

CHINA EDUCATION ALLIANCE INC.
Form 10-Q
May 16, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number: 001-34386

CHINA EDUCATION ALLIANCE, INC.
(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of incorporation or organization)

56-2012361
(I.R.S. Employer Identification No.)

58 Heng Shan Road, Kun Lun Shopping Mall,
Harbin, The People's Republic of China

150090

(Address of principal executive offices)

(Zip Code)

86-451-8233-5794
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer

Smaller reporting
company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

As of May 10, 2011 there were 31,727,249 shares of \$0.001 par value common stock issued and outstanding.

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CHINA EDUCATION ALLIANCE, INC.
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

China Education Alliance, Inc. and Subsidiaries
Consolidated Balance Sheets

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$67,846,807	\$71,105,415
Accounts receivable	49,999	-
Other receivable	349,667	432,030
Prepaid expenses	2,284,412	2,834,976
Total current assets	70,530,885	74,372,421
Non-current Assets		
Note receivable	7,251,787	7,172,301
Property and equipment, net	9,269,176	9,946,729
Intangibles and capitalized software, net	1,436,843	1,515,381
Long-term investment	5,646,356	559,269
Deferred tax assets	163,278	-
Total non-current assets	23,767,439	19,193,680
Total Assets	\$94,298,324	\$93,566,101
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$716,476	\$686,102
Deferred revenues	686,138	1,072,373
Total current liabilities	1,402,614	1,758,475
Stockholders' Equity		
Common stock (\$0.001 par value, 150,000,000 shares authorized, 31,727,249 and 31,261,911 issued at March 31, 2011 and December 31, 2010, respectively; and 412,536 shares held in treasury)	31,727	31,263
Additional paid-in capital	40,828,516	39,705,625
Statutory reserve	5,063,769	3,731,672
Retained earnings	42,712,375	44,591,566
Accumulated other comprehensive income	6,095,625	5,573,565
Less: Treasury stock	(977,072)	(977,072)
Stockholders' equity - China Education Alliance, Inc. and Subsidiaries	93,754,939	92,656,619
Noncontrolling interests in subsidiaries	(859,230)	(848,991)
Total stockholders' equity	92,895,709	91,807,627

Total Liabilities and stockholders's Equity	\$94,298,324	\$93,566,101
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The accompanying notes are an integral part of these consolidated financial statements.

China Education Alliance, Inc. and Subsidiaries
 Consolidated Statements of Operations
 (Unaudited)

	March 31,	
	2011	2010
Revenues		
Online education revenues	\$3,923,588	\$5,231,063
Training center revenues	3,026,843	2,857,197
Other Revenues	49,973	529,474
Total revenue	7,000,404	8,617,734
Cost of Goods Sold		
Online education costs	1,693,222	1,113,558
Training center costs	676,116	631,969
Other costs	8,079	40,777
Total cost of goods sold	2,377,416	1,786,304