

LANGUAGES CANADA ASSOCIATION

Financial Statements

Year Ended December 31, 2016

LANGUAGES CANADA ASSOCIATION
Index to Financial Statements
Year Ended December 31, 2016

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Operating Revenue and Expenditures	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9
Schedule of Marketing and Promotional Expenditures (<i>Schedule 1</i>)	10

CHANG & COMPANY

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operated by Calvin Chang Inc.

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INDEPENDENT AUDITORS' REPORT

To the Members of Languages Canada Association

We have audited the accompanying financial statements of Languages Canada Association, which comprise the statement of financial position as at December 31, 2016, and the statements of operating revenue and expenditures, changes in net assets and 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 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 Languages Canada Association as at December 31, 2016, 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 PROFESSIONAL ACCOUNTANTS

February 22, 2016
Burnaby, B.C.

LANGUAGES CANADA ASSOCIATION
Statement of Financial Position
December 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 147,740	\$ 131,736
Term deposits	300,000	200,000
Accounts receivable	57,781	125,788
Prepaid expenses	61,954	89,847
	567,475	547,371
RESTRICTED CASH AND INVESTMENT (Note 5)	224,035	220,804
	\$ 791,510	\$ 768,175

LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 3)	\$ 100,771	\$ 108,939
Deferred income (Note 4)	148,929	131,895
	249,700	240,834
NET ASSETS		
Operating fund	317,775	306,537
Student Education Assurance Fund (Note 5)	224,035	220,804
	541,810	527,341
	\$ 791,510	\$ 768,175

MEMBER DEPOSITS (Note 6)

ON BEHALF OF THE BOARD


 _____ Director

 Director

The accompanying notes form an integral part of these financial statements.

LANGUAGES CANADA ASSOCIATION
Statement of Operating Revenue and Expenditures
Year Ended December 31, 2016

	2016	2015
REVENUE		
Membership fees	\$ 665,001	\$ 675,821
Grants (<i>Schedule 1</i>)	43,997	122,632
Conference fees and sponsorships	147,468	136,557
Marketing initiative fees (<i>Schedule 1</i>)	225,560	148,002
Advertising fees (<i>Schedule 1</i>)	-	9,000
Partnership income (<i>Note 7</i>)	43,770	42,575
Interest income	1,589	4,877
	<u>1,127,385</u>	<u>1,139,464</u>
EXPENDITURES		
Advocacy and affiliations	36,892	146,777
Bank charges and interest	4,886	4,314
Conference	115,702	81,503
Insurance	3,473	3,473
Marketing and promotion (<i>Schedule 1</i>)	189,938	342,347
Office	5,517	9,197
Communications and translation	67,136	41,335
Professional fees	43,094	9,716
Salaries, benefits and commissions	590,682	549,550
Staff training and development	10,419	7,211
Telephone	16,706	17,053
Travel	31,702	27,230
	<u>1,116,147</u>	<u>1,239,706</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ 11,238</u>	<u>\$ (100,242)</u>

The accompanying notes form an integral part of these financial statements.

LANGUAGES CANADA ASSOCIATION
Statement of Changes in Net Assets
Year Ended December 31, 2016

	Operating Fund	Student Education Assurance Fund	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 306,537	\$ 220,804	\$ 527,341	\$ 626,877
Excess (deficiency) of revenue over expenditures	11,238	-	11,238	(100,242)
Member contributions, net (<i>Note 5</i>)	-	2,200	2,200	4,510
Compensation paid (<i>Note 5</i>)	-	-	-	(5,133)
Interest earned (<i>Note 5</i>)	-	1,031	1,031	1,329
NET ASSETS - END OF YEAR	\$ 317,775	\$ 224,035	\$ 541,810	\$ 527,341

The accompanying notes form an integral part of these financial statements.

LANGUAGES CANADA ASSOCIATION
Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	\$ 11,238	\$ (100,242)
Changes in non-cash working capital:		
Accounts receivable	68,007	(5,890)
Prepaid expenses	27,894	(77,374)
Accounts payable and accrued liabilities	(8,169)	50,918
Deferred income	17,034	43,645
	<u>104,766</u>	<u>11,299</u>
INCREASE (DECREASE) IN CASH FLOW	116,004	(88,943)
CASH - BEGINNING OF YEAR	331,736	460,100
CASH - END OF YEAR	\$ 447,740	\$ 371,157
CASH CONSISTS OF:		
Cash	\$ 147,740	\$ 131,736
Term deposits	300,000	200,000
	<u>\$ 447,740</u>	<u>\$ 331,736</u>

The accompanying notes form an integral part of these financial statements.

LANGUAGES CANADA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2016

1. PURPOSE OF THE ASSOCIATION

Languages Canada Association (the "Association") was incorporated on October 16, 2007 under the Canada Corporations Act as a non-profit organization without share capital.

The purpose of the Association is to be the voice of the Canadian language training sector and promote quality, accredited English and French language training in Canada, both nationally and internationally.

As a non-profit organization, the Association is exempt from income taxes under the provisions of the Canadian Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable.

Revenue from membership fees, conferences and sponsorships, advertising fees, marketing initiatives and partnership income are recognized when the service is provided.

Grants are recognized as revenue in the year to which they relate. Where a portion of a grant relates to future years, it is deferred and recognized in the future years.

Interest and other income is recognized as the revenue is earned.

Cash and term deposits

Cash and term deposits consist of unrestricted cash on hand and highly liquid short term investments.

Restricted cash and investments

Restricted cash and investments consist of cash on hand and restricted highly liquid short term investments.

Donated materials and services

The value of goods, materials and other services donated to the Association has not been recorded in the financial statements because of the difficulty in determining their fair value.

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

LANGUAGES CANADA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2016

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include goods and services tax of \$8,479 (2015 - \$3,232) payable to the Receiver General for Canada and restricted funds of \$37,984 (2015 - \$31,362) held on behalf of Canadian Consortium for International Education, a collaboration of organizations, including the Association, formed in 2013 with the goal of advancing international education in Canada. The consortium supports the professional development of education agents who advise international students on studying in Canada. The restricted funds are comprised of certification fees collected from agents who complete the Canada Course for Education Agents, an online course developed with Global Affairs Canada and promoted by the consortium. The fees collected are used to offset the costs incurred by the consortium for promoting and developing the course.

4. DEFERRED INCOME

Deferred income represents advance payments received for conference registration fees, conference sponsorship fees and marketing initiative fees.

	<u>2016</u>	<u>2015</u>
Conference registration fees	\$ 37,150	\$ 37,925
Conference sponsorship fees	43,150	44,500
Marketing initiative fees	<u>68,629</u>	<u>49,470</u>
	<u>\$ 148,929</u>	<u>\$ 131,895</u>

5. STUDENT EDUCATION ASSURANCE FUND

The Association, as part of its Education Completion Assurance Plan, has established and maintained a Student Education Assurance Fund ("SEAF"). The establishment of the SEAF is a requirement under agreements and understandings with certain provinces for private member schools to use the Imagine Education in Canada branding. The purpose of the SEAF is to ensure the Association has sufficient funds to enable it to assist in the compensation of students in the event any private school member cease to operate. To meet this requirement, the SEAF was established in 2010 as an internally restricted fund to accumulate \$200,000 from contributions by private school members by March 31, 2013, after which only new private school members are required to contribute to the fund.

During the year, contributions to the SEAF were \$2,200 (2015 - \$4,510), compensation paid was nil (2015 - \$5,133) and interest earned on funds invested was \$1,031 (2015 - \$1,329). As at December 31, 2016, the balance in the SEAF was \$224,035 (2015 - \$220,804). The funds are held in trust by the Association as restricted term deposits of \$220,734 (2015 - \$219,703) and restricted cash on hand of \$3,301 (2015 - \$1,101).

6. MEMBER DEPOSITS

The member deposits were received from Novice Members, a category of membership where the member schools may pay a deposit in lieu of a financial guarantee, which would have otherwise been required by the Association for all Novice Members. The deposit is to be held by the Association until the member school has been in operation for three years and the school is eligible to become a full member. As at December 31, 2016, the member deposits held were \$3,420 (2015 - nil).

LANGUAGES CANADA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2016

7. PARTNERSHIP INCOME

Partnership income represents amounts received pursuant to agreements with ICEF, sponsors and Scotiabank.

	<u>2016</u>	<u>2015</u>
ICEF partnership	\$ 14,770	\$ 16,325
Sponsorships	<u>29,000</u>	<u>26,250</u>
	<u>\$ 43,770</u>	<u>\$ 42,575</u>

LANGUAGES CANADA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2016

8. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash, term deposits, accounts receivable, restricted investments, member deposit, accounts payable and accrued liabilities and member deposit payable.

In accordance with CPA Canada Handbook Section 3855 "Financial Instruments - Recognition and Measurement", all financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale or other financial liabilities.

Financial instruments classified as "held-for-trading" are measured at fair value and changes in fair value are recognized in operations. Cash is classified as "held-for-trading".

Financial instruments classified as "held-to-maturity" are measured at their amortized cost using the effective interest method, less any impairment losses. The Association classified term deposits, restricted investments and member deposit as "held-to-maturity"

Financial instruments classified as "loans and receivables" are measured at their amortized cost, which is generally the amount on initial recognition less an allowance for doubtful accounts. The Association classified accounts receivable as "loans and receivable".

Financial instruments classified as "other financial liabilities" are measured at cost. The Association classified accounts payable and accrued liabilities and member deposit payable as "other financial liabilities".

Fair Value

The Association's carrying value of cash, term deposits, accounts receivable, restricted investments, member deposit, accounts payable and accrued liabilities and member deposit payable approximates its fair value due to the immediate or short term maturity of these instruments.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is mostly exposed to credit risk on accounts receivables from granting agencies and its members. In the opinion of management, the Association is not exposed to significant credit risk.

Currency Risk

Currency risk is the risk to the Association's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. In the opinion of management, the Association is not exposed to significant foreign currency exchange risk on any of its financial instruments.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. In the opinion of management, the Association is not exposed to significant interest rate risk.

LANGUAGES CANADA ASSOCIATION
Schedule of Marketing and Promotional Expenditures
(Schedule 1)

Year Ended December 31, 2016

	2016	2015
<p>During the year, the Association incurred expenditures for marketing and promotion activities, a portion of which were recovered by government grants, marketing initiative fees and advertising fees.</p>		
<u>Government grant revenue</u>		
Tradeshows and promotion	\$ -	\$ 28,418
Trade missions	43,997	94,214
	\$ 43,997	\$ 122,632
<u>Marketing initiative fees</u>		
Trade missions	\$ 146,894	\$ 88,075
French promotion event	17,306	-
FAM tours	-	21,597
Research project	450	-
Forums	14,000	8,545
World Student Day	41,910	29,785
Sponsorships	5,000	-
	\$ 225,560	\$ 148,002
<u>Marketing and promotion expenditures</u>		
Advertising and marketing	\$ -	\$ 6,759
FAM tours	-	22,481
Forums	20,456	5,105
Exploratory missions	3,174	498
Foreign government visits	-	3,272
French program	22,319	20,851
Marketing outreach	2,721	3,475
Promotion	-	2,088
Scholarships	-	6,455
Trade missions	95,042	150,035
Tradeshows	10,588	17,031
Website	-	72,166
World Student Day	35,638	32,131
	189,938	342,347
Less: recovered by grants	(43,997)	(122,632)
Less: recovered by marketing initiative fees	(225,560)	(148,002)
Less: recovered by advertising fees	-	(9,000)
	\$ (79,619)	\$ 62,713

The accompanying notes form an integral part of these financial statements.