

OUTWARD BOUND CANADA

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 statement of financial position as at December 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, 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 audit. We conducted our audit 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, 2016, 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.



Toronto, Ontario
May 25, 2017

Chartered Professional Accountants
Licensed Public Accountants

OUTWARD BOUND CANADA

Statement of Financial Position

December 31	2016	2015
	\$	\$
ASSETS		
Current assets		
Cash	434,647	615,202
Accounts receivable	158,328	224,736
Due from related party (note 3)	342,499	76,124
Prepaid expenses	51,463	85,791
Short term investments (note 4)	18,732	18,000
	<u>1,005,669</u>	<u>1,019,853</u>
Capital assets (note 5)	<u>254,098</u>	<u>30,087</u>
	<u><u>1,259,767</u></u>	<u><u>1,049,940</u></u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	168,797	123,018
Deferred contributions, grants and bursaries (note 7)	579,550	603,308
Deferred course and contract fees	199,022	158,373
Current portion of vehicle loans payable (note 8)	40,425	-
	<u>987,794</u>	<u>884,699</u>
Vehicle loans payable (note 8)	<u>120,801</u>	<u>-</u>
	<u><u>1,108,595</u></u>	<u><u>884,699</u></u>
NET ASSETS		
Invested in capital assets	92,872	30,087
Sustainability Fund (note 9)	32,000	-
Unrestricted	<u>26,300</u>	<u>135,154</u>
	<u>151,172</u>	<u>165,241</u>
	<u><u>1,259,767</u></u>	<u><u>1,049,940</u></u>

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Director 

Director

OUTWARD BOUND CANADA

Statement of Operations

Year ended December 31	2016	2015
	\$	(note 11) \$
Revenues		
Course fees	2,084,485	1,689,933
Contributions, grants and bursaries	1,688,934	1,328,954
Donations and fundraising	445,625	472,230
Donations from Outward Bound Canada Foundation (note 3)	93,629	68,160
Other income	24,418	37,872
	<u>4,337,091</u>	<u>3,597,149</u>
Expenses		
Program (schedule 1)	1,417,021	1,216,390
Administration (schedule 2)	420,371	388,750
Salaries and benefits (schedule 3)	2,513,768	1,968,742
	<u>4,351,160</u>	<u>3,573,882</u>
Excess of revenues over expenses (expenses over revenues) for year	<u>(14,069)</u>	<u>23,267</u>

The accompanying notes are an integral part of these financial statements

OUTWARD BOUND CANADA

Statement of Changes in Net Assets

Year ended December 31

	2016			
	Invested in Capital Assets \$	Sustainability Fund (note 9) \$	Unrestricted \$	Total \$
Balance, beginning of year	30,087	-	135,154	165,241
Excess of expenses over revenues	-	-	(14,069)	(14,069)
Purchase of capital assets, net of trade in allowances	248,621	-	(248,621)	-
Vehicle loans payable, net of repayments	(161,226)	-	161,226	-
Amortization	(24,610)	-	24,610	-
Transfer to reserve (note 9)	-	32,000	(32,000)	-
Balance, end of year	<u>92,872</u>	<u>32,000</u>	<u>26,300</u>	<u>151,172</u>
				2015
	Invested in Capital Assets \$	Sustainability Fund (note 9) \$	Unrestricted \$	Total \$
Balance, beginning of year	42,052	-	99,922	141,974
Excess of revenues over expenses	-	-	23,267	23,267
Amortization	(11,965)	-	11,965	-
Balance, end of year	<u>30,087</u>	<u>-</u>	<u>135,154</u>	<u>165,241</u>

The accompanying notes are an integral part of these financial statements

OUTWARD BOUND CANADA

Statement of Cash Flows

Year ended December 31	2016 \$	2015 \$
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues) for year	(14,069)	23,267
Adjustments to determine net cash provided by (used in) operating activities		
Amortization of capital assets	24,610	11,965
Gain on disposal of vehicle	(2,293)	-
	8,248	35,232
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	66,408	(178,441)
Decrease (increase) in prepaid expenses	34,328	(15,788)
Increase in short term investments	(732)	-
Increase in accounts payable and accrued liabilities	45,778	750
(Decrease) increase in deferred contributions, grants and bursaries	(23,758)	221,058
Increase (decrease) in deferred course and contract fees	40,649	(27,827)
	170,921	34,984
Cash flows from investing activities		
Additions to capital assets	(253,827)	-
Proceeds on disposal of capital assets	7,500	-
	(246,327)	-
Cash flows from financing activities		
Increase in due from related party	(266,375)	(57,112)
Proceeds of vehicle loans payable	161,226	-
	(105,149)	(57,112)
Net change in cash	(180,555)	(22,128)
Cash, beginning of year	615,202	637,330
Cash, end of year	434,647	615,202

The accompanying notes are an integral part of these financial statements

OUTWARD BOUND CANADA

Schedules to Financial Statements

Year ended December 31

Schedule of Program expenses

Schedule 1

	2016	2015
	\$	(note 11) \$
Program supplies and services	817,437	748,229
Transportation	320,319	229,989
Food	279,265	238,172
	<u>1,417,021</u>	<u>1,216,390</u>

Schedule of Administration expenses

Schedule 2

	2016	2015
	\$	(note 11) \$
Office and communications	98,005	82,656
Marketing	64,301	44,740
Travel	53,585	46,102
Insurance	45,714	47,446
Interest and credit card charges	37,071	35,225
Professional fees	30,450	23,494
Dues and board expenditures (note 3)	30,160	33,468
Fundraising	26,773	48,644
Amortization	24,610	11,965
Rent	9,130	12,844
Bad debts	572	2,166
	<u>420,371</u>	<u>388,750</u>

Schedule of Salaries and benefits

Schedule 3

	2016	2015
	\$	\$
Direct program delivery	1,777,284	1,571,923
Administration and program supervision	736,484	396,819
	<u>2,513,768</u>	<u>1,968,742</u>

The accompanying notes are an integral part of these financial statements

OUTWARD BOUND CANADA

Notes to Financial Statements

December 31, 2016

Purpose of the organization

Outward Bound Canada (the "Organization") was incorporated as a not-for-profit corporation without share capital under the Canada Corporations Act, and received its certificate of continuance under the Canada Not-for-profit Corporations Act. The Organization is a registered charity in Canada and is exempt from income taxes.

The Organization's mission is to cultivate resilience, leadership, connections and compassion through inspiring and challenging journeys of self-discovery in the natural world. The Organization's experiential educational process is based upon the philosophy that 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.

The Organization is partnered with high schools, universities, community groups, government agencies, corporate groups and learning institutes across Canada to provide a wide range of services that enhance capacity and leadership and assist youth and adults in challenging times of transition in urban and wilderness settings.

1. Significant accounting policies

The financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations, are in accordance with Part III of the CPA Canada Handbook - Accounting, and are in accordance with Canadian generally accepted accounting principles. The financial statements have been prepared within the framework of significant accounting policies summarized below:

(a) Revenue recognition

The Organization follows the deferral method of accounting for contributions, which include donations, bursaries and grants.

Contributions made for restricted purposes related to expenses of future periods are deferred and recognized as revenue 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 over the term of the related course.

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2016

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.

Amortized cost is the amount as which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

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

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and vehicle loans payable.

(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 the statement of operations. 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.

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2016

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.

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

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

Program and computer equipment	5-7 years
Vehicles	6 years

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

(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.

(e) Contributed materials and services

Volunteers contributed time to assist the Organization in carrying out its programs. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2016

1. Significant accounting policies (continued)

(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. Financial instrument risk management

Transactions involving financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following information assists users of financial statements in assessing the extent of risk related to financial instruments.

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

Financial instrument	Risks				
	Credit	Liquidity	Market risk		
			Currency	Interest rate	Other price
Cash	X		X		
Accounts receivable	X				
Due from related party	X				
Short term investments	X			X	
Accounts payable and accrued liabilities		X			
Vehicle loans payable		X			

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2016

2. Financial instrument risk management (continued)

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:

	2016	2015
	\$	\$
Cash	434,647	615,202
Accounts receivable	158,328	224,736
Due from related party	342,499	76,124
Short term investments	18,732	18,000
	<u>954,206</u>	<u>934,062</u>

The Organization is not exposed to any significant credit risk arising from these financial instruments.

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. The maximum exposure to liquidity risk is represented by accounts payable and accrued liabilities and vehicle loan payable amounting to \$330,023 (2015 - \$123,018). The Organization is not exposed to significant liquidity risk.

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. The Organization is not exposed to significant market risk.

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2016

2. Financial instrument risk management (continued)

Market risk (continued)

(i) 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. The Organization is not exposed to significant currency risk.

(ii) 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. The Organization is not exposed to significant interest rate risk.

(iii) 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, with the exception of the addition of the vehicle loans payable.

3. Related party transactions

- (a) Outward Bound Canada Foundation/Fondation Outward Bound Canada ("Foundation") was established to help the Organization reach its fundraising and other objectives.

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

- (b) Transactions

	2016	2015
	\$	\$
Revenue - Donations from the Foundation	<u>93,629</u>	<u>68,160</u>
Expenditures - Dues paid to OBI	<u>16,613</u>	<u>16,899</u>

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2016

3. Related party transactions (continued)

(c) Due from related party

	2016	2015
	\$	\$
Due from the Foundation	342,499	76,124

(d) Accounts receivable include amounts receivable from:

	2016	2015
	\$	\$
OBI	3,227	18,222

(e) Accounts payable and accrued liabilities include amounts payable to:

	2016	2015
	\$	\$
OBI	17,222	11,941

4. Short term investments

Short term investments consists of guaranteed investment certificates and is security for the Organization's credit cards.

5. Capital assets

	2016		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Program and computer equipment	329,259	204,138	125,121
Vehicles	166,289	37,312	128,977
	495,548	241,450	254,098

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2016

5. Capital assets (continued)

	2015		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Program and computer equipment	212,347	192,673	19,674
Vehicles	58,745	48,332	10,413
	<u>271,092</u>	<u>241,005</u>	<u>30,087</u>

6. Accounts payable and accrued liabilities

	2016	2015
	\$	\$
Accounts payable and accrued liabilities	155,529	121,124
Government remittances	13,268	1,894
	<u>168,797</u>	<u>123,018</u>

7. Deferred contributions, grants and bursaries

	2016	2015
	\$	\$
Balance, beginning of year	603,308	382,250
Contributions received	1,209,183	1,280,369
Amount recognized as revenue	<u>(1,232,941)</u>	<u>(1,059,311)</u>
Balance, end of year	<u>579,550</u>	<u>603,308</u>

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2016

8. Vehicle loans payable

During the year, the Company entered into four separate vehicle loan agreements to finance the purchase of the following vehicles:

	<u>2016</u> <u>\$</u>
Silver Ford F150 - non-interest bearing and is payable in equal monthly principal payments of \$1,247 per month. The loan matures in June 2019 and is secured by the vehicle	37,407
White Ford F150 - non-interest bearing and is payable in equal monthly principal payments of \$783 per month. The loan matures in May 2022 and is secured by the vehicle	50,879
Silver Ford 250 - payable in blended equal monthly payments of \$696 per month and bears interest at 3.49% per annum. The loan matures in December 2022 and is secured by the vehicle	45,170
Honda side by side - payable in blended equal monthly payments of \$842 per month and bears interest at 3.90% per annum. The loan matures in November 2019 and is secured by the vehicle	27,770
	<u>161,226</u>
Less current portion:	<u>40,425</u>
	<u>120,801</u>

Principal payments over the next five years are as follows:

2017	\$ 40,425
2018	41,032
2019	33,306
2020	17,040
2021 thereafter	29,423

9. Sustainability fund

During the year, the Board of Directors (the "Board") established the sustainability fund in recognition of the need to maintain working capital for continuing operations, and for the purpose of putting income aside in surplus years in order to offset deficits in other years. This fund is represented by internally restricted net assets as directed by the Board.

A transfer of \$32,000 from the unrestricted fund to the sustainability fund was approved by the Board during the year.

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2016

10. Commitments

The Organization is committed to annual payments for leases for premises until January 1, 2019. Future minimum lease payments, excluding HST, operating costs and property taxes, are as follows:

	<u>\$</u>
2017	39,510
2018	32,777
2019	<u>2,731</u>
	<u><u>75,018</u></u>

11. Comparative figures

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.

