

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

Financial Reports

December 31, 2013 and 2012

**Council On Naturopathic Medical Education, Inc.**  
**Table of Contents to Financial Statements**

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	<b>Page</b>
Financial Statements:	
Report of Independent Accountants	1
Statement of Financial Position at December 31, 2013 (reviewed) with comparative totals for December 31, 2012 (audited)	2
Statement of Activities for the year ended December 31, 2013 (reviewed) with comparative totals for the year ended December 31, 2012 (audited)	3-4
Statement of Functional Expenses for the year ended December 31, 2013 (reviewed) with comparative totals for the year ended December 31, 2012 (audited)	5
Statement of Cash Flows for the year ended December 31, 2013 (reviewed) with comparative totals for the year ended December 31, 2012 (audited)	6
Notes to Financial Statements	7-11

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Report of Independent Accountants

To the Board of Directors  
Council On Naturopathic Medical Education, Inc.  
Great Barrington, MA

We have reviewed the accompanying statement of financial position of the Council on Naturopathic Medical Education, Inc., as of December 31, 2013, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended December 31, 2012, were audited by us and we expressed an unmodified opinion on them in our report dated May 31, 2013. Our report stated that the information was fairly stated in all material respects in relation to the financial statements as a whole. 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, 2012, for it to be consistent with the reviewed financial statements from which it has been derived. We have not performed any auditing procedures on the financial statements since May 31, 2013.

Smith, Watson & Company, LLP

*Smith, Watson & Company, LLP*

October 6, 2014

**Council On Naturopathic Medical Education, Inc.**  
**Statement of Financial Position**  
**December 31, 2013 (Reviewed) with Comparative Totals for 2012 (Audited)**

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	<b>2013</b>	<b>2012</b>
	<b>(reviewed)</b>	<b>(audited)</b>
<b>Assets:</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 220,738	\$ 205,799
Accounts receivable	300	3,924
Prepaid expenses	<u>1,947</u>	<u>2,872</u>
<b>Total current assets</b>	222,985	212,595
Property and equipment (net of depreciation)	<u>1,752</u>	<u>2,523</u>
<b>Total assets</b>	<u>\$ 224,737</u>	<u>\$ 215,118</u>
<b>Liabilities and Net Assets:</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	<u>\$ 3,410</u>	<u>\$ 7,657</u>
<b>Total current liabilities</b>	<u>3,410</u>	<u>7,657</u>
<b>Net Assets:</b>		
Unrestricted net assets	<u>221,327</u>	<u>207,461</u>
<b>Total liabilities and net assets</b>	<u>\$ 224,737</u>	<u>\$ 215,118</u>

See accountants' report and notes to financial statements..

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

## Statement of Activities

For the Year Ended December 31, 2013 (Reviewed) with Comparative Totals for 2012 (Audited)

	<b>2013</b> <b>(reviewed)</b> <b>(Unrestricted)</b>	<b>2012</b> <b>(audited)</b> <b>(Unrestricted)</b>
<b>Revenues:</b>		
Dues	\$ 213,055	\$ 184,927
Contributions	16,025	38,360
In-Kind Contribution	-	1,280
Loss on currency conversion	-	(412)
Interest	<u>712</u>	<u>852</u>
<b>Total revenues</b>	<u>229,792</u>	<u>225,007</u>
<b>Expenses:</b>		
Program expenses:		
Executive Director Compensation	95,130	79,877
Travel expenses	16,310	9,829
Professional services	7,408	6,320
Meetings	4,830	6,319
Administrative services	6,972	6,243
Affiliations	4,515	4,166
Internet	1,464	1,555
Telephone and fax	832	1,500
Postage and shipping	1,037	1,215
Printing and copying	613	1,027
Supplies	617	770
Insurance	<u>1,400</u>	<u>669</u>
<b>Total program expenses</b>	<u>141,128</u>	<u>119,490</u>
General and Administrative expenses:		
Executive Director Compensation	40,770	36,866
Bookkeeping	7,484	5,320
Travel expenses	6,990	4,537
Rent	5,100	3,617
Professional services	3,175	3,403
Meetings	2,070	2,917
Administrative services	2,988	2,881
Affiliations	1,935	1,923
Miscellaneous	1,447	1,150
Depreciation	771	1,064
Repairs and maintenance	140	728
Telephone and fax	357	692
Postage and shipping	444	561
Printing and copying	263	474
Supplies	264	356
Insurance	600	309
Loss on disposal of fixed assets	<u>-</u>	<u>238</u>
<b>Total general and administrative expenses</b>	<u>74,798</u>	<u>67,036</u>

See accountants' report and notes to financial statements..

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

Statement of Activities

For the Year Ended December 31, 2013 (Reviewed) with Comparative Totals for 2012 (Audited)

	<b>2013</b> <b>(reviewed)</b> <b>(Unrestricted)</b>	<b>2012</b> <b>(audited)</b> <b>(Unrestricted)</b>
Fundraising expenses:		
Executive Director Compensation	-	6,144
Travel expenses	-	756
Meetings	-	486
Administrative services	-	480
Affiliations	-	320
Telephone and fax	-	115
Postage and shipping	-	93
Printing and copying	-	79
Supplies	-	59
Insurance	-	51
Total fundraising expenses	<u>-</u>	<u>8,583</u>
Total expenses	<u>215,926</u>	<u>195,109</u>
Change in net assets	13,866	29,898
Unrestricted net assets - beginning of year	<u>207,461</u>	<u>177,563</u>
Unrestricted net assets - end of year	<u>\$ 221,327</u>	<u>\$ 207,461</u>

See accountants' report and notes to financial statements..

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

**Statement of Functional Expenses**

**For the Year Ended December 31, 2013 (Reviewed) with Comparative Totals for 2012 (Audited)**

	2013 (reviewed)			2012 (audited)	
	Program Expenses	General and Administrative	Fundraising Expenses	Total	Total
Executive Director Compensation	\$ 95,130	\$ 40,770	-	\$ 135,900	\$ 122,887
Travel expenses	16,310	6,990	-	23,300	15,122
Professional services	7,408	3,175	-	10,583	9,723
Meetings	4,830	2,070	-	6,900	9,722
Administrative services	6,972	2,988	-	9,960	9,604
Affiliations	4,515	1,935	-	6,450	6,409
Bookkeeping	-	7,484	-	7,484	5,320
Rent	-	5,100	-	5,100	3,617
Telephone and fax	832	357	-	1,189	2,307
Postage and shipping	1,037	444	-	1,481	1,869
Printing and copying	613	263	-	876	1,580
Internet	1,464	-	-	1,464	1,555
Supplies	617	264	-	881	1,185
Miscellaneous	-	1,447	-	1,447	1,150
Repairs & Maintenance	-	140	-	140	728
Insurance	1,400	600	-	2,000	1,029
Depreciation	-	771	-	771	1,064
Loss on disposal of fixed assets	-	-	-	-	238
	<u>\$ 141,128</u>	<u>\$ 74,798</u>	<u>\$ -</u>	<u>\$ 215,926</u>	<u>\$ 195,109</u>

See accountants' report and notes to financial statements..

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

## Statement of Cash Flows

For the Year Ended December 31, 2013 (Reviewed) with Comparative Totals for 2012 (Audited)

	2013 (reviewed)	2012 (audited)
Cash flows from operating activities:		
Change in net assets	\$ 13,866	\$ 29,898
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	771	1,064
Loss on disposal of fixed assets	-	238
(Increase)/decrease in:		
Accounts receivable	3,624	(2,597)
Prepaid expense	925	(2,872)
Increase/(decrease) in:		
Accounts payable	<u>(4,247)</u>	<u>(1,797)</u>
<b>Net cash provided by operating activities</b>	<u>14,939</u>	<u>23,934</u>
Cash flows used in investing activities:		
Purchase of equipment	<u>-</u>	<u>(2,147)</u>
<b>Net cash used in investing activities</b>	<u>-</u>	<u>(2,147)</u>
<b>Increase in cash and cash equivalents</b>	14,939	21,787
Cash and cash equivalents, beginning of year	<u>205,799</u>	<u>184,012</u>
Cash and cash equivalents, end of year	<u>\$ 220,738</u>	<u>\$ 205,799</u>

See accountants' report and notes to financial statements..



**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 through accreditation dues and contributions.

**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 three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, based on the existence or absence of donor-imposed restrictions. A description of the three net assets groups are as follows:

- Unrestricted – Net Assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- Temporarily Restricted – Net assets whose use by the Council is subject to donor-imposed restrictions that can be fulfilled by actions of the Council pursuant to those restrictions or that expire by the passage of time.
- Permanently Restricted – Net assets subject to the donor-imposed restriction that they be maintained permanently by the Council. Permanently restricted assets are primarily comprised of the original endowment gift given to the Council by donors. Generally, the donors of these assets permit the Council to use all or part of the income from the assets.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets. The Council has not received any temporarily or permanently restricted contributions and accordingly the financial statements reflect only unrestricted net assets.

**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, 2012, from which the summarized information was derived.

**Cash and Equivalents**

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

**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. Changes in the estimated collectability of accounts receivable are recorded in the results of operations for the period in which the estimate is revised.

**Equipment**

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.

**Contributions**

When contributions are received by the Council they are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon the satisfaction of the time or purpose restrictions. The Council has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

**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.

**Gain on Currency Conversion**

The Council receives contributions from members in Canada. These contributions are recorded in U.S. Dollars, and the resulting gain/loss on conversion is recorded as a component of revenues.

**3. 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

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

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Massachusetts Deposit Investor Fund, which has no limits on its coverage. The Council has not experienced any losses on these accounts.

Approximately 97% and 99% of the Council's Dues are made up of seven colleges for the years ended December 31, 2013 and 2012, respectively.

Approximately 94% and 65% of the Council's contributions for the years ended December 31, 2013 and 2012 were from one and three contributors, respectively.

**4. Furniture and Equipment**

Furniture and equipment consists of the following at December 31:

	<b>2013</b>	<b>2012</b>
Computer equipment	\$ 2,147	\$ 2,147
Furniture and fixtures	1,078	1,078
Other Equipment	<u>630</u>	<u>630</u>
	3,855	3,855
Less: accumulated depreciation	<u>(2,103)</u>	<u>(1,332)</u>
Furniture and Equipment, net	<u>\$ 1,752</u>	<u>\$ 2,523</u>

Depreciation expense was \$771 and \$1,064 for 2013 and 2012, respectively.

**5. 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.

**6. 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.

**7. Leasing Agreements**

The Council leased office space on a month-to-month basis in Great Barrington, MA through September 2012. 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 is for two years with the right of extension for four additional terms of one year. Rent expense on a monthly basis is \$425. Should the lease be extended the basic rent shall be equal to the basic rental in effect immediately prior to the commencement of such additional term, escalated by three percent (3%) for each additional term. As a condition of the lease, the Council was required to purchase a business liability insurance policy. Total rent expense for the years ended December 31, 2013 and 2012 was \$5,100 and \$3,617, respectively.

Minimum future obligations on the leases at December 31, 2013, are as follows:

Year ending December 31,	
2013	\$ 5,100
2014	<u>4,250</u>
Total	<u>\$ 9,350</u>

**8. Related Party Transactions**

The Council received contributions from Board and Staff Members in the amount of \$0 and \$1,355 during 2013 and 2012, respectively.

**9. In-Kind Contributions**

The estimated fair market value of donated services included in the statement of activities is as follows:

	2013	2012
<b>Program Service</b>		
Design	<u>\$ -</u>	<u>\$ 1,280</u>
	<u>\$ -</u>	<u>\$ 1,280</u>

**10. Subsequent Events**

Management has evaluated events and transactions after the balance sheet date through October 6, 2014, the date that the financial statements were available to be issued, and determined that all appropriate subsequent event disclosures, if any, have been made.