

INDEPENDENT AUDITORS' REPORT

To the Governors of the
Institute of Naturopathic Education and Research

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the **Institute of Naturopathic Education and Research**, which comprise the statement of financial position as at July 31, 2015, and the statements of revenues and expenses and changes in fund balances 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.

Auditors' 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 auditors' 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 auditors consider 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.

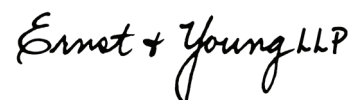
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Institute of Naturopathic Education and Research** as at July 31, 2015 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.

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.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Toronto, Canada,
November 23, 2015

Chartered Professional Accountants
Licensed Public Accountants

STATEMENT OF FINANCIAL POSITION

As at July 31

	2015			2014	
	Operating Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$	Total \$
ASSETS [note 7]					
Current					
Cash and cash equivalents	133,004	526,402	71,441	730,847	1,038,155
Accounts receivable					
Student fees	280,104	—	—	280,104	252,291
Other	224,023	100,000	—	324,023	369,822
Due from related parties [note 3[b]]	191,645	—	—	191,645	182,203
Inventory	56,633	—	—	56,633	75,130
Prepaid expenses	310,190	14,000	—	324,190	420,108
Total current assets	1,195,599	640,402	71,441	1,907,442	2,337,709
Long-term prepaid expenses	—	—	—	—	7,795
Capital assets, net [note 4]	37,159,710	—	—	37,159,710	37,237,644
	38,355,309	640,402	71,441	39,067,152	39,583,148
LIABILITIES AND FUND BALANCES					
Current					
Bank indebtedness [note 7]	1,500,000	—	—	1,500,000	1,300,000
Accounts payable and accrued liabilities	1,024,712	22,745	—	1,047,457	1,146,442
Interfund (receivable)/loan [note 6]	(11,403)	7,024	4,379	—	—
Deferred revenue	1,416,916	—	—	1,416,916	1,492,248
Total current liabilities	3,930,225	29,769	4,379	3,964,373	3,938,690
Commitments [note 12]					
Fund balances					
Operating Fund	34,425,084	—	—	34,425,084	34,993,980
Restricted Fund [note 8]	—	610,633	—	610,633	583,416
Endowment Fund [note 9]	—	—	67,062	67,062	67,062
Total fund balances	34,425,084	610,633	67,062	35,102,779	35,644,458
	38,355,309	640,402	71,441	39,067,152	39,583,148

See accompanying notes

On behalf of the Board:



Governor



Governor

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES

Year ended July 31

	Operating Fund		Restricted Fund		Endowment Fund		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES								
Tuition	11,129,803	11,222,698	—	—	—	—	11,129,803	11,222,698
Clinic	2,121,250	2,031,145	—	—	—	—	2,121,250	2,031,145
Property	1,465,669	1,259,389	—	—	—	—	1,465,669	1,259,389
General interest and continuing education	123,856	149,330	—	—	—	—	123,856	149,330
Donations and sponsorships <i>[note 10]</i>	120,661	200,730	243,656	168,574	—	—	364,317	369,304
Interest <i>[notes 3[b] and 9]</i>	25,939	46,491	809	876	—	—	26,748	47,367
Research grants	75,603	158,706	782,086	587,288	—	—	857,689	745,994
Other <i>[note 11]</i>	259,078	304,755	13,315	2,297	—	—	272,393	307,052
	15,321,859	15,373,244	1,039,866	759,035	—	—	16,361,725	16,132,279
EXPENSES								
Salaries and employee benefits	10,786,426	10,849,297	185,000	207,703	—	—	10,971,426	11,057,000
Rent	110,630	105,336	17,270	22,306	—	—	127,900	127,642
Office and general	1,087,801	1,079,697	13,229	37,936	—	—	1,101,030	1,117,633
Cost of goods sold	520,658	546,560	78,593	—	—	—	599,251	546,560
Travel, promotion and advertising	595,950	565,872	17,800	13,571	—	—	613,750	579,443
Research	150,643	261,827	561,624	184,603	—	—	712,267	446,430
Books and teaching supplies <i>[notes 3[c] and 10]</i>	650,771	653,890	12,649	8,855	—	—	663,420	662,745
Professional services	136,724	119,312	—	—	—	—	136,724	119,312
Bursaries and awards	27,052	45,974	103,300	82,683	—	—	130,352	128,657
Graduation and student events	34,686	32,654	—	—	—	—	34,686	32,654
General maintenance	784,379	790,411	23,184	6,323	—	—	807,563	796,734
Interest on long-term debt	38,315	22,131	—	—	—	—	38,315	22,131
Amortization	966,720	952,555	—	—	—	—	966,720	952,555
	15,890,755	16,025,516	1,012,649	563,980	—	—	16,903,404	16,589,496
Excess (deficiency) of revenues over expenses for the year	(568,896)	(652,272)	27,217	195,055	—	—	(541,679)	(457,217)
Fund balances, beginning of year	34,993,980	35,646,252	583,416	388,361	67,062	67,062	35,644,458	36,101,675
Fund balances, end of year	34,425,084	34,993,980	610,633	583,416	67,062	67,062	35,102,779	35,644,458

See accompanying notes

STATEMENT OF CASH FLOWS

As at July 31

	2015			2014	
	Operating Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$	Total \$
OPERATING ACTIVITIES					
Current					
Excess (deficiency) of revenues over expenses for the year	(568,896)	27,217	—	(541,679)	(457,217)
Add item not involving cash					
Amortization of capital assets	966,720	—	—	966,720	952,555
Net change in non-cash working capital balances [note 13]	(1,246)	(43,125)	808	(43,563)	(90,298)
Cash provided by (used in) operating activities	396,578	(15,908)	808	381,478	405,040
INVESTING ACTIVITIES					
Acquisition of capital assets	(888,786)	—	—	(888,786)	(619,238)
Cash used in investing activities	(888,786)	—	—	(888,786)	(619,238)
FINANCING ACTIVITIES					
Proceeds from credit facility	200,000	—	—	200,000	400,000
Repayment of long-term debt	—	—	—	—	(36,647)
Cash provided by financing activities	200,000	—	—	200,000	363,353
Net increase (decrease) in cash and cash equivalents during the year	(292,208)	(15,908)	808	(307,308)	149,155
Cash and cash equivalents, beginning of year	425,212	542,310	70,633	1,038,155	889,000
Cash and cash equivalents, end of year	133,004	526,402	71,441	730,847	1,038,155

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

As at July 31, 2015

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 [“OICC”]. The Institute is registered as a charitable organization under the Income Tax Act (Canada) and, as such, is not subject to income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada [“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.

Fund accounting

In order to ensure adherence to the limitations and restrictions placed on the use of resources available to the Institute, the accounts of the Institute are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with the directives issued by the Board of Governors [the “Board”]. Transfers between the funds are made when it is considered appropriate and authorized by the Board. To meet these objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the statement of revenues and expenses and changes in fund balances.

For financial reporting purposes, the accounts have been classified into the following funds:

- a. The Operating Fund reports resources related to the delivery and administration of the Institute’s academic and clinical programs.
- b. The Restricted Fund reports resources that are to be used for specific purposes as specified by the donors or by the Board.
- c. The Endowment Fund reports resources where either external or internal restrictions require that the principal must be maintained permanently.

Revenue recognition

The Institute follows the restricted fund method of accounting for contributions, which include donations and research grants. Contributions are recognized when received or receivable if the amounts to be received can be reasonably estimated and ultimate collection is reasonably assured. Unrestricted contributions are recognized as revenue of the Operating Fund. Externally restricted contributions for specific purposes are recognized as revenue of the Restricted Fund unless the capital is to be maintained permanently, in which case the contributions are recognized as revenue of the Endowment Fund.

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

Clinic revenue is recognized as revenue when clinic services are provided.

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

Membership fees revenue is deferred and recognized as revenue of the Operating Fund over the membership term.

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.

NOTES TO FINANCIAL STATEMENTS *continued*

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 at the following annual rates:

Tangible

Building	2.5%
Building improvements [10 years]	10%
Building improvements [20 years]	5%
Furniture and fixtures	10%
Teaching equipment	20%
Office equipment	20%
Computer equipment [4 years]	25%
Computer equipment [8 years]	12.5%
Computer network equipment	10%
Leasehold improvements	term of lease

Intangible

Computer software [4 years]	25%
Computer software [8 years]	12.5%
Computer software [10 years]	10%

The Institute does not amortize artwork classified as tangible assets.

The Institute does not amortize capitalized costs related to its corporate identity classified as intangible assets.

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.

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.

Inventory

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

Allocation of expenses

Expenses are recorded in the statement of revenues and expenses and changes in fund balances 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 the restricted research expenses.

3. RELATED PARTY TRANSACTIONS

- a. CCNM Enterprises ["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 CCNM Press Inc. ["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 with Enterprises and Press, both of which are entities subject to significant influence, during the year are recorded at the agreed upon exchange amounts. The details of transactions between the Institute and these related parties are set out as follows.

NOTES TO FINANCIAL STATEMENTS *continued*

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:

	2015	2014
	\$	\$
Due from Enterprises	103,692	103,692
Due from Press	745,304	731,062
Allowance for doubtful accounts	(657,352)	(652,551)
	191,645	182,203

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, 2015, the prime rate was 2.70% [2014 – 3.00%]. Interest of \$17,404 [2014 – \$17,272] 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 \$17,425 [2014 – \$18,035] from Press which have been included in expenses.

4. CAPITAL ASSETS

Capital assets consist of the following:

	2015		
	Cost	Accumulated	Net book
	\$	amortization	value
	\$	\$	\$
Tangible			
Land	29,000,000	—	29,000,000
Building	8,395,615	3,358,246	5,037,369
Building improvements [10 years]	2,987,011	1,542,090	1,444,921
Building improvements [20 years]	283,585	82,310	201,275
Leasehold improvements [4 years]	404,530	400,358	4,172
Furniture and fixtures	1,103,770	604,073	499,697
Teaching equipment	183,106	111,224	71,882
Office equipment	89,912	51,312	38,600
Computer equipment [4 years]	451,639	289,257	162,382
Computer equipment [8 years]	246,443	41,726	204,717
Computer network equipment	248,553	146,622	101,931
Artwork	89,300	—	89,300
Intangible			
Computer software [4 years]	70,335	51,885	18,450
Computer software [8 years]	259,132	42,024	217,108
Computer software [10 years]	62,042	27,096	34,946
Corporate identity	32,960	—	32,960
	43,907,933	6,748,223	37,159,710

NOTES TO FINANCIAL STATEMENTS *continued*

	2014		
	Cost \$	Accumulated amortization \$	Net book value \$
Tangible			
Land	29,000,000	—	29,000,000
Building	8,395,615	3,148,356	5,247,259
Building improvements [10 years]	2,895,714	1,471,594	1,424,120
Building improvements [20 years]	283,585	68,131	215,454
Leasehold improvements [4 years]	404,530	270,482	134,048
Furniture and fixtures	1,016,675	525,019	491,656
Teaching equipment	153,134	86,557	66,577
Office equipment	98,944	50,294	48,650
Computer equipment [4 years]	435,923	297,514	138,409
Computer equipment [8 years]	84,655	18,915	65,740
Computer network equipment	229,880	123,090	106,790
Artwork	89,300	—	89,300
	43,087,955	6,059,952	37,028,003
Intangible			
Computer software [4 years]	235,635	210,744	24,891
Computer software [8 years]	128,333	17,693	110,640
Computer software [10 years]	62,042	20,892	41,150
Corporate identity	32,960	—	32,960
	43,546,925	6,309,281	37,237,644

During the year, the Institute wrote off \$527,778 [2014 – \$357,165] of fully amortized building improvements, furniture and fixtures, teaching equipment, office equipment and computer equipment.

5. 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 \$3,170,000. 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.

6. INTERFUND LOAN

As at July 31, 2015, the Endowment Fund has a balance payable of \$379 [2014 – \$379] to the Operating Fund and \$4,000 [2014 – \$3,192] owing to the Restricted Fund; the Restricted Fund has a balance payable of \$11,024 [2014 – \$113,362] to the Operating Fund.

7. DEBT

The Institute has the following credit facility available:

Revolving demand credit facility of \$3,000,000 [2014 – \$3,000,000], which bears interest at the bank's prime rate plus 0.80% [2014 – 0.80%]. As at July 31, 2015, the effective interest rate was 3.50% [2014 – 3.80%]. As at JULY 31, 2015, the Institute has drawn \$1,500,000 [2014 – \$1,300,000] 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, 2015, the carrying value of the land and building was approximately \$34,037,000 [2014 – \$34,247,000].

8. RESTRICTED FUND

The Restricted Fund balance is comprised entirely of externally restricted funds. These funds are to be used for the following restricted purposes:

	2015	2014
	\$	\$
Ottawa Integrative Cancer Centre	109,142	54,055
Research	361,425	372,467
Awards and bursaries	69,071	71,704
RSNC Campaign	33,610	20,795
Fibromyalgia Shift	0	22,619
Other	37,385	41,776
	610,633	583,416

9. ENDOWMENT FUND

The Endowment Fund consists of the following:

	2015	2014
	\$	\$
Joyce Vanderburg Endowment	67,062	67,062

The capital of the Joyce Vanderburg Endowment must be retained permanently within the Institute. Interest income of \$809 [2014 – \$876] related to this endowment is recorded in the Restricted Fund.

10. DONATIONS-IN-KIND

During the year, the Institute received donations-in-kind of \$72,796 [2014 – \$97,258], which were comprised primarily of medical supplies.

11. OTHER REVENUES

Other revenues include income from various sources including non-sufficient funds charges, laundry revenue, clinical services provided to other organizations, photocopy revenue and other miscellaneous charges.

12. COMMITMENTS

- a. The future minimum annual lease payments under operating leases for a building, office equipment, property equipment are approximately as follows:

	\$
2016	150,256
2017	90,302
2018	79,980
2019	66,791
2020	74,775
	462,104

- b. The Institute is committed to a letter of guarantee required by the Toronto Transit Commission in the amount of \$30,000 [2014 – \$30,000] and a standby letter of credit required by Postsecondary Education Quality Assessment Board in the amount of \$1,500,000 [2014 – \$1,500,000].

13. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

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

	2015			2014	
	Operating Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$	Total \$
Accounts receivable	(41,456)	50,000	—	8,544	(315,755)
Inventory	18,497	—	—	18,497	(4,223)
Prepaid expenses	116,437	(12,724)	—	103,713	(123,946)
Accounts payable and accrued liabilities	(121,730)	22,745	—	(98,985)	204,508
Interfund loan	102,338	(103,146)	808	—	—
Deferred revenue	(75,332)	—	—	(75,332)	149,118
	(1,246)	(43,125)	808	(43,563)	(90,298)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Institute is exposed to various financial risks through transactions in financial instruments.

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 – student fees is recorded net of an allowance for doubtful accounts of \$47,065.

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.

15. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2015 financial statements.

