Consolidated Financial Statements of

KNOWLEDGE NETWORK CORPORATION

And Independent Auditor’s Report thereon

Year ended March 31, 2023

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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.

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KPMG Canada provides services to KPMG LLP.

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
	777,982	3,508,959
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
	3,060,953	4,504,975
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
	36,284,278	34,318,630
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
	$ 34,001,307	$ 33,322,614

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
Revenue:			
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
Expenses (note 15):			
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.

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.

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).

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.

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.

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).

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
	$ 24,878,183	$ 23,392,341

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
	$ 24,878,183	$ 23,392,341

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	$ -	$ 601,990

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	$ 24,878,183	$ 22,790,351

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
	$ 1,827,072	$ 3,688,990

(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	$ 502,747	$ 584,047

(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	$ 531,756	$ 405,911

(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	$ 792,569	$ 2,699,032

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

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

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.

10. Related party transactions:

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

In the normal course of operations, the Corporations pays rent to BCIT, a provincially controlled post-secondary institution, of $1 per annum and its share of the building operating costs totaling $319,998 (2022 - $346,575).

11. Pensions:

The Corporation and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusteed 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.

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.

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.

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