

ENGLISH ONLINE INC.
FINANCIAL STATEMENTS

MARCH 31, 2013

ENGLISH ONLINE INC.

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MARCH 31, 2013

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CHARTERED ACCOUNTANTS LLP

INDEPENDENT AUDITORS' REPORT

To the Directors
English Online Inc.

We have audited the accompanying financial statements of English Online Inc., which comprise the statement of financial position as at March 31, 2013, and the statement of revenue and expenditures, statement of changes in fund balances and statement of 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 and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 overall presentation of the 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 English Online Inc. as at March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that English Online Inc. adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at March 31, 2012 and April 1, 2011, and the statements of revenue and expenditures and surplus and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.



CHARTERED ACCOUNTANTS LLP

Winnipeg, Manitoba
September 18, 2013




ENGLISH ONLINE INC.

STATEMENT 1

STATEMENT OF FINANCIAL POSITION

	March 31 2013	March 31 2012	April 1 2011
ASSETS			
CURRENT			
Cash	\$ 4,923	\$ 33,660	\$ 19,748
Accounts receivable (Note 4)	72,756	36,920	33,093
Prepaid expenses	2,170	-	-
	<u>79,849</u>	<u>70,580</u>	<u>52,841</u>
CAPITAL ASSETS (Note 5)	<u>6,518</u>	<u>13,378</u>	<u>22,624</u>
	<u>\$ 86,367</u>	<u>\$ 83,958</u>	<u>\$ 75,465</u>
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	\$ 24,731	\$ 61,960	\$ 45,315
Deferred revenue (Note 6)	45,312	-	-
	<u>70,043</u>	<u>61,960</u>	<u>45,315</u>
FUND BALANCES			
OPERATING FUND (Statement 3)	9,806	8,620	7,526
CAPITAL FUND (Statement 3)	<u>6,518</u>	<u>13,378</u>	<u>22,624</u>
	<u>16,324</u>	<u>21,998</u>	<u>30,150</u>
	<u>\$ 86,367</u>	<u>\$ 83,958</u>	<u>\$ 75,465</u>

Approved on behalf of the Board


.....
Director

.....
Director

FMA

ENGLISH ONLINE INC.

STATEMENT 2

STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

	2013	2012
REVENUE		
Province of Manitoba - Department of Labour and Immigration	\$ 428,620	\$ 417,366
Citadel Rock Online	<u>18,356</u>	<u>-</u>
	<u>446,976</u>	<u>417,366</u>
EXPENSES		
Activity costs	57,981	125,978
Capital costs	5,967	12,438
Office administration	32,602	30,302
Professional fees	15,518	9,758
Salaries, wages and benefits	329,298	235,288
Travel	<u>4,424</u>	<u>2,508</u>
	<u>445,790</u>	<u>416,272</u>
EXCESS REVENUE OVER EXPENDITURES	\$ <u>1,186</u>	\$ <u>1,094</u>

ENGLISH ONLINE INC.

STATEMENT 3

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31

	2 0 1 3	2 0 1 2
OPERATING FUND		
BALANCE, <i>beginning of year</i>	\$ 8,620	\$ 7,526
Excess revenue over expenditures (<i>Statement 2</i>)	<u>1,186</u>	<u>1,094</u>
BALANCE, <i>end of year</i>	\$ <u>9,806</u>	\$ <u>8,620</u>
 CAPITAL FUND		
BALANCE, <i>beginning of year</i>	\$ 13,378	\$ 22,624
Acquisition of capital assets	2,885	7,446
Provision for amortization	<u>(9,745)</u>	<u>(16,692)</u>
BALANCE, <i>end of year</i>	\$ <u>6,518</u>	\$ <u>13,378</u>

ENGLISH ONLINE INC.

STATEMENT 4

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2013	2012
CASH FLOWS FROM		
<i>OPERATING ACTIVITIES</i>		
Cash received from funder and service provided	\$ 456,452	\$ 413,539
Cash paid to suppliers and employees	(482,304)	(392,181)
	(25,852)	21,358
<i>INVESTING ACTIVITY</i>		
Acquisition of capital assets	(2,885)	(7,446)
NET INCREASE (DECREASE) IN CASH DURING YEAR	(28,737)	13,912
CASH, <i>beginning of year</i>	33,660	19,748
CASH, <i>end of year</i>	\$ 4,923	\$ 33,660

ENGLISH ONLINE INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2013

1. ORGANIZATION

English Online Inc. was incorporated under the laws of Manitoba as a not-for-profit company without share capital on March 28, 2008.

The company's mission is to serve the online English language learning needs of immigrants across the province of Manitoba by linking learners with new and existing online English as an Additional Language (EAL) learning resource and by supporting adult EAL institutions, service organizations and community groups to grow effective online adult EAL learning services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

FUND ACCOUNTING

In order to ensure observance of limitations and restrictions placed on the use of resources available to the company, the accounts are maintained on a fund accounting basis. These funds are held in accordance with the objectives specified by the members or in accordance with the directives issued by the Board of Directors. Accordingly, resources are classified for accounting and reporting purposes into the following funds.

Operating Fund - reports the assets, liabilities, net assets, revenue and expenditures related to general operations of the company.

Capital Fund - reports the assets, liabilities, net assets, revenue and expenditures related to the capital assets of the company.

CAPITAL ASSETS

Capital asset acquisitions are charged to operations with the related funding recorded as revenue in the year of acquisition. These expenditures are also recorded as an addition to capital assets with a corresponding increase in the Capital Fund.

Capital assets are amortized annually with a corresponding reduction in the Capital Fund. Amortization is provided for at the following rates:

Computer equipment	50%	straight-line method
Office furniture	20%	straight-line method

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(continues)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS

English Online Inc.'s initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

The financial assets subsequently measured at amortized cost include cash, accounts receivable and prepaid expenses. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities and deferred revenue.

3. FIRST TIME ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective April 1, 2012 English Online Inc. adopted Canadian accounting standards for not-for-profit organizations. These are English Online's first financial statements prepared in accordance with this framework.

Canadian accounting standards for not-for-profit organizations requires retroactive application of the accounting standards. The accounting policies set out in the Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013 the comparative information for the year ended March 31, 2012 and in the preparation of an opening Statement of Financial Position as at April 1, 2011 (English Online's date of transition.)

English Online Inc. has not elected to utilize any exemptions relating to first-time adoption.

Reconciliation of Net Assets and Excess of Revenues over Expenditures

English Online Inc. issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of Canadian accounting standards for not-for-profit organizations did not result in any adjustments to previously reported assets, liabilities, surplus, excess of revenue over expenditures.

4. ACCOUNTS RECEIVABLE

	2013	2012
Province of Manitoba	\$ 66,118	\$ 36,920
Citadel Rock Online	5,650	
Government Service Tax	988	-
	<u>\$ 72,756</u>	<u>\$ 36,920</u>

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2013

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2013	2012
Computer equipment	\$ 50,804	\$ 46,398	\$ 4,406	\$ 9,757
Office furniture	<u>7,547</u>	<u>5,435</u>	<u>2,112</u>	<u>3,621</u>
	<u>\$ 58,351</u>	<u>\$ 51,833</u>	<u>\$ 6,518</u>	<u>\$ 13,378</u>

6. DEFERRED REVENUE

English Online Inc. received the funds for next fiscal year for the amount of \$39,662 from Citizenship and Immigration Canada.

7. ECONOMIC DEPENDENCE

English Online Inc. receives a major portion of its revenue pursuant to a funding arrangement with the Province of Manitoba under the Manitoba Immigrant Integration Program. The ability of the organization to continue its operations strongly depend upon the funding from Province of Manitoba or other funding agencies.

8. SUBSEQUENT EVENTS

Starting April 1, 2013 the organization signed a funding agreement with Citizenship and Immigration Canada, which replaces the existing funding agreement with Province of Manitoba that expired March 31, 2013.



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CHARTERED ACCOUNTANTS LLP

AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Directors
English Online Inc.

We have audited and reported separately on the financial statements of English Online Inc. as at and for the year ended March 31, 2013.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the company as a whole. This supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CHARTERED ACCOUNTANTS LLP

Winnipeg, Manitoba
September 18, 2013

ENGLISH ONLINE INC.

SCHEDULE 1

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

PROVINCE OF MANITOBA - DEPARTMENT OF LABOUR AND IMMIGRATION

2013

2012

REVENUE

Province of Manitoba - Department of Labour and Immigration

\$ 428,620

\$ 417,366

EXPENDITURES

Capital costs

5,967

12,437

Online system development

57,981

125,978

Office administration

32,602

30,302

Professional fees

15,518

9,758

Salaries, wages and benefits

310,942

235,288

Travel

4,424

2,508

427,434

416,271

EXCESS OF REVENUE OVER EXPENDITURES

\$ 1,186

\$ 1,095

ENGLISH ONLINE INC.

SCHEDULE 2

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

CITADEL ROCK ONLINE

2013

2012

REVENUE

Citadel Rock Online

\$ 12,706

\$ -

EXPENDITURES

Salaries, wages and benefits

12,706

-

EXCESS OF REVENUE OVER EXPENDITURES

\$ -

\$ -