

**Knowledge Network Corporation**

**2022/23**

**Annual Service Plan Report**

**August 2023**



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## Board Chair's Accountability Statement



The Knowledge Network Corporation 2022/23 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2022/23 – 2024/25 Service Plan published in 2022. The Board is accountable for those results as reported.

Signed on behalf of the Board by:

A handwritten signature in black ink that reads "Satwinder Bains". The signature is written in a cursive, flowing style.

Satwinder Bains  
Board Chair, Knowledge Network Corporation  
August 10, 2023

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## Letter from the Board Chair & CEO

On behalf of the Board of Directors, we are pleased to submit Knowledge Network Corporation's 2022/23 Annual Service Plan Report.

In February, the Board welcomed Michelle van Beusekom as Knowledge Network Corporation's new President and CEO. This change in leadership takes place at a time of renewal and opportunity, as we look to strengthen public broadcasting in a rapidly evolving media environment.


This past year Knowledge Network made significant progress on commitments to advance truth and reconciliation, racial equity, diversity, and intersectional inclusion in all areas of our activity. Highlights include six new documentary films in development/production with Indigenous and racialized B.C. documentary filmmakers in alignment with reparations-based commissioning targets adopted in 2021. Knowledge Network has implemented new data collection processes to track progress towards our commissioning targets. We also introduced described video for viewers with visual impairments with plans to grow this program inventory over the next three years.

All management and staff have participated in a range of workshops designed to support and advance cultural competencies, inclusive practices, awareness towards dismantling of systemic discrimination and understanding the effects of unconscious bias. We recognize that this is ongoing work that requires commitment at both institutional and individual levels. A new slate of workshops will be underway in 2023/24.

Our first ever in-house animated series, Luna, Chip & Inkie Adventure Rangers Go, premiered in April 2022. Creative problem-solving, resilience and teamwork are key themes of this music-filled series for young viewers and their parents and/or caregivers. The B.C. landscape features prominently in this animated series, evoking a sense of home for our young viewers. In 2022, we launched a significant partnership with the First Peoples' Cultural Council on a documentary initiative about First Nations cultural revitalization in B.C. These short films will move into production in 2023.

Our broadcast and streaming activities require ongoing maintenance and upgrades, and in 2022/23, Knowledge Network invested in website infrastructure and a digital asset management system to store and categorize broadcast assets.

Knowledge Network supports the B.C. government's 2021/22 Mandate Letter priorities by ensuring our programming supports the diverse and evolving interests of British Columbians. The stories we broadcast inform, enlighten, and connect British Columbians to each other and the world. As a provincial Crown corporation, accountability and transparency guide our planning and decision-making.



Satwinder Bains  
Chair, Board of Directors  
August 10, 2023



Michelle van Beusekom  
President and CEO  
August 10, 2023

## Purpose of the Annual Service Plan Report

This annual service plan report has been developed 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, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

## Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's [2021/22 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures and financial plan outlined in Knowledge Network Corporation's 2022/23 – 2024/25 Service Plan and the actual results reported on in this annual report.

## Purpose of the Organization

Knowledge Network Corporation operates Knowledge Network, B.C.'s public educational broadcaster providing a free and commercial-free television channel and streaming services. We help to create informed communities by providing trusted programming that supports lifelong learning, presents diverse points of view and promotes culture, identity and inclusion from local and global perspectives.

Knowledge Network is guided by the purposes identified in the [Knowledge Network Corporation Act](#). Funded by an annual operating grant from the provincial government and donations from loyal viewers, Knowledge Network offers a diverse range of content including commercial-free documentaries, arts and culture, drama and children's programs. Our passion for sharing stories that inform and inspire supports B.C.'s independent production community through the commissioning of documentary programs.

## Operating Environment

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 operates within a rapidly evolving media environment. With the adoption of the *Online Streaming Act* (Bill C-11), the CRTC has launched a process to modernize the broadcasting system creating a new regulatory framework that will include online streaming services. This will impact conditions and requirements for traditional broadcasters and online services operating in Canada.

# Report on Performance: Goals, Objectives, and Results

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

**Objective 1.1: Strengthen programming to meet the diverse needs of viewers, through content that informs and inspires audiences during Primetime<sup>1</sup> and educational content that fosters learning for young children and their families.**

### Key results

- Worked with a more diverse range of B.C. creators, in order to ensure B.C. viewers see themselves represented in Knowledge Network programming:
  - Commissioned four documentary features, of which three were from Indigenous and racialized B.C. producers.
  - Supported seven documentary projects through development, of which six were from Indigenous and racialized B.C. producers.
- Introduced new data tracking measures for commissions and acquisitions produced by Indigenous and racialized B.C. producers to enable transparent reporting on programming and commissioning diversity.
- Produced a second series of Luna, Chip & Inkie Adventure Rangers Go – our first in-house children's program that teaches kids creative problem-solving, resilience and teamwork, and is set against a B.C. landscape that evokes a sense of home for our young viewers.
- Acquired premium content from a broader range of countries of origin to better reflect the diverse interests of our viewers.
- Improved our ability to serve the diverse needs of British Columbians by supporting staff with ongoing training to advance cultural competencies, inclusive practices, awareness towards dismantling of systemic discrimination and understanding the effects of unconscious bias.

### Summary of progress made in 2022/23

Knowledge Network has made significant progress on its commitments to advance truth and reconciliation, racial equity, diversity and intersectional inclusion in all areas of our activity. Increasing representation of B.C. creators and diversity of perspectives in our programming strengthens our public service for all British Columbians. We have taken actions independently

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<sup>1</sup> Primetime refers to the evening broadcast period 6pm to midnight.

and collectively with industry organizations in B.C. and across Canada to remove barriers that result in discrimination against people who are Indigenous, racialized, part of LGBTQ2+ communities, or have disabilities in order to increase representation in our commissions, pre-licenses and program acquisitions. Outreach and collaboration are ongoing with industry partners including the Black Screen Office, Canada Media Fund, Canadian Media Producer’s Association – B.C. Producer’s Branch, Creative B.C., DOC-BC, First Peoples Cultural Council, Indigenous Screen Office, National Film Board and the Racial Equity Screen Office.

### Performance measures and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.1a Direct Investment in Multiplatform Content <sup>1</sup>	\$746,700	\$2,200,000	\$5,144,299
1.1b Indirect Investment in Multiplatform (CMF envelope, other CMF funding, independent production funds, tax credits) <sup>2</sup>	\$11,915,454	\$9,500,000	\$18,903,386
1.1c Commission 25 percent of Knowledge Original documentary features and shorts from B.C. independent Indigenous production companies (total commissions, over three years).  Intersections of additional equity deserving groups will be applied across all of Knowledge Network’s commissioning efforts to ensure representation of women, people with disabilities, and LGBTQ+ <sup>3</sup>	N/A <sup>5</sup>	In progress 3 Year target	On Track
1.1d Commission at least 50 percent of Knowledge Original documentary features and shorts from independent, Black and People of Colour (BPOC) led production companies (total commissions, over three years).  Intersections of additional equity deserving groups will be applied across all of Knowledge Network’s commissioning efforts to ensure representation of women, people with disabilities, and LGBTQ+ <sup>4</sup>	N/A <sup>5</sup>	In progress 3 Year target	On Track

Data source: Knowledge Network



1.1a 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.

1.1b Financing plans for projects where Letters of Intent, short-form commission/lead agreement, or long-form commission/lead agreement have been issued in a fiscal year. Knowledge Network helps B.C. producers trigger funding from third-party funding sources including certified Canadian independent production funds, the Canada Media Fund (CMF), and federal and provincial tax credits.

1.1c and 1.1d Letters of Intent, short-form commission/lead agreement, or long-form commission/lead agreement entered into with independent producers in a fiscal year. Shareholders Self-Identification Declaration – requirement for all producers receiving development funds. Indicates 51 percent ownership of Indigenous, Black and people of color B.C. based production companies. Targets may be adjusted due to the non-cyclical nature of content production in future reports.

<sup>1</sup>PM 1.1a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as \$2,300,000 and \$2,350,000 respectively.

<sup>2</sup>PM 1.1b targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as \$10,000,000 and \$10,000,000 respectively.

<sup>3</sup>PM 1.1c targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as in progress and 25% respectively.

<sup>4</sup>PM 1.1d targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as in progress and 50% respectively.

For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

<sup>5</sup>As this is a new PM started in 2022/23, there is no data for 2021/22.

**Direct Investment in Multi-Platform Content:** Knowledge Network made direct investments in 21 multi-platform projects in 2022/23. The 2022/23 actual figures for direct investment are significantly higher than target as a result of the \$3.9 million investment in season two of the 40-episode Luna, Chip & Inkie Adventure Rangers Go children's series produced in-house by Knowledge Network.

The second year of our IBPOC Documentary Development Initiative resulted in 23 eligible proposals from B.C. producers with information sessions held in Vancouver and Victoria. These projects are supported through a mix of development fees and an allocation from our CMF Development Envelope and/or Creative B.C. Of the six projects supported through development, two were with Indigenous producers and four were with racialized producers.

Direct investment in multi-platform content was significantly lower in 2021/2022 because of documentary projects that were delayed due to the pandemic and challenges closing financing on children's international co-productions.

**Indirect Investment in Multi-Platform Content:** The 2022/23 actuals for indirect investment are significantly higher than target as a result of our \$3.9 million investment in season two Luna, Chip & Inkie Adventure Rangers Go. The children's series leveraged financing from both the Canada Media Fund and the Shaw Rocket Fund. Knowledge Network's license fees paid to independent producers unlocks access to Knowledge Network's annual Canada Media Fund allocation, 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 an indirect investment.

**Commission 25 percent of Knowledge Original documentary features and shorts from B.C. independent Indigenous production companies:** In Year Two of our three-year performance measure to support projects by Indigenous documentary producers, we are on

track to meet commissioning target. Of the four documentary feature commissions, one was with a B.C. Indigenous production company.

**Commission 50 percent of Knowledge Original documentary features and shorts from B.C. independent racialized production companies:** In Year Two of our three-year performance measure to support projects by racialized documentary producers, we are on track to meet commissioning target. Of the four documentary feature commissions, two were with B.C racialized production companies.

## Goal 2: Improve the Streaming Platform Experience

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

### Key results

- Migrated streaming service and website infrastructure to the cloud.
- Expanded functionality including search capability.
- Launched described video for viewers with visual impairments with a minimum of four hours per week.

### Summary of progress made in 2022/23

Providing an accessible, high quality streaming experience for Knowledge Network and Knowledge Kids audiences continues to be a priority in an increasingly competitive environment. Investments made in website infrastructure and digital asset management were critical for our operations. This work has set the stage for the next phase which is to redesign and improve the user experience on our website and streaming platforms.

### Performance measures and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.1a Streaming Video Performance Satisfaction <sup>1</sup>	91%	90%	N/A
2.1b Hours of Described Video per broadcast week <sup>2</sup>	0	4	4

Data source:

2.1a Online survey on Knowledge.ca and Knowledge Apps to measure audience satisfaction with streaming video performance on Knowledge.ca and the Knowledge Apps. Survey usually conducted annually in February and March. The survey was not conducted in 2022/23 due to Drupal migration. See discussion.

2.1b Broadview broadcast scheduling software. CRTC will require a four-hour minimum starting in September 2022.

<sup>1</sup>PM 2.1a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 91% and 92% respectively.

<sup>2</sup>PM 2.1b targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 8 and 12 respectively.

For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

In March 2023, we successfully completed the migration of our streaming services to the Drupal 9 platform. The project also involved moving our website and apps from an on-premises IT infrastructure to Amazon Web Services (AWS) to support increasing complexity and future growth. This delayed the streaming video performance satisfaction survey, which will inform future updates to improve user experience, to late Spring 2023.

To improve accessibility for viewers with visual impairments to watch programs, described video was implemented in May of 2022. We request programs with described video when acquiring programs from distributors or producers, however, in most cases described video files are not available. To ensure we have descriptive video programming throughout our broadcast schedule, we purchase descriptive video services after a program has been delivered. Based on what our budget allows, we determine how many hours of described video we can fund in a fiscal year. In 2022/23, we funded approximately 22 hours of described video programming.

## **Goal 3: Increase Viewership on Knowledge Network's Streaming Platforms**

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

### **Key results**

- Robust marketing support for season one of Knowledge Kids Original Luna, Chip & Inkie Adventure Rangers Go on television and streaming services ensured wider visibility of Knowledge Network to existing subscribers and new users.
- Expanded online and social media promotion for programming from B.C., Canadian and international diverse filmmakers including a special streaming offer of 40 documentaries by Alanis Obomsawin through the National Film Board Indigenous Cinema Collection.

### **Summary of progress made in 2022/23**

Knowledge Network continues to work towards building brand awareness and audiences through promotion of priority programs. Market research is providing insights into opportunities to attract and retain audiences for our streaming services. New partnerships have created a model for future collaborations aimed at extending our reach to current and new audiences. A recent partnership with the Vancouver Art Gallery resulted in cross-promotion of their exhibit on the works of Alanis Obomsawin with the documentary collection of her films featured on our website and apps.

## Performance measures and related discussion

Performance Measure		2021/22 Actual	2022/23 Target	2022/23 Actual
3.1a Total Subscribers <sup>1</sup>	Knowledge.ca and Knowledge Apps	257,472	270,000	286,856
3.1b Videos Streamed <sup>2</sup>	Knowledge.ca and Apps	3,684,467	3,025,000	3,085,377
	Knowledgekids.ca and Apps	7,502,469	7,425,000	7,149,627
3.1c Total Share <sup>3</sup>	Knowledge Primetime	5.2%	4.5%	4.9%

Data source:

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

3.1b Google Analytics. Tracks total videos played for a minimum of one minute across all websites and Apps in a fiscal year.

3.1c Numeris Canada. The proportion of individuals viewing a specific program or daypart compared to the total number of individuals watching television during the same interval time. Vancouver Extended market for primetime (viewers 2+, 6pm to 12am, Monday to Sunday).

<sup>1</sup>PM 3.1a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 290,000 and 310,000 respectively.

<sup>2</sup>PM 3.1b Knowledge.ca targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 3,050,000 and 3,075,000 respectively. PM 3.1b Knowledgekids.ca targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 7,450,000 and 7,450,000 respectively.

<sup>3</sup>PM 3.1c targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 4.5% and 4.5% respectively.

For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

Total Subscribers captures the number of total adult users of Knowledge Network’s streaming platforms. In 2022/23, there were just over 29,000 new subscribers.

Videos streamed on Knowledge.ca and Apps slightly exceeded target. Increased viewership and subscribers on Knowledge Network’s streaming services presents an opportunity to connect more frequently with viewers and encourage financial support through donations.

Videos streamed on Knowledgekids.ca and Apps was slightly below target. While viewership continues to be strong, targets are challenging to set as each year children age out of the programming. Using social media, e-newsletters and digital marketing, we attempt to reach parents and caregivers with information about our commercial-free, educational programming.

Total share demonstrates Knowledge Network’s share of the total television viewing audience. In 2022/23, Total Share exceeded target, which can be attributed in part to Knowledge Network’s competitive broadcast schedule and popularity within the B.C. market. Knowledge Network was the fourth most watched broadcaster in B.C. with a total market share of 4.9 percent in primetime.

## Goal 4: Enlarge the donor base and the Endowment Fund

**Objective 4.1: Increase efforts to convert new viewers to donors and build on legacy and major gift giving to expand program offerings now and in the future.**

### Key results

- Cultivated donor relationships to encourage future bequests and other planned gifts.
- Piloted a donor acquisition campaign for streaming viewers outside B.C.

### Summary of progress made in 2022/23

Post-pandemic, both viewership and donations are moderating, returning to more typical levels. Cultivating relationships with donors contributes to long-term support. In 2022/23, monthly donors continued to grow, with 12,506 monthly donors now representing 32 percent of our donor base.

### Performance measures and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
4.1a Knowledge Partner Donations <sup>1</sup>	\$6,574,000	\$5,900,000	\$6,083,000
4.1b Legacy Circle Donors <sup>2</sup>	988	1015	1019

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 (cumulative).

<sup>1</sup>PM 4.1a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as \$5,900,000 and \$5,900,000 respectively.

<sup>2</sup>PM 4.1b targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 1045 and 1075 respectively.

For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

Donations from Knowledge Partners reached over \$6 million in 2022/23, slightly exceeding target. This measure reflects donations to the Annual Fund received from new, renewing and recovered donors in a fiscal year. The Adventures in Atlantic Canada travel contest contributed to this success by generating donations and new donors. Donations are lower compared to 2021/22. Donations are returning to more typical levels after record donations during the pandemic, when more people were watching programming at home.

The number of Legacy Circle donors continues to grow, and slightly exceeded target in 2022/23. We attribute this in part to our efforts in raising awareness of our Legacy Giving program through the Endowment Fund.

## Financial Report

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

## Discussion of Results

Knowledge Network ended the fiscal year with an operating deficit of \$629,010. Knowledge Network also received \$2,103,202 in Endowment contributions which on paper offsets this deficit and shows an apparent annual surplus of \$1,474,192. However, since Endowment contributions and investment revenue are restricted and held in trust, they are not eligible to be used to cover operating expenses leaving a cash deficit. On March 31, 2023, the market value of the Endowment Fund was \$24,878,183.

## Financial Summary

(\$000s)	2021/22 Actual	2022/23 Budget	2022/23 Actual	2022/23 Variance
<b>Revenues</b>				
Province of B.C. Operating Grant	6,611	6,611	6,611	-
Donations & Sponsorships	6,581	5,900	6,139	239
Amortization of Deferred Contributions	137	144	155	11
Endowment Investment & Other Revenue	969	525	1,427	902
Production Funding (Flow-through)	1,900	5,158	4,923	(235)
<b>Total Revenue</b>	<b>16,198</b>	<b>18,338</b>	<b>19,255</b>	<b>917</b>
<b>Expenses</b>				
Programming & Production	8,089	3,897	9,124	5,227
Marketing & Philanthropy	2,246	2,258	2,363	105
Broadcast Platforms & Web Channels	2,281	2,177	2,520	343
General	287	-	-	-
Amortization of Broadcast Rights & Equipment	3,688	4,025	3,926	(99)
Administration	1,655	2,034	1,951	(83)
Subsidiary Operations				
<b>Total Expenses</b>	<b>18,246</b>	<b>14,391</b>	<b>19,884</b>	<b>5,493</b>
<b>Annual Surplus (or Deficit) from Operations</b>	<b>(2,048)</b>	<b>3,947</b>	<b>(629)</b>	<b>(4,576)</b>
Endowment Contributions	5,666	950	2,103	1,153
<b>Annual Surplus</b>	<b>3,618</b>	<b>4,897</b>	<b>1,474</b>	<b>(3,423)</b>
<b>Total Liabilities</b>	<b>4,506</b>	<b>1,100</b>	<b>3,061</b>	<b>1,961</b>
<b>Capital Expenditures</b>	<b>3,021</b>	<b>3,127</b>	<b>3,861</b>	<b>734</b>
<b>Accumulated Surplus</b>	<b>30,352</b>	<b>35,000</b>	<b>31,826</b>	<b>(3,174)</b>

<sup>1</sup> The above financial information was prepared based on current Generally Accepted Accounting Principles.

<sup>2</sup> Endowment Investment & Other Revenue – Endowment revenue represents \$1,072,897.

<sup>3</sup> Production Funding - these funds were advanced by our distribution partner and flowed through to season 2 of the Luna, Chip & Inkie Adventure Rangers Go series.

## Variance and Trend Analysis

### Donations

Donations from Knowledge Partners were \$239,000 more than budgeted and \$435,000 less than fiscal 2021/22.

### Endowment Investment and Other Income

Revenues were \$902,000 more than budgeted and \$452,000 more than fiscal 2021/22. The variance is due to the increase in the portfolio value of our Endowment Fund and external funding received from the First Peoples Cultural Council for the documentary initiative about First Nations cultural revitalization in B.C.

### Production Funding

Production funding was \$235,000 less than budgeted and \$3,022,000 more than fiscal 2021/22. The budget variance is due to a deferral of \$200,000 received for productions to be completed in future fiscal years. The increase from 2021/22 is due to production of season 2 of Luna, Chip & Inkie Adventure Rangers Go which started in fiscal 2022/23.

### Marketing and Development

Expenses were \$104,000 more than budgeted and \$116,000 more than 2021/22. Both were the result of transferring one FTE, sponsorship of industry events and new audience measurement software:

	Budget Variance	Year Variance
Transfer of one FTE salary and benefits	\$74,164	\$74,690
Sponsorships	\$18,367	\$18,367
New audience measurement software	\$19,424	\$19,424
Total	\$111,955	\$112,481

### Broadcast Platforms and Corporate IT

Expenses were \$344,000 more than budgeted and \$239,000 more than 2021/22. These variances are primarily due to engagement of a software development company to provide services we were not able to contract in house. In March 2023, we were successful in recruiting a senior developer which will reduce vendor costs moving forward.

### General

In 2021/2022 Amortization of Capital Equipment \$287,000 was reported here. In 2022/2023 it is reported under Amortization of Broadcast Rights and Equipment.



Amortization of Broadcast Rights and Capital Equipment

Amortization expense was \$99,000 less than budgeted. The year variance of \$238,000 is due to amortization of capital equipment now reported in this category but was previously reported under General.

The decrease from budget is due to delays in completion of projects in these areas:

	Budget	Actual	Variance
Amortization Capital Equipment	\$325,000	\$260,447	(\$64,533)
Amortization Broadcast Rights	\$3,700,000	\$3,665,749	(\$34,251)
Total Amortization	\$4,025,000	\$3,926,196	(\$98,804)

The increase from fiscal 2021/22 are due to these changes:

	2022	2023	Variance
General	\$287,167	-	(\$287,167)
Amortization Capital Equipment	-	\$260,447	\$260,447
Amortization Broadcast Rights	<u>\$3,687,827</u>	<u>\$3,665,749</u>	<u>(\$22,078)</u>
Total Amortization	\$3,974,994	\$3,926,196	(\$48,798)

Administration

Administration costs were \$84,000 less than budgeted due to:

Pension plan contributions	\$47,641
Transfer of personnel costs	<u>\$33,610</u>
	\$81,251

The increase of \$296,000 compared to fiscal 2021/22 were in these areas:

Purchase of laptops and work from equipment	\$75,422
Human Resources staffing	\$53,389
Corporate training plan	\$47,104
Executive recruitment services	\$38,400
Increased staff meetings/events	\$19,508
HR legal	\$32,922
Finance staffing	\$23,882
Finance software upgrade	<u>\$6,151</u>
Total	\$296,778

Administration costs detailed:

Finance, Human Resources, Other	\$1,089,500
President's Office and Board	\$475,114
Building lease and operating costs	\$319,998
Corporate Training Plan	<u>\$66,389</u>
Total	\$1,951,001

Endowment Contributions

Endowment contributions received were \$1,153,000 more than budgeted and \$3,563,000 less than fiscal 2021/22. Due to the unpredictability of bequest gifts, it is difficult to determine when Endowment contributions will be received. Endowment contributions are restricted and held in trust.

Capital Expenditures

Capital assets purchased were \$735,000 more than budgeted in these areas:

	Budget	Actual	Variance
Dramas – acquired	\$908,300	\$669,868	(\$238,432)
Arts and Specials – acquired	\$78,400	\$75,975	(\$2,425)
Documentaries – acquired	\$706,000	\$973,442	\$267,442
Children's Programs - acquired	\$600,000	\$647,770	\$47,770
High-Definition Materials Fees	\$24,000	\$33,291	\$9,291
Children's Pre-licenses	\$270,000	\$356,015	\$86,015
Documentaries Pre-licences – second windows	\$520,000	\$697,938	\$177,938
Production Development	-	\$101,018	\$101,018
Documentaries – commissioned	-	\$3,844	\$3,844
International Pre-buys	\$20,000	\$64,613	\$44,613
Capital Equipment	-	\$237,483	\$237,483
Total	\$3,126,700	\$3,861,257	\$734,557

Acquisitions (completed programs) were \$74,000 more than budgeted. Commissioning and pre-licensing of productions in progress were \$413,000 more than budgeted. The programming budget is based on estimates. Actual purchases in specific program areas are dependent on factors such as inventory expiry and availability of programs from distributors. Development and commissioning (license fees) are dependent on a number of factors, specifically timing (when projects are approved for development, when projects are ready to move from development into production) and do not have specific budget allocations.

The increase of \$840,000 from fiscal 2021/22 is due to variance in these areas:

	2022	2023	Variance
Dramas – acquired	\$885,808	\$669,868	(\$215,940)
Arts and Specials – acquired	\$16,400	\$75,975	\$59,575
Documentaries – acquired	\$849,577	\$973,442	\$123,865
Children’s Programs - acquired	\$518,302	\$647,770	\$129,468
High-Definition Materials Fees	\$44,185	\$33,291	(\$10,894)
Children’s Pre-licenses	\$246,349	\$356,015	\$109,666
Documentaries Pre-licences – second windows	\$161,525	\$697,938	\$536,413
Production Development	\$66,936	\$101,018	\$34,082
Documentaries – commissioned	\$111,643	\$3,844	(\$107,799)
International Pre-buys	\$38,950	\$64,613	\$25,663
Capital Equipment	\$81,581	\$237,483	<u>\$155,902</u>
Total	\$3,021,256	\$3,861,257	\$840,001

Acquisitions were \$97,000 more than fiscal 2021/22. Commissioning and pre-licensing of documentary productions were \$598,000 more than fiscal 2021/22. This was primarily due to proceeding with a new documentary series about organ donation and transplant patients in B.C. and a second season of a series about B.C. search and rescue organizations.

## Risks and Uncertainties

The strategies supporting our strategic goals helped to mitigate risks in three key areas:

1. Multi-platform broadcast rights – increased competition between online streaming services may reduce access to streaming rights. We continue to strengthen relationships with rights holders and maintain a competitive television service to secure streaming rights.
2. Streaming platform capacity – increase in streaming audiences is placing demands on infrastructure. Migrating our streaming services and web infrastructure to the cloud supports increasing complexity and future growth.
3. Audience growth on streaming platforms – competition for audiences is increasing from a growing number of streaming services. Increasing investment in promoting priority programs and identifying opportunities through market research will keep current audiences coming back and attract new audiences to our streaming services.

## Appendix A: Progress on Mandate Letter Priorities

The following is a summary of progress made on priorities as stated in the 2021/22 Mandate Letter from the Minister Responsible.

2021/22 Mandate Letter Priority	Status as of March 31, 2023
<p>Provide a quality, freely available and commercial-free television and streaming services to British Columbians.</p>	<p>In Progress</p> <ul style="list-style-type: none"> <li>Investments in web infrastructure improved capacity for streaming platforms providing stability and supporting audience growth.</li> </ul>
<p>Broadcast programming that promotes equity, diversity, inclusion and anti-racism, in addition to topics of relevance to British Columbians such as literacy and early childhood development, history, arts and culture.</p>	<p>In Progress</p> <ul style="list-style-type: none"> <li>Increased programming from B.C. and Canadian diverse filmmakers ensuring more British Columbians see themselves reflected in the programming airing on Knowledge.</li> <li>Premiered Knowledge Kids Original series Luna, Chip &amp; Inkie Adventure Rangers Go with stories built around important early childhood development skills such as observation, counting, listening and following directions.</li> </ul>
<p>Collaborate with B.C.'s independent production sector to create original stories and leverage federal funding.</p>	<p>In Progress</p> <ul style="list-style-type: none"> <li>Commissioned four B.C. projects – 2 with racialized production companies and one with an Indigenous production company: Inay, Shifting Ground, Search and Rescue Season 2 and Arthur Erickson: The Concrete Poet – all of which leveraged additional federal funding.</li> <li>Investment in season 2 of Luna, Chip &amp; Inkie Adventure Rangers Go will leverage more funds from the Canada Media Fund in 2023/24.</li> <li>2022/23 Canada Media Fund envelope was \$1,804,876.</li> </ul>

2021/22 Mandate Letter Priority	Status as of March 31, 2023
<p>Collaborate with independent, Indigenous filmmakers to create original stories and continue to increase opportunities to share Indigenous perspectives, as well as ensure B.C.'s culturally diverse storytellers are reflected.</p>	<p>In Progress</p> <ul style="list-style-type: none"> <li>• Encouraged documentary proposals for development and commissions from Indigenous producers and producers from under-represented through outreach, dialogue and updated resources at <a href="https://knowledge.ca/producers">Knowledge.ca/producers</a>.</li> <li>• Six new documentary films are in development/production with Indigenous and racialized B.C. production companies.</li> <li>• Partnership with the First Peoples Cultural Council to produce a series of short documentaries on Indigenous cultural revitalization in BC. Production will get underway in 2023/24.</li> <li>• Increased streaming offer of Indigenous content and content from culturally diverse storytellers including a collection of 40 films by Alanis Obomsawin.</li> </ul>

## **Inactive Subsidiaries**

- Knowledge-West Communications Corporation

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

Consolidated Financial Statements of

**KNOWLEDGE NETWORK CORPORATION**

And Independent Auditor's Report thereon

Year ended March 31, 2023





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

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Knowledge Network Corporation, and  
to the Minister of the Ministry of Tourism, Arts, Culture and Sport, 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, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of remeasurement gains for the year then ended
- the consolidated statement of changes in net financial assets (liabilities) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes and schedule to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying consolidated financial statements as at and for the year ended March 31, 2023 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

### ***Auditor's 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 auditor's 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 auditor's 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 auditor's 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 11, 2023

# KNOWLEDGE NETWORK CORPORATION

## Consolidated Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash (note 3(a))	\$ 364,724	\$ 2,407,560
Accounts receivable	413,258	499,409
Portfolio investments (note 3(b))	-	601,990
	<u>777,982</u>	<u>3,508,959</u>
Liabilities:		
Accounts payable and accrued liabilities	908,906	435,939
Deferred revenue, projects	324,975	380,046
Deferred contributions (note 4)	1,827,072	3,688,990
	<u>3,060,953</u>	<u>4,504,975</u>
Net financial liabilities	(2,282,971)	(996,016)
Non-financial assets:		
Broadcast rights (note 5)	9,774,473	9,816,449
Tangible capital assets (note 6)	1,625,923	1,648,886
Prepaid expenses	5,699	62,944
Endowment investments (note 3(b))	24,878,183	22,790,351
	<u>36,284,278</u>	<u>34,318,630</u>
Accumulated surplus (note 13)	\$ 34,001,307	\$ 33,322,614
Accumulated surplus is comprised of:		
Accumulated surplus	\$ 31,826,260	\$ 30,352,068
Accumulated remeasurement gains	2,175,047	2,970,546
	<u>\$ 34,001,307</u>	<u>\$ 33,322,614</u>

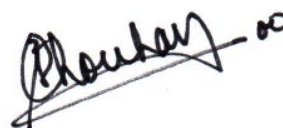
Commitments (note 9)

See accompanying notes and schedule to consolidated financial statements.

Approved on behalf of the Board:



Satwinder Kaur Bains  
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, 2023, with comparative information for 2022

	Budget (note 14)	2023	2022
<b>Revenue:</b>			
Province of British Columbia operating grants	\$ 6,611,000	\$ 6,611,000	\$ 6,611,000
Donations	5,900,000	6,138,949	6,574,145
Production funding (note 7)	5,157,901	4,922,607	1,900,473
Amortization of deferred contributions (note 4)	144,000	155,455	136,705
Endowment investment income	500,000	1,072,897	841,468
Other	25,000	354,269	133,992
	18,337,901	19,255,177	16,197,783
<b>Expenses (note 15):</b>			
Programming and presentation (note 7)	3,896,927	9,124,070	8,088,704
Marketing and development	2,258,370	2,362,573	2,246,320
Broadcast platforms and corporate IT	2,176,719	2,520,347	2,281,466
Amortization	4,025,000	3,926,196	3,974,994
Administration	2,034,660	1,951,001	1,654,716
	14,391,676	19,884,187	18,246,200
Annual surplus (deficit) from operations	3,946,225	(629,010)	(2,048,417)
Endowment contributions received	950,000	2,103,202	5,666,311
Annual surplus	4,896,225	1,474,192	3,617,894
Accumulated surplus, beginning of year	30,352,068	30,352,068	26,734,174
Accumulated surplus, end of year	\$ 35,248,293	\$ 31,826,260	\$ 30,352,068

See accompanying notes and schedule to consolidated financial statements.

# KNOWLEDGE NETWORK CORPORATION

## Consolidated Statement of Remeasurement Gains

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Accumulated remeasurement gains, beginning of year	\$ 2,970,546	\$ 2,459,573
Unrealized and realized gains (losses) attributable to investments	(755,987)	577,377
Amounts realized and reclassified to statement of operations and accumulated surplus:		
Realized gains on investment	(39,512)	(66,404)
Net remeasurement gains (losses) for the year	(795,499)	510,973
Accumulated remeasurement gains, end of year	\$ 2,175,047	\$ 2,970,546

See accompanying notes and schedule to consolidated financial statements.

# KNOWLEDGE NETWORK CORPORATION

## Consolidated Statement of Changes in Net Financial Assets (Liabilities)

Year ended March 31, 2023, with comparative information for 2022

	Budget (note 14)	2023	2022
Annual surplus	\$ 4,896,225	\$ 1,474,192	\$ 3,617,894
Net remeasurement gains (losses) for the year	-	(795,499)	510,973
	4,896,225	678,693	4,128,867
Acquisition of tangible capital assets	-	(237,484)	(81,580)
Amortization of tangible capital assets	325,000	260,447	287,167
	325,000	22,963	205,587
Acquisition of broadcast rights	(3,126,700)	(3,623,773)	(2,939,673)
Amortization of broadcast rights	3,700,000	3,665,749	3,687,827
	573,300	41,976	748,154
Acquisition of endowment investments	(950,000)	(2,087,832)	(7,312,734)
Acquisition of prepaid expenses	-	(5,699)	(62,944)
Use of prepaid expenses	-	62,944	92,379
	-	57,245	29,435
Increase (decrease) in net financial assets	4,844,525	(1,286,955)	(2,200,691)
Net financial assets (liabilities), beginning of year	(996,016)	(996,016)	1,204,675
Net financial assets (liabilities), end of year	\$ 3,848,509	\$ (2,282,971)	\$ (996,016)

See accompanying notes and schedule to consolidated financial statements.

# KNOWLEDGE NETWORK CORPORATION

## Consolidated Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided (used by):		
Operations:		
Annual surplus	\$ 1,474,192	\$ 3,617,894
Items not involving cash:		
Gain on sale of investments	(39,512)	(66,404)
Amortization of deferred contributions	(155,455)	(136,705)
Amortization of tangible capital assets	260,447	287,167
Amortization of broadcast rights	3,665,749	3,687,827
Unrealized gain (loss) on investments	(755,987)	577,377
Changes in non-cash working capital:		
Accounts receivable	86,151	(69,628)
Prepaid expenses	57,245	29,435
Accounts payable and accrued liabilities	472,967	(175,018)
Deferred revenue, projects	(55,071)	(131,314)
Deferred contributions	(1,906,463)	2,500,832
	3,104,263	10,121,463
Financing:		
Contributions received for broadcast rights	200,000	-
Investing:		
Purchase of investments, net	(1,485,842)	(6,438,391)
Capital:		
Acquisition of tangible capital assets	(237,484)	(81,580)
Acquisition of broadcast rights	(3,623,773)	(2,939,673)
	(3,861,257)	(3,021,253)
Increase (decrease) in cash	(2,042,836)	661,819
Cash, beginning of year	2,407,560	1,745,741
Cash, end of year	\$ 364,724	\$ 2,407,560

See accompanying notes and schedule to consolidated financial statements.



# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements

Year ended March 31, 2023

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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 "Province").

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 permit recognition of 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 tangible capital assets by deferring and amortizing them to income on the same basis as the related tangible capital asset amortization expense. Transfers that do not contain stipulations that create a liability are required by Canadian public sector accounting standards to be reported in income.

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

# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

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## 2. Significant accounting policies (continued):

### (b) Revenue recognition:

Externally restricted contributions, except for contributions restricted for tangible 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 tangible 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 tangible capital assets and broadcast rights:

Funding received from the Province 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, 2023

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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 and accumulated surplus.

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, 2023

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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) Investments:

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 cash commitments. Investments reported at fair value recognize any changes in fair value in the consolidated statement of remeasurement gains and losses.

#### (iii) Marketable securities:

Equity and debt investments quoted in an active market are reported at fair value. The Corporation has a diversified securities portfolio that includes deposits, bonds, and equities. Marketable 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, 2023

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## 2. Significant accounting policies (continued):

### (i) Income taxes:

KWCC uses the taxes payable method to account for income taxes whereby the expense (recovery) of the period consists only of the cost (benefit) of current income taxes for that period, determined in accordance with the rules established by the taxation authorities. For the year ended March 31, 2023, an income tax refund of \$19,776 (2022 - \$51,415) was received.

### (j) Endowment investments:

The endowment investments include external donations received by the Corporation or internally endowed funds as approved by the Board of Directors (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 approved by the Board.

### (k) Asset retirement obligations:

On April 1, 2022, the Corporation adopted Public Accounting Standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, as well as contractual liabilities under lease arrangements by public sector entities.

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

There was no impact on the consolidated financial statements as a result of adopting this new standard.

## 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, 2023, the balance in the US dollar account was USD \$87,328 (2022 - USD \$105,767).

# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

## 3. Cash and investments (continued):

(b) Portfolio and endowment investments:

	2023	2022
Fixed income	\$ 7,019,998	\$ 6,104,702
Common shares	12,641,894	12,808,898
Mutual funds	-	75,155
Other investments measured at fair value	5,216,291	4,403,586
	<u>\$ 24,878,183</u>	<u>\$ 23,392,341</u>

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

	2023	2022
Portfolio investments	\$ -	\$ 601,990
Endowment investments	24,878,183	22,790,351
	<u>\$ 24,878,183</u>	<u>\$ 23,392,341</u>

Changes in portfolio investments are comprised of the following:

	2023	2022
Balance, beginning of year	\$ 601,990	\$ 1,476,333
Internal transfer to cash	(666,859)	(1,005,536)
Net remeasurement gains (losses)	(16,808)	93,333
Investment income included in other income	81,677	37,860
Balance, end of year	<u>\$ -</u>	<u>\$ 601,990</u>

Changes in endowment investments are comprised of the following:

	2023	2022
Balance, beginning of year	\$ 22,790,351	\$ 15,477,617
Endowment contributions received	2,103,202	5,666,311
Withdrawals	(275,000)	(250,000)
Internal transfer from cash	89,746	697,639
Net remeasurement gains (losses)	(778,691)	484,044
Endowment investment income	1,072,897	841,468
Investment costs included in other income	(124,322)	(126,728)
Balance, end of year	<u>\$ 24,878,183</u>	<u>\$ 22,790,351</u>

# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

## 4. Deferred contributions:

	2023	2022
Deferred contributions related to:		
Tangible capital assets (a)	\$ 502,747	\$ 584,047
Broadcast rights (b)	531,756	405,911
Production development (c)	792,569	2,699,032
	<u>\$ 1,827,072</u>	<u>\$ 3,688,990</u>

### (a) Tangible capital assets:

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

	2023	2022
Balance, beginning of year	\$ 584,047	\$ 665,347
Amortization of deferred contributions	(81,300)	(81,300)
Balance, end of year	<u>\$ 502,747</u>	<u>\$ 584,047</u>

### (b) Broadcast rights:

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

	2023	2022
Balance, beginning of year	\$ 405,911	\$ 461,316
Contributions received	200,000	-
Amortization of deferred contributions	(74,155)	(55,405)
Balance, end of year	<u>\$ 531,756</u>	<u>\$ 405,911</u>

### (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.

	2023	2022
Balance, beginning of year	\$ 2,699,032	\$ 198,200
Contributions received	2,019,578	2,500,832
Amounts recognized as production funding revenue	(3,926,041)	-
Balance, end of year	<u>\$ 792,569</u>	<u>\$ 2,699,032</u>

# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

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## 5. Broadcast rights:

	2023	2022
Cost:		
Opening balance	\$ 20,578,363	\$ 20,942,722
Additions	3,623,773	2,939,673
Expired rights	(3,494,107)	(3,304,032)
	20,708,029	20,578,363
Accumulated amortization:		
Opening balance	10,761,914	10,378,119
Amortization	3,665,749	3,687,827
Expired rights	(3,494,107)	(3,304,032)
	10,933,556	10,761,914
Net book value	\$ 9,774,473	\$ 9,816,449



# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

## 6. Tangible capital assets:

	Furniture and fixtures	Computer equipment	Other equipment	Software	Broadcast equipment	Leasehold improvements	2023
Cost:							
Opening balance	\$ 880,545	\$ 3,620,525	\$ 2,396,439	\$ 498,931	\$ 14,250,143	\$ 37,695	\$ 21,684,278
Additions	-	237,484	-	-	-	-	237,484
Closing balance	880,545	3,858,009	2,396,439	498,931	14,250,143	37,695	21,921,762
Accumulated amortization:							
Opening balance	833,890	3,194,709	2,396,439	483,930	13,088,729	37,695	20,035,392
Amortization	4,666	108,911	-	7,500	139,370	-	260,447
Closing balance	838,556	3,303,620	2,396,439	491,430	13,228,099	37,695	20,295,839
Net book value	\$ 41,989	\$ 554,389	\$ -	\$ 7,501	\$ 1,022,044	\$ -	\$ 1,625,923

	Furniture and fixtures	Computer equipment	Other equipment	Software	Broadcast equipment	Leasehold improvements	2022
Cost:							
Opening balance	\$ 880,545	\$ 3,582,763	\$ 2,396,439	\$ 498,931	\$ 14,206,325	\$ 37,695	\$ 21,602,698
Additions	-	37,762	-	-	43,818	-	81,580
Closing balance	880,545	3,620,525	2,396,439	498,931	14,250,143	37,695	21,684,278
Accumulated amortization:							
Opening balance	828,706	3,092,975	2,386,576	468,930	12,933,343	37,695	19,748,225
Amortization	5,184	101,734	9,863	15,000	155,386	-	287,167
Closing balance	833,890	3,194,709	2,396,439	483,930	13,088,729	37,695	20,035,392
Net book value	\$ 46,655	\$ 425,816	\$ -	\$ 15,001	\$ 1,161,414	\$ -	\$ 1,648,886

# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

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## 7. Production funding:

During the year ended March 31, 2023, the Corporation completed production of Season 1 of the LCI series (40 episodes). Funding provided in relation to the LCI series during the year ended March 31, 2023 totaled \$1,900,475 (2022 – \$4,401,305). Of this amount, \$1,227,010 (2022 - \$2,500,832) was recognized as deferred contributions (note 4(c)) as at March 31, 2023. Deferred contributions totaling \$3,926,041 for the completed Season 1 production were recognized as revenue (2022 - nil). Production expenditures incurred during the year ended March 31, 2023 totaled \$1,711,676 (2022 – \$5,775,502) have been included in programming and presentation expenses in the consolidated statement of operations.

In July 2022 the Corporation entered into a series of agreements to produce Season 2 of the same series. This production is expected to be completed by December 2023. Funding provided for Season 2 for the year ended March 31, 2023 totaled \$1,899,135 (2022 – nil). Of this amount \$792,568 (2022 - nil) was recognized as deferred contribution (note 4(c)) as at March 31, 2023 (2022 – nil). Production expenses incurred for Season 2 during the year totaled \$4,698,528 (2022 – 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 \$1,500,000 (2022 - \$1,000,000). As at March 31, 2023, no amount was drawn on this credit facility (2022 - nil).

## 9. Commitments:

### (a) Satellite transmission service:

The Corporation acquires satellite transmission services at an annual cost of approximately \$178,331 (2022 - \$178,296) under agreements covering a four-year period ending August 31, 2025.

### (b) License fees and production costs:

The Corporation acquires programs which require the commitment of funds. As at March 31, 2023, the Corporation is committed to pay \$2,176,042 (2022 - \$2,009,816) for license fees over the period April 2023 to March 2025.

The Corporation also produces programs which require the commitment of funds (note 7). As at March 31, 2023, the Corporation is committed to pay \$3,412,003 (2022 – \$1,669,928) for production expenses over the period of April 2023 to December 2024.

# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

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## 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 \$319,998 (2022 - \$346,575).

## 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, 2022, the College Pension Plan has about 16,500 active members and approximately 10,000 retired members. As at December 31, 2021, the Municipal Pension Plan has approximately 227,000 active members and 118,000 retired members.

Active College Pension Plan members include 14 contributors and active Municipal Pension Plan members include 32 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, 2021 indicated a \$202 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as of August 31, 2024, with results available in 2025.

The most recent valuation for the Municipal Pension Plan as at December 31, 2021 indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as of December 31, 2024, with results available in 2025.

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 \$366,384 (2022 - \$385,200) for employer contributions while employees contributed \$350,852 (2022 - \$341,987) to the plans in fiscal 2023.

# KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2023

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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, 2023:

(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.

(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.

(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. 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, 2023

## 13. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2023	2022
Invested in tangible capital assets	\$ 1,123,176	\$ 1,064,839
Invested in broadcast rights	9,242,717	9,410,538
Endowment funds	24,878,183	22,790,351
Unrestricted surplus (deficit)	(1,242,769)	56,886
Balance, end of year	\$ 34,001,307	\$ 33,322,614

## 14. Budget figures:

Consolidated budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board on February 17, 2022.

## 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 expenses that are directly attributable to each operational category. The 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 the Corporation's 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, 2023

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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.

### *Amortization of broadcast rights and tangible capital assets:*

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

### *Administration:*

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

# KNOWLEDGE NETWORK CORPORATION

## Schedule of Consolidated Expenses by Object

Year ended March 31, 2023, with comparative information for 2022

	Programming and presentation	Marketing and development	Broadcast platforms and corporate IT	Amortization of broadcast rights & capital equipment	Administration	2023 consolidated	Budget consolidated (note 14)	2022 consolidated
Salaries and benefits	\$ 1,798,105	\$ 1,141,807	\$ 1,260,698	\$ -	\$ 1,002,426	\$ 5,203,036	\$ 5,039,587	\$ 4,886,838
Amortization of capital assets and broadcast rights	-	-	-	3,926,196	-	3,926,196	4,025,000	3,974,994
Purchased services	7,249,326	523,204	683,968	-	130,551	8,587,049	3,015,016	7,531,543
Supplies, shipping, minor software, maintenance	27,766	550,674	549,378	-	229,938	1,357,756	1,077,245	1,169,383
Travel, miscellaneous, other	48,873	145,088	26,303	-	286,345	506,609	914,828	380,890
Facilities operating costs, rental	-	1,800	-	-	321,517	323,317	320,000	353,967
Income taxes (recovery)	-	-	-	-	(19,776)	(19,776)	-	(51,415)
	\$ 9,124,070	\$ 2,362,573	\$ 2,520,347	\$ 3,926,196	\$ 1,951,001	\$ 19,884,187	\$ 14,391,676	\$ 18,246,200

