

Canadian Scholarship Trust Founders' Plan

Semi-Annual Financial Statements

April 30, 2024

Unaudited



Contents

Statements of Financial Position	1
Statements of Comprehensive Income	2
Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries	2
Statements of Cash Flows	3
Schedule I – Statement of Investment Portfolio	4
Notes to the Financial Statements	5

Unaudited semi-annual financial statements

The accompanying semi-annual financial statements have not been reviewed by the external auditors of the Plan in accordance with assurance standards applicable to a review of interim financial statements

Statements of Financial Position

As at April 30, 2024 and October 31, 2023

(thousands of Canadian dollars)

	2024	2023
		(Audited)
Assets		
Cash and cash equivalents	\$ 166	\$ 845
Investments, at fair value <i>(Note 4 and Schedule I)</i>	3,747	3,574
Accrued income and other receivables	71	79
	3,984	4,498
Liabilities		
Government Grant Payable	10	5
Accounts payable and accrued liabilities	1,223	950
	1,233	955
Net Assets Attributable to Subscribers and Beneficiaries	2,751	3,543
Represented by:		
Non-Discretionary Funds		
Accumulated income held for future education assistance payments	1,006	1,061
Subscribers' deposits <i>(Note 7)</i>	123	165
Government grants	334	554
Income on Government grants	543	986
General Fund <i>(Note 8)</i>	745	777
	\$2,751	\$3,543

Approved on behalf of the Board of Canadian Scholarship Trust Foundation.



Douglas P. McPhie, FCPA, FCA
Director



Peter Lewis
Director

Statements of Comprehensive Income

For the six months ended April 30, 2024 and 2023

(thousands of Canadian dollars)

	2024	2023
Income		
Interest	\$ 43	\$ 84
Losses on sale of investments	(29)	(108)
Change in unrealized gains	69	163
	83	139
Expenses		
Administration and account maintenance fees (Note 3(a))	10	13
Portfolio management fees	3	4
Custodian and trustee fees	1	1
	14	18
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	\$ 69	\$ 121

Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries

For the six months ended April 30, 2024 and 2023

(thousands of Canadian dollars)

	2024	2023
Net Assets Attributable to Subscribers and Beneficiaries, Beginning of Period	\$3,543	\$ 4,908
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	69	121
Transfers to internal and external plans	(474)	(650)
	(405)	(529)
Disbursements		
Government grants repaid (net of receipts)	(202)	(251)
Net decrease in Subscribers' deposits (Note 7)	(42)	(18)
Payments to beneficiaries		
Education assistance payments	(87)	(220)
Government grants	(49)	(94)
Return of income	(7)	(7)
Total payments to beneficiaries	(143)	(321)
Total Disbursements	(387)	(590)
Change in Net Assets Attributable to Subscribers and Beneficiaries	(792)	(1,119)
Net Assets Attributable to Subscribers and Beneficiaries, End of Period	\$2,751	\$ 3,789

Statements of Cash Flows

For the six months ended April 30, 2024 and 2023

(thousands of Canadian dollars)

	2024	2023
Operating Activities		
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	\$ 69	\$ 121
Items not affecting cash		
Realized losses on sale of investments	29	108
Change in unrealized gains	(69)	(163)
Change in non-cash operating capital		
Decrease in Accrued income and other receivables	8	32
Increase in Government grants payable	5	12
Increase in Accounts payable and accrued liabilities	273	413
Purchase of investments	(745)	–
Proceeds from sales and maturities of investments	612	1,424
Net Cash flows from Operating Activities	182	1,947
Financing Activities		
Transfers to internal and external plans	(474)	(650)
Government grants repaid (net of receipts)	(202)	(251)
Net decrease in Subscribers' deposits <i>(Note 7)</i>	(42)	(18)
Payments to beneficiaries	(143)	(321)
Net Cash flows used in Financing Activities	(861)	(1,240)
Net (decrease) increase in Cash and cash equivalents	(679)	707
Cash and cash equivalents, Beginning of Period	845	219
Cash and cash equivalents, End of Period	166	926
Supplemental cash flow information:		
Withholding taxes	\$ –	\$ –
Interest received	51	116

Schedule I – Statement of Investment Portfolio

As at April 30, 2024

(in thousands of Canadian dollars)

Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds					
Federal – 54.8%					
Canada Housing Trust	1.80	15 Dec 2024	285	280	296
Canada Housing Trust	0.95	15 Jun 2025	460	441	459
Government of Canada	1.50	1 May 2024	100	100	98
Government of Canada	2.50	1 Jun 2024	100	100	98
Government of Canada	1.50	1 Sep 2024	200	198	193
Government of Canada	3.75	1 Feb 2025	40	39	40
Government of Canada	2.25	1 Jun 2025	50	49	48
Government of Canada	1.50	1 Jun 2026	350	331	324
Government of Canada	1.00	1 Sep 2026	650	604	607
				2,142	2,163
Provincial – 41.0%					
Province of Ontario	3.50	2 Jun 2024	135	135	147
Province of Ontario	2.65	5 Feb 2025	775	762	829
Province of Québec	3.75	1 Sep 2024	711	708	783
				1,605	1,759
Total Fixed Income Investments – 95.8%				3,747	3,922
Cash and cash equivalents – 4.2%				166	166
Total Portfolio Assets – 100.0%				3,913	4,088

Notes to the Financial Statements

Six months ended April 30, 2024 and 2023

(Unaudited, in thousands of Canadian dollars)

Note 1. Nature of Operations

The Canadian Scholarship Trust Founders' Plan (the "Plan") is a Pooled Education Savings Plan that was established on September 1, 1988. Since June 2000, the Plan is no longer available for sale. The objective of the Plan is to assist parents and others to save for the post-secondary education of children. The Plan is managed by C.S.T. Savings Inc. ("CST Savings"), a wholly-owned subsidiary of the Canadian Scholarship Trust Foundation (the "Foundation"). The Plan's registered place of business is 1600-2235 Sheppard Avenue East, Toronto, Ontario, Canada.

Payments are made by a subscriber to an account maintained by the Plan's trustee on behalf of a beneficiary. Deductions of sales charges and account maintenance fees are made from the subscriber's contributions. The principal accumulated over the term of the subscriber's education savings plan agreement (the "Agreement") is returned to the subscriber when:

- i. the Agreement matures and the beneficiary is a qualified student eligible to receive the first education assistance payment ("EAP"),
- ii. the Agreement matures and the beneficiary is not yet a qualified student, in which case the beneficiary will forfeit all government grants (as described below), or
- iii. the Agreement is terminated.

The investment income earned on the subscribers' principal balance is used to provide EAPs to qualified students. A beneficiary is deemed to be a qualified student upon receipt of evidence of enrolment in a qualifying educational program at an eligible institution.

There are a number of government grants that may be available to beneficiaries including the Canada Education Savings Grant ("CESG"), the Canada Learning Bond ("CLB") and the Quebec Education Savings Incentive ("QESI") (collectively, "Government Grants").

The Plan collects Government Grants, which are credited directly into Agreements and invests these funds in accordance with the Plan's investment policies. The Government Grants along with investment income earned thereon are paid to qualified students with their EAPs.

Agreements are registered with appropriate government authorities if all required information is provided and once registered, are subject to the rules for Registered Education Savings Plans ("RESP") under the *Income Tax Act* (Canada). Current tax legislation provides that income credited on subscribers' principal is not taxable income of the subscriber unless withdrawn as an Accumulated Income Payment subject to certain eligibility requirements. The deposits are not deductible for income tax purposes and are not taxable when returned to the subscriber. Payments made to a beneficiary, including EAPs, Government Grants and investment income earned on Government Grants are taxable income of that beneficiary in the year that the payments are made.

Note 2. Significant Accounting Policies

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards.

These financial statements were approved by the Board of Directors of the Foundation on June 19, 2024.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for financial instruments classified as "at fair value through profit or loss" ("FVTPL"), which are measured at fair value.

(c) Financial instruments

The Plan recognizes financial assets and financial liabilities when it becomes a party to a contract. Financial assets and financial liabilities, with the exception of those classified as FVTPL, are measured at fair value plus transaction costs on initial recognition. Financial assets and financial liabilities classified as FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred. Investments, at fair value have been classified as FVTPL.

Measurement in subsequent periods depends on the classification of the financial instrument. The financial assets and financial liabilities of the Plan are classified as follows:

Financial asset or financial liability	Classification
Investments, at fair value	FVTPL ⁱ
Cash and cash equivalents	Amortized Cost ⁱⁱ
Accrued income and other receivables	Amortized Cost ⁱⁱ
Receivables for securities sold	Amortized Cost ⁱⁱ
Accounts payable and accrued liabilities	Amortized Cost ⁱⁱⁱ
Payables for securities purchased	Amortized Cost ⁱⁱⁱ

ⁱ Financial assets are designated as FVTPL when acquired principally for the purpose of trading. Financial assets classified as FVTPL are measured at fair value, with changes in unrealized gains and losses recognized on the Statements of Comprehensive Income.

ⁱⁱ Financial assets classified as Amortized Cost are non-derivative financial assets that are held to collect contractual cash flows and are not quoted in an active market. Subsequent to initial recognition, these financial assets are carried at amortized cost using the effective interest method.

ⁱⁱⁱ Financial liabilities classified as Amortized Cost are liabilities that are not derivative liabilities or classified as FVTPL. Subsequent to initial recognition, financial liabilities are carried at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial instrument and allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all transaction costs and other premiums or discounts) through the expected life of the financial instrument to the net carrying amount on initial recognition.

Notes to the Financial Statements (continued)

Six months ended April 30, 2024 and 2023

(Unaudited, in thousands of Canadian dollars)

Note 2. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

Impairment is based on expected credit losses for the investment securities, which are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical loss experience, and expectations about future cash flows.

(d) Investment valuation

Investments, at fair value include the following types of securities: bonds, money market securities, equities, and exchange-traded funds ("ETFs").

The fair value of fixed income securities that are not publicly traded is measured by using either the average bid price from multiple dealers, or by the present value of contractual cash flows, discounted at current market rates. Interest accrued at the reporting date is included in Accrued income and other receivables on the Statements of Financial Position.

The fair value of securities that are publicly traded in an active market is measured using bid prices at the reporting date.

Note 9 provides further guidance on fair value measurements.

(e) Investment transactions and income recognition

Investment transactions are accounted for on a trade-date basis. Interest represents the coupon interest received by the Plan accounted for on an accrual basis. The Plan does not amortize premiums paid or discounts received on the purchase of fixed income securities. Dividends and distributions are accrued as of the ex-dividend date and ex-distribution date, respectively. Realized gains (losses) on the sale of investments, and Change in unrealized gains (losses) are calculated with reference to the average cost of the related investments and are recognized in the period that such gains (losses) occur.

(f) Subscribers' deposits, sales charges and account maintenance fees

Subscribers' deposits reflect amounts received from subscribers net of sales charges and account maintenance fees and do not include future amounts receivable on outstanding Agreements. Sales charges are deducted from subscribers' deposits and are collected over periods of up to 32 months from the date of initial deposit. Account maintenance fees are paid annually to the Foundation from subscribers' deposits and are accrued throughout the year.

(g) Income taxes

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

(h) Cash and cash equivalents

Cash and cash equivalents include deposit balances with banks and securities with a purchase date to maturity of 90 days or less and includes term deposits, treasury bills and bankers' acceptances.

(i) Foreign currency

The functional and presentation currency of the Plan is the Canadian Dollar.

To the extent applicable in any period, foreign currency purchases and sales of investments and foreign currency dividend and interest income are translated into Canadian dollars at the rate of exchange prevailing at the time of the transactions. Realized and unrealized foreign currency gains or losses on investments are included in the Statements of Comprehensive Income in Realized gains (losses) on sale of investments and Change in unrealized gains (losses), respectively.

(j) Critical accounting estimates and judgments

When preparing the financial statements, management makes estimates and judgments that affect the reported amounts recognized and disclosed in the financial statements. These estimates and judgments have a direct effect on the measurement of transactions and balances recognized in the financial statements. By their nature, these estimates and judgments are subject to measurement uncertainty and actual results could differ.

Note 3. Related Party Transactions

Related party transactions are measured at the exchange amount, which is the amount agreed between the parties.

(a) Administration of the Plan

The Foundation, as the Plan sponsor, has appointed CST Savings as the Investment Fund Manager to administer the Plan. The agreement is renewable annually on November 1.

Administration and account maintenance fees are paid to the Foundation. Administration fees are annual fees of ½ of 1% of the total amount of principal, Government Grants and income earned thereon.

During the six months ended April 30, 2024, \$10 was recognized as an expense for Administration and account maintenance fees (2023 – \$13). Administration and account maintenance fees included in Accounts payable and accrued liabilities at April 30, 2024 was \$nil (October 31, 2023 – \$2).

(b) Fees paid for services of an Independent Review Committee

The Independent Review Committee ("IRC") provides independent review and oversight of conflicts of interest relating to the management of the Plans. For the six months ended April 30, 2024, the Plan recognized an expense of \$nil (2023 – \$nil) for the services of the IRC. Amounts included in Accounts payable and accrued liabilities at April 30, 2024 were \$nil (October 31, 2023 – \$nil).

(c) Fees paid to monitor and manage the portfolio managers

Included in Portfolio management fees on the Statements of Comprehensive Income is \$nil (2023 – \$nil) charged by CST Savings for expenses incurred to monitor and manage the portfolio

Notes to the Financial Statements (continued)

Six months ended April 30, 2024 and 2023

(Unaudited, in thousands of Canadian dollars)

Note 3. Related Party Transactions (continued)

(c) Fees paid to monitor and manage the portfolio managers (continued)

managers. Included in Accounts payable and accrued liabilities is \$nil owing from CST Savings at April 30, 2024 (October 31, 2023 – \$nil) relating to these expenses.

(d) Fees paid for investment management services provided by C.S.T. Asset Management Inc.

CST Savings has appointed C.S.T. Asset Management Inc. ("CSTA") to manage a portion of the Plan's investment accounts. The agreement shall continue in force and may be terminated with 30 days' notice. The fair value of the total investments managed by CSTA as of April 30, 2024 is \$3,797 (October 31, 2023 – \$3,717).

Included in Portfolio management fees on the Statements of Comprehensive Income is \$2 charged by CSTA for expenses incurred for the performance of these services (2023 – \$4).

Included in Accounts payable and accrued liabilities at April 30, 2024 is \$2 owing to CSTA relating to these expenses (October 31, 2023 – \$2).

The Plan's risk management process includes monitoring compliance with the Plan's investment policy. The Plan manages the effects of these financial risks to the Plan portfolio performance by retaining and overseeing professional external investment managers. The investment managers regularly monitor the Plan's positions, market events and manage the investment portfolio according to the investment policy and mandate.

(a) Market risk

i. Interest rate risk

Interest rate risk is the risk of a change in the fair value or cash flows of the Plan's investments in interest-bearing financial instruments as a result of fluctuations in market interest rates. There is an inverse relationship between changes in market interest rates and changes in the fair value of bonds. This risk is actively managed using duration, yield curve analysis, sector and credit selection. There is reduced risk to interest rate changes for cash and cash equivalents due to their short-term nature.

The Plan's holdings of debt instruments by maturity are as follows:

Debt Instruments by Maturity Date	% of Total Investment Fund	
	Apr 30, 2024	Oct 31, 2023
Less than 1 year	64%	59%
1-3 years	36%	41%
Total debt instruments	100%	100%

As at April 30, 2024, if prevailing interest rates had increased by 1%, the fair value of the Total Investment Fund of \$3,913 (October 31, 2023 – \$4,380) as per Schedule I – Statement of Investment Portfolio, would have decreased by approximately \$35 (October 31, 2023 – \$36). If prevailing interest rates had decreased by 1%, the fair value of the Total Investment Fund would have increased by approximately \$35 (October 31, 2023 – \$36). This 1% change assumes a parallel shift in the yield curve with all other variables held constant. In practice, actual results may differ materially.

ii. Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, other than those arising from interest rate risk. Factors specific to an individual investment, its issuer or other factors affecting all instruments traded in a market or market segment affect other price risk. The asset classes that are most impacted by other price risk are the equities and ETFs. As at April 30, 2024, the Plan does not hold any equities or ETFs.

Note 4. Investment Holdings

The investment holdings are disclosed in Schedule I – Statement of Investment Portfolio.

Government Grant principal received, and income earned thereon are invested collectively with Subscribers' principal and income earned on principal. Investment holdings are disclosed in Schedule I – Statement of Investment Portfolio.

Note 5. Capital Risk Management

The Plan's capital consists of the components of the net assets attributable to subscribers and beneficiaries as per the Statements of Financial Position. The Plan has obligations to return subscriber contributions upon maturity or termination as well as pay EAPs of investment income, grants and income on grants. The Plan invests subscriber contributions and government grants received in appropriate investments in accordance with its stated investment objectives while maintaining sufficient liquidity to meet subscribers' obligations.

Note 6. Risks Associated with Financial Instruments

In the normal course of business, the Plan may be exposed to a variety of risks arising from financial instruments. The Plan's exposures to such risks are concentrated in its investment holdings and are related to market risk (which includes interest rate risk and other price risk), credit risk, liquidity risk and currency risk.

Notes to the Financial Statements (continued)

Six months ended April 30, 2024 and 2023

(Unaudited, in thousands of Canadian dollars)

Note 6. Risks Associated with Financial Instruments (continued)

(b) Credit risk

Credit risk refers to the ability of the issuer of debt securities to make interest payments and repay principal. The Plan's portfolio is mainly comprised of bonds issued or guaranteed by federal or provincial governments along with corporate debt instruments with a minimum approved credit rating as set by Canadian Securities Administrators. The Plan has a concentration of investments in government and government guaranteed bonds, which are considered to be high credit quality investments thereby moderating credit risk.

The Plan's credit risk exposure is summarized below.

Credit rating	April 30, 2024		October 31, 2023	
	% of Total Investment Fund	Amount	% of Total Investment Fund	Amount
AAA	55%	\$2,142	45%	\$1,984
AA/AAH/AAL	41%	1,605	36%	1,590
R-1	0%	–	2%	96
Short-term unrated	4%	166	17%	749
Total debt instruments	100%	\$3,913	100%	\$4,419

The DBRS Morningstar was the primary source for obtaining credit ratings. Secondary sources used include Standard & Poor's Financial Services LLC and Moody's Investors Service, Inc.

(c) Liquidity risk

Liquidity risk is the risk that the Plan may not be able to meet its financial obligations as they come due. The Plan's exposure to liquidity risk is concentrated in principal repayments to subscribers and EAPs. The Plan primarily invests in securities that are traded in active markets and can be readily sold. The Plan retains sufficient cash and cash equivalent positions to meet liquidity requirements by utilizing cash forecasting models that reflect the maturity distribution of subscribers' deposits and accumulated income. All other financial liabilities are short term and due within one year.

(d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As at April 30, 2024, the Plan does not hold any foreign investments.

Note 7. Subscribers' Deposits

The changes in Subscribers' deposits for the six months ended April 30 are as follows:

	2024	2023
Inter-plan principal transfers	\$ (6)	\$ –
Return of principal	(36)	(18)
Net decrease in Subscribers' deposits	(42)	(18)
Balance, Beginning of the Period	165	194
Balance, End of the Period	\$123	\$176

Note 8. General Fund

The Canadian Scholarship Trust (the "Canadian Trust") is a legal trust, which includes Plan I, Plan II and Founders' Plan (the "Plans"). The Plans are registered with Canada Revenue Agency as Education Savings Plans. The General Fund is a separate account within the Canadian Trust and derives its income from the following sources:

- income earned on subscribers' accumulated income from the date of maturity of the subscribers' agreements to the date the funds are paid to qualified students as EAPs;
- income earned on the income forfeited when a subscriber's plan is terminated prior to maturity;
- income not collected by beneficiaries before the expiry of benefit period; and
- unclaimed principal and income payments.

According to the trust indenture of the Canadian Trust, the General Fund may be used to subsidize EAPs for qualified students of any of the active Plans within the Canadian Trust.

As at April 30, 2024 the balance of the General Fund, included in the Statement of Financial Position, was \$745 (October 31, 2023 – \$777).

Note 9. Fair Value Measurements and Disclosure

Estimates of fair value used for measurement and disclosure are designed to approximate amounts that would be received to sell an asset, or paid to discharge a liability, in an orderly transaction between market participants.

The carrying values of other financial instruments such as Cash and cash equivalents, Accrued income and other receivables, Receivables for securities sold, Government grants receivable, Accounts payable and accrued liabilities and Payables for securities purchased approximate their fair values as these financial instruments are short term in nature.

Notes to the Financial Statements (continued)

Six months ended April 30, 2024 and 2023

(Unaudited, in thousands of Canadian dollars)

Note 9. Fair Value Measurements and Disclosure (continued)

The following table presents the level, in the fair value hierarchy, into which the Plan's financial instruments are categorized:

- i. Level 1 financial instruments are valued using quoted market prices.
- ii. Level 2 financial instruments are valued using directly or indirectly observable inputs.
- iii. Level 3 financial instruments are valued using unobservable inputs (including the use of assumptions based on the best information available).

Assets Measured at Fair Value as of April 30, 2024

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ -	\$ 3,747	\$ -	\$3,747
Total Investments, at fair value	\$ -	\$3,747	\$ -	\$3,747

Assets Measured at Fair Value as of October 31, 2023

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ -	\$ 3,574	\$ -	\$3,574
Total Investments, at fair value	\$ -	\$3,574	\$ -	\$3,574

For the six months ended April 30, 2024 and year ended October 31, 2023, there were no transfers between Levels 1 and 2.

Canadian Scholarship Trust Plan

Sponsor

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