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, 2011 and the statements of revenues and expenses and 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 thenancial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with

STATEMENT OF FINANCIAL POSITION

STATEMENT OF CASH FLOWS

Year ended July 31				2011	2010
	[illegible]	[illegible]	[illegible]		
[illegible]					
Excess (deficiency) of revenues over expenses	$ (25 , 1)	$ 1 4, 42	$ –	$ (65,1 6)	$ 70,094
Add item not involving cash	,014	–	–	,014	748,187
Amortization	52 ,0 6	1 4, 42	–	21, 3	818,281
Net change in non-cash working capital balances [note 13]	(4 4,056)	11, 2	504	(461,560)	336,891
[illegible]	53,040	206, 34	504	260,2	1,155,172
[illegible]					
Acquisition of capital assets	(21,224)	–	–	(21,224)	(1,031,513)
[illegible]	(21,224)	–	–	(21,224)	(1,031,513)
[illegible]					
Proceeds from credit facility	550,000	–	–	550,000	400,000
Repayment of long-term debt	(32 ,600)	–	–	(32 ,600)	(461,190)
[illegible]	220,400	–	–	220,400	(61,190)
[illegible]	(44 , 4)	206, 34	504	(240,546)	62,469
Cash and cash equivalents beginning of year	545,46	1 3,424	6 ,550	06,441	743,972
[illegible]	,6 3	400,15	6 ,054	565, 5	806,441

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

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 and the Robert Schad Naturopathic Clinic. The Institute is registered as a charitable organization under the Income Tax Act (Canada) and, as such, is not subject to income taxes.

The Institute has the following credit facilities available:

[a] Revolving demand credit facility of $2,000,000 which bears interest at the bank's prime rate plus 0.35% [2010 - prime rate]. As at July 31, 2011, the effective interest rate was 3.35% [2010 - 2.75%]. As at July 31, 2011, the Institute had drawn $950,000 against this credit facility. This amount was repaid on September 21, 2011.

[b] Non-revolving fixed term loan, which bears interest at 4.9% per annum. The loan is repayable in monthly blended payments of $31,240 based on an amortization period of five years, with the balance repayable on September 11, 2013. The loan is also eligible for an annual prepayment of 10% of the outstanding principal balance at the date of prepayment.

Long-term debt consists of the following:

	2011	2010
Long-term debt	**$ 45, 54**	$ 1,075,454
Less current portion	**345, 05**	329,609
	$ 3 , 4	$ 745,845

Principal repayments on all long-term debt are due as follows:

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

2012	$ 215,000

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Due to the short period to maturity of current assets and current liabilities, the carrying values as presented in the statement of financial position are reasonable estimates of their fair values.

The Institute is subject to interest rate price risk with respect to its long-term debt and interest rate cash flow risk with respect to its operating credit facility.

The Institute is exposed to credit risk from its amounts receivable from Press and Enterprises. Management addresses this risk by making adequate provisions in the allowance for doubtful accounts.

15. CAPITAL MANAGEMENT

In managing capital, the Institute focuses on liquid resources available for operations. The Institute's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. The Institute has available a line of credit totalling $2,000,000 that is used when sufficient cash flow is not available from operations to cover operating and capital expenditures. As at July 31, 2011, the Institute has met its objective of having sufficient liquid resources to meet its current obligations.

16. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2011 financial statements.