

Knowledge Network Corporation

2019/20

Annual Service Plan Report



**BRITISH
COLUMBIA'S**

**Knowledge
Network:**

For more information on Knowledge Network Corporation contact:

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

Phone: 604.431.2222 Toll Free: 1.877.456.6988

info@knowledge.ca

Or visit our website at

Knowledge.ca

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Board Chair's Accountability Statement



The *Knowledge Network Corporation 2019/20 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2019/20 – 2021/22 Service Plan* created in February 2019. The Board is accountable for those results as reported.

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

Maurine Karagianis
Chair, Knowledge Network Corporation Board of Directors
June 16, 2020

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Letter from the Board Chair & CEO

On behalf of the Board of Directors, we respectfully submit Knowledge Network Corporation's 2019/20 Annual Service Plan Report.

As the fiscal year concluded, the COVID-19 pandemic upended everyone's life the world over. While impacts from the pandemic will be chiefly felt in the 2020/21-year, Knowledge Network established new workflows in March to ensure staff safety and continued uninterrupted service to British Columbians.

To support Government priorities, Knowledge Network provides a universally accessible service that provides programs in the public interest. We make life more affordable for British Columbians by providing a high-quality public service that is free and commercial-free through television and multiple streaming apps and websites.

Knowledge Network delivers services that people count on through programming that meets the diverse needs of viewers, such as educational content that fosters learning for young children and their caregivers, as well as documentaries and performing arts programs that connect seniors to their province and the world.

To build a sustainable and innovative economy that works for everyone, Knowledge Network acquires, develops and commissions documentaries and children's programs from local, regional and global perspectives. Filmmakers are partners in the creation and financing of original award-winning programs that support our public mandate. Notable and heralded commissions, Knowledge Originals, premiered in 2019/20 include: the documentary series *Paramedics: Life on the Line*, *Space Suite IV* and *Space Suite: Apollo*; and the animated children's special *Luna, Chip & Inkie in The Festival of Wishes*.

In support of the United Nations Declaration on the Rights of Indigenous People and the Truth and Reconciliation Calls to Action, Knowledge Network reflects Indigenous cultural diversity through programs from Indigenous filmmakers. A highlight from Knowledge Network's Fall 2019 season was the award-winning Canadian documentary *Angry Inuk*. In partnership with the National Film Board, the *Indigenous Cinema Collection* comprised of documentaries by B.C. and Canadian Indigenous filmmakers, launched on National Indigenous Peoples Day on Knowledge Network's streaming platforms.

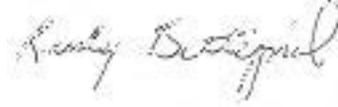
Knowledge Network's continued investment in British Columbian, Canadian and international programming has been made possible thanks to the support from 40,000 generous donors who have contributed an all-time record of \$5.1 million to the Knowledge Partners Annual Fund.

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



Maurine Karagianis
Chair, Knowledge Network Corporation
Corporation Board of Directors

June 16, 2020



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

June 16, 2020

Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the [Budget Transparency and Accountability Act](#) (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown corporation’s Board is required to report on the actual results of the Crown’s performance related to the forecasted targets documented in the previous year’s Service Plan.

Purpose of the Organization

Knowledge Network is a Crown corporation, created in 2008 under the *Knowledge Network Corporation Act* and it is federally licensed by the Canadian Radio-television and Telecommunications Commission (CRTC). Knowledge Network is also a registered charity with the Canada Revenue Agency, engaging in fundraising activities through Knowledge Partners and the Knowledge Endowment Fund.

British Columbia’s Knowledge Network is supported through donations from viewers and an annual operating grant from the Province of British Columbia. We are dedicated to the exploration of life, connecting British Columbians to the world through commercial-free programming anytime, anywhere.

Knowledge Network delivers educational content to British Columbians, including content that informs and educates British Columbians about their province and about issues that are relevant to them. This content is delivered through mandatory carriage on cable, direct-to-home satellite and internet protocol television (IPTV) services. Programs are also available through streaming video at Knowledge.ca, KnowledgeKids.ca, the Knowledge apps and the Knowledge Kids apps. We develop, license and commission documentaries for broadcast on all platforms.

Strategic Direction

The strategic direction set by Government in 2019/20 and expanded upon in the Board Chair’s [Mandate Letter](#) from the Minister Responsible in 2019 shaped the 2019/20 Knowledge Network Corporation [Service Plan](#) and results reported in this annual report.

Knowledge Network Corporation is aligned with the Government’s key priorities:

Government Priorities	Knowledge Network Corporation aligns with these priorities by:
Making life more affordable	<ul style="list-style-type: none"> Offering a high-quality public service (free and commercial free) through any platform British Columbians choose to use (Objective 2.1).
Delivering the services people count on	<ul style="list-style-type: none"> Enhancing the accessibility and quality of Knowledge Network’s regularly scheduled broadcast service to maintain its relevance and importance to British Columbians (Goal #1). Strengthening programming to meet the diverse needs of viewers, specifically positive, educational content that fosters learning for young children and their families, and programs that inform and inspire audiences 50+ (Objective 1.1).
A strong, sustainable economy	<ul style="list-style-type: none"> Championing more B.C. stories and support more storytellers (Goal #3).

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|--|---|
| | <ul style="list-style-type: none">• Creating more B.C. and Canadian stories and strengthening the independent production community through commissioning efforts (Objective 3.1). |
|--|---|

Operating Environment

Knowledge Network identified four primary risks that impacted our public service in 2019/20. The strategies supporting our strategic goals helped mitigate these risks within our operating environment.

1. Multi-Platform Broadcast Rights
 - The growth in online streaming and video on demand (VOD) services is creating increased competition for programs and their multi-platform rights, increasing costs and availability of content.
2. Audience Behaviour
 - Competition for audiences from an increasing number of streaming services.
 - Significant migration of kids viewing away from scheduled television.
3. Revenue from Charitable Giving
 - Charitable giving in Canada continues to decline amidst a growing number of charities seeking support.
4. New Donors
 - Fewer people are giving to charities in Canada.

Report on Performance: Goals, Objectives, Measures and Targets

Our goals and strategies are based on our Strategic Plan entitled *The Best Is Yet to Come*. Investment in original programming, expansion of digital platforms and growth in donors and donations are reflected through our performance measures.

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

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

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

Key Highlights

- Premiered three Knowledge Original documentaries:
 1. *Paramedics: Life on the Line* – an award-winning 10-part documentary series following paramedics and dispatchers at British Columbia’s Emergency Health Services.
 2. *Space Suite IV* – a series of 10 short films that explore the infinite wonders of our universe and our interactions with the cosmos.
 3. *Space Suite: Apollo* – the history of NASA’s Lunar missions that ultimately landed a man on the moon.
- Premiered Knowledge Kids Original *Luna, Chip & Inkie in The Festival of Wishes*.
- Presented 21 weeks of programming to mark the 75th Anniversary of the end of World War II.
- Presented *Inside Europe: 10 Years of Turmoil* – a three-part series examining the recent history of the European Union.

Performance Measures		2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
1.1a Total Reach ¹ (People)	Knowledge Primetime/Overnight	3,018,000	3,000,000	2,887,000	3,000,000	3,000,000
	Knowledge Kids ²	2,173,000	2,000,000	1,955,000	2,000,000	2,000,000
1.1b Total Share ³	Knowledge Primetime	4.7%	4.5%	4.6%	4.5%	4.5%

Data Source: Numeris Canada.

¹ Unduplicated number (number of people exposed) of those viewing at least one minute of programming in the Vancouver Extended Market and Western Prairie Balance Market for Knowledge Primetime/Overnight (viewers 2+, 6pm to 4am) and Knowledge Kids (viewers 2+, 6am to 6pm, M-F; 6am to 12pm, Sat-Sun).

² Targets for 2020/21 and 2021/22 were updated. See the [2020/21 - 2022/23 Service Plan](#) for the updated figures.

³The proportion of individuals viewing a specific program or daypart compared to the total number of individuals watching TV during the same interval of time. Vancouver Extended Market for Knowledge Primetime (viewers 2+, 7pm to 11pm, M-S). Total share for Knowledge Kids is not included in this measure, as the growth opportunity for this demographic is not on television, but on our Knowledge Kids website and apps. The audience sample for this audience segment is also small, creating significant swings in market share from week to week.

Discussion of Results

As internet TV viewing increases, we are continuing to see shifts as viewers move from our linear service to our websites and apps. Total Reach for Primetime was 3.7 per cent lower than target and 2.2 per cent lower than target for Knowledge Kids. These viewing habit shifts are expected to persist, and they are reflected in lower targets set for Knowledge Kids in the 2020/21-2022/23 Service Plan. Knowledge Network remained the fourth most watched broadcaster in British Columbia, slightly increasing its Total Market Share to 4.6 per cent in Primetime.

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

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

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

Key Highlights

- Launched the Indigenous Cinema Collection in partnership with the National Film Board offering documentaries by Indigenous B.C. and Canadian filmmakers.
- Developed and launched a Knowledge app for Roku streaming devices.

Performance Measures		2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
2.1a Total Subscribers ^{1,4}	Knowledge.ca and Knowledge App	77,714	95,000	129,829	105,000	115,000
2.1b Total App Downloads ^{2,4}	Knowledge Apps	20,784	20,000	44,366	21,000	22,000
	Knowledge Kids Go Apps ⁵	96,143	93,000	113,825	98,000	103,000
2.1c Videos Played ^{3,4}	Knowledge.ca and Knowledge Apps	1,355,764	1,120,000	1,927,221	1,140,000	1,150,000
	KnowledgeKids.ca and Knowledge Kids Apps	6,674,551	8,550,000	6,750,692	8,600,000	8,650,000

Data Sources:

¹ Knowledge.ca website database. Tracks total users who complete registration for a Knowledge account (cumulative).

² Google Play Console (Android), iTunes Connect (Apple) and Samsung Smart TV Analytics. Tracks lifetime downloads (cumulative) for each fiscal year.

³ Google Analytics. Tracks total videos played across web and mobile platforms in a fiscal year.

⁴ Targets for 2020/21 and 2021/22 were updated for all the performance measure in this table. See the [2020/21 - 2022/23 Service Plan](#) for the updated figures.

⁵ App name has since changed from “Knowledge Kids Go” to “Knowledge Kids”.

Discussion of Results

Knowledge Network’s streaming platforms provide British Columbians with a free alternative to paid subscription and ad-supported media services. Streaming platforms for both children and adults continued to attract new audiences through significant growth in number of Total Subscribers and Total App Downloads, exceeding all targets for these two performance measures.

Videos Played on Knowledge.ca and Knowledge apps increased by 42 per cent compared to 2018/19. Videos Played on KnowledgeKids.ca and Knowledge Kids apps did not meet the target, with the viewership trends suggesting that the targets set in previous years may have been too high. Targets were based on the successful launch of the Knowledge Kids app in 2015 with the

support of Apple Canada which resulted in a significant short-term spike in streaming activity. The initial 2019/20 target was set to match this original level of engagement. Combined with an increasingly competitive landscape, future targets were adjusted down in the 2020/21 – 2022/23 Service Plan to reflect what is achievable in this continuously evolving environment.

The Knowledge Kids App is designed for young children (ages 2-8 years), who age out over time. This requires the acquisition of new users every year, and an entire new cohort every six years. Acquiring new users was an advantage when the app was launched with substantial viewership achieved as an entire new audience was available. Based on the demographic cycle for the app, gains and losses will increasingly average out as viewers age into and out of the app.

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

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

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

Key Highlights

- Invested in feature documentaries, shorts and series in partnership with B.C.’s independent production sector.
- Developed and commissioned more B.C. Indigenous stories told by Indigenous storytellers.
- Advanced the B.C. Documentary History Project, including the four-part history series and short films from independent B.C. filmmakers.

Performance Measures	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
3.1a Direct Investment in Multi-Platform Content ^{1,4}	\$2,091,800	\$2,200,000	\$1,264,020	\$2,200,000	\$2,200,000
3.1b Indirect Investment in Multi-Platform Content (CMF envelope, other CMF funding, Independent production funds, tax credits) ^{2,4}	\$20,218,767	\$14,000,000	\$10,433,490	\$12,000,000	\$12,000,000
3.1c B.C. Independent Production Budgets Supported by Knowledge Network ^{3,5}	\$25,176,476	\$7,000,000	\$4,567,388	\$7,000,000	\$7,000,000

Data Sources:

¹ Letters of Intent, short-form commission/lead agreement, or long form commission/lead agreement entered into with independent producers in a fiscal year. Knowledge Network directs funds from its budget for original content rights. This measure includes Knowledge Network investment in television and online original content for both children and adults. Targets may be adjusted due to the non-cyclical nature of content production in future reports.

² Financing plans for projects where Knowledge Network has issued a Letter of Intent, short-form commission/lead agreement, or long form commission/lead agreement in a fiscal year. As a licensed broadcaster, Knowledge Network can help B.C. independent producers trigger funding for B.C. independent productions from third-party

funding sources. Includes certified Canadian independent production funds, the Canada Media Fund (CMF), and federal and provincial tax credits. Based on Knowledge Network's investment, funding is generated from independent production funds towards B.C. and Canadian projects.

³ Project budgets submitted by independent producers where Knowledge Network has issued Letters of Intent, short-form commission/lead agreements, or long form commission/lead agreements. It represents all contributions to independent production budgets, including those committed by Knowledge Network in a fiscal year (includes certified Canadian independent production funds, the Canada Media Fund, and federal and provincial tax credits).

⁴ Targets for 2020/21 and 2021/22 were updated. See the [2020/21 - 2022/23 Service Plan](#) for the updated figures.

⁵ The 2021/22 target has been updated. See the [2020/21 - 2022/23 Service Plan](#) for the updated figure.

Discussion of Results

Knowledge Network made Direct Investments in 23 original multi-platform projects in 2019/20 including B.C. documentaries *Wolf/Dog* and *Society Page* where Knowledge Network is the lead broadcaster. Also included is *Red Fever*, a Canadian documentary by Indigenous filmmakers that will explore cultural appropriation in music, arts, literature and sports and why it is such an important and urgent topic today. B.C. Documentary History Project, a multi-year initiative commemorating the 150th anniversary of British Columbia's entry into Confederation in 2021, has made significant progress. The four-part documentary series, *British Columbia: A History*, has completed production and moved into post-production. The commissioned and repackaged short films that make up *150 Stories that Shape British Columbia* are in various stages of production. One of the first short films completed, *Happy Time Social Club* was selected for screening at the Vancouver International Film Festival. One of the first Indigenous stories completed, *Nuxalk Radio*, was selected for screening at the Hot Docs Film Festival.

The three performance measure actuals for this goal were lower than projected as the number of projects commissioned or pre-licensed can be difficult to predict as they vary significantly from year to year. There are also variables in the production environment that we cannot control. For example, timelines for when the producer completes or confirms financing for the project can change from initial timelines. In this reporting period, two Canadian kids' series and one documentary series did not close their financing by March 31, 2020, meaning these projects were not included in 2019/20 actuals.

Direct Investment in Multi-Platform Content: Knowledge Network received an unexpected increase in its Canada Media Fund envelope in 2019. This enabled us to allocate more funding from our Canada Media Fund allocation, thereby reducing the amount of direct investment from our budget.

Indirect Investment in Multi-Platform Content: Independent production financing is often dependent on Knowledge Network's annual Canada Media Fund allocation; it also requires funding from other public and private independent production funds, as well as federal and provincial tax credits. Together, these funding sources leveraged by Knowledge Network are considered our indirect investment. In 2019/20, timelines were adjusted for some projects while others did not move forward. The 2018/19 actuals for indirect investment and B.C. independent production budgets (see below) includes an exceptionally large budget for an international, animated children's production based in B.C. Projects of this scale are not the norm. Targets for

future years were adjusted down in the 2020/21 – 2022/23 Service Plan to reflect what is achievable based on the size of projects we typically support.

B.C. Independent Production Budgets Supported by Knowledge Network: As noted above, timelines were adjusted for some projects while others did not move forward.

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

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

Key Highlights

- Increased Leadership Circle giving revenue by 28 per cent with the number of donors giving at that level increasing 22 per cent year over year.
- Expanded the email conversion program to convert online viewers to donors.
- Hosted a second successful estate planning seminar for Knowledge Partners.

Performance Measures	2018/19 Actuals	2019/20 Target	2019/20 Actual	2020/21 Target	2021/22 Target
4.1a Knowledge Partner Donations ^{1,3}	\$4,831,352	\$4,635,000	\$5,140,000	\$4,675,000	\$4,725,000
4.1b Legacy Circle Donors ^{2,3}	825	800	872	850	900

Data Sources: Blackbaud donor database.

¹Tracks total Knowledge Partner donations received each year.

²Tracks total number of individuals who have notified us that they have left a gift to Knowledge Network in their will each fiscal year (cumulative).

³Targets for 2020/21 and 2021/22 were updated. See the [2020/21 - 2022/23 Service Plan](#) for the updated figures.

Discussion of Results

The Knowledge Partners Annual Fund donations exceeded expectations reaching over \$5.1 million dollars. This is an increase of 6.3 per cent over last year. The number of Legacy Circle donors also exceeded the target. This can be attributed in part to a very successful contest to win a trip for two on a Baltic Sea cruise in fall of 2019 and an increase in large one-time gifts. Future targets were revised accordingly in the 2020/21 – 2022/23 Service Plan.

Monthly donors continue to grow, having surpassed 10,500 donor households. This now comprises 30 per cent of our donor base, with the charitable sector benchmark at 16 per cent for monthly giving online (Source: M&R 2019 Benchmarks Study).

Eighty-seven per cent of donors who gave in 2018-19 also gave in 2019-20. The charitable sector benchmark for retention is 44.6 per cent (Source: Fundraising Effectiveness Project 2019 Annual Survey Report).

In 2019/20, the Knowledge Endowment Fund received \$1.2 million in contributions.

Financial Report

Discussion of Results

Knowledge Network Corporation ended the fiscal year with an annual surplus of \$1.859 million, of which \$1.203 million pertains to Endowment contributions and \$149,000 in net investment income, which are held in trust and not treated as operating revenue. This year's operating surplus of \$507,000 represents 4.1 per cent of our overall revenues.

2019/2020 Consolidated Surplus		
	Actual	
	(\$000)	
Total Consolidated Revenue	\$12,344	100.0%
Amounts included in operating surplus:		
Endowment contributions to be invested	\$1,203	9.7%
Endowment net income after management fees (to be reinvested)	\$149	1.2%
Actual operating surplus (or deficit)	\$507	4.1%
Total Annual Surplus on Financial Statements	\$1,859	15.1%

Financial Summary

(Consolidated) (Reported in \$000)	2018/19 Actual	2019/20 Budget ¹	2019/20 Actual	2019/20 Variance
Revenue				
Provincial Operating Grant	6,612	6,708	6,708	-
Donations and Sponsorships	4,845	4,819	5,174	355
Revenue from Subsidiary Operations	520	-	-	-
Amortization of Deferred Contributions	301	320	201	(119)
Endowment Investment and Other Revenue ²	417	275	261	(14)
Total Revenue	12,695	12,122	12,344	222
Expenses				
Programming and Presentation	2,101	2,257	2,276	19
Marketing and Development	2,249	1,932	2,146	214
Broadcast Platforms and Corporate IT	2,060	2,032	2,075	43
General	368	410	279	(131)
Amortization of Broadcast Rights	3,334	3,757	3,457	(300)
Administration	1,327	1,533	1,455	(78)
Subsidiary Operations	728	200	-	(200)
Total Expenses	12,167	12,121	11,688	(434)
Annual Surplus from Operations	528	-	656	656
Endowment Contributions Received (held in trust) ³	1,309	900	1,203	303
Annual Surplus	1,837	900	1,859	959
Capital Expenditures	4,828	4,250	4,081	(169)
Total Liabilities	2,206	1,703	1,942	239
Accumulated Surplus (Invested in Broadcast Rights & Capital Assets, Endowment Fund)	21,442	21,538	23,301	1,763

¹ 2019/20 budget column matches the 2019/20 Service Plan but differs from the audited financial statements. The difference is due to \$60,330 in additional funding received from Government after the Board approved the budget in January 2019.

² Includes realized investment income.

³ Endowment contributions are held in trust and not treated as operating revenue.

Variance and Trend Analysis

Provincial Operating Grant

The variance over prior fiscal of \$96,000 is due to the difference in the Economic Stability Dividend Mandate of \$57,000, and the Employer Health Tax funding of \$39,000.

Donations and Sponsorships

Donations from our Partners were \$355,000 more than budget, and \$329,000 more than last fiscal. We experienced the highest donations ever received in eight of the twelve months during the fiscal year. Part of this success can be attributed to our *Baltic Sea Cruise* contest.

Subsidiary Operations - Revenue

Subsidiary revenues were \$520,000 less than the previous fiscal year as the operations ceased after December 31, 2018.

Amortization of Deferred Contributions

During the year, actual deferred contributions amortized were \$119,000 less than budget and \$100,000 less than previous fiscal year.

The deferred contributions pertain to amounts that are recognized as revenue to offset amortization of externally funded projects. Externally funding for these projects were fully amortized this fiscal: *Emergency Room: Life and Death at VGH S1, Tom Thomson, I Can Dance*.

Endowment Investment and Other Income

These revenues were \$14,000 less than budget and \$156,000 less than the previous fiscal year. The difference is due to miscellaneous one-time revenues from the prior year of \$22,000, channel management fees from prior year of \$50,000, and deferral of \$250,000 B.C. 150 funding in previous year but not this year.

Programming and Presentation

These expenses were \$18,000 more than budget and \$175,000 more than previous fiscal year. The fiscal difference is mainly in these areas:

Development of Luna Chip & Inkie series	54,515
Magazine printing	36,424
On-air campaign production	27,516
Online marketing	26,854
Legal business affairs	26,541
	171,850
Increase over last fiscal	171,850

Marketing and Development

These expenses were \$214,000 more than budget and \$103,000 less than previous fiscal year. The budget variance is mainly due to higher costs in these areas:

Credit card processing fees not budgeted	81,115
Shipping costs to Partners	38,987
Premiums purchased for Partners	22,459
Personnel costs	19,057
VIFF and other sponsorships	18,118
Printing and shipping magazine	13,663
Digital marketing campaign for Paramedics	10,878
Increase over budget	<u><u>204,277</u></u>

The variance to prior year is due to decreases in Events \$24,814 and reduced marketing position \$82,154.

Broadcast Platforms and Corporate IT

These expenses were \$43,000 more than budget and \$15,000 more than previous fiscal year. The increase over budget is due to SharePoint implementation \$27,091, and foreign exchange on video player services \$18,358.

General

General expenses were \$131,000 less than budget and \$89,000 less than previous fiscal year. The budget variance is mainly due to:

Amortization of equipment	107,775
Budget contingency	50,000
Decrease from budget	<u><u>157,775</u></u>

The variance to prior year is mainly due to:

Amortization of equipment	33,277
Tax refund from subsidiary operation	27,474
Investment management fees previous fiscal only	16,388
	<u><u>77,139</u></u>

Amortization of Broadcast Rights

Amortization expense was \$300,000 less than budget and \$123,000 more than previous fiscal year. The decrease from budget are due to delays in completion of projects in these areas:

	Budget	Actual	Variance
Acquired Content	2,002,083	2,000,556	(1,527)
Second Windows	776,382	692,620	(83,762)

Knowledge Network Corporation

Leads	311,159	241,459	(69,700)
Commissions	557,346	413,349	(143,997)
Video Assets	72,424	72,424	(0)
HD Content	35,782	36,863	1,081
Total Amortization	3,755,176	3,457,270	(297,906)

The increase from previous fiscal are due to these changes:

	2019	2020	Variance
Acquired Content	1,926,593	2,000,556	73,963
Second Windows	618,803	692,620	73,817
Leads	249,551	241,459	(8,092)
Commissions	362,418	413,349	50,931
Video Assets	132,230	72,424	(59,806)
HD Content	44,349	36,863	(7,486)
Total Amortization	3,333,943	3,457,270	123,326

Administration

Administration costs were \$78,000 less than budget as additional funding was received from Government after the Board approved budget in January 2019.

Administration costs were \$128,000 more than previous fiscal mainly in these areas:

Salary recovery in previous fiscal	50,000
Building improvements	38,945
Training Fund	27,123
	116,068

Administration costs detailed:

Finance, Human Resources, Other	684,217
President's Office and Board	417,905
Building lease and operating costs	304,772
Corporate Training Plan	48,203
Total	1,455,097

Subsidiary Operations

Subsidiary Operations was \$200,000 less than budget. The subsidiary ceased after December 31, 2018, after nine months of operations in fiscal 2018/2019 and no further wind-up costs were incurred.

Endowment Contributions

Endowment contributions received were \$303,000 more than budget and \$106,000 less than previous fiscal. Due to the confidential nature of major gifts, it is difficult to predict when endowment contributions will be received.

Capital Expenditures

Capital assets purchased were 169,000 less than budget in these areas:

	Budget	Actual	Variance	
Acquired Content	1,900,000	1,932,015	32,015	
Second Windows	750,000	639,123	(110,877)	
Leads	264,166	303,608	39,442	
Commissions	1,311,438	831,253	(480,185)	Allocated CMF to BC: A History instead of cash
HD Content	24,000	39,343	15,343	
Capital Equipment		335,656	285,656	Media Asset Mgmt system, Network infrastructure
Total Capital	4,249,604	4,080,998	(168,606)	

The decrease from previous fiscal of \$747,000 is due to variances in these areas:

	2019	2020	Variance	
Acquired Content	2,090,300	1,932,015	(158,285)	
Second Windows	817,110	639,123	(177,987)	
Leads	447,304	303,608	(143,696)	
Commissions	1,369,083	831,253	(537,830)	2019: Paramedics \$641k
HD Content	20,650	39,343	18,693	
Capital Equipment	83,192	335,656	252,464	
Total Capital	<u>4,827,639</u>	<u>4,080,998</u>	<u>(746,641)</u>	

Risks and Uncertainties

The coronavirus pandemic has elevated risks identified in our operating environment, specifically with regards to revenue from charitable giving and broadcast and streaming rights.

Although Knowledge Network has increased donor revenue in past years, there was a 6.5 per cent decrease this past March versus March 2019. This period coincides with the World Health Organization’s declaration of the global pandemic.

The charitable sector in Canada is predicting a financial loss this year between \$9.5 billion to \$15.7 billion (Imagine Canada). Although too early to assess the impact of reduced donor revenue on Knowledge Network, contingency plans are being developed.

At the start of the pandemic film production the world over was suspended, including programs that Knowledge Network had invested in. This has led to increased global competition for completed programming as broadcasters and streaming services rush to replace delayed productions and live programming. Thanks to long-standing relationships with distributors, we

have been able to quickly secure programming for the coming year and beyond. We are also monitoring the environment closely along with our B.C.-based independent production partners.

Auditor's Report & Audited Financial Statements

Consolidated Financial Statements of

KNOWLEDGE NETWORK CORPORATION

And Independent Auditors' Report thereon

Year ended March 31, 2020



KPMG LLP
PO Box 10426
777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Knowledge Network Corporation, and
to the Minister of the Ministry of Tourism, Arts, and Culture, Province of British Columbia

Opinion

We have audited the consolidated financial statements of Knowledge Network Corporation (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2020
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of remeasurement gains for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes and schedule to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying consolidated financial statements as at and for the year ended March 31, 2020 of the Entity are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

May 15, 2020

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Financial Position

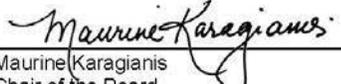
March 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash (note 3(a))	\$ 1,561,944	\$ 1,406,864
Accounts receivable	20,016	111,313
Income taxes recoverable	-	28,709
Portfolio investments (note 3(b))	692,411	732,705
	2,274,371	2,279,591
Liabilities:		
Accounts payable and accrued liabilities	385,856	439,450
Deferred revenue, projects	314,111	324,616
Deferred contributions (note 4)	1,241,639	1,442,298
	1,941,606	2,206,364
Net financial assets	332,765	73,227
Non-financial assets:		
Broadcast rights (note 5)	10,727,248	10,439,177
Tangible capital assets (note 6)	2,029,315	1,945,886
Prepaid expenses	33,004	55,944
Endowment investments (note 3(b))	10,224,067	9,339,435
	23,013,634	21,780,442
Accumulated surplus (note 12)	\$ 23,346,399	\$ 21,853,669
Accumulated surplus is comprised of:		
Accumulated surplus	\$ 23,301,347	\$ 21,442,023
Accumulated remeasurement gains	45,052	411,646
	\$ 23,346,399	\$ 21,853,669

Commitments (note 8)
Impact of COVID-19 (note 15)

See accompanying notes and schedule to consolidated financial statements.

Approved on behalf of the Board:



 Maurine Karagianis
 Chair of the Board



 Eric Watt
 Chair of the Audit and Finance Committee

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2020, with comparative information for 2019

	Budget (note 13)	2020	2019
Revenue:			
Province of British Columbia operating grants	\$ 6,647,670	\$ 6,708,000	\$ 6,611,531
Donations and sponsorships	4,819,000	5,174,488	4,844,902
Specialty TV channel subscription fees	-	-	519,700
Amortization of deferred contributions	320,000	200,659	300,834
Endowment investment income	250,000	196,474	285,746
Other	25,000	64,887	131,383
	<u>12,061,670</u>	<u>12,344,508</u>	<u>12,694,096</u>
Expenses (note 14):			
Programming and presentation	2,257,325	2,275,644	2,101,390
Marketing and development	1,932,389	2,146,098	2,248,509
Broadcast platforms and corporate IT	2,032,211	2,075,016	2,059,841
General	470,000	279,276	368,221
Amortization of broadcast rights	3,755,176	3,457,270	3,333,943
Administration	1,414,569	1,455,097	1,326,624
Specialty TV channel	-	-	727,629
	<u>11,861,670</u>	<u>11,688,401</u>	<u>12,166,157</u>
Annual surplus from operations	200,000	656,107	527,939
Endowment contributions received	900,000	1,203,217	1,309,144
Annual surplus	1,100,000	1,859,324	1,837,083
Accumulated surplus, beginning of year	21,442,023	21,442,023	19,604,940
Accumulated surplus, end of year	\$ 22,542,023	\$ 23,301,347	\$ 21,442,023

See accompanying notes and schedule to consolidated financial statements.

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Remeasurement Gains

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Accumulated remeasurement gains, beginning of year	\$ 411,646	\$ 234,485
Unrealized gains (losses) attributable to investments	(366,867)	176,971
Amounts realized and reclassified to statement of operations and accumulated surplus:		
Realized gain on investment	273	190
Net remeasurement gains (losses) for the year	(366,594)	177,161
Accumulated remeasurement gains, end of year	\$ 45,052	\$ 411,646

See accompanying notes and schedule to consolidated financial statements.

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31, 2020, with comparative information for 2019

	Budget (note 13)	2020	2019
Annual surplus	\$ 1,100,000	\$ 1,859,324	\$ 1,837,083
Net remeasurement gains (losses) for the year	-	(366,594)	177,161
	1,100,000	1,492,730	2,014,244
Acquisition of tangible capital asset	(50,000)	(335,656)	(83,192)
Amortization of tangible capital assets	360,000	252,227	304,462
	310,000	(83,429)	221,270
Acquisition of broadcast rights	(4,249,604)	(3,745,341)	(4,744,447)
Amortization of broadcast rights	3,755,176	3,457,270	3,792,867
	(494,428)	(288,071)	(951,580)
Acquisition of endowment investments	(900,000)	(884,632)	(1,619,531)
Acquisition of prepaid expenses	-	(33,004)	(55,944)
Use of prepaid expenses	-	55,944	51,056
	-	22,940	(4,888)
Increase (decrease) in net financial assets	15,572	259,538	(340,485)
Net financial assets, beginning of year	73,227	73,227	413,712
Net financial assets, end of year	\$ 88,799	\$ 332,765	\$ 73,227

See accompanying notes and schedule to consolidated financial statements.

KNOWLEDGE NETWORK CORPORATION

Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided (used by):		
Operations:		
Annual surplus	\$ 1,859,324	\$ 1,837,083
Items not involving cash:		
Loss on sale of investments	273	190
Amortization of deferred contributions	(200,659)	(300,834)
Amortization of tangible capital assets	252,227	304,462
Amortization of broadcast rights	3,457,270	3,792,867
Unrealized gain (loss) on investments	(366,867)	176,971
Changes in non-cash working capital:		
Accounts receivable	91,297	148,780
Prepaid expenses	22,940	(10,423)
Income taxes recoverable	28,709	(4,888)
Accounts payable and accrued liabilities	(53,594)	(551,356)
Deferred revenue, projects	(10,505)	14,574
	5,080,415	5,407,426
Financing:		
Contributions received for broadcast rights	-	250,000
Investing:		
Purchase of investments, net	(844,338)	(227,839)
Capital:		
Acquisition of tangible capital assets	(335,656)	(83,192)
Acquisition of broadcast rights	(3,745,341)	(4,744,447)
	(4,080,997)	(4,827,639)
Increase in cash	155,080	601,948
Cash, beginning of year	1,406,864	804,916
Cash, end of year	\$ 1,561,944	\$ 1,406,864

See accompanying notes and schedule to consolidated financial statements.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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.

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 and Culture.

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 (2019 – 50% owned), Knowledge-West Communications Corporation ("KWCC") is subject to income taxes.

2. Significant accounting policies:

(a) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This Section requires that the consolidated financial statements be prepared in accordance with Canadian public sector accounting standards established by the Canadian Public Sector Accounting Board of the Chartered Professional Accountants of Canada, except in regard to government transfers.

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

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

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, and accumulated surplus of the reporting entity, which includes consolidation (2019- proportionate consolidation) of the Corporation's 100% owned subsidiary KWCC (2019 – 50% owned). Inter-entity balances and transactions have been eliminated on consolidation. During the current year, the Corporation acquired the remaining 50% of KWCC for a nominal amount. Currently KWCC is a dormant entity without any substantial operations.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(b) Revenue recognition:

Externally restricted contributions, except for contributions restricted for capital asset 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 reasonable assured.

Subscription fees are recognized in the period in which the transactions occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical. Interest and other revenues are recognized when earned.

(c) Tangible capital assets:

Purchased capital assets are recorded at cost. Equipment, furniture and fixtures are amortized over the estimated useful life on the declining balance basis at 10% to 30% per annum, computer software are amortized over the estimated useful life on the declining balance basis at 50%, and leasehold improvements are amortized on a straight line basis at the lesser of estimated useful life and the term of the lease.

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

Funding received from the Province of British Columbia used for the acquisition of tangible capital assets and broadcast rights is recorded as deferred contributions and is recognized as a recovery in the statement of operations and accumulated surplus equal to the amortization charged on the assets purchased with the funding. This accounting treatment is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met, unless the transfer contains a stipulation that creates a liability, in which case the transfer is recognized as revenue over the period that the liability is extinguished.

(e) Broadcast rights:

Broadcast rights are recorded at cost and amortized over the period the broadcast is authorized for (generally 4 to 6 years).

(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:

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies:

(f) Financial instruments (continued):

- 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 statement of remeasurement gains. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and recognized in the 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 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 accumulated surplus and any related fair value changes previously recorded in the 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, 2020

2. Significant accounting policies:

(f) Financial instruments (continued):

The Corporation has designated its financial instruments as follows:

(i) Cash:

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

(ii) Short-term investments:

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

(iii) Market securities:

Equity and debt investments quoted in an active market are reported at fair value. The Corporation has a diversified securities portfolio that includes short-term deposits, bonds, and equities. Market securities are accounted for as portfolio investments and are reported at fair value with changes in fair value recognized in the 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 financial statements and the reported amounts of revenues and expenses during the year then ended. Significant areas of management estimate 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 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. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations and accumulated surplus, and the cumulative amount of remeasurement gains is reversed in the statement of remeasurement gains.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(i) Income taxes:

KWCC uses the taxes payable method to account for income taxes whereby the expense (income) of the period consists only of the cost (benefit) of current income taxes for that period, determined in accordance with the rules established by the taxation authorities. For the year ended March 31, 2020, an income tax expense of nil (2019 - \$12,993) has been included in Specialty TV channel expenses in the statement of operations and accumulated surplus.

(j) Endowment investments:

The endowment investments account for external donations received by the Corporation or internally endowed funds as approved by the Board restricted for use as endowments. The principal amount of endowment contributions are maintained on a permanent basis. Net investment earnings thereon are internally restricted and maintained in the endowment fund until used as designated by the donors or as directed by the Board.

3. Cash and investments:

(a) Cash:

The Corporation's bank accounts are held at a Canadian chartered bank. Interest is earned at prime minus 1.95% and is paid on a monthly basis. As of March 31, 2020 the balance in the US dollar account was USD \$148,720 (2019 - USD \$53,849).

(b) Portfolio and endowment investments:

	2020	2019
Fixed income	\$ 3,002,669	\$ 2,638,996
Common shares	5,352,295	5,174,765
Mutual funds	198,444	255,627
Other investments measured at fair value	2,363,070	2,002,752
	\$ 10,916,478	\$ 10,072,140

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

	2020	2019
Portfolio investments	\$ 692,411	\$ 732,705
Endowment investments	10,224,067	9,339,435
	\$ 10,916,478	\$ 10,072,140

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

3. Cash and investments (continued):

(b) Portfolio and endowment investments (continued):

Changes in portfolio investments are comprised of the following:

	2020	2019
Balance, beginning of year	\$ 732,705	\$ 2,124,397
Internal transfer to cash	(44,251)	(1,500,000)
Net remeasurement gains (losses)	(81,685)	18,473
Investment income included in other income	85,642	89,835
Balance, end of year	\$ 692,411	\$ 732,705

Changes in endowment investments are comprised of the following:

	2020	2019
Balance, beginning of year	\$ 9,339,435	\$ 7,719,904
Endowment contributions received	1,203,217	1,309,144
Withdrawals	(200,000)	(100,000)
Net remeasurement gains (losses)	(284,909)	158,688
Endowment investment income	196,474	285,746
Investment costs included in other income	(30,150)	(34,047)
Balance, end of year	\$ 10,224,067	\$ 9,339,435

4. Deferred contributions:

	2020	2019
Deferred contributions related to:		
Capital assets (a)	\$ 758,250	\$ 864,479
Broadcast rights (b)	483,389	577,819
	\$ 1,241,639	\$ 1,442,298

(a) Capital assets:

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

	2020	2019
Balance, beginning of year	\$ 864,479	\$ 986,027
Amounts recognized as revenue	(106,229)	(121,548)
Balance, end of year	\$ 758,250	\$ 864,479

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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.

	2020	2019
Balance, beginning of year	\$ 577,819	\$ 507,105
Contributions received	-	250,000
Amounts recognized as revenue	(94,430)	(179,286)
Balance, end of year	\$ 483,389	\$ 577,819

5. Broadcast rights:

	2020	2019
Cost:		
Opening balance	\$ 20,863,180	\$ 18,056,171
Additions	3,745,341	4,744,447
Expired rights	(4,258,299)	(1,937,438)
	20,350,222	20,863,180
Accumulated amortization:		
Opening balance	10,424,003	8,568,574
Amortization (a)	3,457,270	3,792,867
Expired rights	(4,258,299)	(1,937,438)
	9,622,974	10,424,003
Net book value	\$ 10,727,248	\$ 10,439,177

Amortization expense for broadcast rights is presented within the following on the statement of operations and accumulated surplus:

	2020	2019
Amortization of broadcast rights	\$ 3,457,270	\$ 3,333,943
Specialty TV channel expenses	-	458,924
	\$ 3,457,270	\$ 3,792,867

Knowledge Network Corporation

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020, with comparative information for 2019

6. Tangible capital assets:

	Furniture and fixtures	Computer equipment	Other equipment	Software	Broadcast network equipment	Leasehold improvements	2020
Cost:							
Opening balance	\$ 880,545	\$ 3,136,126	\$ 2,396,439	\$ 438,229	\$ 14,302,742	\$ 37,695	\$ 21,191,776
Additions	-	290,614	-	45,042	-	-	335,656
Closing balance	880,545	3,426,740	2,396,439	483,271	14,302,742	37,695	21,527,432
Accumulated amortization:							
Opening balance	816,546	2,917,181	2,382,788	432,769	12,658,911	37,695	19,245,890
Amortization	6,400	43,789	2,048	2,730	197,260	-	252,227
Closing balance	822,946	2,960,970	2,384,836	435,499	12,856,171	37,695	19,498,117
Net book value	\$ 57,599	\$ 465,770	\$ 11,603	\$ 47,772	\$ 1,446,571	\$ -	\$ 2,029,315

	Furniture and fixtures	Computer equipment	Other equipment	Software	Broadcast network equipment	Leasehold improvements	2019
Cost:							
Opening balance	\$ 880,545	\$ 3,088,589	\$ 2,396,439	\$ 438,229	\$ 14,267,087	\$ 37,695	\$ 21,108,584
Additions	-	47,537	-	-	35,655	-	83,192
Closing balance	880,545	3,136,126	2,396,439	438,229	14,302,742	37,695	21,191,776
Accumulated amortization:							
Opening balance	809,435	2,868,387	2,380,379	427,309	12,418,223	37,695	18,941,428
Amortization	7,111	48,794	2,409	5,460	240,688	-	304,462
Closing balance	816,546	2,917,181	2,382,788	432,769	12,658,911	37,695	19,245,890
Net book value	\$ 63,999	\$ 218,945	\$ 13,651	\$ 5,460	\$ 1,643,831	\$ -	\$ 1,945,886

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

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 \$1,000,000 (2019 - \$1,000,000). As at March 31, 2020, no amount was drawn on this credit facility (2019 - nil).

8. Commitments:

(a) Satellite transmission service:

The Corporation acquires satellite transmission services at an annual cost of approximately \$202,896 (2019 - \$204,000) under agreements covering a four year period ending August 31, 2021.

(b) Production costs

The Corporation acquires programs which require the commitment of funds. As at March 31, 2020, the Corporation is committed to pay \$2,038,223 (2019 - \$2,652,346) for license fees over the period April 2020 to March 2022.

9. 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 \$304,772 (2019 - \$265,827).

Included in accounts receivable is nil (2019 - \$5,181) related to advances receivable from KWCC.

10. Pensions:

The Corporation and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan, including investment of the assets and administration of benefits. The pension plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2018, the College Pension Plan has about 15,000 active members and approximately 8,000 retired members. As at December 31, 2018, the Municipal Pension Plan has approximately 205,000 active members, including approximately 6,000 from colleges and other participating employers.

Active College Pension Plan members include 23 contributors and active Municipal Pension Plan members include 33 contributors from the Corporation.

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Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

10. Pensions (continued):

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2018 indicated a \$303 million funding surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The next valuation for the College Pension Plan will be as at August 31, 2021, with results available in 2022. The next valuation for the Municipal Pension Plan will be December 31, 2021, with results available in 2022.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

The Corporation paid \$364,872 (2019 - \$362,131) for employer contributions while employees contributed \$339,342 (2019 - \$336,458) to the plans in fiscal 2020.

11. 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, 2020.

(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.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

11. Financial instruments risks (continued):

(b) Foreign exchange risk:

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation's exposure to foreign exchange risk is limited to cash held in US dollar bank accounts (note 3(a)).

(c) Interest rate risk:

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Portfolio and endowment investments bear some interest risk as the market price of fixed income securities may fluctuate based on changes in interest rates (note 3(b)).

(d) Market risk:

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

(e) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

12. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2020	2019
Invested in tangible capital assets	\$ 1,271,065	\$ 1,081,407
Invested in broadcast rights	10,243,859	9,861,358
Endowment funds	10,224,067	9,339,435
Unrestricted amounts	1,607,408	1,571,469
Balance, end of year	\$ 23,346,399	\$ 21,853,669

13. Budget figures:

Consolidated budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors on February 25, 2019.

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

14. Expenses presentation:

For reporting purposes, the Corporation's activities have been aggregated into operational categories. The schedule of consolidated expenses by object reports the revenues and expenses that are directly attributable to each operational category. The revenues and expenses that cannot be directly attributable or 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.

Marketing and development

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

This category also includes salaries and benefits costs of staff responsible for maintaining government reporting requirements, reporting on audience and viewership results, and implementing our marketing plans.

Broadcast platforms and corporate IT

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

General

This category includes amortization of capital assets and other expenses.

Amortization of broadcast rights

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

Administration

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

KNOWLEDGE NETWORK CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2020

15. COVID-19 and impact on operations:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and the Province of British Columbia declared a state of emergency on March 17, 2020. The situation presents uncertainty over the Corporation's future cash flows and may have a significant impact on the Corporation's future operations. Potential impact on the Corporation's business could include increases in expenses and decreases in the market value of both endowment and portfolio investments. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate on the financial effect on the Corporation is not practicable at this time.

Knowledge Network Corporation

KNOWLEDGE NETWORK CORPORATION

Schedule of Consolidated Expenses by Object

Year ended March 31, 2020, with comparative information for 2019

	Programming and presentation	Marketing and development	Broadcast platforms and corporate IT	General	Amortization of broadcast rights	Administration	2020 consolidated	Budget consolidated (note 13)	2019 consolidated
Salaries and benefits	\$ 1,674,954	\$ 891,510	\$ 1,335,505	\$ 3,508	\$ -	\$ 891,723	\$ 4,797,200	\$ 4,782,888	\$ 4,774,352
Amortization of capital assets and broadcast rights	-	-	-	252,227	3,457,270	-	3,709,497	4,115,176	4,097,330
Purchased services	516,335	532,217	219,695	-	-	77,435	1,345,682	1,136,140	1,289,372
Supplies, shipping, minor software, maintenance	20,817	564,572	505,271	113	-	42,676	1,133,449	1,063,141	1,186,910
Travel, miscellaneous, other	63,538	152,586	14,545	23,428	-	138,492	392,589	496,325	530,924
Facilities operating costs, rental	-	5,213	-	-	-	304,771	309,984	268,000	274,275
Income taxes	-	-	-	-	-	-	-	-	12,994
	\$ 2,275,644	\$ 2,146,098	\$ 2,075,016	\$ 279,276	\$ 3,457,270	\$ 1,455,097	\$ 11,698,401	\$ 11,961,670	\$ 12,166,157

Appendix A: Additional Information

Organizational Overview

British Columbia's Knowledge Network is a viewer-supported public broadcaster. Our mission is to provide all British Columbians with a trusted alternative for the commercial-free exploration of life, connecting them to the world through television and streaming platforms. Please click [here](#) to learn more about Knowledge Network.

Corporate Governance

Knowledge Network is governed by a Board of Directors that is responsible to the Minister of Tourism, Arts and Culture. The Ministry is responsible for policy direction while the Board is responsible for operational policy and setting the strategic direction of the organization. The President and CEO is responsible for the day-to-day leadership and management of Knowledge Network. Please click [here](#) for more information on Knowledge Network's corporate governance.

Contact Information

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

Phone: 604.431.2222 Toll Free: 1.877.456.6988

Email: info@knowledge.ca

Knowledge.ca

KnowledgeKids.ca

Appendix B: Subsidiaries and Operating Segments

Inactive Subsidiaries

Knowledge-West Communications Corporation (KWCC) was incorporated in 1981. KWCC owned and operated BBC Kids, a Canadian children's subscription channel, which closed in December 2018.