

Canadian College of Naturopathic Medicine

Financial statements
August 31, 2022



Independent auditor's report

To the Governors of the
Canadian College of Naturopathic Medicine

Opinion

We have audited the financial statements of the **Canadian College of Naturopathic Medicine** ["CCNM"], which comprise the statement of financial position as at August 31, 2022, 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 CCNM as at August 31, 2022, 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 CCNM 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 CCNM'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 CCNM or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CCNM'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 CCNM'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 CCNM'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 CCNM 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 CCNM 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.

Ernst & Young LLP

Toronto, Canada
November 28, 2022

Chartered Professional Accountants
Licensed Public Accountants



Canadian College of Naturopathic Medicine

Statement of financial position

As at August 31

	2022	2021
	\$	\$
Assets		
Current		
Cash and cash equivalents	1,517,284	2,314,684
Short-term investments <i>[note 3]</i>	3,534,183	4,007,159
Accounts receivable <i>[notes 12, 15, 17 and 18]</i>	1,011,037	1,714,932
Inventory	73,360	68,649
Prepaid expenses	686,384	683,909
Total current assets	6,822,248	8,789,333
Long-term prepaid expenses	231,780	237,705
Capital assets, net <i>[note 4]</i>	35,639,010	36,106,741
	42,693,038	45,133,779
Liabilities and net assets		
Liabilities		
Accounts payable and accrued liabilities	1,331,575	1,352,730
Deferred revenue <i>[note 18]</i>	953,977	1,327,278
Deferred contributions <i>[note 7]</i>	1,256,262	1,327,465
Total current liabilities	3,541,814	4,007,473
Commitments and contingencies <i>[notes 5 and 13]</i>		
Net assets		
Unrestricted	39,084,162	41,059,244
Endowment <i>[note 8]</i>	67,062	67,062
Total net assets	39,151,224	41,126,306
	42,693,038	45,133,779

See accompanying notes

On behalf of the Board:



Colleen McQuarrie
Chair of the Board



Laura Da Re
Chair of the Audit Committee

Canadian College of Naturopathic Medicine

Statement of operations

Year ended August 31

	2022	2021
	\$	\$
Revenue		
Tuition <i>[note 18]</i>	15,903,998	16,550,369
Clinic	1,632,104	1,384,537
Property	915,315	773,722
Donations and sponsorships <i>[notes 7 and 10]</i>	859,528	1,130,712
Research grants <i>[note 7]</i>	597,505	335,118
Government subsidies <i>[note 17]</i>	231,450	1,291,822
Other <i>[note 11]</i>	171,720	123,226
General interest and continuing education	173,346	172,515
Interest <i>[note 12[b]]</i>	84,201	113,384
	20,569,167	21,875,405
Expenses		
Salaries and employee benefits	14,453,066	14,702,715
Office and general	1,792,565	1,868,476
Rent	1,522,893	1,345,507
Amortization	944,275	971,854
Books and teaching supplies <i>[notes 10 and 12[c]]</i>	887,084	870,114
Research <i>[note 2]</i>	769,612	566,712
Travel, promotion and advertising	697,585	718,648
General maintenance	685,679	603,909
Cost of goods sold	362,332	387,000
Professional services	158,291	439,402
Bursaries and awards	151,215	195,600
Graduation and student events	119,652	61,086
Interest	—	2,354
	22,544,249	22,733,377
Deficiency of revenue over expenses for the year before discontinued operations	(1,975,082)	(857,972)
Discontinued operations <i>[note 16]</i>	—	(23,896)
Deficiency of revenue over expenses for the year	(1,975,082)	(881,868)

See accompanying notes

Canadian College of Naturopathic Medicine

Statement of changes in net assets

Year ended August 31

	Unrestricted		Internally restricted		Endowment		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	41,059,244	34,642,776	—	7,298,336	67,062	67,062	41,126,306	42,008,174
Deficiency of revenue over expenses for the year	(1,975,082)	(881,868)	—	—	—	—	(1,975,082)	(881,868)
Interfund transfers <i>[note 9]</i>	—	7,298,336	—	(7,298,336)	—	—	—	—
Net assets, end of year	39,084,162	41,059,244	—	—	67,062	67,062	39,151,224	41,126,306

See accompanying notes

Canadian College of Naturopathic Medicine

Statement of cash flows

Year ended August 31

	2022	2021
	\$	\$
Operating activities		
Deficiency of revenue over expenses for the year	(1,975,082)	(881,868)
Add item not involving cash		
Amortization	944,275	971,854
	(1,030,807)	89,986
Net change in non-cash working capital balances related to operations [note 14]	236,975	(394,073)
Cash used in operating activities	(793,832)	(304,087)
Investing activities		
Acquisition of capital assets	(476,544)	(610,478)
Net change in short-term investments	472,976	3,265,782
Cash provided by (used in) investing activities	(3,568)	2,655,304
Financing activities		
Proceeds from bank indebtedness	—	20,000
Repayment of bank indebtedness	—	(1,245,000)
Cash used in financing activities	—	(1,225,000)
Net increase (decrease) in cash during the year	(797,400)	1,126,217
Cash and cash equivalents, beginning of year	2,314,684	1,188,467
Cash and cash equivalents, end of year	1,517,284	2,314,684

See accompanying notes

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2022

1. Nature of the organization, amalgamation and impact of accounting policy alignment

The Canadian College of Naturopathic Medicine ["CCNM"], previously operating as the Institute of Naturopathic Education and Research ["Institute"], was incorporated under the *Corporations Act* (Ontario), and effective December 2, 2020, has continued under the *Canada Not-for-profit Corporations Act*. CCNM 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 the following entities in which CCNM has significant influence [note 12]: CCNM Enterprises ["Enterprises"] and CCNM Press Inc. ["Press"].

On February 1, 2021, the Institute, the Ottawa Integrative Cancer Centre Foundation and the Boucher Institute of Naturopathic Medicine, all private, not-for-profit institutions, the former two located in Ontario and the latter in British Columbia, combined operations to become the Canadian College of Naturopathic Medicine.

2. Summary of significant accounting policies

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

Revenue recognition

CCNM 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, general interest and continuing education revenue are 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.

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

Interest income is recognized as revenue as earned.

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.

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Financial instruments

Investments consist of investments in guaranteed investment certificates and are recorded at cost plus accrued interest, which approximates fair value. All transactions are recorded on a trade date basis.

Other financial instruments, including cash, accounts receivable and accounts payable and accrued liabilities, are initially recorded at fair value and are subsequently measured at cost, net of any provisions for impairment.

Inventory

Inventory is valued at the lower of cost 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
Furniture and fixtures	10 years
Equipment	4–10 years

Intangible

Computer software	4–10 years
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Artwork classified as a tangible asset is considered to have permanent value and is not amortized.

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

CCNM 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.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to CCNM's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Employee future benefits

Contributions to CCNM'S defined contribution pension funds are expensed on an accrual basis.

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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 CCNM 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.

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. Salaries and benefits related to research included in research in the statement of operations were \$428,287 [2021 – \$344,946].

3. Short-term investments

Short-term investments consist of guaranteed investment certificates with maturities through to August 2023, with varying interest rates dependent on the date of the investment.

4. Capital assets

Capital assets consist of the following:

	2022		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Land [note 6]	29,000,000	—	29,000,000
Building [note 6]	8,395,615	4,844,970	3,550,645
Building improvements	4,238,129	2,726,653	1,511,476
Furniture and fixtures	1,543,862	980,096	563,766
Equipment	2,233,647	1,724,944	508,703
Artwork	89,300	—	89,300
Intangible			
Computer software	1,342,770	998,716	344,054
Corporate identity	71,066	—	71,066
	46,914,389	11,275,379	35,639,010

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	2021		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Land [note 6]	29,000,000	—	29,000,000
Building [note 6]	8,395,615	4,635,079	3,760,536
Building improvements	4,403,308	2,791,759	1,611,549
Furniture and fixtures	1,518,182	1,014,460	503,722
Equipment	2,208,293	1,564,739	643,554
Artwork	89,300	—	89,300
Intangible			
Computer software	1,342,172	877,052	465,120
Corporate identity	32,960	—	32,960
	<u>46,989,830</u>	<u>10,883,089</u>	<u>36,106,741</u>

During the year, CCNM wrote off \$551,985 [2021 – nil] in fully amortized capital assets.

5. Contingent assets

[a] CCNM 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] CCNM is the beneficiary of a remainder trust established in 2005, currently valued at approximately \$4,065,218 [2021 – \$4,374,792]. 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. Credit facility

CCNM has a revolving demand credit facility available of \$1,500,000 [2021 – \$1,500,000], which bears interest at the bank's prime rate of 4.7% [2021 – 2.45%] plus 0.80% [2021 – 0.80%]. As at August 31, 2022, the effective interest rate was 5.5% [2021 – 3.25%]. As at August 31, 2022, CCNM has nil [2021 – nil] against this credit facility.

The credit facility is collateralized by a first-ranking security interest on all personal property of CCNM, a collateral mortgage of \$6,200,000 constituting a first fixed charge on the land and building of CCNM'S campus and first-ranking assignment of rents and leases arising from the lands and improvements to CCNM'S property. As at August 31, 2022, the carrying value of the land and building is \$32,550,645 [2021 – \$32,760,536].

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7. Deferred contributions

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

	2022 \$	2021 \$
Balance, beginning of year	1,327,465	1,166,457
Amounts received [note 8]	923,027	1,015,599
Recognized as revenue	(994,230)	(854,591)
Balance, end of year	1,256,262	1,327,465

Deferred contributions are held for the following purposes:

	2022 \$	2021 \$
Research	810,427	841,134
Awards and bursaries	200,378	176,151
Patterson Institute	64,493	67,454
Lab testing series	12,500	50,000
Other	168,464	192,726
	1,256,262	1,327,465

8. Endowment net assets

Endowment net assets consist of the Joyce Vanderburg Endowment, the capital of which must be retained permanently within CCNM. Interest income of \$418 [2021 – \$162] related to this endowment was recorded in deferred contributions [note 7].

9. Internally restricted net assets

A contingency reserve was established for unanticipated expenses. Upon amalgamation, the Board unrestricted the reserve and the full amount was transferred back to unrestricted net assets.

10. Donations-in-kind

CCNM received donations-in-kind of \$129,126 [2021 – \$111,058], which primarily comprised medical supplies.

11. Other revenue

Other revenue includes income from various sources, including student and application fees, late charges, laundry revenue, photocopy revenue and other miscellaneous charges.

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Notes to financial statements

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12. Enterprises and Press

[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 CCNM and these related parties are set out below.

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

	2022	2021
	\$	\$
Due from CCNM Enterprises	112,520	110,542
Due from CCNM Press Inc.	1,067,425	994,334
Allowance for doubtful accounts	(994,356)	(937,992)
	<u>185,589</u>	<u>166,884</u>

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 August 31, 2022, the prime rate was 4.7% [2021 – 2.45%]. Interest of \$22,611 [2021 – \$17,039] is included in interest revenue.

[c] CCNM performs certain management and administrative services on behalf of Enterprises and Press and charges no fees for these services. In addition, CCNM 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.

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13. Commitments and contingencies

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

	\$
2023	911,740
2024	433,824
2025	154,084
2026	85,525
2027	3,036
	<u>1,588,209</u>

[b] CCNM is committed to a standby letter of credit required by the Post-Secondary Education Quality Assessment Board in the amount of \$3,000,000.

[c] In the normal course of operations, CCNM 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.

14. Statement of cash flows

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

	2022	2021
	\$	\$
Accounts receivable	703,895	(322,960)
Inventory	(4,711)	37,264
Prepaid expenses	3,450	(1,174)
Accounts payable and accrued liabilities	(21,155)	(279,364)
Deferred revenue	(373,301)	11,153
Deferred contributions	(71,203)	161,008
	<u>236,975</u>	<u>(394,073)</u>

15. Financial instruments and risk management

CCNM is exposed to a variety of financial risks by virtue of its activities – credit risk, 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.

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Credit risk

CCNM 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. CCNM believes that the credit risk associated with amounts in accounts receivable is minimal as the tuition fees are in good standing. Accounts receivable are recorded net of an allowance for doubtful accounts of \$1,211,024 [2021 – \$1,143,995], which includes the provisions for the Press [note 12[b]].

Interest rate risk

CCNM 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. CCNM has no bank indebtedness as at August 31, 2022.

Liquidity risk

CCNM is exposed to the risk that it will encounter difficulty in meeting obligations in connection with its financial liabilities. CCNM manages liquidity risk by maintaining adequate cash or available credit facilities.

16. Discontinued operations

As of October 15, 2020, the clinic portion of the Ottawa Integrative Cancer Centre ["OICC"] transferred to a private corporation that is unrelated to CCNM and, as such, ceased to be a part of CCNM's operations. CCNM has classified this as discontinued operations in the prior year statement of operations. Revenue and expenses of OICC for the years are as follows:

	2022	2021
	\$	\$
Revenue		
Clinic	—	71,288
Donations and grants	—	42,471
	<u>—</u>	<u>113,759</u>
Expenses		
Salaries and employee benefits	—	43,297
Cost of goods sold	—	53,927
Other expenses	—	40,431
	<u>—</u>	<u>137,655</u>
Loss from discontinued operations	<u>—</u>	<u>(23,896)</u>

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17. Government subsidies

During 2022, CCNM recognized \$231,450 [2021 – \$1,291,822] from the Canada Emergency Wage Subsidy [“CEWS”] and the Canada Emergency Rent Subsidy [“CERS”] government programs. CEWS was introduced to prevent further job losses, encourage employers to quickly rehire workers previously laid off as a result of COVID-19 and help better position the Canadian economy. CERS was introduced to aid with the cost of rent during COVID-19. Included in accounts receivable as at August 31, 2022 is nil [2021 – \$614,587] relating to this funding.

18. British Columbia Private Training Institutions Branch

To be certified in the province of British Columbia, CCNM must comply with the reporting provisions in accordance with the Private Training Regulations, B.C. Reg. 153/2016, Part 5, sections 49 to 52 of the Private Training Institutions Branch of the Ministry of Advanced Education and Skills Training. The reporting provisions require that certain financial information be separately disclosed in the financial statements with respect to CCNM's campus in British Columbia.

As at August 31, 2022, included in accounts receivable is \$98,191 [2021 – \$29,629] for tuition from approved programs from the campus in British Columbia, and included in deferred revenue is \$176,243 [2021 – \$393,920] related to deferred tuition related to these programs. Included in tuition in the statement of operations is \$3,208,797 [2021 – \$3,095,359] related to the same approved programs.