OUTWARD BOUND CANADA

FINANCIAL STATEMENTS

DECEMBER 31, 2012 and 2011

HILBORN LLP

HILBORN LLP

Independent Auditor's Report

To the Members of
Outward Bound Canada

We have audited the accompanying financial statements of Outward Bound Canada, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 organization'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 organization'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 Outward Bound Canada as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Hilborn LLP

Toronto, Ontario
April 18, 2013

Chartered Accountants
Licensed Public Accountants

Statements of Financial Position

	December 31, 2012 $	December 31, 2011 $	January 1, 2011 $
ASSETS			
Current assets			
Cash	**461,678**	410,082	268,294
Accounts receivable	**47,843**	45,510	66,997
Due from related parties (note 6)	**13,945**	-	-
Prepaid expenses	**91,833**	118,897	21,999
Short term investment (note 7)	**18,000**	18,000	16,000
	633,299	592,489	373,290
Long-term assets			
Capital assets (note 3)	**55,341**	67,173	62,936
	688,640	659,662	436,226
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (note 4)	**105,743**	85,456	89,607
Deferred contributions, grants and bursaries (note 8)	**366,135**	371,391	131,477
Deferred course fees	**121,763**	108,003	69,525
Due to related parties (note 6)	**-**	500	3,520
Current portion of loan payable (note 9)	**885**	10,347	9,854
	594,526	575,697	303,983
Long-term liabilities			
Loan payable (note 9)	**-**	885	11,232
NET ASSETS			
Invested in capital assets (note 10)	**54,456**	55,941	41,850
Unrestricted	**39,658**	27,139	79,161
	94,114	83,080	121,011
	688,640	659,662	436,226

Approved on behalf of the Board:

Director

Director

Statements of Operations

Years ended December 31	2012	2011 (note 12)
	$	$
Revenues		
Course fees	**1,541,565**	1,375,074
Contributions, grants and bursaries	**868,290**	459,903
Donations and fundraising	**290,475**	106,957
Donations from Outward Bound Canada Foundation (note 6(b))	**100,370**	227,867
Gain on sale of capital assets	**-**	3,500
Other income	**24,479**	33,463
	2,825,179	2,206,764
Expenditures		
Programs (schedule 1)	**2,302,681**	1,792,917
Administration (schedule 2)	**511,464**	419,778
	2,814,145	2,212,695
Excess of revenue over expenditures (expenditures over revenue) for year from operations before the following	**11,034**	(5,931)
Other		
Restructuring costs	**-**	(32,000)
Excess of revenues over expenditures (expenditures over revenues) for year	**11,034**	(37,931)

Statements of Changes in Net Assets

Years ended December 31

			2012
	Invested in Capital Assets $	Unrestricted $	Total $
Balance, beginning of year	55,941	27,139	**83,080**
Excess of revenues over expenditures (expenditures over revenues) (note 10)	(21,832)	32,866	**11,034**
Change in investment in capital assets (note 10)	20,347	(20,347)	**-**
Balance, end of year	54,456	39,658	**94,114**

			2011
	Invested in Capital Assets $	Unrestricted $	Total $
Balance, beginning of year	41,850	79,161	121,011
Excess of expenditures over revenues (note 10)	(17,627)	(20,304)	(37,931)
Change in investment in capital assets (note 10)	31,718	(31,718)	-
Balance, end of year	55,941	27,139	83,080

Statements of Cash Flows

Years ended December 31	2012 $	2011 $
Cash flows from operating activities		
Excess of revenues over expenditures (expenditures over revenues) for year	**11,034**	(37,931)
Adjustments to determine net cash provided by (used in) operating activities		
Amortization of capital assets	**21,832**	21,127
Gain on sale of capital assets	**-**	(3,500)
	32,866	(20,304)
Change in non-cash working capital items		
(Increase) decrease in accounts receivable	**(2,333)**	21,487
Decrease (increase) in prepaid expenses	**27,064**	(96,898)
Increase in short-term investments	**-**	(2,000)
Increase (decrease) in accounts payable and accrued liabilities	**20,287**	(4,151)
(Decrease) increase in deferred contributions, grants and bursaries	**(5,256)**	239,914
Increase in deferred course fees	**13,760**	38,478
Due to related parties	**(14,445)**	(3,020)
	71,943	173,506
Cash flows from investing activities		
Additions to capital assets	**(10,000)**	(25,364)
Proceeds on disposal of capital assets	**-**	3,500
	(10,000)	(21,864)
Cash flows from financing activities		
Repayment of loan payable	**(10,347)**	(9,854)
Net change in cash during the year	**51,596**	141,788
Cash, beginning of year	**410,082**	268,294
Cash, end of year	**461,678**	410,082

Schedules to Financial Statements

Years ended December 31

Schedules of Program expenditures — **Schedules 1**

	2012	2011 *(note 12)*
	$	$
Salaries and benefits	**1,130,572**	804,130
Program supplies and services	**663,299**	631,249
Food	**188,986**	121,109
Amortization	**21,832**	21,127
Transportation	**175,323**	95,282
Insurance	**36,108**	33,953
Base site administration costs	**86,561**	86,067
	2,302,681	1,792,917

Schedules of Administration expenditures — **Schedules 2**

	$	$
Salaries and benefits	**249,472**	213,924
Professional fees	**72,603**	69,011
Office	**45,365**	33,884
Marketing	**41,907**	25,457
Interest and credit card charges	**34,118**	30,883
Fundraising	**28,349**	14,571
Travel	**22,370**	21,165
Dues and board expenditures (note 6)	**17,280**	10,883
	511,464	419,778

December 31, 2012 and 2011

Purpose of the organization

Outward Bound Canada ("OBC") is incorporated as a non-profit corporation without share capital under the Canada Corporations Act. OBC's purpose is to develop self-reliance, care and respect for others, responsibility to the community and concern for the environment. OBC's experiential educational process assumes learning and understanding take place when people engage in and reflect upon experiences in challenging environments in which they must acquire new skills and work with each other. OBC conducts its activities from the Evergreen Campus at the Evergreen Brick Works in Toronto, which serves as a base of operations, enabling a connection between nature and adventure in an urban setting, and serves as a springboard to its wilderness programs across Canada.

OBC is a registered charity under the Income Tax Act, and accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

During the year ended December 31, 2010, OBC sold its capital assets at Burk's Falls and restructured operations including the establishment of new facilities at Evergreen Brick Works. The restructuring resulted in severance and relocation costs. In 2011, management elected to settle a lawsuit pertaining to a severance dispute that arose from this transition.

1. **Significant accounting policies**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNFPO”) and include the following significant accounting policies:

(a) **Revenue recognition**

OBC follows the restricted fund method of accounting for contributions, which include donations, bursaries and grants.

Contributions made for restricted purposes are recognized as revenue of the restricted fund at the time they are made. Restricted contributions for which no corresponding restricted fund is presented are deferred and recognized at the time the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or, if the amount to be received can be reasonably estimated and collection is reasonably assured, when receivable.

Course fee revenue is recognized on a pro-rata basis during the related course.

1. **Significant accounting policies (continued)**

(b) **Financial instruments**

(i) **Measurement of financial instruments**

The organization initially measures its financial assets and financial liabilities at fair value adjusted by transaction costs in the case where a financial asset or financial liability is subsequently measured at amortized cost. The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, short term investments, accounts receivables, and due from related parties.

Financial liabilities measured at amortized cost include accounts payable, accrued liabilities, and due to related parties.

(ii) **Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;

- the amount that could be realized by selling the assets or group of assets;

- the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

1. **Significant accounting policies (continued)**

(c) **Capital assets**

The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset; otherwise, costs are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the statements of operations when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value.

An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

Capital assets, consisting of office, automotive, and computer equipment, are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is provided for on a straight-line basis at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Automotive equipment	25% declining balance
Program and computer equipment	25 to 33% declining balance

(d) **Related party transactions**

Related party transactions are in the normal course of operations and have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

December 31, 2012 and 2011

1. **Significant accounting policies (continued)**

(e) **Contributed materials and services**

A substantial number of volunteers contribute a significant amount of their time each year. The value of volunteer labour is not recognized in these financial statements.

(f) **Management estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Actual results may differ from these estimates, the impact of which would be recorded in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2. **Adoption of accounting standards for not-for-profit organizations**

These financial statements were prepared in accordance with Accounting Standards for Not-for-Profit organizations (“ASNFPO”) which comprises Part III of the CICA Handbook - Accounting.

The organization's first reporting period using ASNFPO is for the year ended December 31, 2012. As a result, the date of transition to ASNFPO is January 1, 2011. The organization had previously presented its financial statements under in accordance with Canadian generally accepted accounting principles ("CGAAP") annually on December 31 of each fiscal year up to, and including, December 31, 2011.

As these financial statements are the first financial statements for which the organization has applied ASNFPO, the financial statements have been prepared in accordance with the provisions set out in Section 1501 of ASNFPO, First-time Adoption by Not-for-profit organizations.

The organization is required to apply ASNFPO effective for periods ending on December 31, 2012 in:

a) Preparing and presenting its opening statement of financial position at January 1, 2011;

b) Preparing and presenting its statement of financial position for December 31, 2012 (including comparative amounts for 2011), statement of operations, statement of changes in net assets, and statement of cash flows for the year ended December 31, 2012 (including comparative amounts for 2011) and disclosures (including comparative information for 2011).

The adoption of Part III had no impact on the previously reported assets, liabilities and net assets of the organization, and accordingly, no adjustments have been recorded in the comparative statement of financial position, statement of operations, statement of changes in net assets and statement of cash flows. Certain of the organization’s presentation and disclosures included in these financial statements reflect the new presentation and disclosure requirements of Part III.

3. Capital assets

	December 31, 2012		
	Cost $	Accumulated Amortization $	Net $
Automotive equipment	50,000	34,063	15,937
Program and computer equipment	202,267	162,863	39,404
	252,267	196,926	55,341

	December 31, 2011		
	Cost $	Accumulated Amortization $	Net $
Automotive equipment	40,000	28,750	11,250
Program and computer equipment	202,267	146,344	55,923
	242,267	175,094	67,173

	January 1, 2011		
	Cost $	Accumulated Amortization $	Net $
Automotive equipment	40,000	25,000	15,000
Program and computer equipment	176,903	128,967	47,936
	216,903	153,967	62,936

4. Accounts payable and accrued liabilities

	December 31, 2012 $	December 31, 2011 $	January 1, 2011 $
Accounts payable and accrued liabilities	100,541	83,301	85,257
Government remittances	5,202	2,155	4,350
	105,743	85,456	89,607

5. **Financial instruments**

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the company's financial instruments.

The financial instruments of the organization and the nature of the risks to which it may be subject are as follows:

	Risks				
			Market risk		
Financial instrument	Credit	Liquidity	Currency	Interest rate	Other price
Cash	X				
Accounts receivable	X				
Due from related parties	X				
Accounts payable		X			

Credit risk

The organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the organization could incur a financial loss. The organization does not hold directly any collateral as security for financial obligations of counterparties.

The maximum exposures of the organization to credit risk are as follows:

	2012	**2011**
	$	**$**
Cash	461,678	410,082
Accounts receivable	47,843	45,510
Due from related parties	13,945	-
	523,466	455,592

Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the organization not being able to liquidate assets in a timely manner at a reasonable price.

The organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

5. **Financial instruments (continued)**

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 is comprised of currency risk, interest rate risk and other price risk. In the opinion of management the organization is not exposed to market risk.

Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. In the opinion of management the organization is not exposed to currency risk.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The exposure of the organization to interest rate risk arises from its interest bearing assets. In the opinion of management the interest risk exposure to the organization that is associated with their short term GIC investment is low and is not material.

Price risk

Price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The organization is not exposed to other price risk.

Changes in risk

There have been no changes in the organization's risk exposures from the prior year.

6. **Related party transactions**

(a) Outward Bound Canada Foundation/Fondation Outward Bound Canada ("Foundation") was established in March 2006 to assist OBC to reach its fundraising and other objectives.

Outward Bound International ("OBI") is the membership organization of all the Outward Bound Centres worldwide.

(b) Transactions

	2012 $	2011 $
Revenue		
Annual programming assistance	57,700	171,067
Transfer of restricted programming funds	42,670	56,800
Revenue - Donations from the Foundation	100,370	227,867
Expenses - Dues paid to OBI	7,993	4,000

(c) Due from related parties

	December 31, 2012 $	December 31, 2011 $	January 1, 2011 $
Due from/to the Foundation	13,945	-	-

(d) Due to related parties

	December 31, 2012 $	December 31, 2011 $	January 1, 2011 $
Due from/to the Foundation	-	500	500
Due to OBI	-	-	3,020
	-	500	3,520

The balances due to related parties are unsecured, non-interest bearing and due on demand.

The balance due to the Foundation represents funds received on the Foundation's behalf.

7. **Short term investment**

Short-term investments consist of guaranteed investment certificates and are security for OBC's credit cards.

8. **Deferred contributions, grants and bursaries**

	2012 $	2011 $	2011 $
Balance, beginning of year	371,391	131,477	57,106
Contributions received	905,703	699,817	386,219
Amount recognized as revenue	(910,959)	(459,903)	(311,848)
	366,135	371,391	131,477

9. **Loan payable**

	December 31, 2012 $	December 31, 2011 $	January 1, 2011 $
Automobile loan, bearing interest at 4.9% per annum, payable in monthly installments of $889 including interest, due January 24, 2013	885	11,232	21,086
Less current portion	885	10,347	9,854
Due beyond one year	-	885	11,232

Annual principal repayments until maturity are as follows:

	$
2013	885

10. Net assets invested in capital assets

Significant owned assets include program equipment, computer hardware and vehicles. Net assets invested in capital assets is calculated as follows:

	December 31, 2012 $	December 31, 2011 $	January 1, 2011 $
Capital assets (note 3)	55,341	67,173	62,936
Loan payable (note 9)	(885)	(11,232)	(21,086)
	54,456	55,941	41,850

Change in net assets invested in capital assets is calculated as follows:

Excess of revenue over expenditures

	2012 $	2011 $
Amortization of capital assets	(21,832)	(21,127)
Gain on sale of capital assets	-	3,500
	(21,832)	(17,627)

Change in investment in capital assets

	2012 $	2011 $
Capital assets acquired	10,000	25,364
Decrease in loan payable	10,347	9,854
Proceeds on sale of capital assets	-	(3,500)
	20,347	31,718

11. **Lease**

OBC is committed to annual payments for leases for premises until February 28, 2014. Future minimum lease payments, excluding operating costs and property taxes, are as follows:

	$
2013	52,954
2014	5,311
	58,265

12. **Comparative amounts**

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

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