

Knowledge Network Corporation

2021/22 Annual Service Plan Report

August 2022



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Board Chair's Accountability Statement



The *Knowledge Network Corporation 2021/22 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2021/22 – 2023/24 Service Plan* created in April 2021. The Board is accountable for those results as reported.

A handwritten signature in black ink that reads "Maurine Karagianis". The signature is written in a cursive style.

Maurine Karagianis

Chair, Knowledge Network Corporation Board of Directors
July 18, 2022

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Letter from the Board Chair & CEO

On behalf of the Board of Directors, we are pleased to submit Knowledge Network Corporation's 2021/22 Annual Service Plan Report.

In 2021 we celebrated 40 years of public broadcasting in British Columbia – providing a trusted, universally accessible, commercial-free service that educates and inspires viewers. We marked the occasion with dedicated B.C. programming throughout 2021-22 that featured broadcast premieres of anthology documentary collections, *150 Stories that Shape British Columbia*. Highlights included Indigenous B.C. filmmaker Lyana Patrick's family story of love and survival at the Lejac residential school, and B.C. filmmaker Baljit Sangra's story of separation and reunion at North America's oldest running Sikh temple, the Gur Sikh Temple.

In the fall, the four-part documentary series *British Columbia: An Untold History* premiered. The landmark project provides a wide range of perspectives including authors, historians, Elders, and descendants of historical figures presenting a critical look at the past that shaped British Columbia today. The digital companion piece is an interactive timeline where audiences can explore additional periods in the province's history not included in the series. Community screenings hosted by experts featured in the series were organized across the province.

Over the last year, we engaged in a comprehensive equity, diversity and inclusion review and commissioned an independent equity audit on program pre-licensing activity. These actions have informed new initiatives and policies to achieve greater equity, diversity and inclusion across our organization. This includes increased support for Indigenous and racialized B.C. production companies which is reflected in new performance measures and targets in our [2022/2023 Service Plan](#).

In 2021/22, we focused efforts on the strategic priorities contained in the [2021/22 Mandate Letter](#). This direction included putting people first; lasting and meaningful reconciliation; equity and anti-racism; a better future through fighting climate change; and a strong, sustainable economy that works for everyone. Knowledge Network supports the B.C. government's priorities through programming that meets the diverse needs of viewers, including educational content that fosters learning for young children and their caregivers, as well as documentaries and performing arts programs that connect viewers to their province and the world. As a Crown corporation, a federally regulated broadcaster and a registered Canadian charity, accountability and transparency guide all of our planning and decision making.

Maurine Karagianis



Chair, Board of Directors
Knowledge Network Corporation
July 18, 2022

Jeffrey Lee



Interim CEO
Knowledge Network Corporation
July 18, 2022

Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the [Budget Transparency and Accountability Act](#) (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

Purpose of the Organization

The purposes of British Columbia's public educational broadcaster, as identified in the *Knowledge Network Corporation Act*, are to:

- Carry on the business of broadcasting and communications to provide unique, quality educational programming to British Columbians;
- Promote lifelong learning in British Columbia by providing quality educational programming;
- Inform and educate British Columbians about their province and about issues that are relevant to them;
- Provide British Columbians with a unique television experience; and
- Collaborate with the independent television productions sector in British Columbia.

Knowledge Network is federally licenced by the Canadian Radio-television and Telecommunications Commission (CRTC) and provincially mandated by the Government of British Columbia. Knowledge Network is also a registered charity with the Canada Revenue Agency, engaging in fundraising activities through Knowledge Partners and the Knowledge Endowment Fund. Knowledge Network delivers programming to British Columbians, including content that informs and educates British Columbians about their province and about issues that are relevant to them. This content is delivered through mandatory carriage on cable, direct-to-home satellite and internet protocol television (IPTV) services. Programs are also available through streaming platforms at Knowledge.ca, KnowledgeKids.ca, the Knowledge apps and the Knowledge Kids apps. We develop, license and commission documentaries for broadcast on all platforms.

Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's [2021-22 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures, and financial plan outlined in the 2021/22 [Knowledge Network Corporation Service Plan](#) as well as actual results reported on in this annual report.

Operating Environment

Five primary risks were identified in Knowledge Network’s 2021/22 Service Plan. The strategies supporting our strategic goals helped mitigate these risks within our operating environment.

| Area of Risk | Risk Factors and Sensitivities | Mitigation Strategies |
|---|--|--|
| Multi-platform Broadcast Rights (high risk) | The growth in online streaming services is creating increased competition for programs and their multi-platform rights, increasing costs and decreasing availability of content. | Pursued opportunities to increase investment for: <ul style="list-style-type: none"> • Original programming to ensure extended streaming rights. • International pre-license titles to ensure extended streaming rights. • Schedule acquisitions to ensure extended streaming rights. |
| Audience Behaviour Knowledge Primetime (medium risk) Knowledge Kids (high risk) | Migration of viewers away from scheduled television to streaming platforms. Significant growth in PVR use (personal video recorder) increases consumption of programs by viewers of scheduled television. | Invested in building streaming platforms and improving performance. Promoted content to capture audiences migrating from scheduled television, for example, marketing and launching the BC Documentary History Project in 2021/22. Invest in more programs and evolve new scheduling strategies. |
| Discoverability of Knowledge Network streaming platforms (medium risk) | Competition for audiences from an increasing number of streaming services. | Created personalized weekly promotional emails to Knowledge Prime subscribers. |
| Revenue from Charitable Giving (medium risk) | Charitable giving in Canada continues to decline with a growing number of charities seeking support. Shrinking donor base due to fewer donors giving to charities in Canada. | Continued to build the legacy giving program to secure a greater number of requests. Increased investment in donor acquisition to offset attrition of the donor base. Engaged in prospect research to increase the number and size of major gifts. |

British Columbia’s economic recovery strengthened in 2021. B.C.’s real GDP growth of 6.2 per cent was the second highest among provinces (behind Prince Edward Island), following a contraction of 3.4 per cent in 2020. Growth in B.C.’s real GDP was mostly driven by service-producing industries such as real estate, rental and leasing, healthcare and social assistance, and professional, scientific and technical services. Goods-producing industries also experienced growth with gains in most sectors, led by mining, quarrying and oil and gas extraction. While B.C.’s recovery broadened in 2021, it remained uneven as sectors such as accommodation and food services, and arts, entertainment and recreation have yet to fully recover to pre-pandemic levels. B.C.’s labour market strengthened in 2021, with employment growth of 6.6 per cent while wages and salaries increased by 11.3 per cent. Consumer spending on goods remained at

elevated levels and nominal retail sales posted overall growth of 12.6 per cent. Meanwhile, inflation grew throughout the year and increased by 2.8 per cent on an annual basis, largely due to supply-chain disruptions, resilient demand for goods and services, and high energy prices. Residential construction activity reached a record high in 2021, with housing starts increasing by 25.6 per cent. At the same time, home sales also reached a record high in 2021 while the average home sale price saw double-digit increases. On the external front, B.C.'s international merchandise exports grew by 36.0 per cent, reflecting a combination of the recovery in global demand and higher commodity prices amid impacts from the B.C. floods and landslides in November 2021.

Report on Performance: Goals, Objectives, Measures and Targets

Goal 1: Enhance the value of Knowledge Network’s service to British Columbians

Objective 1.1: Strengthen programming to meet the diverse needs of viewers, through content that informs and inspires audiences during Primetime, and educational content that fosters learning for young children and their families.

Key Highlights

Broadcast in 2021/22:

- *Picking Up the Pieces: The Making of the Witness Blanket* – Follows Indigenous artist Carey Newman as he commemorates the experiences of residential school survivors.
- *Apocalypse: War of Worlds* – An in-depth examination of the Cold War, the historical period 1945 to 1991 defined by the capitalist West and the Communist East.
- *The Persians: A History of Iran* – Journalist Samira Ahmed explores the complex past of Persia, the world’s first empire, by focusing on the rich artistic legacy of the region.
- *African Renaissance: When Art Meets Power* – Journalist Afua Hirsch explores how three different African countries are becoming 21st century cultural powerhouses.
- *Big Words Small Stories* – Based on the early reader books by Judith Henderson, this series introduces kids to the meaning of big words through clever storytelling.

| Performance Measures | | 2020/21 Actual | 2021/22 Target | 2021/22 Actual | 2022/23 Target | 2023/24 Target |
|---------------------------------|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| 1.1a Total Reach (People) | Knowledge Primetime/Overnight | 2,842,000 | 2,800,000 | 2,568,000 | 2,750,000 | 2,750,000 |
| | Knowledge Kids | 1,911,000 | 1,700,000 | 1,835,000 | 1,700,000 | 1,700,000 |
| 1.1b Total Share | Knowledge Primetime | 6.4% | 4.5% | 5.2% | 4.5% | 4.5% |

Data Source: Numeris Canada.

1.1a Unduplicated number (number of people exposed) of those viewing at least one minute of programming in the Vancouver Extended Market and Western Prairie Balance Market for Knowledge Primetime/Overnight (viewers 2+, 6pm to 4am) and Knowledge Kids (viewers 2+, 6am to 6pm, M-F; 6am to 12pm, Sat-Sun). Knowledge Kids primarily targets children 2-8 years of age and their parents and caregivers.

1.1b Knowledge Primetime includes documentary, factual and drama programming for adults, primarily targeting audiences 50+. The proportion of individuals viewing a specific program or daypart compared to the total number of individuals watching TV during the same interval of time. Vancouver Extended Market for Knowledge Primetime (viewers 2+, 7pm to 11pm, M-S). Total share for Knowledge Kids is not included in this measure, as the growth opportunity for this demographic is not on television, but on our Knowledge Kids website and apps. The audience sample for this audience segment is also small, creating significant swings in market share from week to week.

Note: Performance measures and targets were adjusted going forward in the [2022/23 – 2024/25 Service Plan](#).

Discussion of Results

We continued to see shifts from our scheduled television service to streaming on our websites and apps. While the majority of our viewers continue to watch television, there has been significant growth in viewership on our streaming services, as audiences shift from linear television viewing to video on demand streaming services. In 2021/22, Total Reach for Primetime was 8 percent lower than forecast while Total Reach for Knowledge Kids was 8 percent higher.

Knowledge Network was the fourth most watched broadcaster in British Columbia with a Total Market Share of 5.2 percent in Primetime. As pandemic restrictions started to ease in 2021, television viewership lowered to pre-pandemic levels. This resulted in some broadcasters in our market experiencing a drop in viewership, however, Knowledge Network continued to have a strong market share during this period. This resulted in a higher than projected total share, which can be attributed in part to Knowledge Network's competitive broadcast schedule with a focus on historical, arts and culture documentary series, international dramas and award-winning children's shows.

Goal 2: Improve the streaming platform experience

Objective 2.1: Mirror the high-quality television experience by making technical and content improvements to enhance viewing on our websites and apps.

Key Highlights

- Closed captioning embedded into Live TV on both Knowledge and Knowledge Kids streaming platforms.
- Streaming Performance Survey conducted to gather user insights from website and app viewers.

| Performance Measures | 2020/21 Actual | 2021/22 Target | 2021/22 Actual | 2022/23 Target | 2023/24 Target |
|---|----------------|----------------|----------------|----------------|----------------|
| 2.1a Streaming Video Performance Satisfaction | 90% | 75% | 91% | 80% | 85% |

Data source: Survey on Knowledge.ca and Knowledge Apps.

2.1a Online survey to measure audience satisfaction with streaming video performance on Knowledge.ca and the Knowledge Apps. Conducted annually in February and March.

Note: Performance measures and targets have been adjusted going forward in the [2022/23 – 2024/25 Service Plan](#).

Discussion of Results

This performance measure is new for 2021/22. The forecast and targets in the 2021/22 Service Plan were estimates as the baseline survey was conducted in February and March 2021. In developing the survey questions, we determined that it would be more informative to separate website streaming performance from app streaming performance.

Performance satisfaction is a strong indicator that viewers can easily access and watch programming from Knowledge Network’s streaming services. While targets were exceeded for both the website and apps, there was helpful information provided on where improvements could be made. Accessibility (vision impairment) and adding more common key features were some of the common themes from the survey results.

Goal 3: Increase viewership on Knowledge Network’s streaming platforms

Objective 3.1: Connect more frequently with the existing base of Knowledge Network streaming subscribers and market services to new users to ensure our service remains top of mind.

Key Highlights

- Introduced new program titles for streaming only on Knowledge.ca and Knowledge Apps.
- Launched Knowledge Prime on Amazon Fire TV.

- Launched Knowledge Kids on Google (Android) TV.
- Launched Knowledge Kids on Amazon Fire TV.

| Performance Measures | | 2020/21 Actual | 2021/22 Target | 2021/22 Actual | 2022/23 Target | 2023/24 Target | |
|----------------------|---------------------|--|-------------------|-------------------|-------------------|-------------------|-----------|
| 3.1a | Total Subscribers | Knowledge.ca and Knowledge Apps | 210,719 | 240,000 | 257,472 | 250,000 | 260,000 |
| 3.1b | Total App Downloads | Knowledge Apps | 89,614 | 120,000 | 126,635 | 140,000 | 160,000 |
| | | Knowledge Kids Apps | 138,774 | 146,000 | 156,401 | 156,000 | 166,000 |
| 3.1c | Videos Streamed | Knowledge.ca and Knowledge Apps | 3,207,538 | 2,800,000 | 3,684,467 | 2,850,000 | 2,900,000 |
| | | KnowledgeKids.ca and Knowledge Kids Apps | 7,585,169 | 7,425,000 | 7,502,469 | 7,450,000 | 7,450,000 |

Data Sources:

3.1a Knowledge.ca website database. Tracks total users who complete registration for a Knowledge account (cumulative).

3.1b Google Play Console (Android), iTunes Connect (Apple), Samsung Smart TV Analytics and Roku Analytics. Tracks lifetime downloads (cumulative) for each fiscal year.

3.1c Google Analytics. Tracks total videos played across web and mobile platforms in a fiscal year.

Note: Performance measures and targets have been adjusted going forward in the [2022/23 – 2024/25 Service Plan](#).

Discussion of Results

Knowledge Network’s streaming platforms provide British Columbians with a free alternative to paid subscription and ad-supported media services. Streaming platforms for both children and adults experienced growth in 2021/22 across all performance measures. Successful marketing campaigns and media coverage of Knowledge Original *British Columbia: An Untold History* and new marketing efforts to reach parents and caregivers for Knowledge Kids contributed to this success.

The number of Total Subscribers to Knowledge.ca and Apps increased by 22 percent compared to 2020/21, with Total App Downloads for Knowledge Apps and Knowledge Kids Apps increasing by 41 percent and 13 percent respectively. Videos played on Knowledge.ca and Knowledge Apps increased by 15 percent and KnowledgeKids.ca and Apps decreased by one percent compared to 2020/21.

With the addition of Knowledge Prime and Knowledge Kids on Amazon Fire TV and Knowledge Kids on Google TV, Knowledge apps are now available on fifteen streaming platforms.

Goal 4: Commission and Pre-License Knowledge Originals

Objective 4.1: Invest in documentaries and children’s programs to leverage funding from federal and provincial public and private sources, support the development of local talent and create relevant content that resonates with all British Columbians.

Key Highlights

- Premiered the four-part documentary series *British Columbia: An Untold History* that offers an inclusive and diverse perspectives on B.C.’s history.
- Premiered final five films from *150 Stories that Shaped British Columbia* that explore, B.C. history, arts and culture.
- Launched new initiative to support IBPOC producers through development and commissioning of original feature documentaries.
- Continued production of the 40-episode *Luna, Chip and Inkie Adventure Rangers Go* series.

| Performance Measures | | 2020/21 Actual | 2021/22 Target | 2021/22 Actual | 2022/23 Target | 2023/24 Target |
|----------------------|--|---------------------------|----------------|----------------|----------------|----------------|
| 4.1a | Direct Investment in Multi-Platform Content | \$2,213,797 | \$2,000,000 | \$746,700 | \$2,100,000 | \$2,200,000 |
| 4.1b | Indirect Investment in Multi-Platform Content (CMF envelope, other CMF funding, Independent production funds, tax credits) | \$13,786,721 | \$9,000,000 | \$11,915,454 | \$9,500,000 | \$10,000,000 |
| 4.1c | B.C. Independent Production Budgets Supported by Knowledge Network | \$18,460,439 ¹ | \$7,000,000 | \$6,415,434 | \$7,100,000 | \$7,150,000 |

Data Sources:

4.1a Letters of Intent, short-form commission/lead agreement, or long form commission/lead agreement entered into with independent producers in a fiscal year. Knowledge Network directs funds from its budget for original content rights. This measure includes Knowledge Network investment in television and online original content for both children and adults. Targets may be adjusted due to the non-cyclical nature of content production in future reports. Fewer projects were supported in 2021/22 due to demands on Knowledge Network’s Canada Media Fund (CMF) envelope as financing commissions requires both license fees and an allocation of CMF fees. Details provided under Discussion of Results.

4.1b Financing plans for projects where Knowledge Network has issued a Letter of Intent, short-form commission/lead agreement, or long form commission/lead agreement in a fiscal year. As a licensed broadcaster, Knowledge Network can help B.C. independent producers trigger funding for B.C. independent productions from third-party funding sources. Includes certified Canadian independent production funds, the CMF, and federal and provincial tax credits. Based on Knowledge Network’s investment, funding is generated from independent production funds towards B.C. and Canadian projects.

¹ Reflects the \$9.5 million budget for the animated Luna, Chip and Inkie series. Projects of this scale are not the norm; targets for this measure will vary based on the non-cyclical nature of content production.

4.1c Project budgets submitted by independent producers where Knowledge Network has issued Letters of Intent, short-form commission/lead agreements, or long form commission/lead agreements. It represents all contributions to independent production budgets, including those committed by Knowledge Network in a fiscal year (includes certified Canadian independent production funds, the CMF and federal and provincial tax credits).

Note: Performance measures and targets have been adjusted going forward in the [2022/23 – 2024/25 Service Plan](#). New performance measures and targets to support equity and inclusion have also been added in the [2022/23 – 2024/25 Service Plan](#).

Discussion of Results

Direct Investment in Multi-Platform Content: Knowledge Network made direct investments in 14 multi-platform projects in 2021/2022. Nine children’s projects were supported as a 2nd window pre-license, five of which were with racialized producers. A 2nd window pre-license is when Knowledge Network pre-licenses the broadcast rights for a program after the lead broadcaster. Knowledge Network is not involved in the development of the project and pays a lower license fee which helps the producer close their financing. Two of the projects were 2nd window documentaries of which one was with a racialized producer. Knowledge supported three feature length commissions, one with an Indigenous producer and one with a racialized producer. Both projects were supported early on by Knowledge during their development phase.

Direct investment in multi-platform content was significantly lower in 2021/2022 because of the demands on our CMF envelope. Knowledge Network commissions require both license fees and an allocation of CMF fees from our annual envelope. To finance *Luna, Chip and Inkie Adventure Rangers Go* and a documentary series on organ transplants, the CMF portion had to be financed over two CMF fiscal years. As a result, we supported fewer projects in 2021/22. The pandemic also had an impact on our investment in children’s programming, as it was difficult to close financing on the international co-productions. The projects we were able to invest in were Canadian productions with smaller budgets.

Indirect Investment in Multi-Platform Content: This target was achieved due to the significant indirect investment generated by the *Luna, Chip and Inkie Adventure Rangers Go* series. Independent production financing is dependent on Knowledge Network’s annual Canada Media Fund allocation; it also requires funding from other public and private independent production funds, as well as federal and provincial tax credits. Together, these funding sources leveraged by Knowledge Network are considered its indirect investment.

B.C. Independent Production Budgets Supported by Knowledge Network: Due to the support required for *Luna, Chip & Inkie Adventures Rangers Go* and the documentary series on organ transplants, there were less projects supported by Knowledge in 2021/22. As a result, this target was not achieved.

In addition, Knowledge Network launched a new development initiative in 2021 supporting IBPOC producers through the commissioning of six original feature documentaries over the next three years. Twenty eligible proposals were received from producers who identify as Indigenous or racialized. We selected four projects for development which Knowledge Network is supporting through a mix of license fees and/or our 2021-22 development allocation from the Canada Media Fund.

An additional five projects were selected for the Canada Media Fund’s Pilot Program for Racialized Communities: Development and Pre-development. Knowledge Network also provided five Broadcast Letters of Interest for producers who identify as racialized, enabling them to apply to the Canada Media Fund’s Pilot Program for Racialized Communities pre-development funds.

Goal 5: Enlarge the donor base and the Endowment Fund

Objective 5.1: Increase efforts to convert new viewers to donors and build on legacy and major gift giving to expand program offerings now and in the future.

Key Highlights

- Conducted a special donor acquisition campaign in connection with Knowledge Network’s 40th anniversary.
- Supported the local tourism sector by giving away three trips to B.C. based destinations for our 2021 travel contest.

| Performance Measures | 2020/21 Actual | 2021/22 Target | 2021/22 Actual | 2022/23 Target | 2023/24 Target |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| 5.1a Knowledge Partner Donations | \$6,070,000 | \$5,375,000 | \$6,574,000 | \$5,375,000 | \$5,358,000 |
| 5.1b Legacy Circle Donors | 942 | 985 | 988 | 1035 | 1085 |

Data Sources: Blackbaud donor database.

5.1a Tracks total Knowledge Partner donations received each year.

5.1b Tracks total number of individuals who have notified us that they have left a gift to Knowledge Network in their will (cumulative).

Note: Performance measures and targets have been adjusted going forward in the [2022/23 – 2024/25 Service Plan](#).

Discussion of Results

The Knowledge Partners Annual Fund donations exceeded expectations reaching over \$6.5 million dollars. This is an increase of 8 percent over 2020/21. The number of Legacy Circle donors also exceeded the target. We can attribute this in part to our efforts in raising awareness of our Legacy Giving program.

The annual contest was very successful, even though it did not include an international trip prize as in past years due to pandemic travel restrictions. A special solicitation to leverage high viewership and an email conversion campaign in connection with the popular Knowledge *Original Search and Rescue: North Shore* also contributed to the increase in donations.

The generous financial support from Knowledge Partners reflects the value our programming service brought to viewers during the pandemic. Insightful, inspiring and hopeful programming brought comfort to viewers coping with uncertainty and social isolation.

Financial Report

For the auditor's report and audited financial statements, [see Appendix C](#). These can also be found on Knowledge Network Corporation's website.

Discussion of Results

Knowledge Network Corporation ended the fiscal year with an operating deficit of \$2 million. However, \$5.6 million in Endowment contributions and \$841,000 in net investment income resulted in an annual surplus of \$3.6 million, which is 22% of overall revenues. Endowment contributions and investment revenue are held in trust and not treated as operating revenue. On March 31, 2022, the market value of the Endowment Fund was \$22,817,713. In March 2021, the market value was \$15,477,617. The change can be attributed to increased Endowment contributions as noted above and market values increases.

Financial Summary

| (Consolidated) (Reported in \$000)] | 2020/21 Actual | 2021/22 Budget | 2021/22 Actual | 2021/22 Variance |
|--|---------------------------|---------------------------|---------------------------|-----------------------------|
| Revenue | | | | |
| Provincial Operating Grant | 6,611 | 6,611 | 6,611 | - |
| Donations and Sponsorships | 5,884 | 5,375 | 6,581 | 1,206 |
| Amortization of Deferred Contributions | 115 | 161 | 137 | (24) |
| Endowment Investment Revenue | 482 | 350 | 969 | 619 |
| Other Revenue and Deferred Production Funding | 1,485 | 5,759 | 1,900 | (3,858) |
| Revenue from Subsidiary Operations | - | - | - | - |
| Total Revenue | 14,577 | 18,256 | 16,198 | (2,058) |
| Expenses | | | | |
| Programming and Production | 4,434 | 7,837 | 8,089 | 251 |
| Marketing and Development | 2,058 | 2,163 | 2,246 | 83 |
| Broadcast Platforms and Web Channels | 2,180 | 2,122 | 2,281 | 160 |
| General | 466 | 325 | 287 | (38) |
| Amortization of Broadcast Rights & Equipment | 3,504 | 3,833 | 3,688 | (145) |
| Administration | 1,253 | 1,725 | 1,655 | (71) |
| Subsidiary Operations | - | - | - | - |
| Total Expenses | 13,895 | 18,006 | 18,246 | 240 |
| Annual Surplus from Operations | 682 | 250 | (2,048) | (2,298) |
| Endowment Contributions Received (held in trust) | 2,751 | 950 | 5,666 | 4,716 |
| Annual Surplus | 3,433 | 1,200 | 3,618 | 2,418 |
| Capital Expenditures | 3,513 | 3,367 | 3,021 | (346) |
| Total Liabilities | 2,447 | 2,500 | 4,506 | (2,006) |
| Accumulated Surplus (Invested in Broadcast Rights & Capital Assets, Endowment Fund) | 26,734 | 21,838 | 30,352 | 8,514 |

Note 1: The above financial information was prepared based on current Generally Accepted Accounting Principles.

Note 2: Endowment contributions are held in trust and not treated as operating revenue.

Variance and Trend Analysis

Donations

Sponsorship revenues are now reported as Other Revenue. Donations from viewers to the Annual Fund were \$1,224,000 more than budget and \$691,000 more than 2020/21.

Production Funding

Production funding of \$4,400,000 was received in 2021/22, however, \$2,500,000 of this amount was treated as deferred contribution with revenue to be recognized when Season 1 of the *Luna, Chip and Inkie* animated series is completed in 2023. This has resulted in a budget variance of \$3,875,000. The year-over-year variance of \$415,000 is a result of a full production schedule in 2021/22.

Endowment Investment and Other Income

These revenues were \$600,000 more than budget and \$493,000 more than the previous fiscal year. The difference is due to Endowment income of \$491,000 more than budget and \$436,000 more than the previous fiscal year resulting from increased portfolio value.

Programming and Presentation

These expenses were \$251,000 more than budget and \$3,654,000 more than the previous fiscal year. The year-over-year difference is due to a full year of production costs of \$5,775,000 for Season 1 of the *Luna, Chip and Inkie* animated series.

Marketing and Development

These expenses were \$83,000 more than budget due to cost increases for donor premiums and magazine printing and mailing costs:

| | |
|-------------------------|-----------------|
| Donation premiums | \$39,029 |
| Magazine mailing costs | \$18,908 |
| Software maintenance | \$17,855 |
| Magazine printing costs | <u>\$13,897</u> |
| | \$89,689 |

The year-over-year expense variance of \$188,000 is primarily due to increased staffing costs related to processing increased donations and stewarding new donors. The addition of new donors also increased Magazine mailing costs.

| | |
|----------------------------|-----------------|
| Staffing costs | \$87,254 |
| Bank charges | \$23,767 |
| Video production | \$22,902 |
| Telecommunication services | \$21,625 |
| Mailing costs | \$20,071 |
| Magazine mailing costs | <u>\$19,429</u> |
| | \$195,048 |

Broadcast Platforms and Corporate IT

These expenses were \$160,000 more than budget and \$101,000 more than the previous fiscal year. The increase over budget is primarily due to computer purchases and engaging a software development service:

| | |
|--------------------------------|-----------------|
| Purchase of computer equipment | \$41,614 |
| Software development service | \$40,987 |
| Staffing costs | \$35,628 |
| Software purchases | <u>\$27,790</u> |
| | \$146,019 |

The year-over-year variance is primarily due to engagement of a software development company to provide programming services not available in-house.

General

These expenses previously included amortization expense related to capital equipment. Amortization expense is now reported together with broadcast rights (below).

Amortization of Broadcast Rights and Capital Equipment

Amortization expense was \$183,000 less than budget. The year-over-year variance of \$471,000 is due to amortization of capital equipment now reported in this category.

| | Budget | Actual | Variance |
|-----------------------------------|--------------------|--------------------|--------------------|
| Amortization of capital equipment | \$325,000 | \$287,167 | (\$37,833) |
| Amortization of broadcast rights | <u>\$3,833,279</u> | <u>\$3,687,827</u> | <u>(\$145,452)</u> |
| Total amortization | \$4,185,279 | \$3,974,994 | (\$183,285) |

The increase from the previous fiscal year is due to these changes:

| | 2021 | 2022 | Variance |
|-----------------------------------|--------------------|--------------------|------------------|
| Amortization of capital equipment | - | \$ 287,167 | \$287,167 |
| Amortization of broadcast rights | <u>\$3,503,569</u> | <u>\$3,687,827</u> | <u>\$184,258</u> |
| Total amortization | \$3,503,569 | \$3,974,994 | \$471,425 |

Administration

Administration costs were \$71,000 less than budget primarily due to:

| | |
|--|-----------------|
| Income tax refund on subsidiary operations | \$51,418 |
| Reduced travel due to pandemic | <u>\$ 9,221</u> |
| | \$60,639 |

Administration costs were \$283,000 more than the previous fiscal year primarily in these areas:

| | |
|---|-----------------|
| Increased building operating costs | \$30,475 |
| Increased co-op students | \$93,827 |
| EDI Consultant | \$52,157 |
| Income tax refund difference from 2020/21 | \$63,780 |
| Increased Endowment investment management fee | <u>\$36,392</u> |
| | \$276,630 |

Administration costs detailed:

| | |
|------------------------------------|------------------|
| Finance, Human Resources, Other | \$853,307 |
| President's Office and Board | \$436,887 |
| Building lease and operating costs | \$346,575 |
| Corporate training plan | <u>\$ 17,944</u> |
| Total | \$1,654,712 |

Endowment Contributions

Endowment contributions received were \$4,716,000 more than budget and \$2,915,000 more than the previous fiscal year. Due to the confidential nature of major gifts, it is difficult to predict when Endowment contributions will be received.

Capital Expenditures

Capital assets purchased were \$346,000 less than budget in these areas:

| | Budget | Actual | Variance |
|---|------------------|------------------|------------------|
| Arts and Specials - acquired | \$ 78,400 | \$ 16,400 | (\$ 62,000) |
| Documentaries - acquired | \$706,000 | \$849,577 | \$143,577 |
| Dramas - acquired | \$903,300 | \$885,808 | (\$ 22,492) |
| Children's Programs - acquired | \$550,000 | \$518,302 | (\$ 31,698) |
| Children's Pre-licenses - 2 nd window | \$270,000 | \$233,024 | (\$ 36,977) |
| Children's Lead | - | \$ 13,325 | \$ 13,325 |
| Documentary Pre-licenses - 2 nd window | \$285,319 | \$103,048 | (\$182,271) |
| Documentaries Commissioned | \$265,670 | \$111,643 | (\$154,027) |
| Documentaries Lead | \$447,773 | \$ 58,476 | (\$389,297) |
| Production Development | - | \$ 66,936 | \$ 66,936 |
| International Pre-buys | \$ 20,000 | \$ 38,950 | \$ 18,950 |
| Capital equipment | \$ 90,000 | \$ 81,581 | (\$ 8,419) |
| HD Materials fees | <u>\$ 24,000</u> | <u>\$ 44,185</u> | <u>\$ 20,185</u> |
| | \$3,367,040 | \$3,021,254 | (\$345,786) |

The decrease of \$491,000 compared to the previous fiscal year is due to changing program inventory needs.

| | 2021 | 2022 | Variance |
|---|--------------------|--------------------|--------------------|
| Arts and Specials - acquired | \$ 62,295 | \$ 16,400 | (\$ 45,895) |
| Documentaries - acquired | \$739,117 | \$849,577 | \$110,461 |
| Dramas - acquired | \$652,978 | \$885,808 | \$232,830 |
| Children's Programs - acquired | \$591,221 | \$518,302 | (\$ 72,920) |
| Children's Pre-licenses - 2 nd window | \$493,618 | \$233,024 | (\$260,595) |
| Children's Lead | - | \$ 13,325 | \$ 13,325 |
| Documentary Pre-licenses - 2 nd window | \$285,319 | \$103,048 | (\$182,271) |
| Documentaries Commissioned | \$265,670 | \$111,643 | (\$154,027) |
| Documentaries Lead | \$157,882 | \$ 58,476 | (\$ 99,406) |
| Production Development | \$ 20,422 | \$ 66,936 | \$ 46,514 |
| International Pre-buys | \$ 30,750 | \$ 38,950 | \$ 8,200 |
| Capital equipment | \$171,682 | \$ 81,581 | (\$ 90,101) |
| | <u>\$3,512,606</u> | <u>\$3,021,254</u> | <u>(\$491,352)</u> |

Risks and Uncertainties

Competition for audiences from an increasing number of streaming services is an ongoing challenge. We are continuing to build out our digital product line with additional content and viewing incentives and we will be expanding online fundraising efforts.

The growth in online streaming services is creating increased competition for programs and their multi-platform rights, increasing costs and decreasing availability of content. We have increased investment through Season 1 of *Luna*, *Chip and Inkie Adventure Rangers Go* to ensure unlimited streaming rights for the 40-episode series. This enabled new marketing and outreach opportunities to reach parents and caregivers.

While Knowledge Network saw increased donations through most of the 2021/22 fiscal year, there has been a decline during the latter part of the year. A number of factors may be contributing to this including increased need for humanitarian aid in Ukraine and rising inflation, among other things. The long-term impact on charitable giving to Knowledge Network is unpredictable. We have been increasing investment in donor acquisition to offset attrition of the donor base and are continuing to build the Legacy Giving program to support the Knowledge Endowment.

Appendix A: Additional Information

Organizational Overview

British Columbia's Knowledge Network is a viewer-supported public broadcaster. Our mission is to provide all British Columbians with a trusted alternative for the commercial-free exploration of life, connecting them to the world through television and streaming platforms.

[Learn more about Knowledge Network.](#)

Corporate Governance

Knowledge Network is governed by a Board of Directors that is responsible to the Minister of Tourism, Arts, Culture and Sport. The Board Chair regularly engages with and updates the Minister. The Ministry is responsible for policy direction while the Board is responsible for operational policy and setting the strategic direction of the organization. The President and CEO is responsible for the day-to-day leadership and management of Knowledge Network. [Learn more about Knowledge Network's corporate governance.](#)

Contact Information

Knowledge Network Corporation
4355 Mathissi Place
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V5G 4S8

Phone: (604) 431-2222
Toll Free: 1-877-456-6988
Email: info@knowledge.ca

Appendix B: Subsidiaries and Operating Segments

Inactive Subsidiaries

Knowledge-West Communications Corporation (KWCC) was incorporated in 1981. KWCC owned and operated BBC Kids, a Canadian children's subscription channel, which closed in December 2018.

Appendix C: Auditor's Report and Audited Financial Statements

Consolidated Financial Statements of

KNOWLEDGE NETWORK CORPORATION

And Independent Auditors' Report thereon

Year ended March 31, 2022



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Knowledge Network Corporation, and
to the Minister of the Ministry of Tourism, Arts, and Culture, Province of British Columbia

Opinion

We have audited the consolidated financial statements of Knowledge Network Corporation (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2022
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of remeasurement gains for the year then ended
- the consolidated statement of changes in net financial assets (liabilities) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes and schedule to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying consolidated financial statements as at and for the year ended March 31, 2022 of the Entity are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity 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.



Emphasis of Matter – Financial Reporting Framework

We draw attention to note 2(a) to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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.

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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

July 26, 2022

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Financial Position

March 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Financial assets: | | |
| Cash (note 3(a)) | \$ 2,407,560 | \$ 1,745,741 |
| Accounts receivable | 499,409 | 429,781 |
| Portfolio investments (note 3(b)) | 601,990 | 1,476,333 |
| | <u>3,508,959</u> | <u>3,651,855</u> |
| Liabilities: | | |
| Accounts payable and accrued liabilities | 435,939 | 610,957 |
| Deferred revenue, projects | 380,046 | 511,360 |
| Deferred contributions (note 4) | 3,688,990 | 1,324,863 |
| | <u>4,504,975</u> | <u>2,447,180</u> |
| Net financial assets (liabilities) | (996,016) | 1,204,675 |
| Non-financial assets: | | |
| Broadcast rights (note 5) | 9,816,449 | 10,564,603 |
| Tangible capital assets (note 6) | 1,648,886 | 1,854,473 |
| Prepaid expenses | 62,944 | 92,379 |
| Endowment investments (note 3(b)) | 22,790,351 | 15,477,617 |
| | <u>34,318,630</u> | <u>27,989,072</u> |
| Accumulated surplus (note 13) | <u>\$ 33,322,614</u> | <u>\$ 29,193,747</u> |
| Accumulated surplus is comprised of: | | |
| Accumulated surplus | \$ 30,352,068 | \$ 26,734,174 |
| Accumulated remeasurement gains | 2,970,546 | 2,459,573 |
| | <u>\$ 33,322,614</u> | <u>\$ 29,193,747</u> |

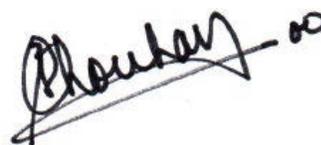
Commitments (note 9)

See accompanying notes and schedule to consolidated financial statements.

Approved on behalf of the Board:



Maurine Karagianis
Chair of the Board



Sukhvinder Chouhan, CPA CA, CAFM
Chair of the Audit and Finance Committee

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2022, with comparative information for 2021

| | Budget (note 14) | 2022 | 2021 |
|---|---------------------|---------------|---------------|
| Revenue: | | | |
| Province of British Columbia operating grants | \$ 6,611,000 | \$ 6,611,000 | \$ 6,611,000 |
| Donations | 5,350,000 | 6,574,145 | 5,871,243 |
| Production funding (note 7) | 5,775,702 | 1,900,473 | 1,485,176 |
| Amortization of deferred contributions (note 4) | 144,000 | 136,705 | 114,976 |
| Endowment investment income | 350,000 | 841,468 | 405,611 |
| Other | 25,000 | 133,992 | 88,736 |
| | 18,255,702 | 16,197,783 | 14,576,742 |
| Expenses (note 16): | | | |
| Programming and presentation (note 7) | 7,837,316 | 8,088,704 | 4,434,352 |
| Marketing and development | 2,163,148 | 2,246,320 | 2,057,875 |
| Broadcast platforms and corporate IT | 2,121,627 | 2,281,466 | 2,180,086 |
| Amortization | 4,158,279 | 3,974,994 | 3,850,094 |
| Administration | 1,725,332 | 1,654,716 | 1,372,382 |
| | 18,005,702 | 18,246,200 | 13,894,789 |
| Annual surplus (deficit) from operations | 250,000 | (2,048,417) | 681,953 |
| Endowment contributions received | 950,000 | 5,666,311 | 2,750,874 |
| Annual surplus | 1,200,000 | 3,617,894 | 3,432,827 |
| Accumulated surplus, beginning of year | 26,734,174 | 26,734,174 | 23,301,347 |
| Accumulated surplus, end of year | \$ 27,934,174 | \$ 30,352,068 | \$ 26,734,174 |

See accompanying notes and schedule to consolidated financial statements.

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Remeasurement Gains

Year ended March 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|--|--------------|--------------|
| Accumulated remeasurement gains, beginning of year | \$ 2,459,573 | \$ 45,052 |
| Unrealized and realized gains attributable to investments | 577,377 | 2,436,917 |
| Amounts realized and reclassified to statement of operations and accumulated surplus: | | |
| Realized gains on investment | (66,404) | (22,396) |
| Net remeasurement gains for the year | 510,973 | 2,414,521 |
| Accumulated remeasurement gains, end of year | \$ 2,970,546 | \$ 2,459,573 |

See accompanying notes and schedule to consolidated financial statements.

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Changes in Net Financial Assets (Liabilities)

Year ended March 31, 2022, with comparative information for 2021

| | Budget (note 14) | 2022 | 2021 |
|---|---------------------|--------------|--------------|
| Annual surplus | \$ 1,200,000 | \$ 3,617,894 | \$ 3,432,827 |
| Net remeasurement gains for the year | - | 510,973 | 2,414,521 |
| | 1,200,000 | 4,128,867 | 5,847,348 |
| Acquisition of tangible capital asset | (90,000) | (81,580) | (171,683) |
| Amortization of tangible capital assets | 325,000 | 287,167 | 346,525 |
| | 235,000 | 205,587 | 174,842 |
| Acquisition of broadcast rights | (3,277,040) | (2,939,673) | (3,340,924) |
| Amortization of broadcast rights | 3,833,279 | 3,687,827 | 3,503,569 |
| | 556,239 | 748,154 | 162,645 |
| Acquisition of endowment investments | (950,000) | (7,312,734) | (5,253,550) |
| Acquisition of prepaid expenses | - | (62,944) | (92,379) |
| Use of prepaid expenses | - | 92,379 | 33,004 |
| | - | 29,435 | (59,375) |
| Increase (decrease) in net financial assets | 1,041,239 | (2,200,691) | 871,910 |
| Net financial assets, beginning of year | 1,204,675 | 1,204,675 | 332,765 |
| Net financial assets (liabilities), end of year | \$ 2,245,914 | \$ (996,016) | \$ 1,204,675 |

See accompanying notes and schedule to consolidated financial statements.

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|--|--------------|--------------|
| Cash provided (used by): | | |
| Operations: | | |
| Annual surplus | \$ 3,617,894 | \$ 3,432,827 |
| Items not involving cash: | | |
| Gain on sale of investments | (66,404) | (22,396) |
| Amortization of deferred contributions | (136,705) | (114,976) |
| Amortization of tangible capital assets | 287,167 | 346,525 |
| Amortization of broadcast rights | 3,687,827 | 3,503,569 |
| Unrealized gain on investments | 577,377 | 2,436,917 |
| Changes in non-cash working capital: | | |
| Accounts receivable | (69,628) | (409,765) |
| Prepaid expenses | 29,435 | (59,375) |
| Accounts payable and accrued liabilities | (175,018) | 225,101 |
| Deferred contributions | 2,500,832 | 198,200 |
| Deferred revenue, projects | (131,314) | 197,249 |
| | 10,121,463 | 9,733,876 |
| Investing: | | |
| Purchase of investments, net | (6,438,391) | (6,037,472) |
| Capital: | | |
| Acquisition of tangible capital assets | (81,580) | (171,683) |
| Acquisition of broadcast rights | (2,939,673) | (3,340,924) |
| | (3,021,253) | (3,512,607) |
| Increase in cash | 661,819 | 183,797 |
| Cash, beginning of year | 1,745,741 | 1,561,944 |
| Cash, end of year | \$ 2,407,560 | \$ 1,745,741 |

See accompanying notes and schedule to consolidated financial statements.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements

Year ended March 31, 2021

1. Nature of operations:

Knowledge Network Corporation (the "Corporation") was continued as a Crown corporation by an Order in Council in 2008 under the *Knowledge Network Corporation Act*, a statute of the Province of British Columbia.

The Corporation is British Columbia's public broadcaster across multiple platforms including television, web, and mobile. The principal source of funding is from the Ministry of Tourism, Arts Culture, and Sport.

The Corporation is a registered charity under the provisions of the Income Tax Act of Canada and is not subject to income taxes. The Corporation's wholly-owned subsidiary, Knowledge-West Communications Corporation ("KWCC") is subject to income taxes.

2. Significant accounting policies:

(a) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This Section requires that the consolidated financial statements be prepared in accordance with Canadian public sector accounting standards established by the Canadian Public Sector Accounting Board of the Chartered Professional Accountants of Canada, except in regard to government transfers.

The Corporation has obtained approval from the Province to continue to capitalize and amortize broadcast rights as non-financial assets. Canadian public sector accounting standards do not recognize the intangible assets in their accounting framework and require that such amounts be expensed as incurred.

The Budget Transparency and Accountability Act and its related regulations require the Corporation to account for government transfers for capital assets by deferring and amortizing them to income on the same basis as the related amortization expense. Transfers that do not contain stipulations that create a liability are required by Canadian public sector accounting standards to be reported in income.

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, and accumulated surplus of the reporting entity, which includes consolidation of the Corporation's 100% owned subsidiary, KWCC. Inter-entity balances and transactions have been eliminated on consolidation. Currently KWCC is a dormant entity without any substantial operations.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(b) Revenue recognition:

Externally restricted contributions, except for contributions restricted for capital assets and broadcast rights (note 2(d)), are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical. Interest and other revenues are recognized when earned.

(c) Tangible capital assets:

Purchased capital assets are recorded at cost. Equipment, furniture and fixtures are amortized over the estimated useful life on the declining balance basis at 10% to 30% per annum, computer software are amortized over the estimated useful life on the declining balance basis at 50%, and leasehold improvements are amortized on a straight line basis at the lesser of estimated useful life and the term of the lease.

(d) Deferred contributions for capital assets and broadcast rights:

Funding received from the Province of British Columbia used for the acquisition of tangible capital assets and broadcast rights is recorded as deferred contributions and is recognized as a recovery in the statement of operations and accumulated surplus equal to the amortization charged on the assets purchased with the funding. This accounting treatment is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met, unless the transfer contains a stipulation that creates a liability, in which case the transfer is recognized as revenue over the period that the liability is extinguished.

(e) Broadcast rights:

Broadcast rights are recorded at cost and amortized over the period the broadcast is authorized for (generally 4 to 6 years).

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments measured at fair value are classified as level one, two, or three for the purposes of describing the basis of the inputs used to measure the fair values, as described below:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Unrealized gains and losses from changes in the fair value of financial instruments are recorded in the consolidated statement of remeasurement gains. Upon settlement, the cumulative gain or loss is reclassified from the consolidated statement of remeasurement gains and recognized in the consolidated statement of operations and accumulated surplus.

For financial instruments measured using amortized cost, amortized cost is defined as the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus cumulative amortization using the effective interest method and minus any impairment losses. The effective interest rate method is used to determine interest revenue or expense.

For portfolio investments measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent received or receivable. When an investment is written down to recognize an impairment loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes.

Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations.

Financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations and accumulated surplus and any related fair value changes previously recorded in the consolidated statement of remeasurement gains are reversed to the extent of the impairment. Impairment losses are not reversed for a subsequent increase in value.

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost.

Transaction costs are expensed for financial instruments measured at fair value.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

The Corporation has designated its financial instruments as follows:

(i) Cash:

Cash includes cash in the bank and is measured at fair value.

(ii) Short-term investments:

Short-term investments are accounted for as portfolio investments. Investments quoted in an active market are reported at fair value and other investments are recorded at cost or amortized cost. These investments are highly liquid and held for the purpose of meeting short-term cash commitments. Investments reported at fair value recognize any changes in fair value in the consolidated statement of remeasurement gains and losses.

(iii) Market securities:

Equity and debt investments quoted in an active market are reported at fair value. The Corporation has a diversified securities portfolio that includes short-term deposits, bonds, and equities. Market securities are accounted for as portfolio investments and are reported at fair value with changes in fair value recognized in the consolidated statement of remeasurement gains and losses.

(iv) Other financial assets and financial liabilities:

Accounts receivable and accounts payable and accrued liabilities are measured at amortized cost using the effective interest method.

(g) Measurement uncertainty:

The preparation of financial statements in accordance with the framework described in note 2(a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year then ended. Items subject to such estimates and assumptions include the determination of tangible capital assets and broadcast rights and the related recognition of deferred contributions, valuation of accounts receivable, and provision for contingencies. Actual results could differ from those estimates.

(h) Foreign currency translation:

Monetary assets and liabilities included in the fair value measurement category denominated in foreign currencies, are translated into Canadian dollars at the exchange rate prevailing at the consolidated financial statement date. Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains. In the period of settlement, realized foreign exchange gains and losses are recognized in the consolidated statement of operations and accumulated surplus, and the cumulative amount of remeasurement gains is reversed in the consolidated statement of remeasurement gains.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(i) Income taxes:

KWCC uses the taxes payable method to account for income taxes whereby the expense (recovery) of the period consists only of the cost (benefit) of current income taxes for that period, determined in accordance with the rules established by the taxation authorities. For the year ended March 31, 2021, an income tax refund of \$51,415 (2021 - \$115,198) was received.

(j) Endowment investments:

The endowment investments account for external donations received by the Corporation or internally endowed funds as approved by the Board restricted for use as endowments. The principal amount of endowment contributions are maintained on a permanent basis. Net investment earnings thereon are internally restricted and maintained in the endowment fund until used as designated by the donors or as directed by the Board.

3. Cash and investments:

(a) Cash:

The Corporation's bank accounts are held at a Canadian chartered bank. Interest is earned at prime minus 1.95% and is paid on a monthly basis. As of March 31, 2022, the balance in the US dollar account was USD \$105,767 (2021 - USD \$190,513).

(b) Portfolio and endowment investments:

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Fixed income | \$ 6,104,702 | \$ 3,909,400 |
| Common shares | 12,808,898 | 9,765,005 |
| Mutual funds | 75,155 | 147,732 |
| Other investments measured at fair value | 4,403,586 | 3,131,813 |
| | <u>\$ 23,392,341</u> | <u>\$ 16,953,950</u> |

Mutual funds consist of money market funds which are redeemable at any time.

| | 2022 | 2021 |
|-----------------------|----------------------|----------------------|
| Portfolio investments | \$ 601,990 | \$ 1,476,333 |
| Endowment investments | 22,790,351 | 15,477,617 |
| | <u>\$ 23,392,341</u> | <u>\$ 16,953,950</u> |

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

3. Cash and investments (continued):

(b) Portfolio and endowment investments (continued):

Changes in portfolio investments are comprised of the following:

| | 2022 | 2021 |
|--|--------------|--------------|
| Balance, beginning of year | \$ 1,476,333 | \$ 692,411 |
| Internal transfer from (to) cash | (1,005,536) | 700,019 |
| Net remeasurement gains | 93,333 | 50,440 |
| Investment income included in other income | 37,860 | 33,463 |
| Balance, end of year | \$ 601,990 | \$ 1,476,333 |

Changes in endowment investments are comprised of the following:

| | 2022 | 2021 |
|---|---------------|---------------|
| Balance, beginning of year | \$ 15,477,617 | \$ 10,224,067 |
| Endowment contributions received | 5,666,311 | 2,750,874 |
| Withdrawals | (250,000) | (225,000) |
| Internal transfer from cash | 697,639 | - |
| Net remeasurement gains | 484,044 | 2,364,081 |
| Endowment investment income | 841,468 | 405,611 |
| Investment costs included in other income | (126,728) | (42,016) |
| Balance, end of year | \$ 22,790,351 | \$ 15,477,617 |

4. Deferred contributions:

| | 2022 | 2021 |
|------------------------------------|--------------|--------------|
| Deferred contributions related to: | | |
| Capital assets (a) | \$ 584,047 | \$ 665,347 |
| Broadcast rights (b) | 405,911 | 461,316 |
| Production development (c) | 2,699,032 | 198,200 |
| | \$ 3,688,990 | \$ 1,324,863 |

(a) Capital assets:

Deferred contributions related to capital assets represents the unamortized amount of grants received for the purchase of capital assets.

| | 2022 | 2021 |
|-------------------------------|------------|------------|
| Balance, beginning of year | \$ 665,347 | \$ 758,250 |
| Amounts recognized as revenue | (81,300) | (92,903) |
| Balance, end of year | \$ 584,047 | \$ 665,347 |

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

4. Deferred contributions (continued):

(b) Broadcast rights:

Deferred contributions related to broadcast rights represent the unamortized amount of funds received for the acquisition of programs.

| | 2022 | 2021 |
|-------------------------------|------------|------------|
| Balance, beginning of year | \$ 461,316 | \$ 483,389 |
| Amounts recognized as revenue | (55,405) | (22,073) |
| Balance, end of year | \$ 405,911 | \$ 461,316 |

(c) Production development:

Deferred contributions related to the production of the Luna, Chip & Inkie ("LCI") series (note 7) represent the unamortized amount of funds received for the development and future broadcasting and distribution rights for the LCI series.

| | 2022 | 2021 |
|----------------------------|--------------|------------|
| Balance, beginning of year | \$ 198,200 | \$ - |
| Contributions received | 2,500,832 | 198,200 |
| Balance, end of year | \$ 2,699,032 | \$ 198,200 |

5. Broadcast rights:

| | 2022 | 2021 |
|---------------------------|---------------|---------------|
| Cost: | | |
| Opening balance | \$ 20,942,722 | \$ 20,350,222 |
| Additions | 2,939,673 | 3,340,924 |
| Expired rights | (3,304,032) | (2,748,424) |
| | 20,578,363 | 20,942,722 |
| Accumulated amortization: | | |
| Opening balance | 10,378,119 | 9,622,974 |
| Amortization | 3,687,827 | 3,503,569 |
| Expired rights | (3,304,032) | (2,748,424) |
| | 10,761,914 | 10,378,119 |
| Net book value | \$ 9,816,449 | \$ 10,564,603 |

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

6. Tangible capital assets:

| | Furniture and fixtures | Computer equipment | Other equipment | Software | Broadcast equipment | Leasehold improvements | 2022 |
|---------------------------|---------------------------|-----------------------|--------------------|------------|------------------------|---------------------------|---------------|
| Cost: | | | | | | | |
| Opening balance | \$ 880,545 | \$ 3,582,763 | \$ 2,396,439 | \$ 498,931 | \$ 14,206,325 | \$ 37,695 | \$ 21,602,698 |
| Additions | - | 37,762 | - | - | 43,818 | - | 81,580 |
| Closing balance | 880,545 | 3,620,525 | 2,396,439 | 498,931 | 14,250,143 | 37,695 | 21,684,278 |
| Accumulated amortization: | | | | | | | |
| Opening balance | 828,706 | 3,092,975 | 2,386,576 | 468,930 | 12,933,343 | - | 19,748,225 |
| Amortization | 5,184 | 101,734 | 9,862 | 15,000 | 155,386 | - | 287,167 |
| Closing balance | 833,890 | 3,194,709 | 2,396,439 | 483,930 | 13,088,729 | 37,695 | 20,035,392 |
| Net book value | \$ 46,655 | \$ 425,816 | \$ - | \$ 15,001 | \$ 1,161,414 | \$ - | \$ 1,648,886 |

| | Furniture and fixtures | Computer equipment | Other equipment | Software | Broadcast equipment | Leasehold improvements | 2021 |
|---------------------------|---------------------------|-----------------------|--------------------|------------|------------------------|---------------------------|---------------|
| Cost: | | | | | | | |
| Opening balance | \$ 880,545 | \$ 3,426,740 | \$ 2,396,439 | \$ 483,271 | \$ 14,206,325 | \$ 37,695 | \$ 21,431,015 |
| Additions | - | 156,023 | - | 15,660 | - | - | 171,683 |
| Closing balance | 880,545 | 3,582,763 | 2,396,439 | 498,931 | 14,206,325 | 37,695 | 21,602,698 |
| Accumulated amortization: | | | | | | | |
| Opening balance | 822,946 | 2,960,970 | 2,384,836 | 435,499 | 12,759,754 | 37,695 | 19,401,700 |
| Amortization | 5,760 | 132,005 | 1,740 | 33,431 | 173,589 | - | 346,525 |
| Closing balance | 828,706 | 3,092,975 | 2,386,576 | 468,930 | 12,933,343 | - | 19,748,225 |
| Net book value | \$ 51,839 | \$ 489,788 | \$ 9,863 | \$ 30,001 | \$ 1,272,982 | \$ - | \$ 1,854,473 |

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

7. Production funding:

During the year ended March 31, 2021, the Corporation entered into a series of agreements to produce Season 1 of the Luna Chip & Inkie series (40 episodes). This production is to be completed by November 2022. Funding provided in relation to the Luna, Chip & Inkie series during the year ended March 31, 2022 totaled \$4,401,305 (2021 – \$1,683,376). Of this amount, \$2,500,832 was recognized as a deferred contribution (note 4(c)) as at March 31, 2022 (2021 – \$198,200). Production expenditures incurred during the year ended March 31, 2022 totaled \$5,775,502 (2021 – \$2,222,200) have been included in programming and presentation expenses in the consolidated statement of operations.

8. Credit facility:

The Corporation has a revolving demand credit facility bearing interest at prime plus 0.50% per annum. The available facility is to a maximum of \$ 1,000,000 (2021 - \$1,000,000). As at March 31, 2022, no amount was drawn on this credit facility (2021 - nil).

9. Commitments:

(a) Satellite transmission service:

The Corporation acquires satellite transmission services at an annual cost of approximately \$178,296 (2021 - \$173,171) under agreements covering a four-year period ending August 31, 2025.

(b) Production costs:

The Corporation acquires programs which require the commitment of funds. As at March 31, 2022, the Corporation is committed to pay \$ 2,009,816 (2021 - \$1,762,092) for license fees over the period April 2022 to March 2024.

The Corporation also produces programs which require the commitment of funds (note 7). As at March 31, 2022, the Corporation is committed to pay \$1,669,928 (2021 – \$9,489,759) for production expenses over the period of April 2021 to November 2022.

10. Related party transactions:

The Corporation is related through common ownership to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and Crown corporations. Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amount.

In the normal course of operations, the Corporations pays rent to BCIT, a provincially controlled post-secondary institution, of \$1 per annum and its share of the building operating costs totaling \$346,575 (2021 - \$316,100).

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

11. Pensions:

The Corporation and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan, including investment of the assets and administration of benefits. The pension plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2021, the College Pension Plan has about 16,500 active members and approximately 9,500 retired members. As at December 31, 2020, the Municipal Pension Plan has approximately 220,000 active members, including approximately 7,000 from colleges and other participating employers.

Active College Pension Plan members include 23 contributors and active Municipal Pension Plan members include 33 contributors from the Corporation.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2018 indicated a \$303 million funding surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The next valuation for the College Pension Plan will be as at August 31, 2021, with results available in 2022. The next valuation for the Municipal Pension Plan will be December 31, 2021, with results available in 2022.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

The Corporation paid \$385,200 (2021 - \$382,480) for employer contributions while employees contributed \$341,987 (2021 - \$349,319) to the plans in fiscal 2022.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

12. Financial instruments risks:

The Corporation, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2022:

(a) Credit risk:

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist primarily of portfolio investments, endowment investments and accounts receivable. The Corporation has an investment policy to ensure investments are managed appropriately to secure the preservation of capital and the availability of liquid funds. The Corporation has also retained an investment firm to invest surplus funds in accordance with its investment policy. The receivables are due from various entities and individuals, thus the Corporation is not subject to concentration of credit risk.

(b) Foreign exchange risk:

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation's exposure to foreign exchange risk is limited to cash held in US dollar bank accounts (note 3(a)).

(c) Interest rate risk:

Interest 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. Portfolio and endowment investments bear some interest risk as the market price of fixed income securities may fluctuate based on changes in interest rates (note 3(b)).

(d) Market risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market (note 3(b)). The Corporation is exposed to fair value risks on its portfolio and endowment investments in equity instruments.

(e) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

13. Accumulated surplus:

Accumulated surplus is comprised of the following:

| | 2022 | 2021 |
|-------------------------------------|---------------|---------------|
| Invested in tangible capital assets | \$ 1,064,839 | \$ 1,189,126 |
| Invested in broadcast rights | 9,410,538 | 10,149,120 |
| Endowment funds | 22,790,351 | 15,477,617 |
| Unrestricted amounts | 56,886 | 2,377,884 |
| Balance, end of year | \$ 33,322,614 | \$ 29,193,747 |

14. Budget figures:

Consolidated budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors on February 18, 2021.

15. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

16. Expenses presentation:

For reporting purposes, the Corporation's activities have been aggregated into operational categories. The schedule of consolidated expenses by object reports the revenues and expenses that are directly attributable to each operational category. The revenues and expenses that cannot be directly attributable to allocated on a reasonable basis to individual categories are reported in the General category. The following describes the activities of each area:

Programming and presentation:

This category includes salaries and benefits costs of staff responsible for the acquisition of broadcast rights, management and design of broadcast content including branding, captioning of programs, and management of broadcast traffic. This category also includes the cost of contracted editors hired to create promotional content and the costs of production for the LCI series (note 7).

Marketing and development:

This category includes salaries and benefits costs of staff responsible for administering our Partners' donations and Knowledge Endowment Fund. This includes other operating costs related to the servicing of our donors such as the production and distribution of the K: Magazine.

This category also includes salaries and benefits costs of staff responsible for maintaining government reporting requirements, reporting on audience and viewership results, and implementing our marketing plans.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

16. Expenses presentation (continued):

Broadcast platforms and corporate IT:

This category includes salaries and benefits costs of staff responsible for the maintenance and administration of the broadcast platforms and corporate information technology infrastructures. This category also includes operating costs related to the distribution of our broadcast signal to our audiences.

Amortization of broadcast rights and capital equipment:

This category includes the amortization of broadcast rights over the authorized period of the broadcast right, and capital equipment over their useful life.

Administration:

This category includes salaries and benefits costs of staff responsible for overall administration, finance, and human resources. Operating costs also include the Corporation's share of leased facilities costs, and the costs of training and professional development of our staff.

KNOWLEDGE NETWORK CORPORATION

Schedule of Consolidated Expenses by Object

Year ended March 31, 2022, with comparative information for 2021

| | Programming and presentation | Marketing and development | Broadcast platforms and corporate IT | Amortization of broadcast rights & capital equipment | Administration | 2022 consolidated | Budget consolidated (note 14) | 2021 consolidated |
|---|------------------------------------|---------------------------------|--|---|----------------|----------------------|-------------------------------------|----------------------|
| Salaries and benefits | \$ 1,600,997 | \$ 987,611 | \$ 1,301,341 | \$ - | \$ 996,889 | \$ 4,886,838 | \$ 4,798,143 | \$ 4,761,929 |
| Amortization of capital assets and broadcast rights | - | - | - | 3,974,994 | - | 3,974,994 | 4,158,279 | 3,850,095 |
| Purchased services | 6,467,197 | 571,590 | 435,765 | - | 56,991 | 7,531,543 | 7,013,242 | 3,577,575 |
| Supplies, shipping, minor software, maintenance | 9,425 | 558,661 | 511,665 | - | 89,632 | 1,169,383 | 1,082,330 | 1,220,794 |
| Travel, miscellaneous, other | 11,085 | 127,261 | 32,695 | - | 209,849 | 380,890 | 668,708 | 279,431 |
| Facilities operating costs, rental | - | 1,197 | - | - | 352,770 | 353,967 | 285,000 | 320,163 |
| Income taxes (recovery) | - | - | - | - | (51,415) | (51,415) | - | (115,198) |
| | \$ 8,088,704 | \$ 2,246,320 | \$ 2,281,466 | \$ 3,974,994 | \$ 1,654,716 | \$ 18,246,200 | \$ 18,005,702 | \$ 13,894,789 |