b>9.1%</b>	<b>5.4%</b>	<b>1.3%</b>	<b>—%</b>	<b>—%</b>	<b>—%</b>	<b>43.1%</b>
BMO Money Market ETF	5.9%	3.5%	1.3%	—%	—%	—%	43.1%
Government of Canada Treasury Bill,	3.2%	1.9%	—%	—%	—%	—%	—%
<b>U.S Equities</b>	<b>6.3%</b>	<b>13.7%</b>	<b>19.4%</b>	<b>24.5%</b>	<b>31.6%</b>	<b>34.3%</b>	<b>4.0%</b>
BMO S&P 500 Index ETF	5.0%	11.6%	16.5%	21.0%	26.9%	27.3%	4.0%
BMO US Dividend ETF	1.3%	1.4%	1.9%	2.3%	3.1%	4.4%	—%
BMO MSCI USA ESG Leaders Index ETF	—%	0.7%	1.0%	1.2%	1.6%	2.6%	—%
<b>Canadian Equities</b>	<b>6.0%</b>	<b>13.3%</b>	<b>18.4%</b>	<b>23.8%</b>	<b>25.6%</b>	<b>28.0%</b>	<b>3.4%</b>
BMO S&P TSX Capped Composite Index ETF	4.8%	11.2%	15.6%	20.3%	21.8%	22.4%	3.4%
BMO Canadian Dividend ETF	1.2%	1.4%	1.8%	2.3%	2.5%	3.5%	—%
BMO MSCI Canada ESG Leaders Index ETF	—%	0.7%	1.0%	1.2%	1.3%	2.1%	—%
<b>International Equities</b>	<b>3.4%</b>	<b>8.3%</b>	<b>14.8%</b>	<b>19.3%</b>	<b>21.7%</b>	<b>24.0%</b>	<b>2.9%</b>
BMO MSCI EAFE Index ETF	3.4%	8.3%	14.8%	19.3%	21.7%	24.0%	2.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### 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 analysis, as applicable that show how the net assets attributable to subscribers and beneficiaries would be affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ, and the differences could be material.

#### a) Interest Rate Risk

Interest rate risk is the risk of a change in the fair value or cash flows of a Plan's investments in interest-bearing financial instruments due to fluctuations in market interest rates. There is an inverse relationship between changes in interest rates and changes in the fair value of interest-bearing securities. The Plan manages interest rate risk through its portfolio managers by diversifying in various investments, as well as through investment committee oversight.



## **EMBARK STUDENT PLAN**

Notes to the Financial Statements

**For the year ended December 31, 2023, and the period from December 9, 2022 to December 31, 2022**

(All amounts in Canadian dollars)

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The Plan is indirectly exposed to the interest rate risk, to the extent that the underlying ETFs have invested in interest bearing financial instruments.

### **b) Currency Risk**

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Plan, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls.

As at December 31, 2023, the Plan is indirectly exposed to the currency risk, to the extent that the underlying ETFs have invested in financial instruments that were denominated in a currency other than the functional currency of the ETF.

### **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 December 31, 2023, if the fair value of the 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 \$783,497.

### **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:

## EMBARK STUDENT PLAN

Notes to the Financial Statements

For the year ended December 31, 2023, and the period from December 9, 2022 to December 31, 2022

(All amounts in Canadian dollars)

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- 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.

### 6 Fair Value Measurement

The Plan classifies fair value measurements within a hierarchy which gives the highest priority to 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. All investments outlined in Note 5 are classified as Level 1 with no transfers between Level 1, Level 2 and Level 3 for the year ended December 31, 2023.

### 7 Net Assets Attributable to Subscribers and Beneficiaries

For the year ended December 31, 2023, changes in outstanding units were as follows:

Class of Units	Number of Units, Beginning of Period	Units Issued	Units Redeemed	Units Reinvested	Number of Units, End of Period
Embark Student 2026	—	1,479,018	(25,164)	11,019	1,464,873
Embark Student 2029	—	985,226	(2,220)	7,603	990,609
Embark Student 2032	—	522,737	(2,669)	3,639	523,707
Embark Student 2035	—	350,646	(4,009)	2,548	349,185
Embark Student 2038	—	259,844	(2,227)	1,833	259,450
Embark Student 2041	—	180,203	(2,068)	1,417	179,552
Embark Student Graduation	—	443,903	(51,982)	3,568	395,489

## **EMBARK STUDENT PLAN**

Notes to the Financial Statements

**For the year ended December 31, 2023, and the period from December 9, 2022 to December 31, 2022**

(All amounts in Canadian dollars)

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### **8 Related Party Transactions**

#### **Management fees**

Embark Student Corp. is entitled to receive from the Plan annual management fees. These fees can increase or decrease but will not exceed 1.99% per annum plus applicable taxes. The management fee is based on the total market value of the Plan and is deducted before income is allocated to the subscribers. The actual management fees charged for the year ended December 31, 2023 were \$162,929 – 1.65%, plus applicable taxes, net of a management fee rebate of \$30,994 described in Note 3. Management fee payable of \$121,025 to Embark Student Corp. is included in “Due to Affiliate” in the Statement of Financial Position.

The Plan also includes \$8,740 as due from affiliate relating to BMO investment management fees to be reimbursed by Embark Student Corp.

### **9 Investments in Underlying Funds**

The Plan invests in ETFs which provide access to the returns of stock indices, bond indices, money market instruments, or a basket of assets and are intended to replicate the performance that would apply had the Plan directly purchased the underlying basket of assets. An investment in an ETF is subject to all of the risks of investing in the securities held by the ETF. The plan can also invest in cash and cash equivalents.

The Plan accounts for its investments in these ETFs at fair value. The fair value of such securities, as disclosed in the Schedule of Investment Portfolio, as applicable, represents the maximum exposure to losses at that date. During the year ended December 31, 2023, the Plan did not provide financial support to underlying ETFs and have no intention of providing financial or other support.

## EMBARK STUDENT PLAN

Notes to the Financial Statements

For the year ended December 31, 2023, and the period from December 9, 2022 to December 31, 2022

(All amounts in Canadian dollars)

### Investments in Unconsolidated Structured Entities

<b>Underlying Fund as at December 31, 2023</b>	<b>Country of Establishment and Principal Place of Business</b>	<b>% Ownership in the Underlying Fund</b>	<b>Plan's Shares in the Underlying Fund</b>
BMO Mid Corporate Bond Index ETF	Canada	12.66 %	406,007
BMO Mid Federal Bond Index ETF	Canada	2.75 %	78,511
BMO MSCI Canada ESG Leaders Index ETF	Canada	2.69 %	7,227
BMO Aggregate Bond Index ETF	Canada	2.21 %	1,087,306
BMO US Dividend ETF	Canada	1.64 %	18,659
BMO Short Corporate Bond Index ETF	Canada	1.13 %	119,781
BMO Canadian MBS Index ETF	Canada	0.68 %	6,922
BMO Canadian Dividend ETF	Canada	0.65 %	33,226
BMO S&P/TSX Capped Composite Index ETF	Canada	0.63 %	166,266
BMO MSCI EAFE Index ETF	Canada	0.62 %	192,179
BMO S&P 500 Index ETF	Canada	0.43 %	73,570
BMO Money Market Fund ETF Series	Canada	0.33 %	62,863
BMO Ultra Short-Term Bond ETF	Canada	0.18 %	4,101
BMO MSCI USA ESG Leaders Index ETF	Canada	0.01 %	5,805

## 10 Scholarship Plan Summary

For the year ended December 31, 2023, changes in the scholarship plan as it pertains to contributions, grants, and accumulated income were as follows.

	<b>2023</b>
<b>Subscribers' Contributions</b>	
Contributions	31,537,890
Return of Contributions and Transfers Out	(543,830)
	<b>\$ 30,994,060</b>
<b>Government Grants</b>	
Government Grant Contributions	1,148,038
Government Grant Repayments	(20,179)
Government Grant Transfers In	8,437,520
Government Grant Payments to Beneficiaries	(165,640)
	<b>\$ 9,399,739</b>
<b>Accumulated Income</b>	
Increase in Net Assets Attributable to Subscribers and Beneficiaries	1,757,309
Income Transferred In, Net	3,141,014
Education Assistance Payments	(163,761)
Payments of Government Grant Income to Educational Institutions	(272)
	<b>\$ 4,734,290</b>
<b>Net Assets Attributable to Subscribers and Beneficiaries, End of Year</b>	<b>\$ 45,128,089</b>

## **EMBARK STUDENT PLAN**

Notes to the Financial Statements

**For the year ended December 31, 2023, and the period from December 9, 2022 to December 31, 2022**

(All amounts in Canadian dollars)

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### **11 Subsequent Events**

The initial seeding of capital was made by the Foundation for the newly created Embark Student 2044 unit class on January 9, 2024.

**EMBARK STUDENT PLAN**  
Schedule of Investment Portfolio  
**For the year ended December 31, 2023**  
(All amounts in Canadian dollars)

	<b>Number of Units</b>	<b>Average Cost \$</b>	<b>Fair Value \$</b>	<b>% of Investments</b>
<b>Canadian Money Market Securities</b>				
Canada Treasury Bills, 5.04%, Feb-29-2024	700,000	\$ 694,071	\$ 694,071	1.54
		<b>\$ 694,071</b>	<b>\$ 694,071</b>	<b>1.54</b>
<b>Exchange-Traded Funds</b>				
BMO Aggregate Bond Index ETF	1,087,306	\$ 14,442,281	\$ 15,037,443	33.33
BMO Mid Corporate Bond Index ETF	406,007	5,842,975	6,098,225	13.51
BMO S&P 500 Index ETF	73,570	4,879,112	5,082,951	11.26
BMO S&P/TSX Capped Composite Index ETF	166,266	4,478,016	4,655,448	10.32
BMO MSCI EAFE Index ETF	192,179	3,921,478	4,074,195	9.03
BMO Money Market Fund ETF Series	62,863	3,134,372	3,136,864	6.95
BMO Short Corporate Bond Index ETF	119,781	1,567,931	1,607,461	3.56
BMO Mid Federal Bond Index ETF	78,511	1,096,156	1,146,261	2.54
BMO US Dividend ETF	18,659	683,695	700,645	1.55
BMO Canadian Dividend ETF	33,226	623,647	650,897	1.44
BMO MSCI USA ESG Leaders Index ETF	5,805	248,918	260,064	0.58
BMO MSCI Canada ESG Leaders Index ETF	7,227	232,306	245,718	0.54
BMO Canadian MBS Index ETF	6,922	198,499	202,122	0.45
BMO Ultra Short-Term Bond ETF	4,101	198,207	200,006	0.44
<b>Total Exchange-Traded Funds</b>		<b>\$ 41,547,593</b>	<b>\$ 43,098,300</b>	<b>95.50</b>
Embedded Broker Commissions		(22,590)	—	
<b>Total Investments</b>		<b>\$ 42,219,074</b>	<b>\$ 43,792,371</b>	<b>97.04</b>
<b>Other Assets Less Liabilities</b>			<b>\$ 1,335,718</b>	<b>2.96</b>
<b>Net Assets attributable to Subscribers and Beneficiaries</b>			<b>\$ 45,128,089</b>	<b>100.00</b>