

Canadian College of Naturopathic Medicine

Financial statements
August 31, 2021



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, 2021, 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, 2021, 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.

Other matter – comparative financial information

We draw attention to note 1 in the financial statements, which describes the effect of the combination of entities that merged to become CCNM on February 1, 2021. Merger accounting was applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at August 31, 2020, and the statement of operations, the statement of changes in net assets and the statement of cash flows for the year ended August 31, 2020 and related disclosures. We were not engaged to report on the combined comparative information, and as such, it is unaudited. Our opinion is not modified with respect to this matter.

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 29, 2021

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Canadian College of Naturopathic Medicine

Statement of financial position

As at August 31

	2021	2020
	\$	\$
		<i>[combined, unaudited – note 1]</i>
Assets		
Current		
Cash and cash equivalents	2,314,684	1,188,467
Short-term investments <i>[note 3]</i>	4,007,159	7,272,941
Accounts receivable <i>[notes 12, 15, 17 and 18]</i>	1,714,932	1,391,972
Inventory	68,649	105,913
Prepaid expenses	683,909	714,217
Total current assets	8,789,333	10,673,510
Long-term prepaid expenses	237,705	206,223
Capital assets, net <i>[note 4]</i>	36,106,741	36,468,117
	45,133,779	47,347,850
Liabilities and net assets		
Liabilities		
Bank indebtedness <i>[note 6]</i>	—	1,225,000
Accounts payable and accrued liabilities	1,352,730	1,632,094
Deferred revenue <i>[note 18]</i>	1,327,278	1,316,125
Deferred contributions <i>[note 7]</i>	1,327,465	1,166,457
Total current liabilities	4,007,473	5,339,676
Commitments and contingencies <i>[notes 5 and 13]</i>		
Net assets		
Unrestricted	41,059,244	34,642,776
Internally restricted <i>[note 9]</i>	—	7,298,336
Endowment <i>[note 8]</i>	67,062	67,062
Total net assets	41,126,306	42,008,174
	45,133,779	47,347,850

See accompanying notes

On behalf of the Board:



Colleen McQuarrie
Chair of the Board



Sameet Batavia
Chair of the Audit Committee

Canadian College of Naturopathic Medicine

Statement of operations

Year ended August 31

	2021	2020
	\$	\$
		<i>[combined, unaudited – note 1]</i>
Revenue		
Tuition <i>[note 18]</i>	16,550,369	15,500,845
Government subsidies <i>[note 17]</i>	1,291,822	71,737
Clinic	1,384,537	1,196,406
Property	773,722	1,394,106
Donations and sponsorships <i>[notes 7 and 10]</i>	1,130,712	1,148,929
Research grants <i>[note 7]</i>	335,118	694,112
Other <i>[note 11]</i>	123,226	281,005
General interest and continuing education	172,515	110,742
Interest <i>[note 12[b]]</i>	113,384	192,507
	21,875,405	20,590,389
Expenses		
Salaries and employee benefits	14,702,715	14,300,837
Office and general	1,868,476	1,608,402
Amortization	971,854	973,772
Research	566,712	803,685
Books and teaching supplies <i>[notes 10 and 12[c]]</i>	870,114	929,136
General maintenance	603,909	664,141
Travel, promotion and advertising	718,648	716,880
Cost of goods sold	387,000	335,696
Bursaries and awards	195,600	209,640
Rent	1,345,507	1,297,869
Professional services	439,402	241,114
Graduation and student events	61,086	91,277
Interest	2,354	9,516
	22,733,377	22,181,965
Deficiency of revenue over expenses for the year before discontinued operations	(857,972)	(1,591,576)
Discontinued operations <i>[note 16]</i>	(23,896)	(3,204)
Deficiency of revenue over expenses for the year	(881,868)	(1,594,780)

See accompanying notes

Canadian College of Naturopathic Medicine

Statement of changes in net assets

Year ended August 31

	Unrestricted		Internally restricted		Endowment		Total	
	August 31, 2021	August 31 2020	August 31, 2021	August 31 2020	August 31, 2021	August 31 2020	August 31, 2021	August 31 2020
	\$	\$	\$	\$	\$	\$	\$	\$
		<i>[combined, unaudited – note 1]</i>		<i>[combined, unaudited – note 1]</i>		<i>[combined, unaudited – note 1]</i>		<i>[combined, unaudited – note 1]</i>
Net assets, beginning of year	34,642,776	43,488,202	7,298,336	47,690	67,062	67,062	42,008,174	43,602,954
Deficiency of revenue over expenses for the year	(881,868)	(1,594,780)	—	—	—	—	(881,868)	(1,594,780)
Interfund transfers <i>[note 9]</i>	7,298,336	(7,250,646)	(7,298,336)	7,250,646	—	—	—	—
Net assets, end of year	41,059,244	34,642,776	—	7,298,336	67,062	67,062	41,126,306	42,008,174

See accompanying notes

Canadian College of Naturopathic Medicine

Statement of cash flows

Year ended August 31

	2021	2020
	\$	\$
		<i>[combined, unaudited – note 1]</i>
Operating activities		
Deficiency of revenue over expenses for the year	(881,868)	(1,594,780)
Add item not involving cash		
Amortization	971,854	973,772
	89,986	(621,008)
Net change in non-cash working capital balances related to operations <i>[note 14]</i>	(394,073)	(899,282)
Cash used in operating activities	(304,087)	(1,520,290)
Investing activities		
Acquisition of capital assets	(610,478)	(406,757)
Net change in short-term investments	3,265,782	1,607,059
Cash provided by investing activities	2,655,304	1,200,302
Financing activities		
Proceeds from bank indebtedness	20,000	1,825,000
Repayment of bank indebtedness	(1,245,000)	(1,800,000)
Cash provided by (used in) financing activities	(1,225,000)	25,000
Net increase (decrease) in cash during the year	1,126,217	(294,988)
Cash and cash equivalents, beginning of year	1,188,467	1,483,455
Cash and cash equivalents, end of year	2,314,684	1,188,467

See accompanying notes

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2021

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 ["OICCF"] and the Boucher Institute of Naturopathic Medicine ["BINM"], 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. The combination is accounted for as a merger in accordance with Section 4449, *Combinations by not-for-profit organizations* in Part III of the *CPA Canada Handbook*. The merger will enhance the global recognition of CCNM, its research and innovation capacity, and contribute to its efficiency and reach.

The financial statements for the year ended August 31, 2021 are the aggregated results for the period from September 1, 2020 to January 31, 2021 when the entities were operating independently and the results of the combined entity for the period from February 1, 2021 to August 31, 2021.

The prior year unaudited comparative figures show the aggregated results for all three entities when they were operating independently. The Institute and OICCF have prior year-ends of July 31 and December 31, respectively, and, therefore, stub period financial statements were generated to obtain financial activity for the period from September 1, 2019 to August 31, 2020. There was no change to the fiscal year-end for BINM, so audited financial statements as at August 31, 2020 were the basis of the comparative results. The aggregated results included the following adjustments to align prior accounting policies with those of the combined organization.

The aggregated statement of financial activities for the year ended August 31, 2020 is as follows:

	Institute	BINM	OICCF	Adjustments	Total
	\$	\$	\$	\$	\$
Total revenue	16,356,352	3,993,619	56,762	183,656	20,590,389
Total expenses	16,578,908	5,360,408	58,993	183,656	22,181,965
Loss from discontinued operations	(3,204)	—	—	—	(3,204)
	(225,760)	(1,366,789)	(2,231)	—	(1,594,780)

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The aggregated statement of financial position as at August 31, 2020 is as follows:

	Institute \$	BINM \$	OICCF \$	Adjustments \$	Total \$
Cash and cash equivalents	295,336	8,070,425	95,647	(7,272,941)	1,188,467
Short-term investments	—	—	—	7,272,941	7,272,941
Other assets	1,831,204	586,469	652	—	2,418,325
Capital assets	36,294,774	173,343	—	—	36,468,117
Total assets	38,421,314	8,830,237	96,299	—	47,347,850
Total liabilities	4,351,701	856,992	68,979	62,004	5,339,676
Fund balances					
Unrestricted	34,002,551	439,562	27,320	173,343	34,642,776
Internally restricted	—	7,298,336	—	—	7,298,336
Externally restricted	—	62,004	—	(62,004)	—
Invested in capital assets	—	173,343	—	(173,343)	—
Endowment	67,062	—	—	—	67,062

The significant adjustments included above are as follows:

- Cost of goods sold of \$183,656 was reported as a reduction to revenue and is now reflected as an expense.
- Short-term investments have been reclassified from cash and cash equivalents to short-term investments of \$7,272,941; see note 3.
- Restricted funds of \$62,004 have been reclassified to deferred contributions to align accounting policy to the deferral method of accounting for contributions.
- Investment in capital assets has been reclassified to unrestricted fund balances.

For the period from September 1, 2020 to January 31, 2021, the principal components of the statement of operations are as follows:

	Institute \$	BINM \$	OICCF \$	Adjustments \$	Total \$
Total revenue	9,420,670	1,889,177	28,589	93,796	11,432,232
Total expenses	7,306,589	2,356,696	55,909	93,796	9,812,990
Loss from discontinued operations	(23,896)	—	—	—	(23,896)
	2,090,185	(467,519)	(27,320)	—	1,595,346

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At the combination date of February 1, 2021, the principal components of the statements of financial position are as follows:

	Institute	BINM	OICCF	Adjustments	Total
	\$	\$	\$	\$	\$
Cash and cash equivalents	2,306,489	8,153,658	87,748	(7,169,099)	3,378,796
Short-term investments	—	—	—	7,169,099	7,169,099
Other assets	4,852,473	443,431	955	—	5,296,859
Capital assets	36,127,460	178,982	—	—	36,306,442
Total assets	43,286,422	8,776,071	88,703	—	52,151,196
Total liabilities	7,102,796	1,269,156	88,703	63,112	8,523,767
Fund balances					
Unrestricted	36,116,564	(79,850)	—	178,982	36,215,696
Internally restricted	—	7,344,671	—	—	7,344,671
Externally restricted	—	63,112	—	(63,112)	—
Invested in capital assets	—	178,982	—	(178,982)	—
Endowment	67,062	—	—	—	67,062

The adjustments included above are as follows:

- Cost of goods sold of \$78,796 and scholarships award of \$15,000 were reported as reductions to revenue and are now reflected as expenses.
- Short-term investments have been reclassified from cash and cash equivalents to short-term investments of \$7,169,099; see note 3.
- Restricted funds of \$63,112 have been reclassified to deferred contributions to align accounting policy to the deferral method of accounting for contributions.
- Investment in capital assets fund balances has been reclassified to unrestricted fund balances.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – 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.

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Tuition, general interest and continuing education revenue is 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.

Sponsorships 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.

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 tangible assets is considered to have permanent value and is not amortized.

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CCNM does not amortize capitalized costs related to its corporate identity classified as intangible assets, 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.

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 were \$344,946 [2020 – \$343,403].

3. Short-term investments

Short-term investments consist of guaranteed investment certificates with maturities through to August 2022, with varying interest rates dependent on the date of the investment.

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2021

4. Capital assets

Capital assets consist of the following:

	2021		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Land <i>[note 6]</i>	29,000,000	—	29,000,000
Building <i>[note 6]</i>	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
	46,989,830	10,883,089	36,106,741
	2020		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
	<i>[combined, unaudited – note 1]</i>		
Tangible			
Land <i>[note 6]</i>	29,000,000	—	29,000,000
Building <i>[note 6]</i>	8,395,615	4,425,155	3,970,460
Building improvements	4,082,015	2,485,675	1,596,340
Furniture and fixtures	1,488,637	915,603	573,034
Equipment	2,006,892	1,349,961	656,931
Artwork	89,300	—	89,300
Intangible			
Computer software	1,290,473	741,381	549,092
Corporate identity	32,960	—	32,960
	46,385,892	9,917,775	36,468,117

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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 \$4,374,792 [2020 – \$3,851,498]. 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. Bank indebtedness

CCNM has a revolving demand credit facility available of \$1,500,000 [2020 – \$3,000,000], which bears interest at the bank's prime rate of 2.45% [2020 – 2.45%] plus 0.80% [2020 – 0.80%]. As at August 31, 2021, the effective interest rate was 3.25% [2020 – 3.25%]. As at August 31, 2021, CCNM has nil [2020 – \$1,225,000] 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, 2021, the carrying value of the land and building was \$32,760,536 [2020 – \$32,970,460].

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:

	2021	2020
	\$	\$
		<i>[combined, unaudited – note 1]</i>
Balance, beginning of year	1,166,457	1,183,718
Amounts received <i>[note 8]</i>	1,015,599	1,234,507
Recognized as revenue	(854,591)	(1,251,768)
Balance, end of year	1,327,465	1,166,457

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Deferred contributions are held for the following purposes:

	2021 \$	2020 \$
		<i>[combined, unaudited – note 1]</i>
Research	841,134	675,615
Awards and bursaries	176,151	169,574
Patterson Institute	67,454	61,028
Lab testing series	50,000	50,000
Other	192,726	210,240
	1,327,465	1,166,457

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 \$162 [2020 – \$822] 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 \$111,058 [2020 – \$150,769], 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.

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.

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Transactions during the year with Enterprises and Press, both of which are entities subject to significant influence and 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:

	2021 \$	2020 \$
		<i>[combined, unaudited – note 1]</i>
Due from CCNM Enterprises	110,542	108,565
Due from CCNM Press Inc.	994,334	961,964
Allowance for doubtful accounts	(937,992)	(899,164)
	166,884	171,365

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, 2021, the prime rate was 2.45% [2020 – 2.45%]. Interest of \$17,039 [2020 – \$22,187] 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.

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:

	\$
2022	887,105
2023	847,641
2024	420,569
2025	144,222
2026	77,759
	2,377,296

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[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:

	2021 \$	2020 \$
		<i>[combined, unaudited – note 1]</i>
Accounts receivable	(322,960)	(295,192)
Inventory	37,264	21,477
Prepaid expenses	(1,174)	(321,980)
Accounts payable and accrued liabilities	(279,364)	(81,400)
Deferred revenue	11,153	(135,922)
Deferred contributions	161,008	(86,265)
	(394,073)	(899,282)

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.

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 and other amounts include amounts from the government *[note 17]*, which have been received subsequent to year-end. Accounts receivable are recorded net of an allowance for doubtful accounts of \$1,143,995 [2020 – \$1,101,761], which includes the provisions for the Press *[note 12[b]]*.

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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, 2021.

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:

	2021 \$	2020 \$
		<i>[combined, unaudited – note 1]</i>
Revenue		
Clinic	71,288	717,741
Donations and grants	42,471	162,963
	113,759	880,704
Expenses		
Salaries and employee benefits	43,297	343,442
Cost of goods sold	53,927	297,382
Other expenses	40,431	243,084
	137,655	883,908
Loss from discontinued operations	(23,896)	(3,204)

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17. COVID-19

In March 2020, the World Health Organization declared the spread of COVID-19 to be a global pandemic. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including travel restrictions in and out of and within Canada, barring gatherings of people and requirements to stay home. These restrictions impacted the operations of CCNM as all education and clinic services moved to online models of delivery as of March 2020.

Management considered the impact of COVID-19 in its assessment of CCNM'S assets and liabilities and its ability to continue as a going concern. Although COVID-19 has had an impact on CCNM'S operations, management believes CCNM continues to have sufficient resources to manage the operations through the next year.

During 2021, CCNM recognized \$1,291,822 [2020 – \$71,737] from the Canada Emergency Wage Subsidy [“CEWS”] and the Canada Emergency Rent Subsidy [“CERS”] government programs. CEWS was introduced to prevent further job losses, encourages employers to quickly rehire workers previously laid off as a result of COVID-19 and helps 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, 2021 is \$614,587 [2020 – \$9,670] 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, 2021, included in accounts receivable is \$29,629 [2020 – \$61,687] for tuition from approved programs from the campus in British Columbia and included in deferred revenue is \$393,920 [2020 – \$328,768] related to deferred tuition related to these programs. Included in tuition in the statement of operations is \$3,095,359 [2020 – \$3,245,317] related to the same approved programs.