

F S J ,

Institute of Naturopathic
Education and Research



To the Governors of the Institute of Naturopathic Education and Research

R F S

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

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.

Our 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.

Auditor's 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. These 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.

R

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.

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.

Ernst & Young LLP

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



Light blue horizontal bar

Light blue horizontal bar

Light blue horizontal bar

Light blue horizontal bar

Light blue horizontal bar with a thin black line to its right

Light blue horizontal bar with a thin black line to its right

Light blue horizontal bar

Light blue horizontal bar

Light blue horizontal bar

Light blue horizontal bar with a thin black line to its right

Light blue horizontal bar with a thin black line to its right

Light blue horizontal bar

Light blue horizontal bar with a thin black line to its right

Light blue horizontal bar with a thin black line to its right

Years ended July 31

2 SHUDWLQJ)XQG 5HVWULFWHG)XQG 7RWRZPHQW

REVENUES	2017	2018	2019	2020	2021
Tuition	\$9,810,810	\$—	\$—	\$—	\$—
Clinic	1,118,783	—	—	—	—
Dispensary	132,932	—	—	—	—
Property	1,168,385	—	—	—	—
Membership fees	19,475	—	—	—	—
Student and application fees	3,230	—	—	—	—
General interest and continuing education	151,521	—	—	—	—
Donations and sponsorships [note 10]	214,165	—	415,484	—	—
Interest	40,221	—	961	—	—
Research	214,274	—	270,976	—	—
Other [note 11]	258,158	—	—	—	—
	<u>13,131,954</u>	<u>—</u>	<u>687,421</u>	<u>—</u>	<u>—</u>

(; 3 (1 6 (6

6 DODULHV DQG HPSOR\HH EHQ\H\	9,455,300	287,973	—	—	—
Rent	93,386	34,540	—	—	—
2 IŽFH DQG JHQHUDO	1,074,258	84,608	—	—	—
Travel, promotion and advertising	526,540	33,609	—	—	—
Research	315,308	96,480	—	—	—
Books and teaching supplies	454,831	6,650	—	—	—
Professional services	100,496	—	—	—	—
Bursaries and awards	45,684	81,335	—	—	—
Graduation and student events	27,824	—	—	—	—
General maintenance	661,154	46,252	—	—	—
Interest on long-term debt	42,063	—	—	—	—
Amortization	819,740	—	—	—	—
	<u>13,244,003</u>	<u>671,447</u>	<u>—</u>	<u>—</u>	<u>—</u>

([FHV V GHŽFLHQF\ RI UHYHQXH V RYHU

H [SHQVHV IRU WKH \ HDU (112,049)	(96,075)	15,974	—	—	—
Fund balances, beginning of year	35,309,399	397,173	—	67,062	35,773,634
) XQG EDODQFHV HQG RI \ HDU	<u>35,197,350</u>	<u>413,147</u>	<u>—</u>	<u>67,062</u>	<u>35,677,559</u>

See accompanying notes

Year ended July 31

23(5\$7,1* \$&7,9,7,(6 2SHUDWLQJ)XQG 5H VWULFWHG)XQBW(DGG RZPH

([FHVV GHŽFLHQF\ RI UHYHQXHV RYHU H[SHQVHV IRU WKH \HDU

\$(96,075)

Add item not involving cash

Amortization of capital assets — — 819,740

6

. N O

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.

. S S A P F -T A A S N - -P O

A. S R

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.

F

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:

- The Operating Fund reports resources related to the delivery and administration of the Institute's academic and clinical programs.
- The Restricted Fund reports resources that are to be used for specific purposes as specified by the donors or by the Board.
- The Endowment Fund reports resources where either external or internal restrictions require that the principal must be maintained permanently.

C

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.

C

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.

D

Donations-in-kind of materials and inventory are recorded at fair market value when such value can be reasonably determined.

I

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

V

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.

A

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. F

- -

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

of 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:

	'HŽFLHQF\ RI UHYHGXHV	R\$XUXVW
	RYHU H[SHQVHV DQG IXQG	EDODQFHV
	EDODQFHV	3UHYLRXV
	* \$ \$ 3	\$10,752,698
Election to recognize land at fair value [i]	—	25,020,936
	'HŽFLHQF\ RI UHYHGXHV	R\$XUXVW
	RYHU H[SHQVHV DQG IXQG	EDODQFHV
	EDODQFHV	* \$ \$ 3
	—	35,773,634

The 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.

. R P T

- 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

- X O \

	& R V W	\$ F F X P X O D W H G	D P R U H W L] D R V L R Q D
7 D Q J L E O H			
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
) X U Q L W X U H D Q G Ž [W X U H V	1,008,276	486,585	521,691
Teaching equipment	143,493	63,161	80,332
2 I Ž F H H T X L S P H Q W	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
	<u>42,741,523</u>	<u>5,036,452</u>	<u>37,705,071</u>
, Q W D Q J L E O H			
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
	<u>43,123,788</u>	<u>5,218,603</u>	<u>37,905,185</u>

\$ X J X V W

	& R V W	\$ F F X P X O D W H G	D P R U H W L] D R V L R Q D
7 D Q J L E O H			
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
) X U Q L W X U H D Q G Ž [W X U H V	906,834	469,776	437,058
Teaching equipment	138,501	54,697	83,804
2 I Ž F H H T X L S P H Q W	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
	<u>42,142,873</u>	<u>4,695,562</u>	<u>37,447,311</u>
, Q W D Q J L E O H			
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
	<u>42,567,774</u>	<u>4,886,890</u>	<u>37,680,884</u>

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

. C A

- a. e Institute is the bene ciary of a life insurance policy of \$75,000. is donation receivable has not been recorded in the accounts due to the uncertainty of the timing of its receipt.
- b. e Institute is the bene ciary of a remainder trust established in 2005, currently valued at approximately \$2,991,000. is 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.

. I L

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.

. D

e Institute has the following credit facilities available:

- a. 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 e ective 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].
- b. Non-revolving xed-term loan, which bears interest at 4.9% per annum. e loan is repayable in monthly blended payments of \$31,240 based on an amortization period of ve years, with the balance repayable on September 11, 2013. e 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:

	- X O \	- X O \	\$ X J X V W
Long-term debt		\$399,949	\$745,854
Less current portion		363,302	345,905
	—	36,647	399,949
			\$
2014			\$36,647

All of the credit facilities are collateralized by a rst ranking security interest on all personal property of the Institute, a collateral

m 433 cm9(o)f coeranst(ts od-t5(d c)6(h)-in-(n a)-5(1 1 0 -1 -9)6(eraa)1\$94,372 [;eAl4-5u76,867], w12(thi0.4 0 w183(o)11(p((l p))1 m 433 cm9(o)f cogeraa6.4 f1 -95d51s77 cm 0 (29O0.4l(d cC12(tC. n /GS1 0_02 2)--1.2 -1.2 Tda<30 40001>Tjr)13(32 2)-3.2 Oce

. C

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

2014	\$213,000
2015	169,000
2016	39,000
2017	6,000
2018	6,000
	<u>433,000</u>

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].

. N C N - W C B

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

	2013	2012
Accounts receivable	—	(264,054)
Inventory	—	(55,024)
Prepaid expenses	—	12,109
Accounts payable and accrued liabilities	—	273,287
Interfund loan	—	—
Deferred revenue	—	52,448
	<u>—</u>	<u>18,766</u>

. F I R M

The Institute is exposed to various financial risks through transactions in financial instruments.

C

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.

I

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.