Consolidated Financial Statements of

KNOWLEDGE NETWORK CORPORATION

Year ended March 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Knowledge Network Corporation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Knowledge Network Corporation, which comprise the Consolidated Statement of Financial Position as at March 31, 2015 and the Consolidated Statements of Operations, Remeasurement Gains and Losses, Changes in Net Financial Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the basis of accounting described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Knowledge Network Corporation as at March 31, 2015, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with the basis of accounting as described in Note 2 to the financial statements.

Report on Other Legal and Regulatory Requirements

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Comparative Information

The financial statements of Knowledge Network Corporation as at and for the year ended March 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 16, 2014.

Chartered Accountants

May 15, 2015

Burnaby, Canada

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
Financial assets:		
Cash (note 3(a))	$ 2,900,292	$ 537,142
Accounts receivable (note 9)	677,672	1,173,133
Portfolio investments (note 3(b))	456,381	529,013
	4,034,345	2,239,288
Liabilities:		
Accounts payable and accruals	$ 1,004,377	$ 649,494
Income taxes payable	57,500	40,242
Deferred revenue, projects	298,508	282,775
Deferred contributions (note 4)	2,323,958	2,686,319
	3,684,343	3,658,830
Net financial assets (liabilities)	350,002	(1,419,542)
Non-financial assets:		
Broadcast rights (note 5)	$ 8,446,201	$ 8,953,490
Tangible capital assets (note 6)	2,588,627	2,760,120
Prepaid expenses	54,741	50,702
Endowment investments (note 3(b))	2,842,332	1,674,453
	13,931,901	13,438,765
Commitments (note 8)		
Accumulated surplus (note 13)	$ 14,281,903	$ 12,019,223
Accumulated surplus represented by:		
Accumulated surplus	$ 13,991,349	$ 11,816,576
Accumulated remeasurement gains and losses	290,554	202,647
	$ 14,281,903	$ 12,019,223

See accompanying notes to financial statements.

Approved on behalf of:

Nini Baird
Chair of the Board

Rudy Buttignol
President and Chief Executive Officer

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	Budget (note 14)	2015	2014
Revenue:			
Province of British Columbia operating grants	$ 6,259,506	$ 6,259,512	$ 6,259,506
Donations and sponsorships	3,450,000	3,905,723	3,531,289
Specialty TV channel subscription fees	1,372,042	1,545,652	1,387,422
Amortization of deferred contributions (note 6)	244,000	510,949	472,089
Endowment investment income	52,500	163,664	44,080
Other	275,000	344,753	384,176
	11,653,048	12,730,253	12,078,562
Expenses (note 10):			
Programming and presentation	1,887,378	1,924,646	1,850,204
Marketing and development	2,105,978	2,034,234	2,150,711
Broadcast platforms and corporate IT	1,894,119	2,059,267	2,252,754
General	532,439	438,999	445,699
Amortization of broadcast rights	2,997,902	3,027,128	2,848,648
Administration	1,175,691	1,177,455	1,228,671
Specialty TV channel	1,016,880	1,042,499	960,106
	11,610,386	11,704,228	11,736,793
Annual surplus from operations	42,662	1,026,025	341,769
Endowment contributions received	200,000	1,148,748	337,885
Annual surplus	242,662	2,174,773	679,654
Accumulated surplus, beginning of year	11,816,576	11,816,576	11,136,922
Accumulated surplus, end of year	$ 12,059,238	$ 13,991,349	$ 11,816,576

See accompanying notes to financial statements.

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2015, with comparative information for 2014

		2015		2014
Accumulated remeasurement gains, beginning of year	$	202,647	$	96,770
Remeasurement gains (losses) attributable to portfolio investments		175,655		(16,770)
Amounts reclassified to statement of operations:				
Realized loss (gain) on portfolio investment		(87,748)		122,647
Net remeasurement gains for the year		87,907		105,877
Accumulated remeasurement gains, end of year	$	290,554	$	202,647

See accompanying notes to financial statements.

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2015, with comparative information for 2014

	Budget (note 14)	2015	2014
Annual surplus	$ 105,588	$ 2,174,773	$ 679,654
Net remeasurement gains for the year	-	87,907	105,877
	105,588	2,262,680	785,531
Acquisition of tangible capital asset	(90,000)	(220,814)	(511,618)
Amortization of tangible capital assets	489,166	392,307	393,295
	399,166	171,493	(118,323)
Acquisition of broadcast rights	(3,533,374)	(3,133,686)	(3,966,290)
Amortization of broadcast rights	3,601,710	3,640,975	3,324,113
	68,336	507,289	(642,177)
Acquisition of endowment investments	(200,000)	(1,167,879)	(337,885)
Acquisition of prepaid expenses	-	(54,741)	(50,702)
Use of prepaid expenses	-	50,702	77,832
	-	(4,039)	27,130
Increase (decrease) in net financial assets	373,090	1,769,544	(285,724)
Net financial debt, beginning of year	(1,419,542)	(1,419,542)	(1,133,818)
Net financial assets (debt), end of year	$ (1,046,452)	$ 350,002	$ (1,419,542)

See accompanying notes to financial statements.

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided (used by):		
Operations:		
Annual surplus	$ 2,174,773	$ 679,654
Items not involving cash:		
Loss (gain) on sale of investments	(87,748)	122,647
Amortization of deferred contributions	(510,949)	(472,089)
Amortization of capital assets	392,307	393,295
Amortization of broadcast rights	3,640,975	3,324,113
Changes in non-cash working capital:		
Accounts receivable	495,461	382,438
Prepaid expenses	(4,039)	27,129
Accounts payable and accruals	354,883	(313,278)
Income taxes receivable/payable	17,258	110,838
Deferred revenue, projects	15,733	(744,674)
	6,488,654	3,510,073
Financing:		
Contributions received for broadcast rights	148,588	749,449
Investing:		
Redemption (purchase) of portfolio investments	(919,592)	2,034
Capital:		
Purchase of tangible capital assets	(220,814)	(511,618)
Purchase of broadcast rights	(3,133,686)	(3,966,290)
	(3,354,500)	(4,477,908)
Increase (decrease) in cash	2,363,150	(216,352)
Cash, beginning of year	537,142	753,494
Cash, end of year	$ 2,900,292	$ 537,142

See accompanying notes to financial statements.

1. Nature of operations:

Knowledge Network Corporation (the "Corporation") was incorporated as a Crown corporation in 2009 under the Knowledge Network Corporation Act, a statute of the Province of British Columbia. In years prior to 2009, the organization operated as part of the Open Learning Agency under the Open Learning Agency Act.

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 Technology, Innovation and Citizens' Services.

The Corporation is a registered charity under the provision of the Income Tax Act of Canada and is not subject to income taxes. The Corporation's 50% owned subsidiary 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, except in regard to the accounting for broadcast rights and government transfers.

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

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

The consolidated financial statements reflects the assets, liabilities, revenue, expenses, and accumulated surplus of the reporting entity, which includes the proportionate consolidation of the Corporation's 50% owned subsidiary, Knowledge-West Communications Corporation ("KWCC"). Inter-entity balances and transactions have been eliminated on consolidation.

(b) Revenue recognition:

Externally restricted contributions 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.

2. Significant accounting policies (continued):

(b) Revenue recognition (continued)

Subscription fees are recorded on an accrual basis as services are provided, except when the amount cannot be determined with a reasonable degree of certainty. 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 rates ranging from 10% to 30% per annum, computer software is amortized over the estimated useful life on the declining balance basis at 50%, and leasehold improvements are amortized on a straight-line basis over the term of the lease.

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

Funding received from the Province of British Columbia used for the acquisition of tangible capital assets is recorded as deferred contributions and is recognized as a recovery in the Statement of Operations equal to 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).

(f) Financial instruments:

Derivatives and equity instruments quoted in an active market are measured at fair value. The Corporation measures other specific financial instruments at cost or amortized cost to correspond with how they are evaluated and managed.

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.

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

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

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 statement of operations.

Financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations and any related fair value changes previously recorded in the statement of remeasurement gains and losses 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.

The Corporation has designated its financial instruments as follows:

i. Cash

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

ii. Short-term investments

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

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

iii. Market securities

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

iv. Other financial assets and financial liabilities

Other assets and accounts payable and accruals are measured at amortized cost using the effective interest method.

(g) Measurement uncertainty:

The preparation of financial statements 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 financial statements and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from those reported.

(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 financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

(i) Income taxes:

KWCC uses the taxes payable method to account for income taxes whereby the expense (income) of the period consists only of the cost (benefit) of current income taxes for that period, determined in accordance with the rules established by the taxation authorities

3. Cash and portfolio investments:

(a) Cash:

The Corporation's bank accounts are held at one Canadian chartered bank. Interest is earned at prime minus 1.95% and is paid on a monthly basis. As at March 31, 2015, the balance in the US dollar account was $76,368 (2014 - $100,175).

(b) Portfolio investments:

	2015	2014
Fixed income	$ 364,188	$ 343,901
Common shares	2,739,307	1,699,932
Mutual funds	19,105	7,146
Other	176,113	152,487
	$ 3,298,713	$ 2,203,466

	2015	2014
Portfolio investments	$ 456,381	529,013
Endowment investments	2,842,332	1,674,453
	$ 3,298,713	$ 2,203,466

Fixed income investments bear interest ranging from 1.95% - 8.00% (2014 - 2.63% - 8.00%) with maturities ranging from June 2017 to December 2045. Mutual funds consist of money market funds which are redeemable at any time.

4. Deferred contributions

(a) Capital assets:

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

	2015	2014
Balance, beginning of year	$ 1,693,096	$ 1,937,102
Less: amounts recognized as revenue	(212,300)	(244,006)
Balance, end of year	$ 1,480,796	$ 1,693,096

4. Deferred contributions (continued):

(b) Broadcast rights:

Deferred contributions related to broadcast rights represent the unamortized amount of funds received for the acquisition of programs. Amortization of deferred contributions is recorded as revenue.

	2015	2014
Balance, beginning of year	$ 993,223	$ 471,857
Contribution received	148,588	749,449
Amounts recognized as revenue	(298,649)	(228,083)
Balance, end of year	$ 843,162	$ 993,223
Deferred contributions, end of year	$ 2,323,958	$ 2,686,319

5. Broadcast rights:

	2015	2014
Cost:		
Opening balance	$ 15,577,937	$ 13,472,765
Additions	3,133,686	3,966,290
Expired rights	(1,593,929)	(1,861,118)
	17,117,694	15,577,937
Accumulated amortization:		
Opening balance	$ 6,624,447	$ 5,161,452
Amortization	3,640,975	3,324,113
Expired rights	(1,593,929)	(1,861,118)
	8,671,493	6,624,447
Net book value	$ 8,446,201	$ 8,953,490

6. Tangible capital assets:

	Furniture And fixtures	Computer equipment	Equipment	Software	Broadcast network equipment	leasehold improvements	2015
Cost:							
Opening balance	$ 880,545	$ 3,005,496	$ 2,396,439	$ 391,698	$ 13,563,594	$ 37,695	$ 20,275,467
Additions	-	46,261	-	27,538	147,015	-	220,814
Closing balance	880,545	3,051,757	2,396,439	419,236	13,710,609	37,695	20,496,281
Accumulated amortization:							
Opening balance	$ 772,161	$ 2,600,870	$ 2,350,156	$ 372,241	$ 11,393,400	$ 26,519	$ 17,515,347
Amortization	10,838	85,551	6,943	16,613	270,127	2,235	392,307
Closing balance	782,999	2,686,421	2,357,099	388,854	11,663,527	28,754	17,907,654
Net book value	$ 97,546	$ 365,336	$ 39,340	$ 30,382	$ 2,047,082	$ 8,941	$ 2,588,627

	Furniture And fixtures	Computer equipment	Equipment	Software	Broadcast network equipment	leasehold improvements	2014
Cost:							
Opening balance	$ 880,545	$ 3,002,452	$ 2,396,439	$ 365,755	$ 13,080,963	$ 37,695	$ 19,763,849
Additions	-	3,044	-	25,943	482,631	-	511,618
Closing balance	880,545	3,005,496	2,396,439	391,698	13,563,594	37,695	20,275,467
Accumulated amortization:							
Opening balance	$ 760,118	$ 2,500,094	$ 2,341,989	$ 365,755	$ 11,130,371	$ 23,725	$ 17,122,052
Amortization	12,043	100,776	8,167	6,486	263,029	2,794	393,295
Closing balance	772,161	2,600,870	2,350,156	372,241	11,393,400	26,519	17,515,347
Net book value	$ 108,384	$ 404,626	$ 46,283	$ 19,457	$ 2,170,194	$ 11,176	$ 2,760,120

7. 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 $500,000. As at March 31, 2015 and March 31, 2014 no amount was drawn on this credit facility.

8. Commitments:

Satellite transmission service

The Corporation acquires satellite transmission services at an annual cost of approximately $425,688 under agreements covering a four year period ending August 31, 2016.

Production costs

The Corporation acquires programs that require the commitment of funds. As at March 31, 2015, the Corporation is committed to pay $1,784,961 (2014: $2,190,249) for license fees over the period from April 2015 to March 2017.

9. Related party transactions:

The Corporation is related through common control 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 the British Columbia Technical Institute of Technology, a Provincially controlled post-secondary institution, of $1 per annum and its share of the building operating costs totaling $250,821 (2014: $248,462).

Included in accounts receivable is $400,000 (2014: $750,000) related to a loan due from KWCC, representing the 50% portion of the $800,000 loan balance (2014:$1,500,000) attributable to the unrelated partner. The loan is unsecured and bears interest at 5% per annum. Also included in accounts receivable is $49,825 (2014: $218,323) related to advances, fees and interest receivable from KWCC.

10. Expense Presentation:

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

Program management, presentation and promotions

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.

Marketing and development

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

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.

Broadcast platforms and corporate information technology

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

General

This category includes amortization of tangible capital assets and other administrative expenses.

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.

Specialty TV channel

This category represents the operations of the BBC Kids tier 2 digital specialty channel via KWCC. BBC Kids is available to Canadian cable and Internet TV subscribers.

11. Pensions:

The Corporation and its employees contribute to the College Pension Plan and Municipal Pension Plan ("The Plans"), jointly trusteed pension plans. The boards of trustees for these plans, representing plan members and employers, and are responsible for overseeing the management of the Plans, including investment of the assets and administration of benefits. The Plans are multi-employer contributory pension plans. Basic pension benefits provided are based on formulas. The College Pension Plan has about 12,900 active members from college senior administration and instructional staff and approximately 5,100 retired members. The Municipal Pension Plan has about 179,000 active members and approximately 71,000 retired members.

Active College Pension Plan members include approximately 14 contributors, and active Municipal Pension Plan members include approximately 33 contributors from the Corporation.

The most recent valuation for the College Pension Plan as at August 31, 2012 indicated an unfunded liability of $105 million for basic benefits. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012 indicated a $1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016.

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 the Plans in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plans.

The Corporation paid $333,694 (2014: $327,868) for employer contributions while employees contributed $303,620 (2014: $300,535) to the Plans in fiscal 2015.

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, 2015.

(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 cash, portfolio 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.

12. Financial instruments risks (continued):

(b) Foreign exchange risk:

Foreign exchange risk is the risk that the fair value or 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 as noted in Note 3(b).

(c) Interest rate risk:

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

(d) Market risk:

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

	2015	2014
Invested in tangible capital assets	$ 1,107,831	$ 1,067,024
Invested in broadcast rights	7,603,039	7,960,267
Endowment funds	2,842,332	1,674,453
Unrestricted amounts	2,728,701	1,317,479
Balance, end of year	$ 14,281,903	$ 12,019,223

14. Budget figures:

Budget figures are provided for comparison purposes and have been derived from the budget approved by the Board of Directors on February 24, 2014.

KNOWLEDGE NETWORK CORPORATION

Schedule of consolidated expenses by object

Year ended March 31, 2015, with comparative information for 2014

	Programming and presentation	Marketing and development	Broadcast platforms and Corporate IT	General	Amortization of broadband rights	Administration	Specialty TV channel	2015 consolidated	Budget consolidated	2014 consolidated
Salaries and benefits	$ 1,278,655	$ 961,434	$ 1,223,320	$ -	$ -	$ 768,142	$ 77,815	$ 4,309,366	$ 4,332,458	$ 4,439,203
Amortization of capital assets and broadcast rights	-	-	-	325,805	3,027,128	-	680,349	4,033,282	4,090,875	3,775,102
Purchased services	524,110	539,858	163,308	6,496	-	41,544	101,180	1,376,496	1,332,383	1,515,431
Supplies, shipping, minor software, maintenance	73,252	430,037	655,056	52,198	-	11,425	116,527	1,338,495	1,149,712	1,347,914
Travel, miscellaneous, other	48,631	102,905	17,582	54,499	-	105,523	12,776	341,916	422,674	319,102
Facilities operating costs, rental	-	-	-	-	-	250,821	-	250,821	264,000	248,462
Income taxes	-	-	-	-	-	-	53,852	53,852	18,284	91,579
	$ 1,924,648	$ 2,034,234	$ 2,059,266	$ 3,466,126	$ 3,027,128	$ 1,177,455	$ 1,042,499	$ 11,704,228	$ 11,610,386	$ 11,736,793