Institute of Naturopathic Education and Research

Financial statements

July 31, 2019

Building a better working world

Independent auditor's report

To the Governors of
Institute of Naturopathic Education and Research

Opinion

We have audited the financial statements of the **Institute of Naturopathic Education and Research** [the "Institute"], which comprise the statement of financial position as at July 31, 2019, and the statement of operations, statement of changes in net assets and statement of 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 the Institute as at July 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 the Institute 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.

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 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.

In preparing the financial statements, management is responsible for assessing the Institute'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 the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

Auditor's responsibilities 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 the Institute'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 the Institute'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 the Institute 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Institute to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
November 25, 2019

Institute of Naturopathic Education and Research

Statement of financial position

As at July 31

	2019	2018
	$	$
Assets *[note 5]*		
Current		
Cash and cash equivalents	**413,649**	263,416
Accounts receivable *[notes 10, 12 and 14]*	**1,082,446**	989,429
Inventory	**59,365**	67,229
Prepaid expenses	**360,276**	286,670
Total current assets	**1,915,736**	1,606,744
Long-term prepaid expenses	**1,948**	1,948
Capital assets, net *[note 3]*	**36,896,920**	37,046,568
	38,814,604	38,655,260
Liabilities and net assets		
Current		
Bank indebtedness *[note 5]*	**650,000**	1,110,000
Accounts payable and accrued liabilities	**1,273,361**	917,846
Deferred revenue	**968,920**	885,619
Deferred contributions *[note 6]*	**1,151,245**	1,187,762
Total current liabilities	**4,043,526**	4,101,227
Commitments and contingencies *[notes 4 and 11]*		
Net assets		
Unrestricted	**34,704,016**	34,486,971
Endowment *[note 7]*	**67,062**	67,062
Total net assets	**34,771,078**	34,554,033
	38,814,604	38,655,260

See accompanying notes

On behalf of the Board:

Colleen McQuarrie
Chair of the Board

Sameet Batavia
Chair of the Audit Committee

Institute of Naturopathic Education and Research

Statement of operations

Year ended July 31

	2019	2018
	$	$
Revenue		
Tuition	**12,091,755**	11,365,793
Clinic	**2,133,175**	2,179,161
Property	**1,539,033**	1,700,897
Donations and sponsorships *[notes 6 and 8]*	**1,380,442**	1,075,009
Research grants *[note 6]*	**811,985**	529,139
Other *[note 9]*	**265,496**	218,914
General interest and continuing education	**136,981**	132,000
Interest *[note 10[b]]*	**35,026**	33,689
	18,393,893	17,234,602
Expenses		
Salaries and employee benefits	**11,311,976**	10,622,073
Office and general	**1,407,750**	1,277,021
Amortization	**958,069**	938,266
Research	**913,403**	755,978
Books and teaching supplies *[notes 8 and 10[c]]*	**908,394**	743,757
General maintenance	**796,283**	762,031
Travel, promotion and advertising	**758,056**	681,041
Cost of goods sold	**602,506**	654,306
Bursaries and awards	**203,082**	149,700
Rent	**154,278**	161,207
Professional services	**69,053**	56,627
Graduation and student events	**61,093**	49,717
Interest	**32,905**	50,692
	18,176,848	16,902,416
Excess of revenue over expenses for the year	**217,045**	332,186

See accompanying notes

Institute of Naturopathic Education and Research

Statement of changes in net assets

Year ended July 31

	Unrestricted		Endowment		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$	$	$	$	$	$
Net assets, beginning of year	**34,486,971**	34,154,785	**67,062**	67,062	**34,554,033**	34,221,847
Excess of revenue over expenses for the year	**217,045**	332,186	**—**	—	**217,045**	332,186
Net assets, end of year	**34,704,016**	34,486,971	**67,062**	67,062	**34,771,078**	34,554,033

See accompanying notes

Institute of Naturopathic Education and Research

Statement of cash flows

Year ended July 31

	2019	2018
	$	$
Operating activities		
Excess of revenue over expenses for the year	**217,045**	332,186
Add item not involving cash		
Amortization	**958,069**	938,266
	1,175,114	1,270,452
Net change in non-cash working capital balances related to operations *[note 13]*	**243,540**	(775,867)
Cash provided by operating activities	**1,418,654**	494,585
Investing activities		
Acquisition of capital assets	**(808,421)**	(967,051)
Cash used in investing activities	**(808,421)**	(967,051)
Financing activities		
Proceeds from bank indebtedness	**1,550,000**	1,610,000
Repayment of bank indebtedness	**(2,010,000)**	(1,970,000)
Cash used in financing activities	**(460,000)**	(360,000)
Net increase (decrease) in cash and cash equivalents during the year	**150,233**	(832,466)
Cash and cash equivalents, beginning of year	**263,416**	1,095,882
Cash and cash equivalents, end of year	**413,649**	263,416

See accompanying notes

Notes to financial statements

July 31, 2019

1. Nature of the organization

The Institute of Naturopathic Education and Research [the "Institute"] is incorporated under the *Corporations Act* (Ontario). The Institute operates the Canadian College of Naturopathic Medicine, the Robert Schad Naturopathic Clinic and the Ottawa Integrative Cancer Centre. The Institute is registered as a charitable organization under the *Income Tax Act* (Canada) and, as such, is not subject to income taxes.

These financial statements do not include the assets, liabilities or operations of Ottawa Integrative Cancer Centre Foundation [the "Foundation"], a controlled not-for-profit entity *[note 12]* or the financial activities of the following entities in which the Institute has significant influence *[note 10]*: CCNM Enterprises ["Enterprises"] and CCNM Press Inc. ["Press"].

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Revenue recognition

The Institute follows the deferral method of accounting for contributions, which include research grants, bequests and other donations. Grants and bequests are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Externally restricted endowment contributions are recognized as direct increases in net assets when recorded in the accounts.

Tuition and general interest and continuing education revenue is deferred and recognized as revenue over the academic year.

Clinic revenue is recognized as revenue when clinic services are provided and when goods are sold.

Property revenue is recognized as revenue on a monthly basis as services are provided.

Sponsorships revenue is recognized as revenue in the year the sponsored event occurs.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid short-term investments with original maturities of less than 90 days from the date of purchase.

Notes to financial statements

July 31, 2019

Inventory

Inventory is valued at the lower of cost, determined on a weighted average cost formula basis, and net realizable value.

Capital assets

Purchased tangible and intangible capital assets are recorded at acquisition cost. Contributed tangible and intangible capital assets are recorded at fair value at the date of contribution. Tangible and intangible capital assets are amortized using the straight-line method over the estimated useful lives of the assets as follows:

Tangible	
Building	40 years
Building improvements	10–20 years
Leasehold improvements	Term of lease
Furniture and fixtures	10 years
Equipment	4–10 years
Intangible	
Computer software	4–10 years

Artwork classified as tangible assets is considered to have permanent value and is not amortized.

The Institute does not amortize capitalized costs related to its corporate identity classified as intangible assets, as there is not a predetermined useful life to the asset over which costs could be amortized.

The Institute allocates salary and benefit costs related to certain personnel who work directly on managing capital projects to capital assets. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

Employee future benefits

Contributions to the Institute’s defined contribution pension plan are expensed on an accrual basis.

Donations-in-kind

Donations-in-kind of materials and inventory are recorded at fair market value when such value can be reasonably determined.

The work of the Institute is dependent on the volunteer services of many individuals. The nature or amount of volunteer services is not reflected in these financial statements because of the difficulty in determining their value.

Notes to financial statements

July 31, 2019

Allocation of expenses

Expenses are recorded in the statement of operations by purpose, except for expenses related to research. Research expenses include direct costs related to research activities that are covered by research grants. There are no general overhead expenses recorded in research expenses. As of July 31, 2019, salaries and benefits related to research was $303,469 [2018 – $465,307].

3. Capital assets

Capital assets consist of the following:

	2019		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Tangible			
Land *[note 5]*	**29,000,000**	**—**	**29,000,000**
Building *[note 5]*	**8,395,615**	**4,197,808**	**4,197,807**
Building improvements	**3,924,516**	**2,165,660**	**1,758,856**
Furniture and fixtures	**1,316,817**	**721,531**	**595,286**
Equipment	**1,415,340**	**849,198**	**566,142**
Artwork	**89,300**	**—**	**89,300**
	44,141,588	**7,934,197**	**36,207,391**
Intangible			
Computer software	**1,108,766**	**452,197**	**656,569**
Corporate identity	**32,960**	**—**	**32,960**
	45,283,314	**8,386,394**	**36,896,920**

Notes to financial statements

July 31, 2019

	2018		
	Cost	Accumulated amortization	Net book value
	$	$	$
Tangible			
Land *[note 5]*	29,000,000	—	29,000,000
Building *[note 5]*	8,395,615	3,987,918	4,407,697
Building improvements	3,663,822	1,851,050	1,812,772
Furniture and fixtures	1,165,158	605,049	560,109
Equipment	1,218,327	663,909	554,418
Artwork	89,300	—	89,300
	43,532,222	7,107,926	36,424,296
Intangible			
Computer software	909,711	320,399	589,312
Corporate identity	32,960	—	32,960
	44,474,893	7,428,325	37,046,568

During fiscal 2018, the Institute wrote off $587,528 of fully amortized capital assets that were no longer in use.

4. Contingent assets

[a] The Institute is the beneficiary of a life insurance policy of $75,000. This donation receivable has not been recorded in the accounts due to the uncertainty of the timing of its receipt.

[b] The Institute is the beneficiary of a remainder trust established in 2005, currently valued at approximately $3,594,000 [2018 – $3,496,000]. This amount has not been recorded in the accounts, as neither the timing of its receipt nor the measurement of the amount at the time of receipt can be reasonably ascertained.

5. Debt

The Institute has a revolving demand credit facility available of $3,000,000 [2018 – $3,000,000], which bears interest at the bank's prime rate of 3.95% [2018 – 3.70%] plus 0.8% [2018 – 0.80%]. As at July 31, 2019, the effective interest rate was 4.75% [2018 – 4.50%]. As at July 31, 2019, the Institute has drawn $650,000 [2018 – $1,110,000] against this credit facility.

The credit facility is collateralized by a first ranking security interest on all personal property of the Institute, a collateral mortgage of $6,200,000 constituting a first fixed charge on the land and building of the Institute's campus and first ranking assignment of rents and leases arising from the lands and improvements to the Institute's property. As at July 31, 2019, the carrying value of the land and building was $33,197,807 [2018 – $33,407,697].

Notes to financial statements

July 31, 2019

6. Deferred contributions

Deferred contributions represent unspent resources externally restricted for program expenses in future years. Changes in the deferred contributions balance are as follows:

	2019 $	2018 $
Balance, beginning of year	**1,187,762**	1,298,621
Amounts received *[note 7]*	**1,411,043**	1,086,742
Recognized as revenue	**(1,447,560)**	(1,197,601)
Balance, end of year	**1,151,245**	1,187,762

The deferred contributions are held for the following purposes:

	2019 $	2018 $
Research	**474,387**	511,414
Integrative Cancer Centre	**175,538**	98,698
Ottawa Integrative Cancer Centre	**173,588**	174,720
Awards and bursaries	**81,102**	161,028
Lab Testing Series	**50,000**	—
Mental Health Initiative	**44,217**	81,608
Centre of Excellence for Teaching Learning	**—**	43,750
Other	**152,413**	116,544
	1,151,245	1,187,762

7. Endowment net assets

Endowment net assets consist of the Joyce Vanderburg Endowment, the capital of which must be retained permanently within the Institute. Interest income of $1,114 [2018 – $725] related to this endowment was recorded in deferred contributions *[note 6]*.

8. Donations-in-kind

During the year, the Institute received donations-in-kind of $152,248 [2018 – $161,963], which primarily comprised medical supplies.

9. Other revenue

Other revenue includes income from various sources including membership fees, student and application fees, non-sufficient funds charges, laundry revenue, clinical services provided to other organizations, photocopy revenue and other miscellaneous charges.

Notes to financial statements

July 31, 2019

10. CCNM Enterprises and CCNM Press Inc.

[a] Enterprises was incorporated under the *Canada Corporations Act* without share capital and began its operations on October 1, 2003. Enterprises operates as a not-for-profit organization and, as such, is exempt from income taxes. Enterprises was established to promote the dissemination of research and development related to the fields of naturopathy and natural health sciences and to promote writing, printing, publication and distribution of literature related to naturopathic medicine and other health sciences.

In addition, Enterprises is the sole shareholder of Press, which was incorporated under the *Canada Corporations Act* and began its operations on September 15, 2003, and is a taxable corporation. Press is engaged in the publishing and distribution of literature related to naturopathy and natural health sciences.

Transactions during the year with Enterprises and Press, both of which are entities subject to significant influence, are recorded at the agreed-upon exchange amounts. The details of transactions between the Institute and these related parties are set out below.

[b] On September 15, 2003, the Institute entered into an agreement with Press to provide funding as requested by Press from time to time. The carrying amounts owing by Enterprises and Press recorded in the accounts of the Institute are as follows:

	2019	**2018**
	$	$
Due from Enterprises	**106,798**	105,083
Due from Press	**913,113**	820,304
Allowance for doubtful accounts	**(816,719)**	(745,494)
	203,192	179,893

The amount due from Enterprises represents a loan outstanding, which is due on demand, unsecured, non-interest bearing and has no specific terms of repayment.

The amount due from Press bears interest at the bank's prime rate and has no specific terms of repayment. As at July 31, 2019, the prime rate was 3.95% [2018 – 3.70%]. Interest of $24,189 [2018 – $19,924] is included in interest revenue.

[c] The Institute performs certain management and administrative services on behalf of Enterprises and Press and charges no fees for these services. In addition, the Institute has an agreement with Press for the receipt of certain administrative, management and other services for a fee equal to the cost of providing these services. The Institute purchased books totalling $363 [2018 – $414] from Press, which have been included in books and teaching supplies expenses in the statement of operations.

Notes to financial statements

July 31, 2019

11. Commitments and contingencies

[a] The future minimum annual lease payments under operating leases for a building, office equipment, property and equipment are as follows:

	$
2020	122,000
2021	57,741
2022	48,793
2023	45,732
2024	7,085
Thereafter	5,904
	287,255

[b] The Institute is committed to a standby letter of credit required by the Post-Secondary Education Quality Assessment Board in the amount of $1,500,000.

[c] In the normal course of operations, the Institute is subject to claims or potential claims. Management records its best estimate of the potential liability related to these claims where potential liability is likely and able to be estimated. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims would be recorded in the year during which the amount of the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

12. Ottawa Integrative Cancer Centre Foundation

[a] The Foundation is a controlled corporation incorporated without share capital under the laws of Canada on September 10, 2015. The Foundation's purpose is to support evidence-informed integrative and preventative cancer care, research and education. The Foundation is a not-for-profit organization and, as such, is exempt from income taxes. The Foundation was registered for charitable status effective October 5, 2016.

The Foundation, consistent with the Institute, prepares its financial statements in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada.

Notes to financial statements

July 31, 2019

[b] The summarized financial statements of the Foundation as at and for the year ended December 31 are as follows:

	2018	**2017**
	$	$
Total assets	**69,958**	125,506
Total liabilities	**(5,455)**	(3,000)
	64,503	122,506
Unrestricted net assets	**64,503**	122,506

	2018	**2017**
	$	$
Total revenue	**69,650**	152,209
Total expenses	**(127,653)**	(97,749)
Excess (deficiency) of revenue over expenses for the year	**(58,003)**	54,460

[c] Advances to the Foundation classified as current within accounts receivable of $45,573 [2018 – $6,321] are due on demand, unsecured, non-interest bearing and have no specific terms of repayment.

[d] The Institute provides management and administrative services at no cost to the Foundation.

13. Statement of cash flows

The net change in non-cash working capital balances related to operations consists of the following:

	2019	**2018**
	$	$
Accounts receivable	**(93,017)**	(132,919)
Inventory	**7,864**	6,734
Prepaid expenses	**(73,606)**	(25,961)
Accounts payable and accrued liabilities	**355,515**	(522,866)
Deferred revenue	**83,301**	10,004
Deferred contributions	**(36,517)**	(110,859)
	243,540	(775,867)

Notes to financial statements

July 31, 2019

14. Financial instruments and risk management

The Institute is exposed to a variety of financial risks by virtue of its activities: credit risk, market risk [including interest rate risk] and liquidity risk. Risk management is carried out by management. Management identifies and evaluates financial risks and is responsible for establishing controls and procedures to ensure that financial risks are mitigated in accordance with approved policies.

Credit risk

The Institute is exposed to credit risk in connection with its accounts receivable because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. Accounts receivable are recorded net of an allowance for doubtful accounts of $989,237 [2018 – $930,340].

Interest rate risk

The Institute is exposed to interest rate risk with respect to any borrowings on its line of credit, as the interest rate is linked to the bank's prime rate, which changes from time to time.

Liquidity risk

The Institute is exposed to the risk that it will encounter difficulty in meeting obligations in connection with its financial liabilities.