

**Council On Naturopathic
Medical Education, Inc.**

Financial Statements

December 31, 2019 and 2018

Council On Naturopathic Medical Education, Inc.
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Partners

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors
Council on Naturopathic Medical Education, Inc.

We have audited the accompanying financial statements of Council on Naturopathic Medical Education, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 auditor's 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 auditor considers 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 referred to above present fairly, in all material respects, the financial position of Council on Naturopathic Medical Education, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter: Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2019, the Organization adopted the provisions of Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958): Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We previously reviewed Council on Naturopathic Medical Education, Inc.'s 2018 financial statements, and in our conclusion dated November 1, 2019, stated that based on our review, we were not aware of any material modifications that should be made to the 2018 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2018, for it to be consistent with the reviewed financial statements from which it has been derived.

Smith, Watson & Company, LLP

Smith, Watson, & Company, LLP
Pittsfield, MA
September 25, 2020

Council On Naturopathic Medical Education, Inc.
Statement of Financial Position at
December 31, 2019 with Comparative Totals for December 31, 2018

	2019	2018
Assets:		
Current Assets		
Cash and cash equivalents	\$ 171,621	\$ 71,690
Accounts receivable	1,881	2,153
Prepaid expenses	<u>5,970</u>	<u>15,720</u>
Total current assets	179,472	89,563
Certificates of deposit	200,000	200,000
Furniture and equipment, net of depreciation	<u>2,601</u>	<u>-</u>
Total assets	<u><u>\$ 382,073</u></u>	<u><u>\$ 289,563</u></u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 927	\$ 912
Deferred revenue	<u>90,408</u>	<u>-</u>
Total current liabilities	<u>91,335</u>	<u>912</u>
Net Assets:		
Net assets without donor restrictions	<u>290,738</u>	<u>288,651</u>
Total liabilities and net assets	<u><u>\$ 382,073</u></u>	<u><u>\$ 289,563</u></u>

See accompanying notes and independent auditor's report.

Council On Naturopathic Medical Education, Inc.
Statement of Activities for the Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

			2019	2018
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets	Total Net Assets
Public Support				
Contributions	\$ -	\$ -	\$ -	\$ 1,245
Total Public Support	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,245</u>
Revenues:				
Dues	250,176	-	250,176	247,563
Interest	2,950	-	2,950	1,514
Gain on Currency Conversion	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,245</u>
Total revenues	<u>253,126</u>	<u>-</u>	<u>253,126</u>	<u>252,322</u>
Total Public Support and Revenues	<u>253,126</u>	<u>-</u>	<u>253,126</u>	<u>253,567</u>
Functional Expenses				
Program Service	167,003	-	167,003	159,733
General and Administrative	<u>84,036</u>	<u>-</u>	<u>84,036</u>	<u>79,397</u>
Total Functional Expenses	<u>251,039</u>	<u>-</u>	<u>251,039</u>	<u>239,130</u>
Change in net assets	2,087	-	2,087	14,437
Net assets, January 1	<u>288,651</u>	<u>-</u>	<u>288,651</u>	<u>274,214</u>
Net assets, December 31	<u>\$ 290,738</u>	<u>\$ -</u>	<u>\$ 290,738</u>	<u>\$ 288,651</u>

See accompanying notes and independent auditor's report.

Council On Naturopathic Medical Education, Inc.

Statement of Functional Expenses for the Year Ended December 31, 2019

With Comparative Totals for the Year Ended December 31, 2018

			2019	2018
	Program	General and	Total	Total
	Expenses	Administrative		
Executive Director Compensation				
including related taxes	\$ 102,741	\$ 44,032	\$ 146,773	\$ 145,599
Travel expenses	26,883	11,521	38,404	37,819
Administrative services	8,148	3,492	11,640	11,280
Meetings	5,095	2,184	7,279	4,214
Affiliations	4,385	1,879	6,264	6,264
Training and education	2,878	1,234	4,112	-
Professional services	8,541	3,660	12,201	13,695
Bookkeeping	-	6,090	6,090	4,950
Rent	-	5,736	5,736	5,739
Supplies	1,833	786	2,619	1,471
Insurance	1,713	734	2,447	2,441
Telephone and fax	1,660	711	2,371	1,987
Miscellaneous	-	1,007	1,007	729
Postage and shipping	1,195	512	1,707	1,207
Internet	1,183	-	1,183	1,112
Printing and copying	706	303	1,009	573
Small equipment	42	18	60	50
Depreciation	-	137	137	-
	<u>\$ 167,003</u>	<u>\$ 84,036</u>	<u>\$ 251,039</u>	<u>\$ 239,130</u>

See accompanying notes and independent auditor's report.

Council On Naturopathic Medical Education, Inc.
Statement of Cash Flows for the Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 2,087	\$ 14,437
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	137	-
(Increase)/decrease in:		
Accounts receivable	272	(2,153)
Prepaid expense	9,750	(467)
Increase/(decrease) in:		
Accounts payable	15	21
Deferred revenue	90,408	-
	<u>102,669</u>	<u>11,838</u>
Net cash provided by operating activities	102,669	11,838
Cash flows used in investing activities:		
Purchase of certificates of deposit	(60,000)	(70,000)
Proceeds from certificates of deposit	60,000	70,000
Purchase of equipment	(2,738)	-
	<u>(2,738)</u>	<u>-</u>
Net cash used in investing activities	(2,738)	-
Increase in cash and cash equivalents	99,931	11,838
Cash and cash equivalents, beginning of year	<u>71,690</u>	<u>59,852</u>
Cash and cash equivalents, end of year	<u><u>\$ 171,621</u></u>	<u><u>\$ 71,690</u></u>

See accompanying notes and independent auditor's report.

1. Organization and Program Services

The Council On Naturopathic Medical Education, Inc. (“Council”) is a non-profit, publicly supported organization incorporated under the laws of the District of Columbia. The Council’s mission is to ensure and advocate high standards in naturopathic medical education in the United States and Canada through the voluntary accreditation of four-year graduate-level programs in naturopathic medicine. The U.S. Department of Education recognizes the Council as the national accrediting agency for programs leading to the Doctor of Naturopathic Medicine (N.D. or N.M.D.) or Doctor of Naturopathy (N.D.) degree. The Council is supported primarily through accreditation dues.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The Council is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Financial Accounting Standards Board Codification

During 2019 the Council adopted FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASC Topic 958, *Not for Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Management has determined that this ASU did not significantly impact the Council’s financial statements.

Summarized Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and money market accounts that are highly liquid and have maturities of three months or less.

Certificates of Deposit

Certificates of Deposit (CD's) are stated at cost. Interest received on CD's are included in interest on the statement of activities.

Accounts Receivable

Accounts receivable consists of amounts billed to universities and associations for various programs. Trade credit is generally extended on a short-term basis, thus, trade receivables do not bear interest. Accounts receivable are periodically evaluated for collectability. If required, changes in the estimated collectability of accounts receivable are recorded in the results of operations for the period in which the estimate is revised.

Furniture and Equipment

The Council capitalizes all furniture and equipment expenditures with a cost of \$2,500 or more and having estimated useful lives of more than one year. Equipment is recorded at cost if purchased or fair market value if contributed. Depreciation is computed using the straight-line method over the estimated useful life of five years.

Revenue Recognition

Dues

The Council generates income from annual membership dues that are calculated based upon a standard campus fee plus an additional fee for the number of full-time equivalent employees in the related program. Any benefits received from the Council are nominal. As such, dues are treated as contributions under ASC Topic 958, *Not for Profit Entities*.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Use of Estimates

The preparation of the Organization's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Council is a tax-exempt organization as defined by section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity by the Internal Revenue Service. Therefore, there is no provision for income taxes. The Council's Department of Treasury information returns are subject to examination, generally for three years after the filing date.

Management has determined that the Council does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

Functional Allocation of Expenses

The Council's policy is to allocate the indirect expenses of administrative (supporting services) based on various costs related to each program or, if undeterminable, based on management's estimates. During 2013 the Board decided to discontinue fund raising activities as memberships and fees were fully supporting the operations.

Contributed Services

Many individuals' volunteer time and skills to perform a variety of tasks that assist the Council, but these services do not meet the criteria for recognition as contributed services.

Reclassifications

Certain reclassifications have been made to prior year's statement of cash flows to present the financial statements on a consistent basis with the current year presentation. The reclassification has no impact on previously reported net assets.

Recently Issued Accounting Standards Not Yet Adopted

The FASB issued ASU No. 2016-02, Leases (Topic 842). This new standard amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. This ASU is effective for years beginning January 1, 2021.

3. Availability and Liquidity

The following represents the Council's financial assets at December 31, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 171,621	\$ 71,690
Accounts receivable	1,881	2,153
Certificates of deposit	200,000	200,000
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 373,502</u>	<u>\$ 273,843</u>

The Council's revenues are almost entirely in the form of fees for accreditation services and does not actively engage in fundraising. On rare occasions, however, the Council receives small, unsolicited contributions from donors; these contributions are unrestricted and are used for operations. The Council manages its liquidity and reserves by (1) operating within a prudent range of financial soundness and stability and (2) maintaining adequate liquid assets to fund near-term operating needs. The Council has a liquidity policy to maintain current financial assets less current liabilities at a minimum of one year of operating expenses. The Council also has a

Council On Naturopathic Medical Education, Inc.
Notes to Financial Statements

policy to target a year-end balance of reserves of unrestricted, undesignated net assets at one year of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the years ended December 31, 2019 and 2018, the level of liquidity and reserves was managed within the policy requirements.

4. Concentration of Credit Risk

The Council maintains cash and cash equivalents in financial institutions, and at times may exceed the amount of Federal deposit insurance. The Council's deposits are protected by the Massachusetts Deposit Investor Fund, which has no limits on its coverage. The Council has not experienced any losses on these accounts.

Approximately 99% of the Council's Dues are made up of eight colleges for both the years ended December 31, 2019 and 2018.

5. Certificates of Deposit

Certificates of Deposit ("CD") consist of the following:

	December 31,	
	2019	2018
36 months at 0.75% interest per annum. Maturing April 2019.	\$ -	\$ 60,000
9 months at 2.50% interest per annum. Maturing February 2020.	60,000	-
36 months at 0.75% interest per annum maturing April 2020.	70,000	70,000
36 month step certificate of deposit maturing April 2021. Interest is 1.50% in year one, 2.25% in year two, and 4.00% in year three.	70,000	70,000
	<u>70,000</u>	<u>70,000</u>
	<u>\$ 200,000</u>	<u>\$ 200,000</u>

6. Furniture and Equipment

Furniture and equipment consist of the following at December 31:

	2019	2018
Computer equipment	\$ 2,738	\$ 2,147
Furniture and fixtures	1,078	1,078
Other equipment	630	630
	<u>4,446</u>	<u>3,855</u>
Less: accumulated depreciation	<u>(1,845)</u>	<u>(3,855)</u>
Furniture and Equipment, net	<u>\$ 2,601</u>	<u>\$ -</u>

Depreciation expense was \$137 and \$0 for 2019 and 2018, respectively.

7. Leasing Agreements

In September 2012, the Council signed a lease with Berkshire Bank for the use of office space, with occupancy of the space beginning October 2012. The agreement was for two years with the right of extension for four additional terms of one year each. In May 2018 the building lease with Berkshire Bank was amended. The amended agreement commenced October 2018. The agreement is for three years with the right of extension for four additional terms of two years each. The basic rent is \$5,736 per year. Upon each additional extension, the basic rent shall be equal to the basic rental in effect immediately prior to the commencement of such additional term, escalated by two percent (2%) for each additional term. Total rent expense for the years ended December 31, 2019 and 2018 was \$5,736 and \$5,739, respectively.

Minimum future obligations on the leases at December 31, 2019, are as follows:

Year ending December 31,	
2020	\$ 5,736
2021	<u>4,302</u>
Total	<u>\$ 10,038</u>

8. Subsequent Events

Management has evaluated events and transactions after the balance sheet date through September 25, 2020, the date that the financial statements were available to be issued and determined that all appropriate subsequent event disclosures have been made.