

ENGLISH ONLINE INC.
FINANCIAL STATEMENTS

MARCH 31, 2014

ENGLISH ONLINE INC.

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MARCH 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of 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, 2014, 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, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

CHARTERED ACCOUNTANTS

Winnipeg, Manitoba
September 24, 2014

ENGLISH ONLINE INC.

STATEMENT 2

STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

| | 2014 | 2013 |
|---|----------------|-----------------|
| REVENUE | | |
| Citizenship and Immigration - Manitoba | \$ 501,021 | \$ |
| Citizenship and Immigration - NHQ | 122,344 | |
| Citadel Rock Online | 25,352 | 18,356 |
| New Media Language Training | 8,148 | |
| Province of Manitoba - Department of Labour and Immigration | 2,170 | 428,620 |
| Other Revenue | 194 | - |
| | <u>659,229</u> | <u>446,976</u> |
| EXPENSES | | |
| Activity cost | 109,425 | 57,981 |
| Capital expenditure | 25,870 | 5,967 |
| GST expense | 4,740 | |
| Office administration | 64,914 | 32,602 |
| Professional fees | 26,697 | 15,518 |
| Salaries, wages, and benefits | 421,438 | 329,298 |
| Travel | 5,647 | 4,424 |
| | <u>658,731</u> | <u>445,790</u> |
| EXCESS REVENUE OVER EXPENDITURES | \$ <u>498</u> | \$ <u>1,186</u> |

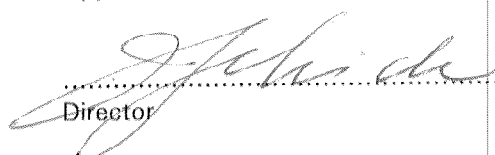
ENGLISH ONLINE INC.

STATEMENT 1

STATEMENT OF FINANCIAL POSITION

| | 2014 | 2013 |
|--|-------------------|------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 15,414 | \$ 4,923 |
| Restricted cash | 16,410 | |
| Accounts receivable (Note 3) | 47,003 | 72,756 |
| Prepaid expenses | - | 2,170 |
| | <u>78,827</u> | <u>79,849</u> |
| CAPITAL ASSETS (Note 4) | <u>24,302</u> | <u>6,518</u> |
| | <u>\$ 103,129</u> | <u>\$ 86,367</u> |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 68,523 | \$ 24,731 |
| Deferred revenue | - | 45,312 |
| | <u>68,523</u> | <u>70,043</u> |
| FUND BALANCES | | |
| OPERATING FUND (Statement 3) | 10,304 | 9,806 |
| CAPITAL FUND (Statement 3) | <u>24,302</u> | <u>6,518</u> |
| | <u>34,606</u> | <u>16,324</u> |
| | <u>\$ 103,129</u> | <u>\$ 86,367</u> |

Approved on behalf of the Board


Director


Director

ENGLISH ONLINE INC.

STATEMENT 3

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31

| | 2014 | 2013 |
|---|-------------------|------------------|
| OPERATING FUND | | |
| BALANCE, <i>beginning of year</i> | \$ 9,806 | \$ 8,620 |
| Excess revenue over expenditures <i>(Statement 2)</i> | <u>498</u> | <u>1,186</u> |
| BALANCE, <i>end of year</i> | \$ <u>10,304</u> | \$ <u>9,806</u> |
| CAPITAL FUND | | |
| BALANCE, <i>beginning of year</i> | \$ 6,518 | \$ 13,378 |
| Acquisition of capital assets | 31,716 | 2,885 |
| Provision for amortization | (<u>13,932</u>) | (<u>9,745</u>) |
| BALANCE, <i>end of year</i> | \$ <u>24,302</u> | \$ <u>6,518</u> |

ENGLISH ONLINE INC.

STATEMENT 4

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

| | 2014 | 2013 |
|--|------------------|------------------|
| CASH FLOWS FROM | | |
| <i>OPERATING ACTIVITIES</i> | | |
| Cash received from funder and service provided | \$ 657,059 | \$ 456,452 |
| Cash paid to suppliers and employees | (598,442) | (482,304) |
| | <u>58,617</u> | <u>(25,852)</u> |
| <i>INVESTING ACTIVITY</i> | | |
| Acquisition of capital assets | (31,716) | (2,885) |
| NET INCREASE (DECREASE) IN CASH DURING YEAR | 26,901 | (28,737) |
| CASH, <i>beginning of year</i> | <u>4,923</u> | <u>33,660</u> |
| CASH, <i>end of year</i> | <u>\$ 31,824</u> | <u>\$ 4,923</u> |
| CASH COMPRISED OF | | |
| Cash | \$ 15,414 | \$ 4,923 |
| Restricted funds | <u>16,410</u> | <u>-</u> |
| | <u>\$ 31,824</u> | <u>\$ 4,923</u> |

ENGLISH ONLINE INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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 accounting standards for not-for-profit organizations 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, 2014
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
FINANCIAL INSTRUMENTS

English Online Inc. 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. ACCOUNTS RECEIVABLE

| | 2 0 1 4 | 2 0 1 3 |
|--|-------------------------|-------------------------|
| Province of Manitoba | \$ | \$ 66,118 |
| Citadel Rock Online | 9,697 | 5,650 |
| Government Service Tax | 2,605 | 988 |
| Citizenship and Immigration - Manitoba | 16,972 | |
| Citizenship and Immigration - NHQ | 15,013 | |
| New Media Language Training | <u>2,716</u> | <u>-</u> |
| | <u>\$ 47,003</u> | <u>\$ 72,756</u> |

4. CAPITAL ASSETS

| | Cost | Accumulated Amortization | Net Book Value 2 0 1 4 | 2 0 1 3 |
|--------------------|-------------------------|-----------------------------|---------------------------|------------------------|
| Computer equipment | \$ 70,565 | \$ 56,429 | \$ 14,136 | \$ 4,406 |
| Office furniture | <u>19,501</u> | <u>9,335</u> | <u>10,166</u> | <u>2,112</u> |
| | <u>\$ 90,066</u> | <u>\$ 65,764</u> | <u>\$ 24,302</u> | <u>\$ 6,518</u> |

5. ECONOMIC DEPENDENCE

English Online Inc. receives a major portion of its revenue pursuant to a funding arrangement with the Citizenship and Immigration Canada. The ability of the organization to continue its operations strongly depend upon the funding from Citizenship and Immigration Canada or other funding agencies.

AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of 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, 2014.

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

Winnipeg, Manitoba
September 24, 2014

ENGLISH ONLINE INC.

SCHEDULE 1

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

CITIZENSHIP AND IMMIGRATION - MANITOBA

2014

2013

REVENUE

Citizenship and Immigration Canada - Manitoba

\$ 501,021

\$ -

EXPENDITURES

Capital expenditure

20,123

GST expense

3,920

Office administration

59,110

Online system development

96,173

Professional fees

13,604

Salaries, wages and benefits

307,248

Travel

843

-

501,021

-

EXCESS OF REVENUE OVER EXPENDITURES

\$ -

\$ -

ENGLISH ONLINE INC.

SCHEDULE 2

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

CITIZENSHIP AND IMMIGRATION - NATIONAL HEAD

| QUARTER | 2 0 1 4 | 2 0 1 3 |
|--|--------------------|--------------------|
| REVENUE | | |
| Citizenship and Immigration Canada - NHQ | \$ <u>122,344</u> | \$ <u>-</u> |
| EXPENDITURES | | |
| Activity cost | 10,577 | |
| Capital expenditures | 5,747 | |
| GST expense | 820 | |
| Office Administration | 3,361 | |
| Office expenses | 1,801 | |
| Professional fees | 13,093 | |
| Project administration offset | 642 | |
| Salaries, wages and benefits | 82,205 | |
| Travel | <u>4,098</u> | <u>-</u> |
| | <u>122,344</u> | <u>-</u> |
| EXCESS OF REVENUE OVER EXPENDITURES | \$ <u><u>-</u></u> | \$ <u><u>-</u></u> |

ENGLISH ONLINE INC.

SCHEDULE 3

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

CITADEL ROCK ONLINE

2014

2013

REVENUE

Citadel Rock Online

\$ 25,352\$ 12,706

EXPENDITURES

Activity cost

375

Salaries, wages and benefits

24,600

12,706

Travel

377-25,35212,706

EXCESS OF REVENUE OVER EXPENDITURES

\$ -\$ -

ENGLISH ONLINE INC.

SCHEDULE 4

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

NEW MEDIA LANGUAGE TRAINING

2 0 1 4

2 0 1 3

REVENUE

New Media Language Training

\$ 8,148 \$ -

EXPENDITURES

Activity cost

183

Salaries, wages and benefits

7,386

Travel

329-7,898-

EXCESS OF REVENUE OVER EXPENDITURES

\$ 250 \$ -

ENGLISH ONLINE INC.

SCHEDULE 5

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

**PROVINCE OF MANITOBA - DEPARTMENT OF LABOUR AND
IMMIGRATION****2 0 1 4****2 0 1 3**

REVENUE

| | | |
|---|--------------|----------------|
| Province of Manitoba - Department of Labour and Immigration | \$ 2,170 | \$ 428,620 |
| Other revenue | <u>195</u> | <u>-</u> |
| | <u>2,365</u> | <u>428,620</u> |

EXPENDITURES

| | | |
|------------------------------|--------------|----------------|
| Capital costs | | 5,967 |
| Office administration | | 32,602 |
| Online system development | | 57,981 |
| Professional fees | | 15,518 |
| Salaries, wages and benefits | | 310,942 |
| Training | 2,117 | |
| Travel | <u>-</u> | <u>4,424</u> |
| | <u>2,117</u> | <u>427,434</u> |

EXCESS OF REVENUE OVER EXPENDITURES

| | |
|---------------|-----------------|
| \$ <u>248</u> | \$ <u>1,186</u> |
|---------------|-----------------|