

Canadian College of Naturopathic Medicine

Financial statements
August 31, 2023



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, 2023, 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, 2023, 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.

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 20, 2023

Chartered Professional Accountants
Licensed Public Accountants



Canadian College of Naturopathic Medicine

Statement of financial position

As at August 31

	2023	2022
	\$	\$
Assets		
Current		
Cash and cash equivalents	2,234,983	1,517,284
Short-term investments <i>[note 3]</i>	1,556,795	3,534,183
Accounts receivable <i>[notes 11, 14 and 15]</i>	1,215,908	1,011,037
Inventory	62,631	73,360
Prepaid expenses	728,286	686,384
Total current assets	5,798,603	6,822,248
Other long-term assets <i>[note 4]</i>	735,633	231,780
Capital assets, net <i>[note 5]</i>	35,466,741	35,639,010
	42,000,977	42,693,038
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	1,157,543	1,331,575
Deferred revenue <i>[note 15]</i>	1,266,402	953,977
Deferred contributions <i>[note 8]</i>	1,920,921	1,256,262
Total current liabilities	4,344,866	3,541,814
Commitments and contingencies <i>[notes 6 and 12]</i>		
Net assets		
Unrestricted	37,589,049	39,084,162
Endowment <i>[note 9]</i>	67,062	67,062
Total net assets	37,656,111	39,151,224
	42,000,977	42,693,038

See accompanying notes

On behalf of the Board:



David Duizer
Chair of the Board



Laura Da Re
Chair of the Audit Committee

Canadian College of Naturopathic Medicine

Statement of operations

Year ended August 31

	2023	2022
	\$	\$
Revenue		
Tuition <i>[note 15]</i>	15,539,076	15,903,998
Property	1,787,788	915,315
Clinic	1,710,141	1,632,104
Research grants <i>[note 8]</i>	708,118	597,505
Donations and sponsorships <i>[notes 8 and 10]</i>	678,726	859,528
Other	328,530	171,720
Interest <i>[note 11[b]]</i>	196,673	84,201
General interest and continuing education	196,183	173,346
Government subsidies	—	231,450
	21,145,235	20,569,167
Expenses		
Salaries and employee benefits	14,302,467	14,453,066
Office and general	1,681,392	1,792,565
Rent	1,649,074	1,522,893
Amortization	911,978	944,275
Travel, promotion and advertising	907,354	697,585
Research <i>[note 2]</i>	851,100	769,612
Books and teaching supplies	802,395	887,084
General maintenance	735,383	685,679
Cost of goods sold	389,028	362,332
Professional services	175,048	158,291
Bursaries and awards	132,500	151,215
Graduation and student events	102,629	119,652
	22,640,348	22,544,249
Deficiency of revenue over expenses for the year	(1,495,113)	(1,975,082)

See accompanying notes

Canadian College of Naturopathic Medicine

Statement of changes in net assets

Year ended August 31

	Unrestricted		Endowment		Total	
	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	39,084,162	41,059,244	67,062	67,062	39,151,224	41,126,306
Deficiency of revenue over expenses for the year	(1,495,113)	(1,975,082)	—	—	(1,495,113)	(1,975,082)
Net assets, end of year	37,589,049	39,084,162	67,062	67,062	37,656,111	39,151,224

See accompanying notes

Canadian College of Naturopathic Medicine

Statement of cash flows

Year ended August 31

	2023	2022
	\$	\$
Operating activities		
Deficiency of revenue over expenses for the year	(1,495,113)	(1,975,082)
Add item not involving cash		
Amortization	911,978	944,275
	(583,135)	(1,030,807)
Net change in other long-term assets	(503,853)	—
Net change in non-cash working capital balances related to operations [note 13]	567,008	236,975
Cash used in operating activities	(519,980)	(793,832)
Investing activities		
Acquisition of capital assets	(739,709)	(476,544)
Net change in short-term investments	1,977,388	472,976
Cash provided by (used in) investing activities	1,237,679	(3,568)
Net increase (decrease) in cash during the year	717,699	(797,400)
Cash and cash equivalents, beginning of year	1,517,284	2,314,684
Cash and cash equivalents, end of year	2,234,983	1,517,284

See accompanying notes

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2023

1. Nature of the organization

The Canadian College of Naturopathic Medicine ["CCNM"] 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 11]: CCNM Enterprises ["Enterprises"] and CCNM Press Inc. ["Press"].

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.

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.

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2023

Other financial instruments, including cash and cash equivalents, 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, on a first-in, first-out basis, and net realizable value.

Capital assets

Purchased tangible and intangible capital assets are initially recorded at 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
-------------------	------------

Land and artwork are considered to have permanent value and are 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.

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2023

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. Salaries and benefits related to research included in research in the statement of operations were \$656,758 [2022 – \$428,287].

3. Short-term investments

Short-term investments consist of a guaranteed investment certificate and term deposits with maturity dates from December 2023 to July 2024 [2022 – September 2022 to August 2023] with interest rates ranging from 3.7% to 4.0% [2022 – 2.1% to 3.9%].

4. Other long-term assets

Other long-term assets consist of the following:

	2023 \$	2022 \$
Prepaid expenses	225,856	231,780
Deposit with the US Department of Education	509,777	—
	<u>735,633</u>	<u>231,780</u>

During 2023, CCNM transferred US\$376,654 [C\$509,777] to be held in escrow by the United States Department of Education [the “Department”] to meet the financial responsibility standards related to CCNM’s ability to participate in the Department’s Federal Student Loan program. The funds held may be adjusted annually based on changes in the funding requested of the Department by US students attending CCNM.

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2023

5. Capital assets

Capital assets consist of the following:

	2023		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Land <i>[note 7]</i>	29,000,000	—	29,000,000
Building <i>[note 7]</i>	8,395,615	5,054,860	3,340,755
Building improvements	4,450,039	3,010,655	1,439,384
Furniture and fixtures	1,866,667	1,105,078	761,589
Equipment	2,438,551	1,918,350	520,201
Artwork	89,300	—	89,300
Intangible			
Computer software	1,342,858	1,098,412	244,446
Corporate identity	71,066	—	71,066
	47,654,096	12,187,355	35,466,741
	2022		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Land <i>[note 7]</i>	29,000,000	—	29,000,000
Building <i>[note 7]</i>	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

During the year, CCNM wrote off nil [2022 – \$551,985] in fully amortized capital assets.

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2023

6. 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 \$4,239,075 [2022 – \$4,065,218]. 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.

7. Credit facility

CCNM has a revolving demand credit facility available of \$1,500,000 [2022 – \$1,500,000], which bears interest at the bank's prime rate of 7.2% [2022 – 4.7%] plus 0.8% [2022 – 0.8%]. As at August 31, 2023, the effective interest rate was 8.0% [2022 – 5.5%]. As at August 31, 2023, CCNM has borrowed nil [2022 – 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, 2023, the carrying value of the land and building is \$32,340,755 [2022 – \$32,550,645].

8. Deferred contributions

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

	2023	2022
	\$	\$
Balance, beginning of year	1,256,262	1,327,465
Amounts received <i>[note 9]</i>	1,650,517	923,027
Recognized as revenue	(985,858)	(994,230)
Balance, end of year	1,920,921	1,256,262

Deferred contributions are held for the following purposes:

	2023	2022
	\$	\$
Research	1,314,500	810,427
Awards and bursaries	326,564	200,378
Patterson Institute	52,367	64,493
Lab testing series	12,500	12,500
Other	214,990	168,464
	1,920,921	1,256,262

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2023

9. 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 \$2,785 [2022 – \$418] related to this endowment was recorded in deferred contributions [note 8].

10. Donations-in-kind

CCNM received donations-in-kind of \$112,654 [2022 – \$129,126], which primarily comprised medical supplies.

11. 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*, 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:

	2023	2022
	\$	\$
Due from CCNM Enterprises	—	112,520
Due from CCNM Press Inc.	1,150,627	1,067,425
Allowance for doubtful accounts	(942,135)	(994,356)
	<u>208,492</u>	<u>185,589</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, 2023, the prime rate was 7.2% [2022 – 4.7%]. Interest of \$45,833 [2022 – \$22,611] is included in interest revenue.

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2023

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

12. Commitments and contingencies

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

	\$
2024	900,446
2025	176,052
2026	27,440
2027	7,407
2028	1,860
	<u>1,113,205</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.

13. Statement of cash flows

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

	2023 \$	2022 \$
Accounts receivable	(204,871)	703,895
Inventory	10,729	(4,711)
Prepaid expenses	(41,902)	3,450
Accounts payable and accrued liabilities	(174,032)	(21,155)
Deferred revenue	312,425	(373,301)
Deferred contributions	664,659	(71,203)
	<u>567,008</u>	<u>236,975</u>

Notes to financial statements

August 31, 2023

14. Financial instruments and risk management

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

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 \$987,077 [2022 – \$1,211,024], which includes the provisions for Press [note 11[b]].

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.

15. 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, 2023, included in accounts receivable is \$169,801 [2022 – \$98,191] for tuition from approved programs from the campus in British Columbia, and included in deferred revenue is \$192,243 [2022 – \$176,243] related to deferred tuition related to these programs. Included in tuition in the statement of operations is \$3,307,044 [2022 – \$3,208,797] related to the same approved programs.