

FINANCIAL STATEMENTS JULY 31, 2013 AND 2012



Institute of Naturopathic
Education and Research



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 statements of financial position as at July 31, 2013 and 2012, and August 1, 2011, and the statements of revenues and expenses and changes in fund balances and cash flows for the years ended July 31, 2013 and 2012, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits 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, 2013 and 2012, and August 1, 2011 and the results of its operations and its cash flows for the years ended July 31, 2013 and 2012 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.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Canada
November 18, 2013.

Statements of Financial Position

As at	July 31, 2013				July 31, 2012	August 1, 2011
	Operating Fund	Restricted Fund	Endowment Fund	Total	Total	Total
ASSETS [note 7]						
Current						
Cash and cash equivalents	\$434,230	\$385,014	\$69,756	\$889,000	\$668,380	\$565,895
Accounts receivable						
Student fees	137,202	—	—	137,202	83,469	42,465
Others	183,981	—	—	183,981	366,580	174,454
Due from related parties [note 3]	167,378	—	—	167,378	182,261	151,337
Inventory	70,907	—	—	70,907	96,985	41,961
Prepaid expenses	287,335	1,032	—	288,367	325,681	355,805
Total current assets	1,281,033	386,046	69,756	1,736,835	1,723,356	1,331,917
Long-term prepaid expenses	15,590	—	—	15,590	25,881	7,866
Capital assets, net [note 4]	37,570,961	—	—	37,570,961	37,905,185	37,680,884
	38,867,584	386,046	69,756	39,323,386	39,654,422	39,020,667
Liabilities and Fund Balances						
Current						
Bank indebtedness [note 7]	900,000	—	—	900,000	1,700,000	950,000
Accounts payable and accrued liabilities	941,934	—	—	941,934	817,764	544,477
Interfund (receivable)/loan [note 6]	(379)	(2,315)	2,694	—	—	—
Current portion of long-term debt [note 7]	36,647	—	—	36,647	363,302	345,905
Deferred revenue	1,343,130	—	—	1,343,130	1,059,150	1,006,702
Total current liabilities	3,221,332	(2,315)	2,694	3,221,711	3,940,216	2,847,084
Long-term debt [note 7]	—	—	—	—	36,647	399,949
Total liabilities	3,221,332	(2,315)	2,694	3,221,711	3,976,863	3,247,033
Commitments [note 13]						
Fund balances						
Operating Fund	35,646,252	—	—	35,646,252	35,197,350	35,309,399
Restricted Fund [note 8]	—	388,361	—	388,361	413,147	397,173
Endowment Fund [note 9]	—	—	67,062	67,062	67,062	67,062
Total fund balances	35,646,252	388,361	67,062	36,101,675	35,677,559	35,773,634
	38,867,584	386,046	69,756	39,323,386	39,654,422	39,020,667

See accompanying notes

On behalf of the Board:

Governor

Governor

Statements of Revenues and Expenses and Changes in Fund Balances

Years ended July 31	Operating Fund		Restricted Fund		Endowment Fund		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
REVENUES								
Tuition	\$11,478,256	\$9,810,810	\$—	\$—	\$—	\$—	\$11,478,256	\$9,810,810
Clinic	1,249,549	1,118,783	—	—	—	—	1,249,549	1,118,783
Dispensary	176,800	132,932	—	—	—	—	176,800	132,932
Property	1,271,161	1,168,385	—	—	—	—	1,271,161	1,168,385
Membership fees	20,075	19,475	—	—	—	—	20,075	19,475
Student and application fees	4,392	3,230	—	—	—	—	4,392	3,230
General interest and continuing education	175,593	151,521	—	—	—	—	175,593	151,521
Donations and sponsorships <i>[note 10]</i>	202,823	214,165	219,034	415,484	—	—	421,857	629,649
Interest	37,111	40,221	863	961	—	—	37,974	41,182
Research	151,743	214,274	537,322	270,976	—	—	689,065	485,250
Other <i>[note 11]</i>	291,483	258,158	—	—	—	—	291,483	258,158
	15,058,986	13,131,954	757,219	687,421	—	—	15,816,205	13,819,375
EXPENSES								
Salaries and employee benefits	9,945,955	9,167,327	285,299	287,973	—	—	10,231,254	9,455,300
Rent	102,019	93,386	25,908	34,540	—	—	127,927	127,926
Office and general	1,132,503	989,650	204,874	84,608	—	—	1,337,377	1,074,258
Travel, promotion and advertising	709,217	526,540	41,855	33,609	—	—	751,072	560,149
Research	288,433	315,308	105,296	96,480	—	—	393,729	411,788
Books and teaching supplies	495,801	454,831	7,878	6,650	—	—	503,679	461,481
Professional services	78,691	100,496	—	—	—	—	78,691	100,496
Bursaries and awards	74,329	45,684	88,350	81,335	—	—	162,679	127,019
Graduation and student events	30,114	27,824	—	—	—	—	30,114	27,824
General maintenance	764,623	661,154	22,545	46,252	—	—	787,168	707,406
Interest on long-term debt	31,266	42,063	—	—	—	—	31,266	42,063
Amortization	957,133	819,740	—	—	—	—	957,133	819,740
	14,610,084	13,244,003	782,005	671,447	—	—	15,392,089	13,915,450
Excess (deficiency) of revenues over expenses for the year	448,902	(112,049)	(24,786)	15,974	—	—	424,116	(96,075)
Fund balances, beginning of year	35,197,350	35,309,399	413,147	397,173	67,062	67,062	35,677,559	35,773,634
Fund balances, end of year	35,646,252	35,197,350	388,361	413,147	67,062	67,062	36,101,675	35,677,559

See accompanying notes

Statements of Cash Flows



Year ended July 31	2013			2012	
	Operating Fund	Restricted Fund	Endowment Fund	Total	Total
OPERATING ACTIVITIES					
Excess (deficiency) of revenues over expenses for the year	\$448,902	\$(24,786)	\$ —	\$424,116	\$(96,075)
Add item not involving cash					
Amortization of capital assets	957,133	—	—	957,133	819,740
	1,406,035	(24,786)	—	1,381,249	723,665
Net change in non-cash working capital balances <i>[note 14]</i>	596,728	27,992	862	625,582	18,766
Cash provided by operating activities	2,002,763	3,206	862	2,006,831	742,431
INVESTING ACTIVITIES					
Acquisition of capital assets	(622,909)	—	—	(622,909)	(1,044,041)
Cash used in investing activities	(622,909)	—	—	(622,909)	(1,044,041)
FINANCING ACTIVITIES					
Proceeds from credit facility	—	—	—	—	750,000
Repayment of credit facility	(800,000)	—	—	(800,000)	—
Repayment of long-term debt	(363,302)	—	—	(363,302)	(345,905)
Cash provided by (used in) financing activities	(1,163,302)	—	—	(1,163,302)	404,095
Net increase in cash and cash equivalents during the year	216,552	3,206	862	220,620	102,485
Cash and cash equivalents, beginning of year	217,678	381,808	68,894	668,380	565,895
Cash and cash equivalents, end of year	434,230	385,014	69,756	889,000	668,380

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, 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 AND FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

A. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the Canadian Institute of Chartered Accountants’ [“CICA”] 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 statements 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 measured 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.

Dispensary revenue is recognized as revenue when goods are sold.

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.

Student and application fees, which are non-refundable, are recognized as revenue when cash is received.

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

Interest income earned on the Endowment Fund assets is recognized in the Restricted Fund in accordance with external restrictions.

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.

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%

Intangible

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

The Institute amortizes leasehold improvements classified as tangible assets over the term of the lease.

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.

INVENTORY

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

VOLUNTEER SERVICES

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.

ALLOCATION OF EXPENSES

Expenses are recorded in the statements 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.

B. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are the first financial statements that the Institute has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada. In preparing its opening statement of financial position as at August 1, 2011 [the “Transition Date”], the Institute has applied CICA 1501, *First-time Adoption*.

The accounting policies that the Institute has used in the preparation of its August 1, 2011 opening statement of financial position have resulted in certain adjustments to balances that were presented in the statement of financial position prepared in accordance with Part V of the CICA Handbook – Accounting [“Previous GAAP”]. These adjustments were recorded directly to the Institute’s net assets at the Transition Date using the transitional provisions set out in CICA 1501 and are described below. CICA 1501 provides a number of elective exemptions related to standards in Part III of the CICA Handbook. The Institute has elected to value its land at fair value.

The following table provides a reconciliation of the fund balances as at August 1, 2011 and the deficiency of revenues over expenses for the year ended July 31, 2012 as presented under Previous GAAP with those computed under GAAP:

	Deficiency of revenues over expenses for the year ended July 31, 2012	Fund balances as at August 1, 2011
Deficiency of revenues over expenses and fund balances - Previous GAAP	\$(96,075)	\$10,752,698
Election to recognize land at fair value [i]	—	25,020,936
Deficiency of revenues over expenses and fund balances - GAAP	(96,075)	35,773,634

[i] Election to recognize land at fair value

Using an elective exemption available at the Transition Date, the Institute has measured its land at estimated fair value at the Transition Date. As at the Transition Date, the carrying amount of capital assets increased by \$25 million with a corresponding increase in the Operating Fund balance.

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 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:

	July 31, 2013	July 31, 2012	August 1, 2011
Due from Enterprises	\$102,320	\$101,057	\$93,099
Due from Press	710,647	694,541	659,254
Allowance for doubtful accounts	(645,589)	(613,337)	(601,016)
	167,378	182,261	151,337

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, 2013, the prime rate was 3.00% [July 31, 2012 - 3.00%; August 1, 2011 - 3.00%]. Interest of \$17,337 [2012 - \$16,980] 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 \$21,383 [2012 - \$19,190] from Press which have been included in expenses.

4. CAPITAL ASSETS

Capital assets consist of the following:

	July 31, 2013		
	Cost	Accumulated amortization	Net book value
Tangible			
Land	\$29,000,000	\$ —	\$29,000,000
Building	8,395,615	2,938,465	5,457,150
Building improvements [10 years]	2,597,379	1,253,914	1,343,465
Building improvements [20 years]	283,585	53,952	229,633
Leasehold improvements [4 years]	404,530	140,605	263,925
Furniture and fixtures	1,010,213	501,732	508,481
Teaching equipment	147,877	80,583	67,294
Office equipment	106,799	79,456	27,343
Computer equipment [4 years]	543,652	329,251	214,401
Computer equipment [8 years]	66,807	9,380	57,427
Computer network equipment	229,881	100,102	129,779
Artwork	89,300	—	89,300
	42,875,638	5,487,440	37,388,198
Intangible			
Computer software [4 years]	259,241	205,527	53,714
Computer software [8 years]	54,971	6,236	48,735
Computer software [10 years]	62,042	14,688	47,354
Corporate identity	32,960	—	32,960
	43,284,852	5,713,891	37,570,961

4. CAPITAL ASSETS

	July 31, 2012		
	Cost	Accumulated amortization	Net book value
Tangible			
Land	\$29,000,000	\$ —	\$29,000,000
Building	8,395,615	2,728,575	5,667,040
Building improvements [10 years]	2,574,187	1,265,719	1,308,468
Building improvements [20 years]	283,585	39,772	243,813
Leasehold improvements [4 years]	337,916	10,729	327,187
Furniture and fixtures	1,008,276	486,585	521,691
Teaching equipment	143,493	63,161	80,332
Office equipment	131,464	88,723	42,741
Computer equipment [4 years]	506,174	273,472	232,702
Computer equipment [8 years]	41,632	2,602	39,030
Computer network equipment	229,881	77,114	152,767
Artwork	89,300	—	89,300
	42,741,523	5,036,452	37,705,071
Intangible			
Computer software [4 years]	275,653	171,592	104,061
Computer software [8 years]	11,610	2,075	9,535
Computer software [10 years]	62,042	8,484	53,558
Corporate identity	32,960	—	32,960
	43,123,788	5,218,603	37,905,185
August 1, 2011			
	Cost	Accumulated amortization	Net book value
Tangible			
Land	\$29,000,000	\$ —	\$29,000,000
Building	8,395,615	2,518,684	5,876,931
Building improvements [10 years]	2,461,391	1,176,364	1,285,027
Building improvements [20 years]	283,585	25,593	257,992
Furniture and fixtures	906,834	469,776	437,058
Teaching equipment	138,501	54,697	83,804
Office equipment	140,922	94,952	45,970
Computer equipment [4 years]	498,162	301,305	196,857
Computer network equipment	228,563	54,191	174,372
Artwork	89,300	—	89,300
	42,142,873	4,695,562	37,447,311
Intangible			
Computer software [4 years]	327,332	187,962	139,370
Computer software [8 years]	10,794	675	10,119
Computer software [10 years]	53,815	2,691	51,124
Corporate identity	32,960	—	32,960
	42,567,774	4,886,890	37,680,884

During the year, the Institute wrote off \$461,845 [2012 - \$488,027] of fully amortized building improvements, furniture and fixtures, teaching equipment, office equipment and computer equipment.

5. CONTINGENT ASSETS

- 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.
- The Institute is the beneficiary of a remainder trust established in 2005, currently valued at approximately \$2,991,000. 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, 2013, the Endowment Fund has a balance payable of \$379 [July 31, 2012 - \$379; August 1, 2011 - \$379] to the Operating Fund and \$2,315 [July 31, 2012 - \$1,453; August 1, 2011 - \$613] owing to the Restricted Fund.

7. DEBT

The Institute has the following credit facilities available:

- Revolving demand credit facility of \$3,000,000 [July 31, 2012 - \$3,000,000; August 1, 2011 - \$2,000,000], which bears interest at the bank's prime rate plus 0.80% [July 31, 2012 - 0.80%; August 1, 2011 - 0.35%]. As at July 31, 2013, the effective interest rate was 3.80% [July 31, 2012 - 3.80%; August 1, 2011 - 3.35%]. As at July 31, 2013, the Institute has drawn \$900,000 against this credit facility [July 31, 2012 - \$1,700,000; August 1, 2011 - \$950,000].
- 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:

	July 31, 2013	July 31, 2012	August 1, 2011
Long-term debt	\$36,647	\$399,949	\$745,854
Less current portion	36,647	363,302	345,905
	—	36,647	399,949

The principal repayment on the long-term debt is due as follows:

	\$
2014	\$36,647

All of the credit facilities are 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, 2013, the carrying value of the land and building was approximately \$34,457,000 [July 31, 2012 - \$34,667,000; August 1, 2011 - \$34,877,000]. Subsequent to year end the Institute has fully repaid the long-term debt outstanding at July 31, 2013.

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:

	July 31, 2013	July 31, 2012	August 1, 2011
Ottawa Integrative Cancer Centre	\$(4,928)	\$68,039	\$208,682
Research	244,781	62,755	84,890
Awards and bursaries	60,075	66,345	55,872
RSNC Campaign	(6,242)	76,303	7,824
Fibromyalgia Shift	47,186	66,900	—
Other	47,489	72,805	39,905
	388,361	413,147	397,173

9. ENDOWMENT FUND

The Endowment Fund consists of the following:

	July 31, 2013	July 31, 2012	August 1, 2011
Joyce Vanderburg Endowment	\$67,062	\$67,062	\$67,062

The capital of the Joyce Vanderburg Endowment must be retained permanently within the Institute. Interest income related to this endowment is recorded in the Restricted Fund.

10. DONATIONS-IN-KIND

During the year, the Institute received donations-in-kind of \$94,372 [2012 - \$76,867], 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. OICC EXPENSE ALLOCATION

The OICC was established to improve the quality of life for those touched by cancer through clinical practice, research and education. The OICC began operations on November 1, 2011 and is funded through revenues generated by the OICC and a donor.

Results for the OICC are recorded as follows:

- The Operating Fund includes revenues and expenses incurred to support the operations of all clinics run by the Institute, including the OICC.
- The Restricted Fund includes donations revenue and allocated direct expenses, as defined below, to support the operations of the OICC.

Eligible direct costs are allocated to the OICC in accordance with the terms set out in the agreement signed between the Institute and donor.



13. COMMITMENTS

- a. The future minimum annual lease payments under operating leases for a building, office equipment, property and property equipment are approximately as follows:
- b. The Institute is committed to a letter of guarantee required by the Toronto Transit Commission in the amount of \$30,000 [July 31, 2012 - \$30,000; August 1, 2011 - \$30,000].

2014	\$213,000
2015	169,000
2016	39,000
2017	6,000
2018	6,000
	433,000

14. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

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

	2013				2012
	Operating Fund	Restricted Fund	Endowment Fund	Total	Total
Accounts receivable	138,149	5,600	—	143,749	(264,054)
Inventory	26,078	—	—	26,078	(55,024)
Prepaid expenses	24,351	23,254	—	47,605	12,109
Accounts payable and accrued liabilities	124,170	—	—	124,170	273,287
Interfund loan	—	(862)	862	—	—
Deferred revenue	283,980	—	—	283,980	52,448
	596,728	27,992	862	625,582	18,766

15. 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.

INTEREST RATE RISK

The Institute is exposed to interest rate risk with respect to its long-term debt because the fair value will change as a result of changes in interest rates. The Institute will also be 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.