

**ENGLISH LANGUAGE ARTS NETWORK - QUEBEC**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**SUMMARY**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Directors of  
ENGLISH LANGUAGE ARTS NETWORK - QUEBEC

We have audited the accompanying financial statements of ENGLISH LANGUAGE ARTS NETWORK - QUEBEC organization, which comprise the balance sheet as at March 31, 2018, and the statements of operations, changes in net assets and 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 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 from 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 LANGUAGE ARTS NETWORK - QUEBEC organization as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

 <sup>1</sup>

Montreal, August 15, 2018

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<sup>1</sup> By Robert Schanck, CPA auditor, CA

**ENGLISH LANGUAGE ARTS NETWORK - QUEBEC**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Grants (Schedule A)	\$ 568,612	\$ 340,010
Membership fees	7,321	7,013
Other revenues	<u>2,775</u>	<u>1,770</u>
	<u>578,708</u>	<u>348,793</u>
<b>EXPENSES</b>		
Salaries, employee benefits and honorariums	194,000	165,097
Contractors	221,562	103,140
Rent	19,124	19,633
Publicity	18,424	7,148
Translation	5,705	4,366
Workshop expenses	261	-
Travel and representation	27,259	23,337
Communications	3,650	2,154
Website and maintenance	8,378	3,806
Printing and mailing	5,995	4,014
Office and general	14,520	2,984
Meetings and general	6,512	7,487
Membership	458	-
Professional fees	4,091	3,802
Training	370	367
Insurance	1,113	721
Interests and bank charges	692	813
Amortization of capital assets	<u>484</u>	<u>-</u>
	<u>532,598</u>	<u>348,869</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES (note 8)</b>	<u>\$ 46,110</u>	<u>\$ (76)</u>

**ENGLISH LANGUAGE ARTS NETWORK - QUEBEC**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

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	<u>Invested in capital assets</u>	<u>Unrestricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>BALANCE, BEGINNING OF YEAR</b>	\$ -	\$ 8,181	\$ 8,181	\$ 8,257
Excess (deficiency) of revenues over expenses	(484)	46,594	46,110	(76)
Investment in capital assets	<u>4,291</u>	<u>(4,291)</u>	<u>-</u>	<u>-</u>
<b>BALANCE, END OF YEAR</b>	<u>\$ 3,807</u>	<u>\$ 50,484</u>	<u>\$ 54,291</u>	<u>\$ 8,181</u>

**ENGLISH LANGUAGE ARTS NETWORK - QUEBEC**

**BALANCE SHEET**

**AS AT MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash - Operating account	\$ -	\$ 27,723
Enhanced Business Account, 0.9% (0.75% in 2017)	126,289	100,041
Accounts receivable (note 3)	7,751	1,648
Contributions receivable	59,602	4,139
Prepaid and deposits	<u>3,328</u>	<u>1,208</u>
	196,970	134,759
<b>CAPITAL ASSETS (note 4)</b>	<u>3,807</u>	<u>-</u>
	<u>\$ 200,777</u>	<u>\$ 134,759</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank overdraft	\$ 6,268	\$ -
Accounts payable and accrued liabilities (note 6)	60,485	15,183
Deferred contributions (note 7)	<u>79,733</u>	<u>111,395</u>
	<u>146,486</u>	<u>126,578</u>
<b>NET ASSETS</b>		
<b>INVESTED IN CAPITAL ASSETS</b>	3,807	-
<b>UNRESTRICTED</b>	<u>50,484</u>	<u>8,181</u>
	<u>54,291</u>	<u>8,181</u>
	<u>\$ 200,777</u>	<u>\$ 134,759</u>

**ON BEHALF OF THE BOARD,**

\_\_\_\_\_, Director

\_\_\_\_\_, Director

**ENGLISH LANGUAGE ARTS NETWORK - QUEBEC**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ 46,110	\$ (76)
Non-cash item:		
Amortization of capital assets	<u>484</u>	<u>-</u>
	46,594	(76)
Net change in non-cash working capital items:		
Enhanced Business Account, 0.9% (0.75% in 2017)	(26,248)	(100,041)
Accounts receivable	(6,103)	2,549
Contributions receivable	(55,463)	20,100
Prepaid and deposits	(2,120)	1,358
Accounts payable and accrued liabilities	45,302	(4,558)
Deferred contributions	<u>(31,662)</u>	<u>100,136</u>
	(29,700)	19,468
<b>INVESTING ACTIVITY</b>		
Acquisition of capital assets	<u>(4,291)</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(33,991)	19,468
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>27,723</u>	<u>8,255</u>
<b>CASH AND CASH EQUIVALENTS (DEFICIENCY), END OF YEAR</b>	<u>\$ (6,268)</u>	<u>\$ 27,723</u>

Cash and cash equivalents consist of cash and bank overdraft.

# ENGLISH LANGUAGE ARTS NETWORK - QUEBEC

## NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2018

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### 1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

English Language Arts Network - Quebec (ELAN) was federally incorporated under the Canada Business Corporations Act as a not-for-profit organization as at April 29, 2005 and, as such, is exempt from paying corporate income tax under the Income Tax Act. ELAN's mission is to help English speaking artists make connections with one another, with their publics in Quebec and Canada, with their French speaking colleagues and with government funders.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The organization applies the Canadian accounting standards for not-for-profit organizations.

#### **Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenses for the periods covered. The main estimates relate to impairment of financial assets.

#### **Revenue recognition**

The organization follows the deferral method of 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.

#### **Contributed services**

Volunteers contributed many hours of service over the course of the year. Because of the difficulty of determining their fair value, these contributed services are not recognized in the financial statements.

#### **Cash and cash equivalents**

The organization's policy is to present bank balances under cash and cash equivalents, including bank overdrafts when bank balances that fluctuate frequently from being positive to overdrawn, and term deposits with a maturity period of three months or less from the date of acquisition. In addition, term deposits that the organization cannot use for current transactions because they are pledged as collateral are excluded from cash and cash equivalents.

# ENGLISH LANGUAGE ARTS NETWORK - QUEBEC

## NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments

##### *Initial and subsequent measurement*

The organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The organization subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value of these financial instruments are recognized in net income in the period incurred.

Financial assets measured at amortized cost on a straight-line basis include cash, accounts receivable and grants receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities and deferred contributions.

##### *Impairment*

For financial assets measured at cost or amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in net income. A previously recognized impairment loss may be reversed. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

#### Capital assets

Capital assets are accounted for at cost. Amortization is calculated using the straight-line method at the following rates:

Office furniture and equipment	20%
Computer hardware	33%

**ENGLISH LANGUAGE ARTS NETWORK - QUEBEC**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT MARCH 31, 2018**

**3. ACCOUNTS RECEIVABLE**

	<u>2018</u>	<u>2017</u>
Sales tax receivable	\$ 7,751	\$ 1,516
Other receivable	<u>-</u>	<u>132</u>
	<u>\$ 7,751</u>	<u>\$ 1,648</u>

**4. CAPITAL ASSETS**

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Office furniture and equipment	\$ 3,466	\$ 347	\$ 3,119	\$ -
Computer hardware	<u>825</u>	<u>137</u>	<u>688</u>	<u>-</u>
	<u>\$ 4,291</u>	<u>\$ 484</u>	<u>\$ 3,807</u>	<u>\$ -</u>

**5. BANK LOAN**

The organization has an authorized line of credit of \$10,000, which remained unused as at March 31, 2018.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2018</u>	<u>2017</u>
Accounts payable	\$ 52,470	\$ 11,792
Salaries	<u>8,015</u>	<u>3,391</u>
	<u>\$ 60,485</u>	<u>\$ 15,183</u>

ENGLISH LANGUAGE ARTS NETWORK - QUEBEC

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2018

**7. DEFERRED CONTRIBUTIONS**

The deferred contributions represent unused resources received during the year. The amount shall be considered as income in the following year. Changes in deferred contributions balances are:

	<u>2018</u>	<u>2017</u>
<b>Opening balance</b>	\$ 111,395	\$ 11,259
Less : amount recorded as income	(111,395)	(11,259)
Plus: amount received for the following year	<u>79,733</u>	<u>111,395</u>
<b>Closing balance</b>	<u>\$ 79,733</u>	<u>\$ 111,395</u>
<b>Deferred contributions</b>		
Canada Council for the Arts - Performing Arts Market Access	\$ 79,733	\$ 94,495
Canada Council for the Arts - Visual Arts Market Access	<u>-</u>	<u>16,900</u>
	<u>\$ 79,733</u>	<u>\$ 111,395</u>

**8. GRANTS**

The organization received two new operating grants this year, both for a full year of operations. Because one of the grants was received halfway through the year, and the other near the end of the year, the organization did not spend the full amounts. The unspent amounts of the new operating grants are: Canada Council for the Arts, \$25,000 (of \$35,000) and Conseil des arts et des lettres du Québec, \$15,000 (of \$75,000). The following reconciliation demonstrated the budgeted excess of revenues over expenses for this year:

Excess of revenues over expenses	\$ 46,110
Canada Council for the Arts	(25,000)
Conseil des arts et des lettres du Québec	<u>(15,000)</u>
Excess of revenues over expenses budgeted	<u>\$ 6,110</u>

## ENGLISH LANGUAGE ARTS NETWORK - QUEBEC

### NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2018

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#### 9. FINANCIAL INSTRUMENTS

##### **Financial risks**

The organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The main risks are broken down below.

##### **Liquidity risk**

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable.

##### **Credit risk**

Credit risk is the risk that one party to a financial asset will cause a financial loss for the organization by failing to discharge an obligation. The organization's credit risk is mainly related to accounts receivable and notes receivable.

The organization provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. The organization does not normally require a guarantee.

For contributions receivable, the organization assesses on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value.

##### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest rate instruments subject the organization to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating interest rate instruments subject the organization to related cash flow risk.

##### **Risk exposure change**

The organization's risk exposure has not changed since the previous year.

**ENGLISH LANGUAGE ARTS NETWORK - QUEBEC**  
**ADDITIONAL INFORMATION**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>SCHEDULE A</b>		
<b>GRANTS</b>		
Canadian Heritage - Program grant	\$ 135,000	\$ 135,000
Canadian Heritage - Arts Alive	150,000	94,510
Canadian Heritage - Arts, Community, Education	48,000	41,000
Canada Council for the Arts - Performing Arts Market Access Strategy	54,762	5,505
Canada Council for the Arts - Visual Arts Market Access	16,900	13,359
Canada Council for the Arts - Operating (note 8)	35,000	-
Canada Summer Jobs	2,363	-
Industry Science and Economic Development Canada - Digital Solutions	23,647	-
Conseil des arts et des lettres du Québec - Operating (note 8)	75,000	-
Young Canada Works	6,609	10,060
Emploi-Québec	11,331	18,401
Conseil des arts de Montréal	10,000	-
Broadcast Participation Fund	<u>-</u>	<u>22,175</u>
	<u>\$ 568,612</u>	<u>\$ 340,010</u>