

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

Financial Reports

December 31, 2016 and 2015

Council On Naturopathic Medical Education, Inc.
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Report of Independent Auditors

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

We have audited the accompanying financial statements of Council On Naturopathic Medical Education, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 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, 2016, 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.

Other Matter

The December 31, 2015 financial statements were reviewed by us, and our report thereon dated August 8, 2016, stated that we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Smith, Watson & Company, LLP

Smith, Watson & Company, LLP

September 5, 2017

Council On Naturopathic Medical Education, Inc.
Statement of Financial Position
December 31, 2016 (Audited) with Comparative Totals for 2015 (Reviewed)

| | 2016 (audited) | 2015 (reviewed) |
|--|-------------------|--------------------|
| Assets: | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 59,228 | \$ 48,804 |
| Accounts receivable | 590 | - |
| Prepaid expenses | <u>3,133</u> | <u>2,268</u> |
| Total current assets | 62,951 | 51,072 |
| Certificate of Deposit | 200,000 | 200,000 |
| Property and equipment (net of accumulated depreciation) | <u>37</u> | <u>466</u> |
| Total assets | <u>\$ 262,988</u> | <u>\$ 251,538</u> |
| Liabilities and Net Assets: | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | <u>\$ 4,757</u> | <u>\$ 5,067</u> |
| Total current liabilities | <u>4,757</u> | <u>5,067</u> |
| Net Assets: | | |
| Unrestricted net assets | <u>258,231</u> | <u>246,471</u> |
| Total liabilities and net assets | <u>\$ 262,988</u> | <u>\$ 251,538</u> |

The accompanying notes are an integral part of these financial statements.

Council On Naturopathic Medical Education, Inc.

Statement of Activities

For the Year Ended December 31, 2016 (Audited) with Comparative Totals for 2015 (Reviewed)

| | Unrestricted Net Assets | Temporarily Restricted Net Assets | Permanently Restricted Net Assets | 2016 (audited) Total Net Assets | 2015 (reviewed) Total Net Assets |
|--|----------------------------|---|---|--|---|
| Public Support | | | | | |
| Contributions | \$ 635 | \$ - | \$ - | \$ 635 | \$ 500 |
| Total Public Support | <u>635</u> | <u>-</u> | <u>-</u> | <u>635</u> | <u>500</u> |
| Revenues: | | | | | |
| Dues | 244,995 | - | - | 244,995 | 238,828 |
| Interest | 1,499 | - | - | 1,499 | 1,046 |
| Gain on Currency Conversion | <u>909</u> | <u>-</u> | <u>-</u> | <u>909</u> | <u>-</u> |
| Total revenues | <u>247,403</u> | <u>-</u> | <u>-</u> | <u>247,403</u> | <u>239,874</u> |
| Total Public Support and Revenues | <u>248,038</u> | <u>-</u> | <u>-</u> | <u>248,038</u> | <u>240,374</u> |
| Functional Expenses | | | | | |
| Program Service | 156,708 | - | - | 156,708 | 152,430 |
| General and Administrative | <u>79,570</u> | <u>-</u> | <u>-</u> | <u>79,570</u> | <u>77,537</u> |
| Total Functional Expenses | <u>236,278</u> | <u>-</u> | <u>-</u> | <u>236,278</u> | <u>229,967</u> |
| Change in net assets | 11,760 | - | - | 11,760 | 10,407 |
| Net assets, January 1 | <u>246,471</u> | <u>-</u> | <u>-</u> | <u>246,471</u> | <u>236,064</u> |
| Net assets, December 31 | <u>\$ 258,231</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 258,231</u> | <u>\$ 246,471</u> |

The accompanying notes are an integral part of these financial statements.

Council On Naturopathic Medical Education, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2016 (Audited) with Comparative Totals for 2015 (Reviewed)

| | | | 2016 (audited) | 2015 (reviewed) |
|---------------------------------|---------------------|-------------------------------|-------------------|--------------------|
| | Program Expenses | General and Administrative | Total | Total |
| Executive Director Compensation | | | | |
| including related taxes | \$ 100,433 | \$ 43,043 | \$ 143,476 | \$ 140,367 |
| Travel expenses | 20,337 | 8,716 | 29,053 | 32,031 |
| Administrative services | 7,644 | 3,276 | 10,920 | 10,200 |
| Meetings | 5,802 | 2,487 | 8,289 | 7,237 |
| Affiliations | 5,001 | 2,143 | 7,144 | 6,985 |
| Training and education | 4,983 | 2,135 | 7,118 | - |
| Professional services | 4,418 | 1,893 | 6,311 | 11,443 |
| Bookkeeping | - | 5,513 | 5,513 | 5,989 |
| Rent | - | 5,451 | 5,451 | 5,292 |
| Supplies | 1,594 | 683 | 2,277 | 1,993 |
| Insurance | 1,511 | 647 | 2,158 | 2,044 |
| Telephone and fax | 1,346 | 577 | 1,923 | 1,445 |
| Miscellaneous | - | 1,540 | 1,540 | 938 |
| Postage and shipping | 962 | 412 | 1,374 | 907 |
| Internet | 1,220 | - | 1,220 | 1,444 |
| Printing and copying | 775 | 332 | 1,107 | 1,043 |
| Small equipment | 682 | 292 | 975 | - |
| Depreciation | - | 429 | 429 | 609 |
| | <u>\$ 156,708</u> | <u>\$ 79,570</u> | <u>\$ 236,278</u> | <u>\$ 229,967</u> |

The accompanying notes are an integral part of these financial statements.

Council On Naturopathic Medical Education, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2016 (Audited) with Comparative Totals for 2015 (Reviewed)

| | 2016 (audited) | 2015 (reviewed) |
|---|---------------------------------|----------------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 11,760 | \$ 10,407 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 429 | 609 |
| (Increase)/decrease in: | | |
| Certificate of Deposit | - | (200,000) |
| Accounts receivable | (590) | 6,614 |
| Prepaid expense | (865) | 545 |
| Increase/(decrease) in: | | |
| Accounts payable | (310) | 645 |
| Net cash provided by operating activities | <u>10,424</u> | <u>(181,180)</u> |
| Increase in cash and cash equivalents | 10,424 | (181,180) |
| Cash and cash equivalents, beginning of year | <u>48,804</u> | <u>229,984</u> |
| Cash and cash equivalents, end of year | <u>\$ 59,228</u> | <u>\$ 48,804</u> |

The accompanying notes are an integral part of these 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, 2015, 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.

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

Approximately 99% and 87% of the Council's Dues are made up of eight colleges for the years ended December 31, 2016 and 2015, respectively.

4. Furniture and Equipment

Furniture and equipment consists of the following at December 31:

| | 2016 | 2015 |
|--------------------------------|----------------|----------------|
| Computer equipment | \$ 2,147 | \$ 2,147 |
| Furniture and fixtures | 1,078 | 1,078 |
| Other equipment | 630 | 630 |
| | <u>3,855</u> | <u>3,855</u> |
| Less: accumulated depreciation | <u>(3,818)</u> | <u>(3,389)</u> |
| Furniture and Equipment, net | <u>\$ 37</u> | <u>\$ 466</u> |

Depreciation expense was \$429 and \$609 for 2016 and 2015, 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

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. In October 2014 the lease agreement was extended with a three percent (3%) increase. 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 three percent (3%) for each additional term. Rent expense on a monthly basis is \$464. 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, 2016 and 2015 was \$5,451 and \$5,292, respectively.

Minimum future obligations on the leases at December 31, 2016, are as follows:

| Year ending December 31, | |
|--------------------------|------------------|
| 2017 | \$ 5,292 |
| 2018 | <u>5,451</u> |
| Total | <u>\$ 10,744</u> |

8. Related Party Transactions

The Council received contributions from Board and Staff Members in the amount of \$0 and \$500 during 2016 and 2015, respectively.

9. Certificates of Deposit

Certificates of Deposit (“CD”) consist of the following:

| | December 31, | |
|--|-------------------|-------------------|
| | 2016 | 2015 |
| Union Bank invested for 12 months at 0.25% interest per annum. Maturing April 2019. The CD was not considered a cash equivalent for the December 31, 2016 and 2015 financial statements. | \$ 60,000 | \$ 60,000 |
| Union Bank invested for 24 months at 0.45% interest per annum. Maturing April 2017. The CD was not considered a cash equivalent for the December 31, 2016 and 2015 financial statements. | 70,000 | 70,000 |
| Union Bank invested for 36 months at 0.75% interest per annum. Maturing April 2018. The CD was not considered a cash equivalent for the December 31, 2016 and 2015 financial statements. | <u>70,000</u> | <u>70,000</u> |
| | <u>\$ 200,000</u> | <u>\$ 200,000</u> |

Current interest rates on CD’s at Union Bank approximate those held by CNME. Therefore, the total cost of \$200,000 at December 31, 2016 and 2015, is considered to approximate market value. Interest earned on these CD’s was \$1,166 and \$705, respectively.

10. Subsequent Events

Management has evaluated events and transactions after the balance sheet date through September 5, 2017, the date that the financial statements were available to be issued, and determined that all appropriate subsequent event disclosures, if any, have been made.

