

# **Knowledge Network Corporation**

## **2020/21 Annual Service Plan Report**



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## Board Chair's Accountability Statement



The *Knowledge Network Corporation 2020/21 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2020/21 – 2022/23 Service Plan* created in February 2020. The Board is accountable for those results as reported.

A handwritten signature in black ink that reads "Maurine Karagianis".

Maurine Karagianis  
Chair, Knowledge Network Corporation Board of Directors  
July 27, 2021

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## Letter from the Board Chair & President/CEO

On behalf of the Board of Directors, we respectfully submit Knowledge Network Corporation's 2020/21 Annual Service Plan Report.

Throughout the global pandemic, Knowledge Network continued to provide an uninterrupted trusted service to all British Columbians while ensuring the safety of our staff. The government's priorities of making life more affordable for families and delivering the services that people count on, were supported through Knowledge's free and commercial-free television and streaming platforms.

With British Columbians spending so much more time at home this past year, Knowledge Network has proven its value as an indispensable public service. Viewership has been record-setting as have charitable contributions; over 47,000 donors generously contributed over \$6 million to the Partners Annual Fund. This year, we celebrate our 40<sup>th</sup> anniversary by broadcasting and streaming dedicated B.C. programming throughout 2021.

Knowledge Network also supports the government priority of building a sustainable economy by working in partnership with B.C.'s independent producers to create and finance programs that support our public mandate. Notable *Knowledge Originals* premiered in 2020/21 include: *Haida Modern*, on legendary Haida master carver Robert Davidson; *Only in Nelson*, the story of a counter-culture haven in crisis amidst a wave of global populism; and *Search and Rescue: North Shore*, a five-part series following the highly skilled and dedicated volunteer members of North Shore Rescue. Also premiered were the first three of eight documentary collections from the series *150 Stories that Shape British Columbia*. Highlights include Sylvia Olsen on the origins of the Cowichan sweater and the resilience of Coast Salish hand workers, and author Evelyn Lau reflecting on her ground-breaking memoir *Runaway: Diary of a Street Kid*.

As a provincial Crown corporation, a federally regulated broadcaster and a registered charity, accountability and transparency guide our planning and decision making. All new Board members receive a detailed orientation. The Board Chair and CEO meet with the Minister throughout the year to ensure Knowledge Network Corporation actions are aligned with our Mandate Letter.



Maurine Karagianis  
Chair, Knowledge Network Corporation  
July 27, 2021



Rudy Buttignol, C.M.  
President & CEO, Knowledge Network Corporation  
July 27, 2021

## 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 educational content 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 video 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 2017 and expanded upon in the Board Chair's 2020 [Mandate Letter](#) from the Minister Responsible, shaped the goals, objectives, performance measures and financial plan outlined in the [2020/21 Knowledge Network Corporation Service Plan](#) and actual results reported on in this annual report.

The global COVID-19 pandemic resulted in many shifts in priorities, structures, and operations across the public sector. Any changes to Knowledge Network Corporation goals, objectives, performance measures or financial plan to align with the strategic direction established by Government in late 2020 are presented in the 2021/22 Service Plan.

## Operating Environment

Five primary risks were identified in Knowledge Network’s 2020/21 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	The growth in online streaming services is creating increased competition for programs and their multi-platform rights, increasing costs and availability of content.	Pursue opportunities to increase investment for: <ul style="list-style-type: none"> <li>• Original programming to ensure extended streaming rights.</li> <li>• International pre-license titles to ensure extended streaming rights.</li> <li>• Program acquisitions to ensure extended streaming rights.</li> </ul>
Audience Behaviour Knowledge Primetime & Knowledge Kids	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.	Invest in building streaming platforms and improve performance.  Promote content to capture audiences migrating from scheduled television.  Invest in more programs and evolve new scheduling strategies.
Discoverability of Knowledge Network streaming platforms	Competition for audiences from an increasing number of streaming services and a variety of Internet entertainment options.	Develop strategies to build brand awareness and retain audiences.
Revenue from Charitable Giving	Charitable giving in Canada continues to decline amidst a growing number of charities seeking support.	Steward the current donor base to increase levels of giving.  Build the legacy giving program to secure a greater number of bequests.  Increase giving at the top tier of major gifts.
New Donors	Shrinking donor base due to fewer donors giving to charities in Canada.	Increase investment in donor acquisition to offset attrition of the donor base.  Develop a special acquisition campaign to mark the 40 <sup>th</sup> anniversary of Knowledge Network in 2021.  Leverage targeted messaging on streaming platforms to convert online viewers to donors.  Engage in prospect research for major donors.

## Report on Performance: Goals, Objectives, Measures and Targets

### Goal 1: Enhance the accessibility and quality of Knowledge Network’s television service to maintain its relevance and importance to British Columbians

The rapid proliferation of new devices and streaming services is changing the way television is watched. Regularly scheduled TV programming, however, continues to attract the majority of Knowledge Network viewing. Knowledge Network’s scheduled television service – delivered on cable, satellite, web and mobile apps – is the popular and vital foundation on which our growth is built.

#### Objective 1.1: Strengthen programming to meet the diverse needs of viewers, specifically positive, educational content that fosters learning for young children and their families, and programs that inform and inspire audiences 50+

#### Key Highlights

Broadcast in 2020/21:

- *Redfern Now* – Australian drama series about contemporary inner-city Indigenous life, written, directed and produced by Indigenous Australians.
- *Drowning in Plastic* and *War on Plastic* – Two documentary series tackling one of the greatest environmental challenges of our time.
- *Wolf Joe* - Animated children’s series that takes place in the Canadian Indigenous community of Turtle Bay.
- *How to Steal the World* - A series of documentaries about corruption and power on a global scale.
- *East Is East* - A weekly anthology series dedicated to documentaries about life in the Asia Pacific region.

Performance Measures		2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
1.1a Total Reach (People)	Knowledge Primetime/Overnight	2,887,000	3,000,000	2,842,000	3,000,000 <sup>1</sup>	3,000,000 <sup>1</sup>
	Knowledge Kids	1,955,000	1,900,000	1,911,000	1,900,000 <sup>1</sup>	1,900,000 <sup>1</sup>
1.1b Total Share	Knowledge Primetime	4.6%	4.5%	6.4%	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, M-S) and Knowledge Kids (viewers 2+, 6am to 6pm, M-F; 6am to 12pm, Sat-Sun).

1.1b 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.

<sup>1</sup> Performance measure targets have been adjusted going forward in the [2021/22 – 2023/24 Service Plan](#)

## Discussion of Results

As more viewers move to online streaming, we continue to see shifts from our linear service to our websites and apps. This contributed to lower actuals for Total Reach for Primetime, which was 5.2 per cent lower than target while Total Reach for Knowledge Kids slightly exceeded target. These viewing habit shifts are expected to persist as noted in lower targets for future years which are also reflected in the 2021/22-2023/24 Service Plan.

Knowledge Network was the third most watched broadcaster in British Columbia, with a Total Market Share of 6.4 per cent in Primetime. This significant increase is due in part to viewers spending time at home during the pandemic and watching more Knowledge Network programming when compared to other broadcasters in our market. The five-part documentary series *Search and Rescue: North Shore* launched in fall 2020 and was incredibly successful with audiences on television and streaming platforms. Programming continues to meet the diverse needs of viewers, such as educational content that fosters learning for young children and their caregivers, as well as documentaries and performing arts programs that connect seniors to their province and the world.

## Goal 2: Improve the audience experience for video on demand by increasing the number of available programs and through the development of next generation apps and platforms

As new devices proliferate, Knowledge Network is working to ensure that our programming service is available on any platform popularly adopted by our audiences. We are also committed to a high-quality experience on all our platforms.

### Objective 2.1: Our public service is available on any platform our audiences use and the experience is high quality

#### Key Highlights

- Launched the first three packages of shorts for *150 Stories that Shape British Columbia*. This project includes 150 new and repackaged shorts by B.C. filmmakers about history, art and culture that shape our province [150 Stories that Shape British Columbia | Knowledge.ca](#)
- Launched year two of the Indigenous Cinema Collection in partnership with the National Film Board offering documentaries by Indigenous B.C. and Canadian filmmakers.
- Launched the Knowledge Prime App for Android TV and the Knowledge Kids Roku App, bringing our total number of streaming platforms to 12.
- Introduced personalized weekly promotional emails to increase the number of videos streamed by Knowledge Prime subscribers.

Performance Measures		2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target	
2.1a	Total Subscribers	Knowledge.ca and Knowledge App	129,829	135,000	210,719	145,000 <sup>1</sup>	155,000 <sup>1</sup>
2.1b	Total App Downloads	Knowledge Apps	44,366	48,000	89,614	58,000 <sup>1</sup>	68,000 <sup>1</sup>
		Knowledge Kids Go Apps	113,825	118,000	138,774	123,000 <sup>1</sup>	128,000 <sup>1</sup>
2.1c	Videos Streamed	Knowledge.ca and Knowledge Apps	1,927,221	1,450,000	3,207,538	1,500,000 <sup>1</sup>	1,550,000 <sup>1</sup>
		KnowledgeKids.ca and Knowledge Kids Apps	6,750,692	6,900,000	7,585,169	6,950,000 <sup>1</sup>	7,000,000 <sup>1</sup>

Data Sources:

2.1a Knowledge.ca website database. Tracks total users who complete registration for a Knowledge account (cumulative).

2.1b Google Play Console (Android), iTunes Connect (Apple) and Samsung Smart TV Analytics. Tracks lifetime downloads (cumulative).

2.1c Google Analytics. Tracks total videos played across web and mobile platforms in a fiscal year.

<sup>1</sup> Performance measure targets have been adjusted going forward in the [2021/22 – 2023/24 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 significant growth in 2020/21 across all performance measures, attracting new audiences with people staying at home and watching more programs during the pandemic.

The number of Total Subscribers to Knowledge.ca and Apps increased by 62 per cent compared to 2019/20, with Total App Downloads for Knowledge Apps and Knowledge Kids Apps increasing by 101 per cent and 22 per cent respectively. Videos Played on Knowledge.ca and Knowledge Apps increased by 66 per cent and 12 per cent on KnowledgeKids.ca and Apps. The Knowledge Prime App for Android TV also launched, bringing our total number of streaming platforms to twelve.

While Knowledge Network has attracted new viewers to streaming platforms over the last year, we anticipate a slight decrease in viewership once pandemic restrictions are lifted. Lower targets have been forecast for future years which are also reflected in the 2021/22-2023/24 Service Plan.

## Goal 3: Champion more B.C. stories and support more storytellers

Knowledge Network’s investment in documentaries and children’s programs produced by independent filmmakers leverages funding from federal and provincial, public, and private sources. Increased investment in independent productions will support domestic producers with the creation of more B.C. stories and help develop skills within the community.

**Objective 3.1: Create more B.C. and Canadian stories and strengthen the independent production community through commissioning efforts**

**Key Highlights**

- Premiered *Haida Modern*, the story of legendary Haida carver Robert Davidson.
- Premiered *Only in Nelson*, the story of a counter-culture haven in crisis amidst a wave of global populism.
- Premiered *Search and Rescue: North Shore*, a five-part series following the highly skilled members of North Shore Rescue.
- Premiered *Coastal Dwellers, Dancehalls, Deejays and Distortion* and *Dear Reader*, the first three collections from *150 Stories That Shape British Columbia*. Stories featured include Sylvia Olsen speaking to the origins of the Cowichan sweater and the ingenuity and resilience of Coast Salish hand workers and author Evelyn Lau reflecting on her ground-breaking memoir *Runaway: Diary of a Street Kid*.
- Completed financing for the Knowledge Kids “Luna, Chip and Inkie” series.

Performance Measures	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
3.1a Direct Investment in Multi-Platform Content	\$1,264,020	\$2,000,000	\$2,213,797	\$2,100,000	\$2,200,000
3.1b Indirect Investment in Multi-Platform Content (CMF envelope, other CMF funding, Independent production funds, tax credits)	\$10,433,490	\$9,000,000	\$13,786,721	\$9,500,000	\$10,000,000
3.1c B.C. Independent Production Budgets Supported by Knowledge Network	\$4,567,388	\$7,000,000	\$18,460,439	\$7,100,000	\$7,150,000

Data Sources:

3.1a 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.

3.1b Financing plans for projects where Knowledge Network has issued Letters 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 their projects from third-party funding sources including certified Canadian independent production funds, the Canada Media Fund (CMF), and federal and provincial tax credits.

3.1c 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 Canada Media Fund, and federal and provincial tax credits).

## Discussion of Results

**Direct Investment in Multi-Platform Content:** Knowledge Network made direct investments in 12 original multi-platform projects in 2020/21 including B.C. documentaries *Explore: An Underground Journey* and *Transplant: Life After Death*. A \$1.7 million investment was also committed to the new Knowledge Kids “Luna, Chip and Inkie” series currently in production.

**Indirect Investment in Multi-Platform Content:** 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. In 2020/21, indirect investment from public and private independent production funds for the Knowledge Kids “Luna, Chip and Inkie” series totaled \$8 million including major investments from the Canada Media Fund and the Shaw Rocket Fund. These contributions had a significant impact on this performance measure, with the actual exceeding the target by a sizable margin. Targets for future years are lower than the actual, including in the 2021/22 – 2023/24 Service Plan, to reflect what is achievable based on the size of projects we typically support.

**B.C. Independent Production Budgets Supported by Knowledge Network:** Production budgets represent all financial contributions including those committed by Knowledge Network in a fiscal year. The Knowledge Kids “Luna, Chip and Inkie” series has a considerable budget of \$9.7 million. This had a significant impact on this performance measure, with the actual exceeding the target by a sizable margin. Projects of this scale are not the norm. As with Indirect Investment noted above, targets for future years are lower than the actual, including in the 2021/22 – 2023/24 Service Plan, to reflect what is achievable based on the size of projects we typically support.

The British Columbia Documentary History Project, a multi-year initiative commemorating the 150th anniversary of British Columbia's entry into Confederation in 2021, reached significant milestones in 2021. The first episode of the four-part documentary series, *British Columbia: An Untold History* was delivered, with the broadcast premiere confirmed for October 2021.

## **Goal 4: Connect with more viewers to enlarge the donor base and grow the Endowment Fund**

Knowledge Network’s current donor base is both loyal and generous. It is vital to our long-term sustainability that we continue to attract new donors, as well as increase donations and long-term support through legacy giving to the Knowledge Endowment Fund.

### **Objective 4.1: Attract new donors to offset attrition and to increase donations and long-term support for B.C.’s public broadcaster**

## Key Highlights

- Given pandemic travel restrictions, reimagined our annual travel contest to give away a home theatre system.
- Implemented an email conversion campaign in connection with *Search and Rescue: North Shore*.
- Conducted special solicitations to leverage high viewership.
- Increased new donors by 83 per cent over previous year.

Performance Measures	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
4.1a Knowledge Partner Donations	\$5,140,000	\$4,825,000	\$6,070,000	\$4,875,000 <sup>1</sup>	\$5,000,000 <sup>1</sup>
4.1b Legacy Circle Donors	872	935	942	985 <sup>1</sup>	1035 <sup>1</sup>

Data Sources: Blackbaud donor database.

4.1a Tracks total Knowledge Partner donations received each year.

4.1b Tracks total number of individuals who have notified us that they have left a gift to Knowledge Network in their will each fiscal year (cumulative).

<sup>1</sup> Performance measure targets have been adjusted going forward in the [2021/22 – 2023/24 Service Plan](#)

## Discussion of Results

The Knowledge Partners Annual Fund donations exceeded expectations reaching over \$6 million dollars. This is an increase of 18 per cent over 2019/20. The number of Legacy Circle donors also exceeded the target. The annual contest was very successful, even though it did not include a trip 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 an extremely challenging year. Insightful, inspiring and hopeful programming brought comfort to viewers coping with uncertainty and social isolation.

As more of the population is vaccinated in 2021 and COVID-19 restrictions are eased, we anticipate viewership and donations returning to pre-pandemic levels, as reflected in donation targets in future years. The pace of economic recovery in British Columbia post-pandemic may also impact charitable giving in the coming years.

In 2020/21, the number of new donors grew by 83 per cent over the last fiscal year. The Knowledge Endowment Fund received \$2.7 million in contributions.

## Financial Report

For the auditor’s report and audited financial statements, [see Appendix B.](#)

### Discussion of Results

Knowledge Network Corporation ended the fiscal year with an annual surplus of \$3.4 million, of which \$2.7 million is attributable to Endowment contributions and \$332,000 in net investment income, which are held in trust and not treated as operating revenue. This year’s operating surplus of \$350,000 represents 2.4 per cent of our overall revenues.

<b>2020/2021 Surplus</b>		
	Actual	
	(\$000)	
Total Consolidated Revenue	\$14,577	100.0%
Amounts included in operating surplus:		
Endowment contributions to be invested	\$2,751	18.9%
Endowment net income after management fees (to be reinvested)	\$332	2.3%
Actual operating surplus (or deficit)	\$350	2.4%
Total Annual Surplus on Financial Statements	\$3,433	23.6%

## Financial Summary

<b>(Consolidated) (Reported in \$000)</b>	<b>2019/20 Actual</b>	<b>2020/21 Budget</b>	<b>2020/21 Actual</b>	<b>2020/21 Variance</b>
<b>Revenue</b>				
Provincial Operating Grant	6,708	6,611	6,611	-
Donations and Sponsorships	5,174	4,875	5,884	1,009
Production Funding	-	-	1,485	1,485
Revenue from Subsidiary Operations	-	-	-	-
Amortization of Deferred Contributions	201	333	115	(218)
Endowment Investment and Other Revenue	261	300	482	182
<b>Total Revenue</b>	<b>12,344</b>	<b>12,119</b>	<b>14,577</b>	<b>2,458</b>
<b>Expenses</b>				
Programming and Presentation	2,276	2,185	4,434	2,249
Marketing and Development	2,146	2,035	2,058	23
Broadcast Platforms and Corporate IT	2,075	2,024	2,180	156
General	279	375	466	91
Amortization of Broadcast Rights	3,457	3,906	3,504	(402)
Administration	1,455	1,393	1,253	(140)
Subsidiary Operations	-	-	-	-
<b>Total Expenses</b>	<b>11,688</b>	<b>11,918</b>	<b>13,895</b>	<b>1,977</b>
<b>Annual Surplus from Operations</b>	<b>656</b>	<b>201</b>	<b>682</b>	<b>482</b>
Endowment Contributions Received (held in trust)	1,203	950	2,751	1,801
<b>Annual Surplus</b>	<b>1,859</b>	<b>1,151</b>	<b>3,433</b>	<b>2,282</b>
Capital Expenditures	4,081	3,835	3,513	(322)
Total Liabilities	1,942	1,464	2,447	983
<b>Accumulated Surplus (Invested in Broadcast Rights &amp; Capital Assets, Endowment Fund)</b>	<b>23,301</b>	<b>24,612</b>	<b>26,734</b>	<b>2,122</b>

**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.

**Note 3:** Production Funding represents funding related to the Knowledge Kids Luna, Chip and Inkie series.

**Note 4:** Programming and Production Expense actual over budget of \$2,249,000 due to the Knowledge Kids Luna Chip and Inkie series.

## **Variance and Trend Analysis**

### Provincial Operating Grant

The variance of \$97,000 compared to last fiscal is due to a reduced operating grant in fiscal 2020/21.

### Donations and Sponsorships

Donations from viewers to the Annual Fund were \$1,009,000 more than budget and \$710,000 more than 2019/20. With people spending more time at home due to the global pandemic, viewership and charitable contributions increased in 2020/21.

### Production Funding

Production funding variances were \$1,485,000 more than budget and more than 2019/20. This represents funding for the new Knowledge Kids Luna Chip and Inkie series (40 x 11-minute episodes) that was not originally budgeted.

### Amortization of Deferred Contributions

Actual deferred contributions amortized were \$218,000 less than budget and \$86,000 less than 2019/20. The deferred contributions pertain to amounts that are recognized as revenue to offset amortization of externally funded projects, or when associated obligations are extinguished.

### Endowment Investment and Other Income

These revenues were \$182,000 more than budget and \$221,000 more than 2019/20. The difference is due to income from the endowment fund which was \$130,000 more than budget, and miscellaneous income from other sources which was \$50,000 more than budget.

### Programming and Presentation

These expenses were \$2,249,000 more than budget and \$2,158,000 more than 2019/20. These differences are due to the Knowledge Kids Luna Chip and Inkie series expenses of \$2,222,000 not originally budgeted.

### Marketing and Development

These expenses were \$23,000 more than budget and \$88,000 less than 2019/20. The annual variance is due primarily to lower costs related to the production of on-air donation campaigns.

### Broadcast Platforms and Corporate IT

These expenses were \$156,000 more than budget and \$105,000 more than 2019/20. The increase over budget is due primarily to the purchase of additional broadband due to increased streaming demand and the purchase of computer equipment to support staff working from home. The annual variance is due primarily to an increase in salary and benefits, the purchase of computer equipment and software maintenance of broadcast servers.

General

General expenses were \$91,000 more than budget and \$187,000 more than 2019/20. The annual variance is due to depreciation expense on equipment and vacation pay accrued.

Amortization of Broadcast Rights

Amortization expense was \$402,000 less than budget and \$47,000 more than 2019/20. The decrease from budget is primarily due to delays in the completion of Knowledge Network commissioned and pre-licensed documentary projects due to the global pandemic.

Administration

Administration costs were \$140,000 less than budget due to an unfilled Co-op student position, and reduced employee training and travel during the pandemic. Administration costs were \$202,000 less than 2019/20 due to an unfilled Co-op student position, reduced employee training and travel during the pandemic and reduced staffing in the Finance department.

Administration costs detailed:

Finance, Human Resources, Other	\$ 533,173
President’s Office and Board	\$ 390,487
Building lease and Operating Costs	\$ 316,100
Corporate Training Plan	<u>\$ 13,528</u>
	\$1,253,288

Endowment Contributions

Endowment contributions received were \$1,801,000 more than budget and \$1,548,000 more than 2019/20. Due to the confidential nature of major gifts and bequests, it is difficult to predict when endowment contributions will be received.

Capital Expenditures

Capital assets purchased were \$322k less than budget in these areas:

	Budget	Actual	Variance
Acquired Content	\$2,200,000	\$2,137,004	(\$62,996)
Second Windows	\$ 700,000	\$ 746,128	\$ 46,128
Leads	\$ 358,358	\$ 150,470	(\$207,888) <sup>1</sup>
Commissions	\$ 502,234	\$ 265,670	(\$236,564) <sup>2</sup>
HD Content	\$ 24,000	\$ 41,653	\$ 17,653
Capital Equipment	\$ 50,408	\$ 171,682	\$121,274
Total Capital	<u>\$3,835,000</u>	<u>\$3,512,607</u>	<u>(\$322,393)</u>

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<sup>1</sup> Projects not completed by March 31/21

<sup>2</sup> Projects not completed by March 31/21

The decrease from 2019/20 of \$568,000 is due to the following variances:

	2020	2021	Variance
Acquired Content	\$1,932,015	\$2,137,004	\$204,989
Second Windows	\$ 639,123	\$ 746,128	\$ 107,005
Leads	\$ 303,608	\$ 150,470	(\$153,138) <sup>3</sup>
Commissions	\$ 831,253	\$ 265,670	(\$565,583) <sup>4</sup>
HD Content	\$ 39,343	\$ 41,653	\$ 2,310
Capital Equipment	\$ 335,656	\$ 171,682	(\$163,974)
Total Capital	\$4,080,998	\$3,512,607	(\$568,391)

## Risks and Uncertainties

At the start of the global pandemic film production in B.C. and beyond was suspended, including documentaries that Knowledge Network had invested in. This led to increased global competition for completed programming as broadcasters and streaming services rushed to replace delayed productions and live programming. While some of the programs we have invested in have resumed production, it may take a few years to return to pre-pandemic levels.

Competition for audiences from an increasing number of streaming services will continue, and over the last year new strategies have been developed to build brand awareness and retain viewers to Knowledge Network’s streaming services.

The financial situation of the charitable sector is slightly better in February 2021 compared to April 2020; however it is far from representing the early stages of a recovery (Imagine Canada’s Sector Monitor, February 2021). While Knowledge Network has seen increased demand for services and corresponding increases in donations, the longer-term effects of the pandemic on charitable giving have yet to be determined. Over the past year, fundraising strategies shifted in response to the pandemic. A special acquisition campaign to mark Knowledge Network’s 40th anniversary started development, for launch in 2021.

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<sup>3</sup> Haida Modern, Wolf Dog, Transplant – variance due in part to adjusted production schedule of projects.

<sup>4</sup> BC 150, Paramedics, Space Suite IV variance due in part to adjusted production schedule of projects.

## **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. Please [click here](#) to 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 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. Please [click here](#) for more information on Knowledge Network's corporate governance.

### **Contact Information**

Knowledge Network Corporation  
4355 Mathissi Place  
Burnaby, B.C. Canada  
V5G 4S8

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

## **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 B: Auditor's Report and Audited Financial Statements**

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.

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***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*

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Chartered Professional Accountants

Vancouver, Canada

May 14, 2021

## KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Financial Position

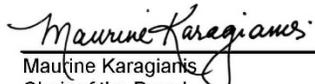
March 31, 2021, with comparative information for 2020

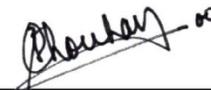
	2021	2020
<b>Financial assets:</b>		
Cash (note 3(a))	\$ 1,745,741	\$ 1,561,944
Accounts receivable	429,781	20,016
Portfolio investments (note 3(b))	1,476,333	692,411
	3,651,855	2,274,371
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	610,957	385,856
Deferred revenue, projects	511,360	314,111
Deferred contributions (note 4)	1,324,863	1,241,639
	2,447,180	1,941,606
<b>Net financial assets</b>	<b>1,204,675</b>	<b>332,765</b>
<b>Non-financial assets:</b>		
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
<b>Accumulated surplus (note 13)</b>	<b>\$ 29,193,747</b>	<b>\$ 23,346,399</b>
<b>Accumulated surplus is comprised of:</b>		
Accumulated surplus	\$ 26,734,174	\$ 23,301,347
Accumulated remeasurement gains	2,459,573	45,052
	<b>\$ 29,193,747</b>	<b>\$ 23,346,399</b>

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, 2021, with comparative information for 2020

	Budget (note 14)	2021	2020
<b>Revenue:</b>			
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
<b>Expenses (note 15):</b>			
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
<b>Accumulated surplus, end of year</b>	<b>\$ 24,415,347</b>	<b>\$ 26,734,174</b>	<b>\$ 23,301,347</b>

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

---

### 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

---

### 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
	\$ 16,953,950	\$ 10,916,478

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
	\$ 16,953,950	\$ 10,916,478

## 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

## 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 Corporation 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

## 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	Amortization of broadcast rights		Administration	2021 consolidated	Budget consolidated (note 14)	2020 consolidated
				General					
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