

Canadian College of Naturopathic Medicine

Financial statements
August 31, 2024



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, 2024, 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, 2024, 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 25, 2024

Chartered Professional Accountants
Licensed Public Accountants



Canadian College of Naturopathic Medicine

Statement of financial position

As at August 31

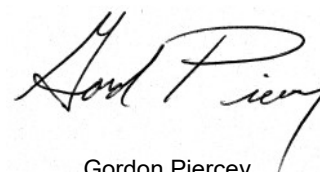
	2024	2023
	\$	\$
Assets		
Current		
Cash and cash equivalents	2,927,063	2,234,983
Short-term investments <i>[note 3]</i>	1,590,055	1,556,795
Accounts receivable <i>[notes 12, 15 and 16]</i>	791,132	1,215,908
Inventory	64,344	62,631
Prepaid expenses	747,352	728,286
Total current assets	6,119,946	5,798,603
Other long-term assets <i>[note 4]</i>	729,709	735,633
Capital assets, net <i>[note 5]</i>	35,319,926	35,466,741
	42,169,581	42,000,977
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 7]</i>	2,043,668	1,157,543
Deferred revenue <i>[note 16]</i>	1,093,171	1,266,402
Deferred contributions <i>[note 9]</i>	1,717,871	1,920,921
Total current liabilities	4,854,710	4,344,866
Commitments and contingencies <i>[notes 6 and 13]</i>		
Net assets		
Unrestricted	37,247,809	37,589,049
Endowment <i>[note 10]</i>	67,062	67,062
Total net assets	37,314,871	37,656,111
	42,169,581	42,000,977

See accompanying notes

On behalf of the Board:



David Duizer
Chair of the Board



Gordon Piercey
Chair of the Audit Committee

Canadian College of Naturopathic Medicine

Statement of operations

Year ended August 31

	2024	2023
	\$	\$
Revenue		
Tuition <i>[note 16]</i>	17,662,425	15,539,076
Clinic	1,784,548	1,710,141
Property	1,687,470	1,787,788
Donations and sponsorships <i>[notes 9 and 11]</i>	633,884	678,726
Interest <i>[note 12[b]]</i>	291,215	196,673
Other	262,516	328,530
General interest and continuing education	226,935	196,183
Research <i>[note 9]</i>	473,262	708,118
	23,022,255	21,145,235
Expenses		
Salaries and employee benefits <i>[note 2]</i>	14,218,036	14,302,467
Office and general	2,491,752	1,681,392
Rent	1,703,183	1,649,074
Travel, promotion and advertising	998,246	907,354
Amortization	935,820	911,978
General maintenance	762,935	735,383
Books and teaching supplies	744,101	802,395
Research <i>[note 2]</i>	721,073	851,100
Cost of goods sold	372,248	389,028
Professional services	248,347	175,048
Bursaries and awards	125,500	132,500
Graduation and student events	100,004	102,629
	23,421,245	22,640,348
Deficiency of revenue over expenses for the year	(398,990)	(1,495,113)

See accompanying notes

Canadian College of Naturopathic Medicine

Statement of changes in net assets

Year ended August 31

	Unrestricted		Endowment		Total	
	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	37,589,049	39,084,162	67,062	67,062	37,656,111	39,151,224
Contributed land <i>[note 5]</i>	57,750	—	—	—	57,750	—
Deficiency of revenue over expenses for the year	(398,990)	(1,495,113)	—	—	(398,990)	(1,495,113)
Net assets, end of year	37,247,809	37,589,049	67,062	67,062	37,314,871	37,656,111

See accompanying notes

Canadian College of Naturopathic Medicine

Statement of cash flows

Year ended August 31

	2024	2023
	\$	\$
Operating activities		
Deficiency of revenue over expenses for the year	(398,990)	(1,495,113)
Add items not involving cash		
Loss on disposal of capital asset	71,066	—
Amortization	935,820	911,978
	607,896	(583,135)
Net change in other long-term assets	5,924	(503,853)
Net change in non-cash working capital balances related to operations <i>[note 14]</i>	913,841	567,008
Cash provided by (used in) operating activities	1,527,661	(519,980)
Investing activities		
Acquisition of capital assets	(802,321)	(739,709)
Net change in short-term investments	(33,260)	1,977,388
Cash provided by (used in) investing activities	(835,581)	1,237,679
Net increase in cash during the year	692,080	717,699
Cash and cash equivalents, beginning of year	2,234,983	1,517,284
Cash and cash equivalents, end of year	2,927,063	2,234,983

See accompanying notes

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2024

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 CCNM Enterprises ["Enterprises"] and CCNM Press Inc. ["Press"] in which CCNM has significant influence [note 12].

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, 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 and 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. Interest income earned related to deferred contributions is deferred and recognized as revenue when spent for the purposes of the original contribution.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid short-term investments.

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2024

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 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
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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, 2024

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 \$610,050 [2023 – \$656,758].

3. Short-term investments

Short-term investments consist of a guaranteed investment certificate and term deposits with maturity dates from December 2024 to July 2025 [2023 – December 2023 to July 2024] with interest rates ranging from 3.7% to 4.95% [2023 – 3.7% to 4.0%].

4. Other long-term assets

Other long-term assets consist of the following:

	2024 \$	2023 \$
Prepaid expenses	219,932	225,856
Deposit with the US Department of Education	509,777	509,777
	<u>729,709</u>	<u>735,633</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, 2024

5. Capital assets

Capital assets consist of the following:

	2024		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Land <i>[note 8]</i>	29,057,750	—	29,057,750
Building <i>[note 8]</i>	8,395,615	5,264,750	3,130,865
Building improvements	5,016,988	3,324,199	1,692,789
Furniture and fixtures	1,963,495	1,241,970	721,525
Equipment	2,383,006	1,946,268	436,738
Artwork	89,300	—	89,300
Intangible			
Computer software	1,370,594	1,179,635	190,959
	48,276,748	12,956,822	35,319,926
2023			
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Tangible			
Land <i>[note 8]</i>	29,000,000	—	29,000,000
Building <i>[note 8]</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

During the year, CCNM wrote off \$166,353 [2023 – nil] in fully amortized capital assets and \$71,066 [2023 – nil] of the net book value of the corporate identity.

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2024

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 \$4,788,479 [2023 – \$4,239,075]. 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. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$570,200 [2023 – \$12,531] related to government remittances for HST.

8. Credit facility

CCNM has a revolving demand credit facility available of \$1,500,000 [2023 – \$1,500,000], which bears interest at the bank's prime rate of 6.7% [2023 – 7.2%] plus 0.8% [2023 – 0.8%]. As at August 31, 2024, the effective interest rate is 7.5% [2023 – 8.0%]. As at August 31, 2024 and 2023, CCNM has no borrowings 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, 2024, the carrying value of the land and building is \$32,188,615 [2023 – \$32,340,755].

9. Deferred contributions

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

	2024	2023
	\$	\$
Balance, beginning of year	1,920,921	1,256,262
Amounts received <i>[note 10]</i>	504,485	1,650,517
Recognized as revenue	(707,535)	(985,858)
Balance, end of year	1,717,871	1,920,921

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2024

Deferred contributions are held for the following purposes:

	2024	2023
	\$	\$
Research	1,080,459	1,314,500
Awards and bursaries	320,501	326,564
Patterson Institute	26,510	52,367
Lab testing series	12,500	12,500
Other	277,901	214,990
	1,717,871	1,920,921

10. 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 \$3,965 [2023 – \$2,785] related to this endowment was recorded in deferred contributions [note 9].

11. Donations-in-kind

CCNM received donations-in-kind of \$187,920 [2023 – \$112,654], which primarily comprised medical supplies.

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*, 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.

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2024

- [b] On September 15, 2003, CCNM entered into an agreement with the Press to provide funding as requested by the Press from time to time. The carrying amounts owing from Enterprises and Press are recorded in accounts receivable as follows:

	2024	2023
	\$	\$
Due from CCNM Enterprises	2,260	—
Due from CCNM Press Inc.	1,239,289	1,150,627
Allowance for doubtful accounts	(1,013,272)	(942,135)
	<u>228,277</u>	<u>208,492</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, 2024, the prime rate is 6.7% [2023 – 7.2%]. Interest of \$57,351 [2023 – \$45,833] 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.

13. Commitments and contingencies

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

	\$
2025	1,164,016
2026	813,685
2027	732,477
2028	705,610
2029	708,174
	<u>4,123,962</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.

Canadian College of Naturopathic Medicine

Notes to financial statements

August 31, 2024

14. Statement of cash flows

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

	2024 \$	2023 \$
Accounts receivable	424,776	(204,871)
Inventory	(1,713)	10,729
Prepaid expenses	(19,066)	(41,902)
Accounts payable and accrued liabilities	886,125	(174,032)
Deferred revenue	(173,231)	312,425
Deferred contributions	(203,050)	664,659
	<u>913,841</u>	<u>567,008</u>

15. Financial instruments and risk management

CCNM is exposed to a variety of risks with respect to financial instruments. 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. The risks related to CCNM are as follows:

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 \$1,047,695 [2023 – \$987,077], which includes the provisions for Press [note 12[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.

16. 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, 2024, included in accounts receivable is \$79,473 [2023 – \$169,801] for tuition from approved programs from the campus in British Columbia, and included in deferred revenue is \$183,568 [2023 – \$192,243] related to deferred tuition related to these programs. Included in tuition in the statement of operations is \$3,809,840 [2023 – \$3,307,044] related to the same approved programs.