

Financial Statements of

**FAMILY SINGLE STUDENT  
EDUCATION SAVINGS PLAN**

Education savings program provided by Embark Student Foundation

Unaudited Semi-Annual Financial Statements

For the six months ended June 30, 2024

# FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN

Statements of Financial Position

As at June 30, 2024 and December 31, 2023

(All amounts in Canadian dollars)

	June 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 59,446,731	\$ 22,483,022
Due from Foundation (Note 8)	45,543,146	7,844,874
Investments (Note 5)	5,691,876,752	5,632,206,498
Government Grants Receivable	2,924,056	4,175,380
Interest and Dividends Receivable	21,106,359	29,026,016
<b>Total Assets</b>	<b>\$ 5,820,897,044</b>	<b>\$ 5,695,735,790</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable and Other Liabilities (Notes 7 and 8)	19,708,464	21,305,908
<b>Total Liabilities</b>	<b>\$ 19,708,464</b>	<b>\$ 21,305,908</b>
<b>Net Assets Attributable to Subscribers and Beneficiaries (Note 6)</b>	<b>\$ 5,801,188,580</b>	<b>\$ 5,674,429,882</b>

Approved by the Board of Directors of Embark Student Foundation

Alice Keung, Director

Andrea Bolger, Director

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

## FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN

Statements of Comprehensive Income

For the six months ended June 30, 2024 and June 30, 2023

(All amounts in Canadian dollars)

	<b>June 30, 2024</b>	<b>June 30, 2023</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Income</b>		
Interest Income	\$ 85,247,187	\$ 58,218,576
Dividend Income	13,900,306	22,528,825
Other Changes in Fair Value of Investments:		
Net Realized Losses on Investments	414,542,600	(32,770,323)
Net Change in Unrealized (Losses) Gains on Investments	(181,759,705)	285,703,741
<b>Total Income (Loss) (Net)</b>	<b>\$ 331,930,388</b>	<b>\$ 333,680,819</b>
<b>Expenses</b>		
Management Fees (Note 8)	30,784,881	30,627,866
Independent Review Committee Fees	56,679	8,341
Transaction Costs	677,723	139,443
<b>Total Expenses</b>	<b>\$ 31,519,283</b>	<b>\$ 30,775,650</b>
<b>Increase (Decrease) in Net Assets Attributable to Subscribers and Beneficiaries</b>	<b>\$ 300,411,105</b>	<b>\$ 302,905,169</b>

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

## FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN

Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries

For the six months ended June 30, 2024 and June 30, 2023

(All amounts in Canadian dollars)

	June 30, 2024	June 30, 2023
	(Unaudited)	(Unaudited)
<b>Net Assets Attributable to Subscribers and Beneficiaries, Beginning of Period</b>	<b>\$ 5,674,429,882</b>	<b>\$ 5,527,679,649</b>
Subscribers' Contributions (Note 6)		
Contributions	86,984,686	102,175,077
Return of Contributions and Transfers Out	(115,433,095)	(99,007,256)
	<b>\$ (28,448,409)</b>	<b>\$ 3,167,821</b>
Government Grants (Note 6)		
Government Grant Contributions	18,042,273	24,643,799
Government Grant Repayments	(4,601,443)	(3,308,049)
Government Grant, Transfers (Out) In	(8,695,549)	(5,542,627)
Government Grant Payments to Beneficiaries	(34,907,008)	(35,704,720)
Government Grants Transferred in from Terminated Plans (Note 3)	—	—
	<b>\$ (30,161,727)</b>	<b>\$ (19,911,597)</b>
Accumulated Income (Note 6)		
Increase (Decrease) in Net Assets Attributable to Subscribers and Beneficiaries	300,411,105	302,905,169
Education Assistance Payments	(73,236,235)	(68,637,038)
Payments of Government Grant Income to Beneficiaries	(25,188,638)	(20,417,054)
Payments of Government Grant Income to Educational Institutions	(855,797)	(260,445)
Income Transferred (Out) In, Net	(15,761,601)	(7,789,746)
	<b>\$ 185,368,834</b>	<b>\$ 205,800,886</b>
<b>Net Assets Attributable to Subscribers and Beneficiaries, End of Period</b>	<b>\$ 5,801,188,580</b>	<b>\$ 5,716,736,759</b>

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

# FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN

## Statements of Cash Flows

For the six months ended June 30, 2024 and June 30, 2023

(All amounts in Canadian dollars)

Cash Provided by (Used in)	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
<b>Operating Activities</b>		
Increase (Decrease) in Net Assets Attributable to Subscribers and Beneficiaries	\$ 300,411,105	\$ 302,905,169
Adjustments for:		
Due from / (to) Foundation	(37,698,272)	13,036,043
Net Realized (Gains) Losses on Investments	(414,542,600)	32,770,323
Net Change in Unrealized (Gains) Losses on Investments	181,759,705	(285,703,741)
Amortization of Bond Discounts and Premiums	(7,555,586)	(1,391,446)
Transfer of Investments	(7,216,562,958)	(1,525,513,464)
Proceeds from Sale or Maturity of Investments	7,397,231,185	1,580,135,706
Interest and Dividends Receivable	7,919,657	1,303,506
Accounts Payable and Other Liabilities	(30,368)	(382,459)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 210,931,868</b>	<b>\$ 117,159,637</b>
<b>Financing Activities</b>		
Subscribers' Contributions	86,984,686	102,175,077
Return of Contributions and Transfers Out	(115,433,095)	(99,007,256)
Government Grant Receipts	19,293,597	26,036,529
Government Grant Repayments	(4,601,443)	(3,308,049)
Government Grant Transfers (Out) In	(8,695,549)	(5,542,627)
Government Grant Payments to Beneficiaries	(34,907,008)	(35,704,720)
Income Payments to Beneficiaries:		
Education Assistance Payments	(73,236,235)	(68,637,038)
Government Grants	(25,188,638)	(20,417,054)
Funds Transferred (Out) In	(15,761,601)	(7,789,746)
Grant Income Paid to Educational Institutions	(2,422,873)	(260,445)
<b>Net Cash Used in Financing Activities</b>	<b>\$ (173,968,159)</b>	<b>\$ (112,455,329)</b>
<b>Net Increase (Decrease) in Cash During the Period</b>	36,963,709	4,704,308
<b>Cash, Beginning of Period</b>	22,483,022	3,874,951
<b>Cash, End of Period</b>	<b>\$ 59,446,731</b>	<b>\$ 8,579,259</b>
<b>Supplementary Disclosure of Cash Flow Information</b>		
Interest Received*	\$ 80,300,977	\$ 59,665,058
Dividends Received*	19,210,587	20,994,403

\*Included in operating activities

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

# FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN

Notes to the Financial Statements

**For the six months ended June 30, 2024**

(All amounts in Canadian dollars)

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## 1 General Information

Family Single Student 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.

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, insurance premiums, depository fees and service charges charged to each subscriber. The income earned on subscriber contributions is held in the Education Assistance Payment account. When a plan matures, is terminated, or is cancelled, such deposits, net of deductions, will be returned to the subscriber. All or a portion of the income may be paid to the subscriber as an accumulated income payment. Upon registration of a plan, the Manager will apply for government grants on behalf of the subscriber. The income earned on government grants is held in the Grant Income account.

The Foundation has stopped offering the Plan for sale effective December 31, 2012.

On December 12, 2023, subscribers of the 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, the Plan subscribers will be entitled to a management fee rebate of 0.66% beginning July 1, 2024 until Jan 1, 2026. The Embark 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 Plan invests in Canadian fixed income securities including Canadian federal, provincial, municipal, corporate bonds and equity securities including exchange traded funds (ETFs) that replicate the performance of a widely quoted market index of Canadian or U.S. equity securities listed on a stock exchange in Canada or the U.S. The Plan's investment in equities is limited to 40% of Net Assets of the Plan. This investment strategy was in place until transition at the beginning of June 2024, when the assets were restructured to reflect the corresponding destination plans within the Embark plans.

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

# **FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN**

Notes to the Financial Statements

**For the six months ended June 30, 2024**

(All amounts in Canadian dollars)

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On June 12, 2024 the transition manager (Northern Trust Corporation) started the transition trading to align the investment holdings of the Plan to that of the corresponding destination plan (the Embark Student Plan or the Embark Select Conservative Plan). To determine each subscriber's destination plan, the subscribers' risk profiles were used to assign the plan that best aligned with their risk appetite. Additionally, both destination plans utilize a glidepath investment strategy where the underlying asset mix varies based on the age of the beneficiary. Therefore, the investments held by the Plan as at June 30, 2024 reflect the final composition of the investment holdings and weightings of the corresponding destination plans.

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 29, 2024.

## **2 Basis of Accounting**

These unaudited semi-annual financial statements have been prepared in accordance with IFRS Accounting 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 Material Accounting Policies**

The material 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 receivable, government grants receivable 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.

# **FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN**

Notes to the Financial Statements

**For the six months ended June 30, 2024**

(All amounts in Canadian dollars)

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## **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 shown separately on the Statements of Financial Position based on the debt instruments' stated rates of interest. Dividends are recognized as income on the ex-dividend date. The cost of investments is determined using the average cost method. Average cost includes amortization of premiums and discounts on the Plan's 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.

## **Due from/to Foundation**

Due from Foundation is comprised of demand deposits with 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. 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 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.

## **Net Assets Attributable to Subscribers and Beneficiaries**

Net assets attributable to subscribers and beneficiaries is comprised of subscribers' contributions, government grants and income earned on both subscribers' contributions and government grants. Net assets attributable to subscribers and beneficiaries is classified as a liability as subscribers have the option to withdraw at any point prior to maturity. If a subscriber withdraws before maturity, the subscriber's contributions, 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 for various fees. The Manager deducts the applicable subscriber fees such as enrollment fees, insurance premiums, depository fees and service charges from the deposits made from subscribers and the net amount is invested in the Plan. During the life of an agreement, subscribers may choose to change the level of their contributions. Refer to Note 6 for a breakdown of the changes to subscribers' contributions.



# **FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN**

Notes to the Financial Statements

**For the six months ended June 30, 2024**

(All amounts in Canadian dollars)

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An insurance premium for group life and total disability insurance is deducted from each applicable deposit, at a rate of 17 cents per \$10 of contribution. The insurance premiums are paid to Sun Life Assurance Company of which the Manager receives 25% of the premiums from the insurance company.

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 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.

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

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

## **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.

# **FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN**

Notes to the Financial Statements

**For the six months ended June 30, 2024**

(All amounts in Canadian dollars)

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## **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 investments 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 and International equities via the unhedged ETFs 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.

### **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.

## FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN

Notes to the Financial Statements

For the six months ended June 30, 2024

(All amounts in Canadian dollars)

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, 2024. The credit ratings are obtained from the third-party investment manager's ETF factsheets.

Percentage of Debt Investments (%)		
Credit Rating	June 30, 2024	December 31, 2023
"AAA"	25.6%	16.0%
"AA"	17.1%	6.5%
"A"	26.9%	50.8%
"BBB"	30.4%	26.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### 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, educational institutions, 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 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 contributions are due upon demand. Government grants payable to the government are presented net of government grants receivable in the Statements of Financial Position, as the Plan has the ability and intent to settle net. Income on the subscriber's principal and net government grants become immediately payable to the subscriber or to a qualified educational institution, as applicable, and is included in accounts payable and other liabilities in the Statements of Financial Position.

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

### Concentration Risk

The table below summarizes this Plan's concentration risk as a percentage of investments as at June 30, 2024 and December 31, 2023.

# FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN

Notes to the Financial Statements

For the six months ended June 30, 2024

(All amounts in Canadian dollars)

Percentage of Investments (%) As at		
Concentration	June 30, 2024	December 31, 2023
<b>Fixed Income</b>		
Corporate	40.0 %	36.0 %
Short-Term Investments	14.6 %	3.3 %
Federal	13.9 %	8.8 %
Provincial	8.8 %	13.3 %
Municipal	0.5 %	0.2 %
<b>Total Fixed Income</b>	<b>77.8 %</b>	<b>61.6 %</b>
<b>Equities</b>		
Financials	4.7 %	4.4 %
Information Technology	3.6 %	1.9 %
Industrials	2.7 %	1.6 %
Energy	2.0 %	2.0 %
Health Care	1.9 %	0.0 %
Consumer Discretionary	1.8 %	0.1 %
Materials	1.5 %	1.0 %
Consumer Staples	1.4 %	0.5 %
Communication Services	1.3 %	0.2 %
Utilities	0.8 %	0.5 %
Others	0.4 %	0.0 %
Real Estate	0.1 %	0.1 %
US Equity ETF	— %	26.1 %
<b>Total Equities</b>	<b>22.2 %</b>	<b>38.4 %</b>
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</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 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 diversifying in various investments, as well as through investment committee oversight.

### a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plan holds securities with fixed interest rates that expose the Plan to fair value interest rate risk. As at June 30, 2024, 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 \$48.8 million (approximately 0.9% of the total investment portfolio) (December 31, 2023 - \$49.2 million, approximately 0.9% 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 by diversifying in various investments, as well as through investment committee oversight.

## FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN

Notes to the Financial Statements

**For the six months ended June 30, 2024**

(All amounts in Canadian dollars)

The tables below summarize the Plan's exposure to interest rate risk as at June 30, 2024 and December 31, 2023 by remaining term to maturity.

<b>June 30, 2024</b>	<b>&lt; 1 Year</b>	<b>1 - 5 Years</b>	<b>&gt; 5 Years</b>	<b>Total</b>
Short Term Investments				
Treasury Bills	\$ 830,746,592	\$ —	\$ —	\$ 830,746,592
Government Guaranteed Instruments				
Federal	—	257,117,119	535,404,368	792,521,487
Provincial	—	211,807,326	287,738,255	499,545,581
Municipal	—	11,869,889	16,125,133	27,995,022
Corporate	71,207,214	1,172,082,073	1,032,338,163	2,275,627,450
<b>Total</b>	<b>\$ 901,953,806</b>	<b>\$ 1,652,876,407</b>	<b>\$ 1,871,605,919</b>	<b>\$ 4,426,436,132</b>
<b>Percentage of Total</b>	<b>20.4%</b>	<b>37.3%</b>	<b>42.3%</b>	<b>100.0%</b>

<b>December 31, 2023</b>	<b>&lt; 1 Year</b>	<b>1 - 5 Years</b>	<b>&gt; 5 Years</b>	<b>Total</b>
Short Term Investments				
Treasury Bills	\$ 186,545,326	\$ —	\$ —	\$ 186,545,326
Government Guaranteed Instruments				
Federal	—	—	497,588,357	497,588,357
Provincial	—	—	751,221,693	751,221,693
Municipal	—	—	9,468,635	9,468,635
Corporate	—	975,804,321	1,053,612,892	2,029,417,213
<b>Total</b>	<b>\$ 186,545,326</b>	<b>\$ 975,804,321</b>	<b>\$ 2,311,891,577</b>	<b>\$ 3,474,241,224</b>
<b>Percentage of Total</b>	<b>5.4%</b>	<b>28.1%</b>	<b>66.5%</b>	<b>100.0%</b>

### 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 and other international currencies. The Plan is subject to the risk since the ETFs are not hedged back to Canadian dollar, and the value will fluctuate because of changes in foreign exchange rates. As at June 30, 2024, 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 \$42.2 million (\$73.5 million as at December 31, 2023).

### 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 plan manages this risk through diversified holdings within the parameters of the investment strategy. As at June 30, 2024, if the investment in equities and ETFs had increased or decreased by 5%,

## **FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN**

Notes to the Financial Statements

**For the six months ended June 30, 2024**

(All amounts in Canadian dollars)

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with all other variables held constant, the net assets attributable to subscribers and beneficiaries would have increased or decreased by approximately \$284.6 million (\$107.9 million as at December 31, 2023).

### **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.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Plan's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2024 and December 31, 2023.

## FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN

Notes to the Financial Statements

For the six months ended June 30, 2024

(All amounts in Canadian dollars)

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<b>June 30, 2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Short Term Investments	\$ 830,746,592	\$ —	\$ —	\$ 830,746,592
Government Guaranteed Instruments				
Federal	792,521,487	—	—	792,521,487
Provincial	499,545,581	—	—	499,545,581
Municipal	27,995,022	—	—	27,995,022
Corporate Debt Instruments	2,275,627,450	—	—	2,275,627,450
Equities & ETFs	1,265,440,620	—	—	1,265,440,620
<b>Investments at Fair Value</b>	<b>\$ 5,691,876,752</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 5,691,876,752</b>

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<b>December 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Short Term Investments	\$ —	\$ 186,545,326	\$ —	\$ 186,545,326
Government Guaranteed Instruments				
Federal	—	497,588,357	—	497,588,357
Provincial	—	751,221,693	—	751,221,693
Municipal	—	9,468,635	—	9,468,635
Corporate Debt Instruments	—	2,029,417,213	—	2,029,417,213
Equities & ETFs	2,157,965,274	—	—	2,157,965,274
<b>Investments at Fair Value</b>	<b>\$ 2,157,965,274</b>	<b>\$ 3,474,241,224</b>	<b>\$ —</b>	<b>\$ 5,632,206,498</b>

All fair value measurements above are recurring. The carrying values of grants receivable, interest and dividend receivable, accounts payable and other liabilities approximate their fair value due to their short term nature. The transfers between levels during the period ended June 30, 2024 were the result of transition trading outlined in Note 1.

## FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN

Notes to the Financial Statements

For the six months ended June 30, 2024

(All amounts in Canadian dollars)

### Investments in Unconsolidated Structured Entities

<b>Underlying Fund as at June 30, 2024</b>	Country of Establishment and Principal Place of Business	% Ownership in the Underlying Fund	Plan's Shares in the Underlying Fund
BMO Mid Corporate Bond Index ETF	Canada	61.20 %	54,899,404
BMO Short Corporate Bond Index ETF	Canada	37.81 %	69,897,360
BMO Money Market ETF	Canada	35.62 %	16,627,620
BMO Mid Federal Bond Index ETF	Canada	29.18 %	13,046,841
BMO Canadian MBS Index ETF	Canada	16.61 %	2,460,757
BMO Aggregate Bond Index ETF	Canada	16.25 %	111,160,170
BMO MSCI Canada ESG Leaders Index ETF	Canada	11.69 %	355,260
BMO US Dividend ETF	Canada	11.13 %	1,423,009
BMO MSCI USA ESG Leaders Index ETF	Canada	9.43 %	272,000
BMO Canadian Dividend ETF	Canada	5.01 %	2,526,652
BMO S&P/TSX Composite Index ETF	Canada	4.47 %	12,289,922
BMO MSCI EAFE Index ETF	Canada	4.18 %	15,235,540
BMO Ultra Short Term Bond ETF	Canada	3.38 %	1,484,557
BMO S&P 500 Index ETF	Canada	2.86 %	5,217,605

<b>Underlying Fund as at December 31, 2023</b>	Country of Establishment and Principal Place of Business	% Ownership in the Underlying Fund	Plan's Shares in the Underlying Fund
BMO MSCI USA ESG Leaders Index ETF	Canada	83.65 %	32,821,930

## 6 Net Assets Attributable to Subscribers and Beneficiaries

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

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Subscribers' Contributions, Net of Returns	\$ 2,871,872,817	\$ 2,900,321,226
Government Grants	1,016,169,717	1,046,331,446
Accumulated Income		
Education Assistance Payment Account	1,389,865,502	1,280,447,396
Income from Government Grants	523,280,544	447,329,814
<b>Balance, End of Period</b>	<b>\$ 5,801,188,580</b>	<b>\$ 5,674,429,882</b>

A portion of the above balances relates to matured agreements which could be withdrawn at any time.

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



## FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN

Notes to the Financial Statements

For the six months ended June 30, 2024

(All amounts in Canadian dollars)

	<b>Period Ended</b>	<b>Period Ended</b>
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Subscribers' Contributions and Transfers In	\$ 88,591,201	\$ 104,327,688
Insurance Premiums Deducted	(1,012,654)	(1,198,083)
Enrollment Fee Deducted	(16,739)	(12,723)
Return of Contributions	(115,433,095)	(99,007,256)
Depository Fees and Service Charges Deducted	(577,122)	(941,805)
<b>Net (Decrease) Increase in Subscribers' Contributions</b>	<b>\$ (28,448,409)</b>	<b>\$ 3,167,821</b>
Balance, Beginning of Period	2,900,321,226	3,050,529,138
<b>Balance, End of Period</b>	<b>\$ 2,871,872,817</b>	<b>\$ 3,053,696,959</b>

### 7 Accounts Payable and Other Liabilities

Included in accounts payable and other liabilities is \$5,820,864 (December 31, 2023 - \$6,150,731) 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 \$7,571,835 (December 31, 2023 - \$9,336,940) 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. 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 and other back office functions such as accounting, reporting, compliance, legal and human resources. The Manager is entitled to receive from the Plan an annual management fee of no greater than 0.99% per year, plus applicable taxes, based on the market value of total assets held in the Plan and deducted from the Plan assets before income is allocated to customers. The actual management fees charged for the year ended June 30, 2024 were \$30,784,881 (June 30, 2023 – \$30,627,866) or 0.99% of the net assets of the Plan (June 30, 2023 – 0.99%), plus applicable taxes.

Accounts payable and other liabilities include \$5,949,047 (December 31, 2023 - \$5,727,687) due to the Manager relating to management fees inclusive of HST and subscriber fees received by the Plan on behalf of the Manager.

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 (Loss).

The Plan has an intercompany cash agreement in which the Foundation maintains a collective cash account for the Plans, which is represented by \$45,543,146 as due from Foundation as at June 30, 2024 (December 31, 2023 - \$7,844,874).

## FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN

Notes to the Financial Statements

**For the six months ended June 30, 2024**

(All amounts in Canadian dollars)

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### 9 Subsequent Events

As described in Note 1, on December 12, 2023, subscribers of the 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. The transfer of all assets, termination of ESP (Education Savings Plan) contracts, and creation of Education Assistance Agreements by the Foundation was ultimately completed on July 2, 2024.

The asset transfer from the Plan to the Embark Student Plan and Embark Select Conservative Plan totaled to \$5,802,091,357 as broken down below:

Subscriber Deposits	\$	2,871,872,817
Government Grants		1,016,169,717
Accumulated Income		1,912,918,476
<b>Total Assets Transferred</b>	<b>\$</b>	<b>5,800,961,010</b>

In connection with the transfer of net assets from the Plan to the Embark Student Plan and Embark Select Conservative Plan:

- (a) the assets were transferred at fair value; and
- (b) the components of the the Plan's subscribers' principal and income that were transferred into the Plan included: subscribers' contributions; government grants; and accumulated income associated with the Plan.

# FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN

Schedule of Investment Portfolio

As at June 30, 2024

(All amounts in Canadian dollars)

Asset Class	ETF	Number of Units	Book Value (\$)	Market Value (\$)	% of Investments
<b>Canadian Equities</b>					
	BMO Canadian Dividend ETF	2,526,652	\$ 49,761,994	\$ 50,052,976	0.88 %
	BMO MSCI Canada ESG Leaders Index ETF	355,260	12,077,622	12,007,788	0.21 %
	BMO S&P/TSX Capped Composite Index ETF	12,289,922	357,477,405	359,172,971	6.31 %
<b>Fixed Income</b>					
	BMO Aggregate Bond Index ETF	111,160,170	\$ 1,528,619,588	\$ 1,505,108,710	26.45 %
	BMO Canadian MBS Index ETF	2,460,757	72,750,296	72,493,901	1.27 %
	BMO Mid Corporate Bond Index ETF	54,899,404	831,082,444	818,550,114	14.38 %
	BMO Mid Federal Bond Index ETF	13,046,841	189,282,202	186,113,187	3.27 %
	BMO Short Corporate Bond Index ETF	69,897,360	949,177,092	942,216,413	16.55 %
	BMO Ultra Short-Term Bond ETF	1,484,557	72,605,846	72,401,845	1.27 %
<b>International Equities</b>					
	BMO MSCI EAFE Index ETF	15,235,540	\$ 350,137,429	\$ 345,389,692	6.07 %
<b>Money Market</b>					
	BMO Money Market Fund ETF Series	16,627,620	\$ 832,228,430	\$ 829,551,962	14.57 %
<b>US Equities</b>					
	BMO MSCI USA ESG Leaders Index ETF	272,000	\$ 10,294,680	\$ 14,527,520	0.26 %
	BMO S&P 500 Index ETF	5,217,605	429,334,982	425,704,392	7.48 %
	BMO US Dividend ETF	1,423,009	58,594,068	58,585,281	1.03 %
<b>Grand Total</b>		<b>306,896,697</b>	<b>5,743,424,078</b>	<b>5,691,876,752</b>	<b>100 %</b>