

THE COLLEGE OF NATUROPATHS OF ONTARIO

FINANCIAL STATEMENTS

MARCH 31, 2021

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FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of
The College of Naturopaths of Ontario

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The College of Naturopaths of Ontario, which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net assets and 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 The College of Naturopaths of Ontario as at March 31, 2021, 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.

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 The College of Naturopaths of Ontario 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the College'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 the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College'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.

INDEPENDENT AUDITOR'S REPORT (continued)

- 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 the College'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 the College'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 the College 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.

KRIENS~LAROSE, LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
July 28, 2021

THE COLLEGE OF NATUROPATHS OF ONTARIO
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

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	2021	2020
	\$	\$
ASSETS		
CURRENT		
Cash and cash equivalent (Note 2)	3,824,614	3,996,624
Accounts receivable	880,624	933,424
Prepaid expenses	121,269	55,620
	4,826,507	4,985,668
EQUIPMENT (Note 3)	41,279	54,495
	4,867,786	5,040,163
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	220,915	579,598
Deferred revenue (Note 4)	2,550,449	1,521,221
HST payable	275,938	306,870
	3,047,302	2,407,689
NET ASSETS (NOTE 5)		
Unrestricted net assets	(394,094)	2,467,385
Patient relations	89,193	89,704
Strategic initiatives	-	75,385
Business continuity	1,075,385	-
Investigations & Hearings	1,000,000	-
Succession Planning	50,000	-
	1,820,484	2,632,474
	4,867,786	5,040,163

APPROVED ON BEHALF OF THE COUNCIL:

_____, Director _____, Director

See accompanying notes to the financial statements

THE COLLEGE OF NATUROPATHS OF ONTARIO
STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED MARCH 31, 2021

	Unrestricted net assets 2021 \$	Patient relations 2021 \$	Strategic Initiatives 2021 \$	Business continuity 2021 \$	Investigations & hearings 2021 \$	Succession planning 2021 \$	Total 2021 \$	Total 2020 \$
Balance, beginning of year	2,467,385	89,704	75,385	-	-	-	2,632,474	2,368,999
Excess (deficiency) of revenues over expenses for the year	(811,479)	(511)	-	-	-	-	(811,990)	263,475
Interfund transfers	(2,050,000)	-	(75,385)	1,075,385	1,000,000	50,000	-	-
Balance, end of year	(394,094)	89,193	-	1,075,385	1,000,000	50,000	1,820,484	2,632,474

See accompanying notes to the financial statements

THE COLLEGE OF NATUROPATHS OF ONTARIO
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2021

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	2021	2020
	\$	\$
REVENUES		
Registration and member renewal fees	1,564,176	2,555,036
Government assistance (Note 6)	443,313	-
Examination fees	164,225	305,775
Inspection and hearing fees	51,250	82,050
Incorporation fees	24,112	18,650
Interest	7,001	45,253
TOTAL REVENUES	2,254,077	3,006,764
TOTAL EXPENSES	3,066,067	2,743,289
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	(811,990)	263,475

See accompanying notes to the financial statements

THE COLLEGE OF NATUROPATHS OF ONTARIO
STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED MARCH 31, 2021

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	2021	2020
	\$	\$
EXPENSES		
Salaries and benefits	1,597,738	1,366,521
Rent and utilities	284,540	269,879
Exam fees and expenses	212,865	127,989
Consulting fees		
Consultants - General	152,062	115,772
Consultants - Assessors/inspectors	10,256	32,418
Consultants - Complaints and inquiries	117,171	77,276
Legal fees		
Legal fees - Complaints	40,415	81,696
Legal fees - Discipline	121,428	87,427
Legal fees - General	37,366	67,766
Public education	91,462	74,009
Office and general	85,609	99,162
Council fees and expenses	78,668	84,613
Translation	48,949	13,293
License	45,006	81,051
Equipment maintenance	40,716	35,022
Insurance	27,533	27,426
Discipline & FTP committee	20,667	5,134
Amortization	16,102	19,194
Audit fees	16,000	17,002
Website	10,093	16,837
Education and training	6,134	7,389
Travel accommodation & meals	2,452	24,736
Printing and postage	1,946	10,927
Patient relations fund expenses allocation	511	-
Patient relations committee	378	750
TOTAL EXPENSES	3,066,067	2,743,289

See accompanying notes to the financial statements

THE COLLEGE OF NATUROPATHS OF ONTARIO
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED MARCH 31, 2021

	2021	2020
	\$	\$
CASH FROM OPERATING ACTIVITIES		
Cash receipts registration and membership renewal	2,665,795	932,761
Cash receipts from inspection fees	51,250	82,050
Cash receipts from examination fees	197,175	294,075
Cash receipts from incorporation fees	24,112	18,650
Interest income	7,001	45,253
Cash receipts from government assistance	390,772	-
Cash paid to suppliers and employees	(3,505,230)	(1,934,885)
	(169,125)	(562,096)
CASH FROM INVESTING ACTIVITIES		
Purchase of equipment	(2,885)	(47,058)
Change in cash	(172,010)	(609,154)
Cash, beginning of year	3,996,624	4,605,778
Cash, end of year	3,824,614	3,996,624
Cash consists of:		
Cash in bank account	1,737,986	1,915,102
RBC Money Market Fund & Cashable GIC	2,086,628	2,081,522
Cash, end of year	3,824,614	3,996,624

See accompanying notes to the financial statements

PURPOSE OF THE ORGANIZATION

The College of Naturopaths of Ontario is incorporated under the Regulated Health Professions Act, 1991 and the Naturopathy Act, 2007.

The College received proclamation on July 1, 2015.

The College of Naturopaths of Ontario is responsible for developing the regulations, policies, by-laws and necessary business operations to govern the profession.

The College operations include:

- sets requirements for entering the profession;
- establishes standards for practicing;
- administers quality assurance programs; and
- holds its members accountable for their conduct and practice.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook and include the following significant accounting policies:

Financial Instruments

The College initially measures its financial assets and liabilities at fair value. The College subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations.

Financial assets measured at cost or amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. Significant financial statement items that require the use of estimates includes useful lives of property and equipment, rates of amortization, and accrued liabilities. These estimates are reviewed periodically and adjustments are made, as appropriate, in the statement of operations in the year they become known.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and fixed income investments with maturities of less than 90 days.

Prepaid Expenses

Prepaid expenses are recorded for goods and services to be received in the next fiscal year, which were paid for in the current year.

Equipment

Equipment is stated at acquisition cost. Amortization is provided on the following basis at the following annual rates:

Office equipment	5 years straight-line
Computer equipment	30% diminishing balance

Where equipment no longer has any long-term service potential to the College, the excess of their net carrying amount over any residual value is recognized as an expense in the statement of operations.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The College follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Amounts received in advance of the period of service are deferred to the year the service is substantially complete.

Registrations, members renewal fees, examination fees, inspection fees, hearing fees and incorporation fees are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Amounts received in advance of the period of service are deferred to the year the service is substantially complete.

Unrestricted investment income is recognized as revenue when earned.

Government Assistance

Government assistance is a restricted contribution and is accounted for using the deferral method based on the assistance provided:

Wage Subsidies

Wage subsidies are recognized as revenue in the year the related wages are incurred

Donated Property and Services

During the year, voluntary services were provided. Because these services are not normally purchased by the College, and because of the difficulty of determining their fair value, donated services are not recognized in these statements.

2. CASH AND CASH EQUIVALENT

Cash and cash equivalent is summarized as follows:

	2021	2020
	\$	\$
Cash	1,737,986	1,915,102
RBC Money Market Fund	1,573,676	1,570,765
Cashable Guaranteed investment certificates, 0.4% maturing July 24, 2021	512,952	-
Cashable Guaranteed investment certificate, 0.5% maturing July 24, 2020	-	510,757
	<hr/>	<hr/>
	3,824,614	3,996,624

Cashable Guaranteed investment certificates is cashable at any time, and interest is paid right up to the date it is cashed as long as the investment has been held for 30 days or more.

The College has a revolving line of credit facility with the Royal Bank of Canada of \$100,000. The credit is available at prime plus 3.5% and is secured by a general security agreement covering all assets of the College. The line of credit was not utilized as at March 31, 2021.

Continued...

3. EQUIPMENT

	2021		2020	
	Cost	Accumulated	Cost	Accumulated
	\$	\$	\$	\$
Office equipment	159,391	141,681	159,391	135,681
Computer equipment	69,647	46,078	66,762	35,977
	229,038	187,759	226,153	171,658
Net book value	41,279		54,495	

4. DEFERRED REVENUE

Deferred revenue represents examination fees and membership registrations received in advance of the period in which the service is to be provided.

	2021	2020
	\$	\$
Registration fees	2,517,499	1,521,221
Examination fees	32,950	-
Total	2,550,449	1,521,221

Continued...

5. NET ASSETS

Patient Relations Fund

The College set aside \$100,000 for potential obligations under the *Regulated Health Professions Act, 1991* (the “Act”) with respect to cases where a patient alleges they were sexually abused by a Registrant and sought funding for counselling. Decisions on granting funding rest with the Patient Relations Committee as set out in the Act. The funds set aside are reviewed on an annual basis. In fiscal 2021, \$511 (2020: \$4,406) was spent from the patient relations fund.

Strategic Initiatives Fund

The College established an internally restricted net asset to fund strategic initiatives developed by the CEO. The initial contribution was 50% of the 2017 fiscal year surplus. In the 2021 fiscal year \$Nil (2020: \$Nil) was spent from the strategic initiative fund. By the end of 2021 fiscal year, the remaining balance of the fund has been disbursed to business continuity fund and is no longer in use.

Business Continuity Fund

In fiscal year 2021, the College established the restricted net asset to ensure the College will have adequate funds available to sustain day-to-day operations in the event of an unforeseen incident. The initial contribution was coming from strategic initiative fund for \$75,385 in addition to another \$1,000,000 set aside from unrestricted net assets. As directed by the Council, the CEO is responsible to maintain the fund at a minimum of \$3,000,000 up to a maximum of \$4,000,000 as soon as it is practicable. In the 2021 fiscal year \$Nil was spent from the Business Continuity Fund.

Investigations and Hearings Fund

In fiscal year 2021, the College established the restricted net asset to ensure the College can cover any cost that exceeds the budgeted amounts in a given fiscal year related to legal costs for investigations and hearings, including appeals before any tribunal, conducting investigations, and conducting discipline and fitness to practice hearings. The initial contribution was coming from unrestricted net assets in the amount of \$1,000,000. As directed by the Council, the CEO is responsible to maintain the fund at a minimum of \$1,000,000 up to a maximum of \$2,000,000 as soon as it is practicable. In the 2021 fiscal year \$Nil was spent from the Investigations and Hearings Fund.

Succession Planning Fund

In fiscal year 2021, the College established the restricted net asset to fund the process necessary to plan for the succession of the senior management positions. The initial contribution was coming from unrestricted net assets in the amount of \$50,000. As directed by the Council, the CEO is responsible to maintain the fund at \$50,000. In the 2021 fiscal year \$Nil was spent from the Succession Planning Fund.

6. GOVERNMENT ASSISTANCE

During the fiscal year, the College received government assistance in the form of Canada Emergency Wage Subsidy (CEWS). The CEWS serves as financial relief for a portion of employee wages. The assistance received is not repayable albeit is subject to audit by the Canada Revenue Agency (CRA). The CEWS is temporary and is available from March 15, 2020 to eligible employers. \$52,541 of the CEWS is included in the March 31, 2021 accounts receivable.

7. COMMITMENTS

Premises Lease Commitment

The College is committed to total minimum rentals under a long-term lease for premises, which expires on February 28, 2023. Minimum rental commitments remaining under this lease approximate \$306,293 as follows:

2022	159,570
2023	146,723
	<hr/>
	306,293

The College is committed under the lease agreement for a total lease term of 10 years and 2 months. The cost of the premise improvements totaling \$203,158 was paid by the landlord and included in the basic rent over the term of the lease. In the event the lease is terminated prior to the natural expiry of the term, The College agreed to pay the unamortized balance of the premise improvements. The unamortized balance as at March 31, 2021 is \$38,300 (2020: 58,283).

Other Commitments

The College is committed to a fees for implementation of Alinity License Management (Association Management Solution software). The agreement is effective until December 31, 2021 with remaining commitment of \$19,800.

The College is committed to consulting services related to Council Evaluation Program effective until August 2023. The remaining commitment approximates \$151,563, for which \$64,338 is due in the fiscal year 2022, \$58,775 is due in the fiscal year 2023, and \$28,450 is due in the fiscal year 2024

8. FINANCIAL INSTRUMENTS

The College is exposed to various risks through its financial instruments. The following presents the College's risk exposures and concentrations at March 31, 2021.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The College's credit risk would occur with their cash, investments and accounts receivable.

The College's bank accounts are held at one financial institution and funds on deposit exceed the maximum insured and, hence, there is a concentration of credit risk. Credit risk related to cash and investments is minimized by ensuring that these assets are held with and/or invested in credit-worthy parties.

Actual exposure to credit losses from account receivable has been moderate in prior years. The allowance for doubtful accounts is \$32,375 (2020: \$32,375).

Liquidity Risk

Liquidity risk is the risk the College will encounter difficulties in meeting obligations associated with financial liabilities. The College's exposure to liquidity risk mainly in respect of its accounts payable. The College expects to meet these obligations as they come due by generating sufficient cash flow from operations. There has been no change in the risk assessment from the prior period.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and other price risk.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The College is not exposed to foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The College does not have a significant interest rate risk.

8. FINANCIAL INSTRUMENTS (continued)

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The College is not exposed to other price risk.

9. FINANCIAL IMPACT OF THE NOVEL CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared a global pandemic due to the novel Coronavirus (COVID-19). The situation is constantly evolving and the economic impact has been substantial.

As at July 28, 2021, the College is aware of changes in its operations as a result of the COVID-19 crisis, including staff primarily working from home, the cancellation/postponement of the some exams, a reduction of 2020/2021 registration fees, and the inability to increase 2021/2022 membership fee due to the ongoing impact of the pandemic to the profession.

Assets and liabilities have been recorded using the best information available at the time of financial statement preparation. The uncertainty due to the pandemic may cause recorded amounts to be different than those realized. Management is closely monitoring the situation and as at July 28, 2021, the College is not able to fully estimate the impact of COVID-19 on operations at this time given the continuous evolution of the pandemic. The financial impact will be accounted for when it is known and able to be assessed.