

ENGLISH ONLINE INC.  
FINANCIAL STATEMENTS

MARCH 31, 2012

## INDEPENDENT AUDITORS' REPORT

To the Directors  
English Online Inc.

We have audited the accompanying financial statements of English Online Inc., which comprise the balance sheet as at March 31, 2012, and the statement of revenue and expenditures, statement of changes in fund balances and statement of cash flow 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 generally accepted accounting principles 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, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

  
CHARTERED ACCOUNTANTS

Winnipeg, Manitoba  
September 20, 2012

# ENGLISH ONLINE INC.

STATEMENT 1

## BALANCE SHEET

MARCH 31

2012

2011

### ASSETS

#### CURRENT

Cash	\$ 33,660	\$ 19,748
Accounts receivable	<u>36,920</u>	<u>33,093</u>
	70,580	52,841

#### CAPITAL ASSETS (Note 3)

	<u>13,378</u>	<u>22,624</u>
	<u>\$ 83,958</u>	<u>\$ 75,465</u>

### LIABILITIES

#### CURRENT

Accounts payable and accrued liabilities	\$ <u>61,960</u>	\$ <u>45,315</u>
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### FUND BALANCES

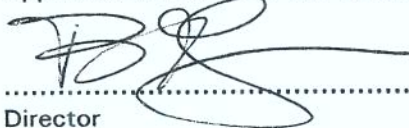
#### OPERATING FUND (Statement 2)

8,620 7,526

#### CAPITAL FUND (Statement 2)

	<u>13,378</u>	<u>22,624</u>
	<u>21,998</u>	<u>30,150</u>
	<u>\$ 83,958</u>	<u>\$ 75,465</u>

Approved on behalf of the Board

  
.....  
Director

  
.....  
Director

**STATEMENT OF CHANGES IN FUND BALANCES**

YEAR ENDED MARCH 31

	2012	2011
<b>OPERATING FUND</b>		
BALANCE, <i>beginning of year</i>	\$ 7,526	\$ 1,234
Excess revenue over expenditures ( <i>Statement 3</i> )	<u>1,094</u>	<u>6,292</u>
BALANCE, <i>end of year</i>	<u>\$ 8,620</u>	<u>\$ 7,526</u>
 <b>CAPITAL FUND</b>		
BALANCE, <i>beginning of year</i>	\$ 22,624	\$ 20,234
Acquisition of capital assets	7,446	17,390
Provision for amortization	<u>( 16,692)</u>	<u>( 15,000)</u>
BALANCE, <i>end of year</i>	<u>\$ 13,378</u>	<u>\$ 22,624</u>

**STATEMENT OF REVENUE AND EXPENDITURES**

YEAR ENDED MARCH 31

	2 0 1 2	2 0 1 1
<b>REVENUE</b>		
Province of Manitoba - Department of Labour and Immigration	\$ <u>417,366</u>	\$ <u>353,396</u>
<b>EXPENSES</b>		
Activity costs	125,978	101,141
Capital costs	12,438	17,507
Office administration	30,302	22,304
Professional fees	9,758	5,842
Salaries, wages and benefits	235,288	196,020
Travel	<u>2,508</u>	<u>4,290</u>
	<u>416,272</u>	<u>347,104</u>
<b>EXCESS REVENUE OVER EXPENDITURES</b>	<u>\$ 1,094</u>	<u>\$ 6,292</u>

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2 0 1 2	2 0 1 1
CASH FLOWS FROM		
<i>OPERATING ACTIVITIES</i>		
Cash received from Province of Manitoba	\$ 413,539	\$ 334,200
Cash paid to suppliers and employees	<u>( 392,181)</u>	<u>( 312,929)</u>
	21,358	21,271
<i>INVESTING ACTIVITY</i>		
Acquisition of capital assets	<u>( 7,446)</u>	<u>( 17,390)</u>
INCREASE IN CASH DURING YEAR	13,912	3,881
CASH, <i>beginning of year</i>	<u>19,748</u>	<u>15,867</u>
CASH, <i>end of year</i>	<u>\$ 33,660</u>	<u>\$ 19,748</u>

# ENGLISH ONLINE INC.

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012

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### 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 generally accepted accounting principals 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.

#### *FINANCIAL INSTRUMENTS*

The financial instruments of the company consist of cash, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2 0 1 2	2 0 1 1
Computer equipment	\$ 47,918	\$ 38,161	\$ 9,757	\$ 17,493
Office furniture	<u>7,547</u>	<u>3,926</u>	<u>3,621</u>	<u>5,131</u>
	<u>\$ 55,465</u>	<u>\$ 42,087</u>	<u>\$ 13,378</u>	<u>\$ 22,624</u>

4. 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.