

Financial Information Act Report

# Knowledge Network Corporation

Year Ended March 31, 2021

**Knowledge Network Corporation**

**STATEMENT OF FINANCIAL INFORMATION APPROVAL \***

The undersigned represents the Board of Directors of the Knowledge Network Corporation and approves all the statements and schedules included in this Statement of Financial Information, produced under the Financial Information Act.

  
Signature

Maurine Karagianis

Name

Board Chair

Title

September 16, 2021

Date

\* Prepared pursuant to Schedule 1, subsection 9(1), *Financial Information Regulation*

## Knowledge Network Corporation

### MANAGEMENT REPORT \*

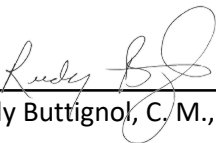
The Financial Statements contained in this Statement of Financial Information under the Financial Information Act have been prepared by management within the framework of the accounting policies summarized in the consolidated financial statements, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination does not relate to the other schedules and statements required by the Act. Their examination includes a review and evaluation of the corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly.

On behalf of Knowledge Network Corporation

  
\_\_\_\_\_  
Rudy Buttignol, C. M., President and CEO

\_\_\_\_\_  
September 16, 2021

Date

  
\_\_\_\_\_  
Jeffrey Lee, CPA CGA, Director of Finance

\_\_\_\_\_  
September 16, 2021

Date

\* Prepared pursuant to Schedule 1, subsection 9(1), *Financial Information Regulation*

**Knowledge Network Corporation**

**CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION**

**Year Ended March 31, 2021**

<b>I. Audited Financial Statements</b>
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Consolidated Financial Statements of

**KNOWLEDGE NETWORK CORPORATION**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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, 2021
- 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 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, 2021 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

May 14, 2021



# KNOWLEDGE NETWORK CORPORATION

## Consolidated Statement of Financial Position

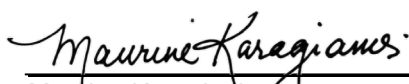
March 31, 2021, with comparative information for 2020

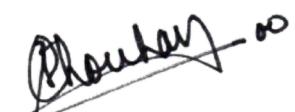
	2021	2020
Financial assets:		
Cash (note 3(a))	\$ 1,745,741	\$ 1,561,944
Accounts receivable	429,781	20,016
Portfolio investments (note 3(b))	1,476,333	692,411
	3,651,855	2,274,371
Liabilities:		
Accounts payable and accrued liabilities	610,957	385,856
Deferred revenue, projects	511,360	314,111
Deferred contributions (note 4)	1,324,863	1,241,639
	2,447,180	1,941,606
Net financial assets	1,204,675	332,765
Non-financial assets:		
Broadcast rights (note 5)	10,564,603	10,727,248
Tangible capital assets (note 6)	1,854,473	2,029,315
Prepaid expenses	92,379	33,004
Endowment investments (note 3(b))	15,477,617	10,224,067
	27,989,072	23,013,634
Accumulated surplus (note 13)	\$ 29,193,747	\$ 23,346,399
Accumulated surplus is comprised of:		
Accumulated surplus	\$ 26,734,174	\$ 23,301,347
Accumulated remeasurement gains	2,459,573	45,052
	\$ 29,193,747	\$ 23,346,399

Commitments (note 9)

See accompanying notes and schedule to consolidated financial statements.

Approved on behalf of the Board:

  
Maura 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, 2021, with comparative information for 2020

	Budget (note 14)	2021	2020
Revenue:			
Province of British Columbia operating grants	\$ 6,611,000	\$ 6,611,000	\$ 6,708,000
Donations and sponsorships	4,875,000	5,883,626	5,174,488
Production funding (note 7)	-	1,485,176	-
Amortization of deferred contributions (note 4)	333,000	114,976	200,659
Endowment investment income	275,000	405,611	196,474
Other	25,000	76,353	64,887
	12,119,000	14,576,742	12,344,508
Expenses (note 15):			
Programming and presentation (note 7)	2,185,242	4,434,352	2,275,644
Marketing and development	2,034,509	2,057,875	2,146,098
Broadcast platforms and corporate IT	2,023,929	2,180,086	2,075,016
General	450,000	465,607	279,276
Amortization of broadcast rights	3,906,074	3,503,569	3,457,270
Administration	1,319,246	1,253,300	1,455,097
	11,919,000	13,894,789	11,688,401
Annual surplus from operations	200,000	681,953	656,107
Endowment contributions received	950,000	2,750,874	1,203,217
Annual surplus	1,150,000	3,432,827	1,859,324
Accumulated surplus, beginning of year	23,301,347	23,301,347	21,442,023
Accumulated surplus, end of year	\$ 24,415,347	\$ 26,734,174	\$ 23,301,347

See accompanying notes and schedule to consolidated financial statements.

# KNOWLEDGE NETWORK CORPORATION

## Consolidated Statement of Remeasurement Gains

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Accumulated remeasurement gains, beginning of year	\$ 45,052	\$ 411,646
Unrealized gains (losses) attributable to investments	2,436,917	(366,867)
Amounts realized and reclassified to statement of operations and accumulated surplus:		
Realized gain (losses) on investment	(22,396)	273
Net remeasurement gains (losses) for the year	2,414,521	(366,594)
Accumulated remeasurement gains, end of year	\$ 2,459,573	\$ 45,052

See accompanying notes and schedule to consolidated financial statements.

# KNOWLEDGE NETWORK CORPORATION

## Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2021, with comparative information for 2020

	Budget (note 14)	2021	2020
Annual surplus	\$ 1,150,000	\$ 3,432,827	\$ 1,859,324
Net remeasurement gains (losses) for the year	-	2,414,521	(366,594)
	1,150,000	5,847,348	1,492,730
Acquisition of tangible capital asset	-	(171,683)	(335,656)
Amortization of tangible capital assets	325,000	346,525	252,227
	325,000	174,842	(83,429)
Acquisition of broadcast rights	(3,784,592)	(3,340,924)	(3,745,341)
Amortization of broadcast rights	3,906,074	3,503,569	3,457,270
	121,482	162,645	(288,071)
Acquisition of endowment investments	(900,000)	(5,253,550)	(884,632)
Acquisition of prepaid expenses	-	(92,379)	(33,004)
Use of prepaid expenses	-	33,004	55,944
	-	(59,375)	22,940
Increase in net financial assets	696,482	871,910	259,538
Net financial assets, beginning of year	332,765	332,765	73,227
Net financial assets, end of year	\$ 1,029,247	\$ 1,204,675	\$ 332,765

See accompanying notes and schedule to consolidated financial statements.

# KNOWLEDGE NETWORK CORPORATION

## Consolidated Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided (used by):		
Operations:		
Annual surplus	\$ 3,432,827	\$ 1,859,324
Items not involving cash:		
Loss (gain) on sale of investments	(22,396)	273
Amortization of deferred contributions	(114,976)	(200,659)
Amortization of tangible capital assets	346,525	252,227
Amortization of broadcast rights	3,503,569	3,457,270
Unrealized gain (losses) on investments	2,436,917	(366,867)
Changes in non-cash working capital:		
Accounts receivable	(409,765)	91,297
Prepaid expenses	(59,375)	22,940
Income taxes	-	28,709
Accounts payable and accrued liabilities	225,101	(53,594)
Deferred contributions	198,200	-
Deferred revenue, projects	197,249	(10,505)
	9,733,876	5,080,415
Investing:		
Purchase of investments, net	(6,037,472)	(844,338)
Capital:		
Acquisition of tangible capital assets	(171,683)	(335,656)
Acquisition of broadcast rights	(3,340,924)	(3,745,341)
	(3,512,607)	(4,080,997)
Increase in cash	183,797	155,080
Cash, beginning of year	1,561,944	1,406,864
Cash, end of year	\$ 1,745,741	\$ 1,561,944

See accompanying notes and schedule to consolidated financial statements.

# KNOWLEDGE NETWORK CORPORATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2021

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### 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. 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, 2021

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## 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, 2021

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## 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, 2021

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## 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, 2021

## 2. Significant accounting policies (continued):

### (i) Income taxes:

KWCC uses the taxes payable method to account for income taxes whereby the expense (income) 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 \$115,198 (2020 - nil) 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, 2021, the balance in the US dollar account was USD \$190,513 (2020 - USD \$148,720).

### (b) Portfolio and endowment investments:

	2021	2020
Fixed income	\$ 3,909,400	\$ 3,002,669
Common shares	9,765,005	5,352,295
Mutual funds	147,732	198,444
Other investments measured at fair value	3,131,813	2,363,070
	<u>\$ 16,953,950</u>	<u>\$ 10,916,478</u>

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

	2021	2020
Portfolio investments	\$ 1,476,333	\$ 692,411
Endowment investments	15,477,617	10,224,067
	<u>\$ 16,953,950</u>	<u>\$ 10,916,478</u>

# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

## 3. Cash and investments (continued):

### (b) Portfolio and endowment investments (continued):

Changes in portfolio investments are comprised of the following:

	2021	2020
Balance, beginning of year	\$ 692,411	\$ 732,705
Internal transfer from (to) cash	700,019	(44,251)
Net remeasurement gains (losses)	50,440	(81,685)
Investment income included in other income	33,463	85,642
Balance, end of year	\$ 1,476,333	\$ 692,411

Changes in endowment investments are comprised of the following:

	2021	2020
Balance, beginning of year	\$ 10,224,067	\$ 9,339,435
Endowment contributions received	2,750,874	1,203,217
Withdrawals	(225,000)	(200,000)
Net remeasurement gains (losses)	2,364,081	(284,909)
Endowment investment income	405,611	196,474
Investment costs included in other income	(42,016)	(30,150)
Balance, end of year	\$ 15,477,617	\$ 10,224,067

## 4. Deferred contributions:

	2021	2020
Deferred contributions related to:		
Capital assets (a)	\$ 665,347	\$ 758,250
Broadcast rights (b)	461,316	483,389
Production development (c)	198,200	-
	\$ 1,324,863	\$ 1,241,639

### (a) Capital assets:

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

	2021	2020
Balance, beginning of year	\$ 758,250	\$ 864,479
Amounts recognized as revenue	(92,903)	(106,229)
Balance, end of year	\$ 665,347	\$ 758,250

# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

## 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.

	2021	2020
Balance, beginning of year	\$ 483,389	\$ 577,819
Amounts recognized as revenue	(22,073)	(94,430)
Balance, end of year	\$ 461,316	\$ 483,389

### (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.

	2021	2020
Balance, beginning of year	\$ -	\$ -
Contributions received	198,200	-
Balance, end of year	\$ 198,200	\$ -

## 5. Broadcast rights:

	2021	2020
Cost:		
Opening balance	\$ 20,350,222	\$ 20,863,180
Additions	3,340,924	3,745,341
Expired rights	(2,748,424)	(4,258,299)
	20,942,722	20,350,222
Accumulated amortization:		
Opening balance	9,622,974	10,424,003
Amortization	3,503,569	3,457,270
Expired rights	(2,748,424)	(4,258,299)
	10,378,119	9,622,974
Net book value	\$ 10,564,603	\$ 10,727,248

# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

## 6. Tangible capital assets:

	Furniture and fixtures	Computer equipment	Other equipment	Software	Broadcast network 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

	Furniture and fixtures	Computer equipment	Other equipment	Software	Broadcast network equipment	Leasehold improvements	2020
Cost:							
Opening balance	\$ 880,545	\$ 3,136,126	\$ 2,396,439	\$ 438,229	\$ 14,206,325	\$ 37,695	\$ 21,095,359
Additions	-	290,614	-	45,042	-	-	335,656
Closing balance	880,545	3,426,740	2,396,439	483,271	14,206,325	37,695	21,431,015
Accumulated amortization:							
Opening balance	816,546	2,917,181	2,382,788	432,769	12,562,494	37,695	19,149,473
Amortization	6,400	43,789	2,048	2,730	197,260	-	252,227
Closing balance	822,946	2,960,970	2,384,836	435,499	12,759,754	37,695	19,401,700
Net book value	\$ 57,599	\$ 465,770	\$ 11,603	\$ 47,772	\$ 1,446,571	\$ -	\$ 2,029,315

# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

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## 7. Production funding:

During the year ended March 31, 2021, the Corporation entered into a series of agreements to produce 40 episodes of the Luna Chip & Inkie series. This production is to be completed by November 2023. Funding provided in relation to the Luna, Chip & Inkie series during the year ended March 31, 2021 totaled \$1,683,376 (2020 – nil). Of this amount, \$198,200 was recognized as a deferred contribution (note 4 (c)) as at March 31, 2021 (2020 – nil). Production expenditures incurred during the year ended March 31, 2021 totaled \$2,222,200 (2020 – nil) 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 (2020 - \$1,000,000). As at March 31, 2021, no amount was drawn on this credit facility (2020 - nil).

## 9. Commitments:

### (a) Satellite transmission service:

The Corporation acquires satellite transmission services at an annual cost of approximately \$173,171 (2020 - \$202,896) 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, 2021, the Corporation is committed to pay \$1,762,092 (2020 - \$2,038,223) for license fees over the period April 2021 to March 2023.

The Corporation also produces programs which require the commitment of funds (note 7). As at March 31, 2021, the Corporation is committed to pay \$9,489,759 (2020 – nil) 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 \$316,100 (2020 - \$304,772).

# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

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## 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, 2018, the College Pension Plan has about 14,000 active members and approximately 8,000 retired members. As at December 31, 2018, the Municipal Pension Plan has approximately 205,000 active members, including approximately 6,000 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 \$382,480 (2020 - \$364,872) for employer contributions while employees contributed \$349,319 (2020 - \$339,342) to the plans in fiscal 2021.

# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2021

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## 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, 2021:

(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, 2021

## 13. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2021	2020
Invested in tangible capital assets	\$ 1,189,126	\$ 1,271,065
Invested in broadcast rights	10,149,120	10,243,859
Endowment funds	15,477,617	10,224,067
Unrestricted amounts	2,377,884	1,607,408
Balance, end of year	\$ 29,193,747	\$ 23,346,399

## 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 January 24, 2020.

## 15. 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, 2021

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## 15. 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.

### *General*

This category includes amortization of capital assets and other expenses.

### *Amortization of broadcast rights*

This category includes the amortization of broadcast rights over the authorized period of the broadcast right.

### *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, 2021, with comparative information for 2020

	Programming and presentation	Marketing and development	Broadcast platforms and corporate IT	General	Amortization of broadcast rights	Administration	2021 consolidated	Budget consolidated (note 14)	2020 consolidated
Salaries and benefits	\$ 1,615,389	\$ 906,810	\$ 1,350,620	\$ 40,731	\$ -	\$ 848,379	\$ 4,761,929	\$ 4,784,839	\$ 4,797,200
Amortization of capital assets and broadcast rights	-	-	-	346,526	3,503,569	-	3,850,095	4,231,074	3,709,497
Purchased services	2,730,574	494,035	243,176	-	-	109,790	3,577,575	1,065,140	1,345,682
Supplies, shipping, minor software, maintenance	63,387	550,141	561,703	-	-	45,563	1,220,794	1,067,584	1,133,449
Travel, miscellaneous, other	25,002	102,826	24,587	78,350	-	48,666	279,431	462,363	392,589
Facilities operating costs, rental	-	4,063	-	-	-	316,100	320,163	308,000	309,984
Income taxes	-	-	-	-	-	(115,198)	(115,198)	-	-
	\$ 4,434,352	\$ 2,057,875	\$ 2,180,086	\$ 465,607	\$3,503,569	\$ 1,253,300	\$13,894,789	\$11,919,000	\$11,688,401

## II. SUPPORTING SCHEDULES

### APPENDIX A

#### SCHEDULE SHOWING THE REMUNERATION AND EXPENSES PAID TO OR ON BEHALF OF EACH EMPLOYEE

##### 1. Member of the Board of Directors Appointed by Cabinet

<u>Name</u>	<u>Position</u>	<u>Remuneration</u>	<u>Expenses</u>
Maurine Karagianis	Board Chair	\$ 2,500	\$ -
Chamkaur Cheema	Vice Chair	\$ 2,000	\$ -
Stacy Shields	Secretary	\$ 667	\$ -
Sarf Ahmed	Board Member	\$ 2,000	\$ -
Sukhvinder Chouhan	Board Member	\$ 1,333	\$ -
Marie Della Mattia	Board Member	\$ 1,333	\$ -
Tony Knox	Board Member	\$ 667	\$ -
Doreen Manuel	Board Member	\$ 2,000	\$ -
Eve Munro	Board Member	\$ 2,000	\$ -
Gerry Martin	Board Member	\$ 2,000	\$ -
Anne O'Shea	Board Member	\$ 2,000	\$ -
Eric Watt	Board Member	\$ 667	\$ -
<b>Total:</b>		\$ 19,167	\$ -

##### 2. Other Employees

<u>Name</u>	<u>Position</u>	<u>Remuneration</u>	<u>Expenses</u>
Rudy Buttignol	President & CEO	\$ 197,458	\$ 98
Linton Chokie	Marketing Associate	\$ 75,842	\$ 1,647
Jason De Groote	Brand Producer	\$ 98,138	\$ 76
David De Haas	Motion Graphics Designer	\$ 76,192	\$ -
Renee Dion	Broadcast Systems Technician	\$ 78,230	\$ -
Oliver Eichel	Dir. Broadcast Operations	\$ 134,175	\$ -
Darrell Enns	Broadcast Systems Technologist	\$ 99,992	\$ -
Jason Evans	Broadcast Systems Operator	\$ 75,758	\$ 200
Deanna Giles	Supervisor, Promo Production	\$ 87,356	\$ 208
Ricardo Haro Colmenero	Applications Developer	\$ 76,612	\$ -
Darren Hull	Broadcast Systems Operator	\$ 78,230	\$ 43
Jeffrey Lee	Dir. Finance & Business Affairs	\$ 129,382	\$ -
Sarah MacDonald	Dir. Development and Planning	\$ 134,175	\$ -
Janice Mazon	Art Director	\$ 87,368	\$ 2,000
Vandhana Misri	Broadcast Co-ordinator	\$ 75,973	\$ 459
Michele Paris	Senior Mgr Children's Programming	\$ 108,329	\$ -
Glenna Pollon	Dir. Gov't Relations & Comm.	\$ 115,565	\$ -
Patrice Ramsay	Co-ordinator, Independent Production	\$ 85,742	\$ -
Donna Robinson	Development Officer	\$ 78,230	\$ -
Gregg Seymour	Senior Programmer Analyst	\$ 99,094	\$ 2,609
Ravi Singh	Dir. Web Channels	\$ 115,565	\$ 6,257
Diane Smith	Fundraising Co-ordinator	\$ 87,356	\$ -
Lawrence Tapley	Senior Mgr Acquisitions and Sched.	\$ 108,329	\$ -
Aaron Woodley	Dir. Network Brands	\$ 122,454	\$ 746
<b>Consolidated Total:</b> Of other employees with remuneration of \$75,000 or less and expenses paid to or on behalf of each employee		\$ 1,541,839	\$ 11,566
<b>Total: Other Employees</b>		\$ 3,967,384	\$ 25,909

## II. SUPPORTING SCHEDULES

### APPENDIX A

#### SCHEDULE SHOWING THE REMUNERATION AND EXPENSES PAID TO OR ON BEHALF OF EACH EMPLOYEE

##### 3. Reconciliation

Total Remuneration: Members of the Board of Directors appointed by Cabinet	\$ 19,167
Total Remuneration: Other Employees	\$ 3,967,384
<b>Subtotal</b>	\$ 3,986,551
Reconciling Items	
Benefits Expense	\$ 912,874
Net General Journal entries	\$ (137,496)
<b>Subtotal</b>	\$ 4,761,929
<b>Total</b> per Schedule of consolidated expenses by object	\$ 4,761,929
<b>Variance</b>	\$ (0)

Prepared under the *Financial Information Regulation* , Schedule 1, subsections 6(2),(3), (4),(5) and (6) .

## II. SUPPORTING SCHEDULES

### APPENDIX B

#### SCHEDULE OF CAPITAL DEBT

Knowledge Network Corporation has no capital debt.

Prepared under the *Financial Information Regulation* , Schedule 1, subsection 4(1).

#### SCHEDULE OF GUARANTEE OR INDEMNITY AGREEMENTS

Knowledge Network Corporation has not given any guarantee or indemnity under the Guarantees and Indemnities Regulation.

Prepared under the *Financial Information Regulation* , Schedule 1, section 5.

#### SCHEDULE OF EMPLOYER PORTION PAID TO THE RECEIVER GENERAL

Amount paid to the Receiver General of Canada for the employer portion of the Employment Insurance and Canada Pension Plan Premiums/Contributions

\$181,708

Prepared under the *Financial Information Regulation* , Schedule 1, subsection 6(6).

#### STATEMENT OF SEVERANCE AGREEMENTS

There were no severance agreement made between Knowledge Network Corporation and its non-unionized employees during fiscal year 2020/2021.

\*"Compensation " means these severances were determined based on the value of salary and benefits.

Prepared under the *Financial Information Regulation* , Schedule 1, subsection 6(7).

## II. SUPPORTING SCHEDULES

### APPENDIX C

#### SCHEDULE SHOWING PAYMENTS MADE FOR THE PROVISION OF GOODS OR SERVICES

##### 1. Alphabetical list of suppliers who received aggregate payments exceeding \$25,000

Supplier Name	Aggregate amount paid to supplier
1871 Productions Inc.	47,250
9 Story Media Group Inc.	69,615
Aaron Cumming	25,472
ABC Commercial Content Sales	47,875
Adventure Scouts Productions Inc.	2,276,400
ALL3MEDIA International Ltd.	40,320
Amberwood Productions Services Inc.	121,800
Ampersand	32,220
Apple Canada Inc	47,886
Applied Electronics Limited	36,799
Arcadia Entertainment Inc.	52,500
Banijay Rights Limited	54,786
BBC Studios Canada Ltd.	274,778
Beyond Rights Limited	66,805
Big Bad Boo Studios Inc.	88,725
Blackbaud, Inc.	26,391
Blue Ice Docs Fund Inc.	25,200
Boat Rocker Rights Inc.	27,300
Breakthrough Entertainment Inc.	104,790
British Columbia Institute of Technology	337,720
Broken Mirror Films	35,831
CBC	55,178
Coast Mailing Services	231,731
DBC2 Inc.	83,508
DCD Rights Limited	91,075
Dell Canada Inc.	50,475
Drive TV	29,850
Films We Like	38,325
HCB Canada	25,748
Hyphen Communications Inc.	55,348
Image Group Inc	68,537
ITV Global Entertainment Ltd.	171,227
Jean-Denis Rouette	41,160
Jenn Strom	28,344
JW Player/Longtail Ad Solutions, Inc.	202,261
KPMG LLP	41,654
Kratt Brothers Company Ltd.	27,300
Line 21 Media Services Ltd	52,270
LOOKS International GmbH	27,000
Marblemedia ARC Productions Inc.	90,090
Max Flex Television Productions Inc.	72,009
Michael, Evrensel & Pawar LLP	81,310
Millimages	29,033
Minister of Finance	117,539
Mitchell Press Limited	138,548
Moore Canada Corporation	26,276
MVCC Video Communications Corp.	39,924
Nent Studios UK Ltd.	36,620

## II. SUPPORTING SCHEDULES

### APPENDIX C

#### SCHEDULE SHOWING PAYMENTS MADE FOR THE PROVISION OF GOODS OR SERVICES

Continued:	
Numeris	41,432
O&M Canada Inc.	52,395
Off the Fence B.V.	28,800
PGS Entertainment	38,100
Portfolio Entertainment	35,000
RLJ Entertainment Inc.	100,800
RLJ Entertainment Inc.	45,900
Search Mountain Films Inc.	79,065
Shaw Broadcast Services	158,550
Sigmatix Solutions Inc.	27,246
Sinking Ship Entertainment Inc.	27,300
Softchoice LP	51,173
Space Suite 5 Inc.	74,813
Spin Master Ltd.	47,775
Strategic Communications Inc.	99,049
Striking Balance Inc.	56,910
Superights Invest	35,100
Supremex Inc.	28,466
Turning Point Technology Services Inc.	159,586
Valerie Stillwell	42,498

<b>Total aggregate amount paid to suppliers</b>	<b>7,022,758</b>
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#### 2. Consolidated total paid to suppliers who received aggregate payments of \$25,000 or less

	<b>1,280,224</b>
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#### 3. Total of payments to suppliers for grants and contributions exceeding \$25,000

Consolidated total of grants exceeding \$25,000	-
Consolidated total of contributions exceeding \$25,000	-
Consolidated total of all grants and contributions exceeding \$25,000	-

#### 4. Reconciliation

Total of aggregate payments exceeding \$25,000 paid to suppliers	7,022,758
Consolidated total of payments of \$25,000 or less paid to suppliers	1,280,224
Consolidated total of all grants and contributions exceeding \$25,000	-
Reconciling Items:	
Salaries and Benefits	4,761,929
Amortization of Capital Assets and Broadcast Rights	3,850,094
Exempt and Non-Vendor related payments	152,901
Acquisition of Capital Assets and Broadcast Rights	(3,512,607)
Net General Journal Entries	339,490
Total per Consolidated Statement of Operations	13,894,789
Variance	(0)

Prepared under the *Financial Information Regulation*, Schedule 1, section 7 and the *Financial Information Act*, section 2.