

Canadian College of Naturopathic Medicine

Financial statements
August 31, 2022

Building a better
work world

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 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

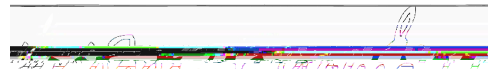
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.



Toronto, Canada
November 28, 2022

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	3,534,183	4,007,159
Accounts receivable	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	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	953,977	1,327,278
Deferred contributions	1,256,262	1,327,465
Total current liabilities	3,541,814	4,007,473
Commitments and contingencies		
Net assets		
Unrestricted	39,084,162	41,059,244
Endowment	67,062	67,062
Total net assets	39,151,224	41,126,306
	42,693,038	45,133,779

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	15,903,998	16,550,369
Clinic	1,632,104	1,384,537
Property	915,315	773,722
Donations and sponsorships	859,528	1,130,712
Research grants	597,505	335,118
Government subsidies	231,450	1,291,822
Other	171,720	123,226
General interest and continuing education	173,346	172,515
Interest	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	887,084	870,114
Research	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	—	(23,896)
Deficiency of revenue over expenses for the year	(1,975,082)	(881,868)

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	—	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

Canadian College of Naturopathic Medicine

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	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

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

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2022

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

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2022

	2021		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Land	29,000,000	—	29,000,000
Building	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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Notes to financial statements

August 31, 2022

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	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:

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Notes to financial statements

August 31, 2022

12. Enterprises and Press

[a] Enterprises was incorporated under the [redacted] 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 [redacted] 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

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2022

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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August 31, 2022

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 – \$ (en)26.7 (t)-14.5 (s)-