
ENGLISH ONLINE INC.
FINANCIAL STATEMENTS

MARCH 31, 2020

ENGLISH ONLINE INC.

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MARCH 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
English Online Inc.

Opinion

We have audited the accompanying financial statements of English Online Inc., which comprise the statement of financial position as at March 31, 2020, and the statements of changes in fund balances, revenue and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of English Online Inc. as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with the provisions of English Online Inc.'s funding agreement with Immigration, Refugees and Citizenship Canada.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of English Online Inc. 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.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 in the financial statements, which describes the basis of accounting. The financial statements are prepared to assist English Online Inc. to comply with the provisions of English Online Inc.'s funding agreement with Immigration, Refugees and Citizenship Canada. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Matter - Restriction on Use

Our report is intended solely for English Online Inc. and Immigration, Refugees and Citizenship Canada and should not be distributed to or used by parties other than the intended users. 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 and fair presentation of the financial statements in accordance with the provisions of English Online Inc.'s funding agreement with Immigration, Refugees and Citizenship Canada, 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 English Online Inc.'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 English Online Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing English Online Inc.'s financial reporting process.

(continued.....)

Auditors' Responsibility 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 auditor's 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 these 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 English Online Inc.'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 English Online Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause English Online Inc. to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Baker Tilly HMA LLP

Chartered Professional Accountants

Winnipeg, Manitoba
September 28, 2020

ENGLISH ONLINE INC.

STATEMENT 1

STATEMENT OF FINANCIAL POSITION

MARCH 31

2020 2019

ASSETS

CURRENT

Cash	\$ 49,472	\$ 68,704
Accounts receivable (Note 3)	<u>25,363</u>	<u>2,360</u>
	74,835	71,064

CAPITAL ASSETS (Note 4)

<u>2,446</u>	<u>1,279</u>
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\$ <u>77,281</u>	\$ <u>72,343</u>
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LIABILITIES

CURRENT

Accounts payable and accrued liabilities (Note 5)	\$ <u>8,159</u>	\$ <u>14,538</u>
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CONTINGENT LIABILITY (Note 6)

FUND BALANCES

OPERATING FUND (Statement 2)	66,676	56,526
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CAPITAL FUND (Statement 2)	<u>2,446</u>	<u>1,279</u>
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<u>69,122</u>	<u>57,805</u>
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\$ <u>77,281</u>	\$ <u>72,343</u>
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Approved on behalf of the Board

.....
Director

.....
Director

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31

	2020	2019
OPERATING FUND		
BALANCE, <i>beginning of year</i>	\$ 56,526	\$ 45,025
Excess of revenue over expenditures (<i>Statement 3</i>)	<u>10,150</u>	<u>11,501</u>
BALANCE, <i>end of year</i>	\$ <u>66,676</u>	\$ <u>56,526</u>
CAPITAL FUND		
BALANCE, <i>beginning of year</i>	\$ 1,279	\$ 2,217
Acquisition of capital assets	3,210	918
Amortization of capital assets	<u>(2,043)</u>	<u>(1,856)</u>
BALANCE, <i>end of year</i>	\$ <u>2,446</u>	\$ <u>1,279</u>

STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

	2 0 2 0	2 0 1 9
REVENUE		
Immigration, Refugees and Citizenship Canada	\$ 521,586	\$ 551,414
Manitoba Association of Newcomer Serving Organization	2,475	
Manitoba Education and Training	69,442	
New Media Language Training		500
Other revenue	<u>527</u>	<u>684</u>
	<u>594,030</u>	<u>552,598</u>
EXPENSES		
Activity costs	38,913	28,601
Computer - hardware and software	2,890	
Goods and services tax	2,514	2,211
Office administration	31,416	37,187
Office - core and project	10,488	8,787
Professional fees	28,977	27,188
Salaries, wages and benefits	467,551	435,296
Travel	<u>1,131</u>	<u>1,827</u>
	<u>583,880</u>	<u>541,097</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ 10,150</u>	<u>\$ 11,501</u>

ENGLISH ONLINE INC.

STATEMENT 4

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2020	2019
CASH FLOWS FROM		
<i>OPERATING ACTIVITIES</i>		
Cash received from funders and other	\$ 570,775	\$ 547,404
Cash paid to suppliers and employees	(587,049)	(547,253)
Interest received	<u>252</u>	<u>584</u>
	<u>(16,022)</u>	<u>735</u>
<i>INVESTING ACTIVITY</i>		
Acquisition of capital assets	<u>(3,210)</u>	<u>(918)</u>
NET DECREASE IN CASH DURING YEAR	(19,232)	(183)
CASH, <i>beginning of year</i>	<u>68,704</u>	<u>68,887</u>
CASH, <i>end of year</i>	<u>\$ 49,472</u>	<u>\$ 68,704</u>

ENGLISH ONLINE INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

1. ORGANIZATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the accounting principles stipulated by the funding agreement with Immigration, Refugees and Citizenship Canada 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. These capital asset purchases are also recorded to Capital Assets, with a corresponding increase in the Capital Fund in the Statement of Financial Position;
- b) capital asset amortization is charged directly to the Capital Fund.

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.

USE OF ESTIMATES

The preparation of financial statements in accordance with the accounting principles stipulated in Note 2 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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

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

The financial instruments of the company consist of cash, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the program 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 values.

The company initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost. The financial assets subsequently measured at amortized cost include cash and accounts receivable. The financial liabilities measured at amortized cost includes accounts payable and accrued liabilities.

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 the Capital Fund.

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

Computer equipment	50%	straight-line method
Furniture and equipment	20%	straight-line method

INVENTORY

Inventory is valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis.

3. ACCOUNTS RECEIVABLE

	2 0 2 0	2 0 1 9
Province of Manitoba	\$ 2,013	\$
Goods and services tax	4,624	2,212
Immigration, Refugees and Citizenship Canada - Manitoba	18,726	
Other	-	148
	<u>\$ 25,363</u>	<u>\$ 2,360</u>

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2 0 2 0	2 0 1 9
Computer equipment	\$ 156,146	\$ 153,700	\$ 2,446	\$ 1,279
Furniture and equipment	<u>23,921</u>	<u>23,921</u>	-	-
	<u>\$ 180,067</u>	<u>\$ 177,621</u>	<u>\$ 2,446</u>	<u>\$ 1,279</u>

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 2 0	2 0 1 9
Trade and other payables	\$ <u>8,159</u>	\$ <u>14,538</u>

6. CONTINGENT LIABILITY

Excess of revenues over expenditures from funds contributed by Immigration, Refugees and Citizenship Canada and other funding agencies may be subject to repayment or recovery, depending on the terms and conditions within the agreements. If any amounts become repayable, they will be accounted for in the year of determination.

7. 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.

8. COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in economic downturn. This outbreak may also cause staff shortages, reduced demand, increased government regulations or interventions, all of which may negatively impact the financial condition or results of operations of the Company. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments.

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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, 2020.

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 28, 2020

Baker Tilly HMA LLP

Chartered Professional Accountants

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

IMMIGRATION, REFUGEES AND CITIZENSHIP CANADA

2020

2019

REVENUE

Immigration, Refugees and Citizenship Canada	\$ 521,586	\$ 551,414
Interest income	<u>252</u>	<u>284</u>
	<u>521,838</u>	<u>551,698</u>

EXPENDITURES

Activity costs	24,889	28,103
Goods and services tax	2,131	2,201
Office administration	30,390	37,186
Office - core and project	10,001	8,725
Professional fees	27,777	27,188
Salaries, wages and benefits	414,940	435,296
Travel	<u>812</u>	<u>1,819</u>
	<u>510,940</u>	<u>540,518</u>

EXCESS OF REVENUE OVER EXPENDITURES

\$ <u>10,898</u>	\$ <u>11,180</u>
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SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

NEW MEDIA LANGUAGE TRAINING

2020

2019

REVENUE

New Media Language Training	\$		\$	500
Other revenue		<u>275</u>		<u>400</u>
		<u>275</u>		<u>900</u>

EXPENDITURES

Activity costs		1,004		499
Goods and services tax		19		10
Office - core and project				62
Travel		<u>-</u>		<u>8</u>
		<u>1,023</u>		<u>579</u>

EXCESS OF REVENUE OVER EXPENDITURES
(EXPENDITURES OVER REVENUE)

	\$	<u>(748)</u>	\$	<u>321</u>
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ENGLISH ONLINE INC.

SCHEDULE 3

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

MANITOBA EDUCATION AND TRAINING

2020

2019

REVENUE

Manitoba Education and Training

\$ 69,442

\$ -

EXPENDITURES

Activity Cost

10,544

Computer - hardware and software

2,890

Goods and services tax

364

Office administration

1,027

Office core and project

488

Professional fees

1,200

Salaries, wages and benefits

52,610

Travel

319

-

69,442

-

EXCESS OF REVENUE OVER EXPENDITURES

\$ -

\$ -

ENGLISH ONLINE INC.

SCHEDULE 4

SCHEDULE OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

MANITOBA ASSOCIATION OF NEWCOMER SERVING ORGANIZATION

2020

2019

REVENUE

MB Association of Newcomer Serving Organization

\$ 2,475

\$ -

EXPENDITURES

Professional development

2,475

-

EXCESS OF REVENUE OVER EXPENDITURES

\$ -

\$ -