

ENGLISH ONLINE INC.
FINANCIAL STATEMENTS

MARCH 31, 2016

ENGLISH ONLINE INC.

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MARCH 31, 2016

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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, 2016, 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 the provisions of English Online Inc.'s funding agreements with certain Provincial and Federal Ministries, 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.

Auditors' 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 auditors' 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, 2016, and its financial performance and its cash flows for the year then ended in accordance with the provisions of English Online Inc. funding agreements with certain Provincial and Federal Ministries.

(continued)

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared to assist English Online Inc. to comply with the financial reporting provisions with certain Provincial and Federal Ministries. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for certain Provincial and Federal Ministries and should not be distributed to or used by parties other than the intended users.

Winnipeg, Manitoba
September 29, 2016

Collins Barrow HMA LLP
Chartered Professional Accountants

ENGLISH ONLINE INC.

STATEMENT 1

STATEMENT OF FINANCIAL POSITION

MARCH 31

	2016	2015
A S S E T S		
CURRENT		
Cash	\$ 50,211	\$
Accounts receivable (Note 3)	<u>11,160</u>	<u>120,606</u>
	61,371	120,606
CAPITAL ASSETS (Note 4)		
	<u>34,350</u>	<u>69,400</u>
	<u>\$ 95,721</u>	<u>\$ 190,006</u>
L I A B I L I T I E S		
CURRENT		
Bank indebtedness	\$	\$ 63,481
Accounts payable and accrued liabilities (Note 5)	<u>30,505</u>	<u>33,401</u>
	<u>30,505</u>	<u>96,882</u>
F U N D B A L A N C E S		
OPERATING FUND (Statement 3)	30,866	23,724
CAPITAL FUND (Statement 3)	<u>34,350</u>	<u>69,400</u>
	<u>65,216</u>	<u>93,124</u>
	<u>\$ 95,721</u>	<u>\$ 190,006</u>

Approved on behalf of the Board

.....
Director

.....
Director



STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

	2 0 1 6	2 0 1 5
REVENUE		
Immigration, Refugees and Citizenship Canada - Manitoba	\$ 595,315	\$ 646,810
Citizenship and Immigration - NHQ		129,883
Citadel Rock Online	10,000	17,150
Synergiq Solutions	1,500	
Province of Manitoba - Department of Labour and Immigration		
Other revenue	<u>2,595</u>	<u>9,998</u>
	<u>609,410</u>	<u>803,841</u>
EXPENSES		
Activity Costs	17,607	104,760
Computer - hardware and software	1,944	21,840
Good and services tax expense	2,675	5,316
Office administration	46,316	46,964
Office - core and project	16,369	13,283
Office furniture		2,651
Professional fees	45,167	52,177
Salaries, wages and benefits	468,459	534,383
Travel	<u>3,731</u>	<u>9,047</u>
	<u>602,268</u>	<u>790,421</u>
EXCESS REVENUE OVER EXPENDITURES	<u>\$ 7,142</u>	<u>\$ 13,420</u>

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31

	2 0 1 6	2 0 1 5
OPERATING FUND		
BALANCE, <i>beginning of year</i>	\$ 23,724	\$ 10,304
Excess revenue over expenditures (<i>Statement 2</i>)	<u>7,142</u>	<u>13,420</u>
BALANCE, <i>end of year</i>	\$ <u>30,866</u>	\$ <u>23,724</u>
CAPITAL FUND		
BALANCE, <i>beginning of year</i>	\$ 69,400	\$ 24,302
Acquisition of capital assets	1,296	82,577
Amortization of capital assets	<u>(36,346)</u>	<u>(37,479)</u>
BALANCE, <i>end of year</i>	\$ <u>34,350</u>	\$ <u>69,400</u>

ENGLISH ONLINE INC.

STATEMENT 4

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2016	2015
CASH FLOWS FROM		
<i>OPERATING ACTIVITIES</i>		
Cash received from funders	\$ 718,561	\$ 685,503
Cash paid to suppliers and employees	(606,460)	(698,442)
Interest received	<u>295</u>	<u>211</u>
	<u>112,396</u>	<u>(12,728)</u>
<i>INVESTING ACTIVITY</i>		
Acquisition of capital assets	<u>1,296</u>	<u>(82,577)</u>
NET INCREASE (DECREASE) IN CASH DURING YEAR	113,692	(95,305)
CASH, <i>beginning of year</i>	<u>(63,481)</u>	<u>31,824</u>
CASH, <i>end of year</i>	<u>\$ 50,211</u>	<u>\$ (63,481)</u>

ENGLISH ONLINE INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

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.

To provide a comprehensive online environment that brings the best resources, people and technology together to address newcomers' unique needs for settlement and integration into the workplace and the community.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the accounting principles stipulated by English Online Inc. with certain Provincial and Federal Ministries for the purpose of satisfying filing requirements. These agreements predominantly reflect Canadian accounting standards for not-for-profit organizations with the exception of the accounting for capital assets as follows:

- a) capital asset purchases are expensed in the Statement of Revenue and Expenditures against the related revenue;
- b) capital asset amortization is charged directly to Net Assets Invested in Capital Assets.

REVENUE RECOGNITION

English Online Inc. follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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.

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 includes bank indebtedness, accounts payable and accrued liabilities.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

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

USE OF ESTIMATES

The preparation of financial statements in accordance with the accounting principles stipulated by English Online Inc. with certain Provincial and Federal Ministries requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

CAPITAL ASSETS

The acquisition costs of capital assets which are not funded from capital sources are charged to operations and matched with the applicable revenue in the year of expenditure. These expenditures are also recorded at cost as an addition to capital assets, with a corresponding increase in Net Assets Invested in Capital Assets.

Capital Assets are amortized annually with a corresponding reduction in Net Assets Invested in Capital Assets. These assets are amortized on the following rates and methods:

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

3. ACCOUNTS RECEIVABLE

	2 0 1 6	2 0 1 5
Synergiq Solutions	\$ 2,300	\$ 1,750
Goods and Service Tax	8,110	5,447
Immigration, Refugees and Citizenship Canada - Manitoba		60,149
Citizenship and Immigration - NHQ		50,773
New Media Language Training	750	
Other	<u>-</u>	<u>2,487</u>
	<u>\$ 11,160</u>	<u>\$ 120,606</u>

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2 0 1 6	2 0 1 5
Computer equipment	\$ 150,018	\$ 123,102	\$ 26,916	\$ 58,692
Office furniture	<u>23,921</u>	<u>16,487</u>	<u>7,434</u>	<u>10,708</u>
	<u>\$ 173,939</u>	<u>\$ 139,589</u>	<u>\$ 34,350</u>	<u>\$ 69,400</u>

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 1 6	2 0 1 5
Accrued liabilities	\$ 15,349	\$ 32,103
Immigration, Refugees and Citizenship Canada - Manitoba	15,156	
Trade payable and other	<u>-</u>	<u>1,298</u>
	<u>\$ 30,505</u>	<u>\$ 33,401</u>

6. ECONOMIC DEPENDENCE

English Online Inc. receives a major portion of its revenue pursuant to a funding arrangement with the Immigration, Refugees and Citizenship Canada. The ability of the organization to continue its operations strongly depends upon the funding from Immigration, Refugees and Citizenship Canada and 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, 2016.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the organization 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.

Winnipeg, Manitoba
September 29, 2016

Collins Barrow HMA LLP
Chartered Professional Accountants

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

**IMMIGRATION, REFUGEES AND CITIZENSHIP CANADA -
MANITOBA**

2 0 1 6 2 0 1 5

REVENUE

Immigration, Refugees and Citizenship Canada - Manitoba	\$ 595,315	\$ 646,810
Other	<u>295</u>	<u>211</u>
	<u>595,610</u>	<u>647,021</u>

EXPENDITURES

Computer - hardware and software	1,944	21,840
GST expense	2,578	4,437
Office administration	60,555	49,966
Office furniture		2,651
Online system development	12,862	80,661
Professional fees	45,167	40,476
Salaries, wages and benefits	468,927	436,041
Travel	<u>3,671</u>	<u>4,287</u>
	<u>595,704</u>	<u>640,359</u>

EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)

	\$ <u><u>94</u></u>	\$ <u><u>6,662</u></u>
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SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

CITIZENSHIP AND IMMIGRATION - NATIONAL HEAD

QUARTER	2 0 1 6	2 0 1 5
REVENUE		
Citizenship and Immigration Canada - NHQ	\$	\$ 129,883
Other	-	33
	<u>-</u>	<u>129,916</u>
EXPENDITURES		
Activity costs		18,733
Goods and services tax expense		786
Office administration		3,446
Office - core and project		2,019
Professional fees		11,701
Salaries, wages and benefits		88,145
Travel and accomodations	-	4,721
	<u>-</u>	<u>129,551</u>
EXCESS OF REVENUE OVER EXPENDITURES	\$ <u>-</u>	\$ <u>365</u>

ENGLISH ONLINE INC.

SCHEDULE 3

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

NEW MEDIA LANGUAGE TRAINING

2016

2015

REVENUE

New Media Language Training

\$ 1,500

\$ -

EXPENDITURES

Activity costs

1,500

250

EXCESS OF REVENUE OVER EXPENDITURES

\$ -

\$ (250)

ENGLISH ONLINE INC.

SCHEDULE 4

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

SYNERGIQ SOLUTIONS

2016

2015

REVENUE

Synergiq Solutions (formerly Citadel Rock Online)	\$ 10,000	\$ 17,150
Other	<u>2,300</u>	<u>1,810</u>
	<u>12,300</u>	<u>18,960</u>

EXPENDITURES

Activity costs	3,245	5,115
Goods and services tax	97	92
Office administration		2,750
Office - core and project	1,043	2,067
Salaries, wages and benefits	620	10,198
Travel	<u>61</u>	<u>38</u>
	<u>5,066</u>	<u>20,260</u>

EXCESS OF REVENUE OVER EXPENDITURES
(EXPENDITURES OVER REVENUE)

\$ <u>7,234</u>	\$ (<u>1,300</u>)
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