

INDEPENDENT AUDITORS' REPORT

To the Governors of the Institute of Naturopathic Education and Research

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the **Institute of Naturopathic Education and Research**, which comprise the statement of financial position as at July 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Institute of Naturopathic Education and Research** as at July 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the *Chartered Accountants Act* (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied, after giving retroactive effect to the change in accounting policy as explained in note 15 to the financial statements, on a basis consistent with that of the preceding year.

Toronto, Canada
November 21, 2016

Ernst & Young LLP

Chartered Professional Accountants

STATEMENT OF CHANGES IN NET ASSETS

Year ended July 31

	Unrestricted		Endowment		Total	
	\$	2015 \$	\$	2015 \$	\$	2015 \$
		[e, a ed. 2015]				[e, a ed. 2015]
Balance, beginning of year	4,4 , 4	34,993,980	7,	67,062	4,49 , 4	35,061,042
Deficiency of revenue over expenses for the year	(4 ,)	(568,896)	—	—	(4 ,)	(568,896)
Balance, end of year	4, ,4 4	34,425,084	7,	67,062	4, ,	34,492,146

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STATEMENT OF CASH FLOWS

The Institute 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 for which costs could be

6. DEFERRED CONTRIBUTIONS

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

	\$	\$
		<i>[elected 2015]</i>
Balance, beginning of year	77,	759,724
Amounts received <i>[elected]</i>	, 9,	1,096,854
Recognized as revenue	(, 4)	(1,098,920)
Balance, end of year	, ,	757,658

The deferred contributions are held for the following purposes:

	\$	\$
		<i>[elected 2015]</i>
Research	4 , 4	508,449
Integrative Cancer Centre	,	—
Awards and bursaries	,77	75,517
Ottawa Integrative Cancer Centre	7 ,	109,142
Other	4,7	30,940
RSNC Campaign	, 7	33,610
	, ,	757,658

7. ENDOWMENT NET ASSETS

Endowment net assets consist of the Joyce Vanderburg Endowment, the capital of which must be retained permanently within the Institute. Interest income of \$550 [2015 – \$809] related to this endowment was recorded in deferred contributions *[elected]*.

8. DONATIONS-IN-KIND

During the year, the Institute received donations-in-kind of \$88,040 [2015 – \$72,796], which were comprised primarily of medical supplies.

9. OTHER REVENUE

Other revenue include income from various sources including membership fees, student and application fees, non-sufficient funds charges, laundry revenue, clinical services provided to other organizations, photocopy revenue and other miscellaneous charges.

13. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

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

	\$	\$
Accounts receivable	(9 ,)	8,544
Inventory	(,9 7)	18,497
Prepaid expenses	7 ,7 4	103,713
Accounts payable and accrued liabilities	,4	(98,985)
Deferred revenue	(, 9)	(222,357)
Deferred contributions	4,	174,242
	,	(16,346)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk

The Institute is exposed to credit risk in connection with its accounts receivable because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. Accounts receivable are recorded net of an allowance for doubtful accounts of \$774,740 [2015 – \$801,079].