

OUTWARD BOUND CANADA

FINANCIAL STATEMENTS

DECEMBER 31, 2013

HILBORNLLP

OUTWARD BOUND CANADA

Statement of Financial Position

December 31	2013 \$	2012 \$
ASSETS		
Current assets		
Cash	654,153	461,678
Accounts receivable	58,916	47,843
Due from related party (note 3)	57,261	13,945
Prepaid expenses	86,986	91,833
Short term investment (note 4)	18,000	18,000
	<u>875,316</u>	<u>633,299</u>
Long-term assets		
Capital assets (note 5)	46,373	55,341
	<u>921,689</u>	<u>688,640</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	94,930	105,743
Deferred contributions, grants and bursaries (note 7)	470,067	366,135
Deferred course fees	232,167	121,763
Current portion of loan payable	-	885
	<u>797,164</u>	<u>594,526</u>
NET ASSETS		
Invested in capital assets (note 8)	46,373	54,456
Unrestricted	78,152	39,658
	<u>124,525</u>	<u>94,114</u>
	<u>921,689</u>	<u>688,640</u>

Approved on behalf of the Board:

Director

Director

OUTWARD BOUND CANADA

Statement of Operations

Year ended December 31	2013 \$	2012 \$
Revenues		
Course fees	1,592,720	1,541,565
Contributions, grants and bursaries	882,610	868,290
Donations and fundraising	324,578	290,475
Donations from Outward Bound Canada Foundation (note 3)	96,731	100,370
Other income	36,597	24,479
	<u>2,933,236</u>	<u>2,825,179</u>
Expenditures		
Program (schedule 1)	2,338,130	2,302,681
Administration (schedule 2)	564,695	511,464
	<u>2,902,825</u>	<u>2,814,145</u>
Excess of revenues over expenditures for year	<u>30,411</u>	<u>11,034</u>

OUTWARD BOUND CANADA

Statement of Changes in Net Assets

Year ended December 31

	2013		
	Invested in Capital Assets \$	Unrestricted \$	Total \$
Balance, beginning of year	54,456	39,658	94,114
Excess of revenues over expenditures (expenditures over revenues) (note 8)	(17,714)	48,125	30,411
Change in investment in capital assets (note 8)	9,631	(9,631)	-
Balance, end of year	46,373	78,152	124,525

	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 8)	(21,832)	32,866	11,034
Change in investment in capital assets (note 8)	20,347	(20,347)	-
Balance, end of year	54,456	39,658	94,114

OUTWARD BOUND CANADA

Statement of Cash Flows

Year ended December 31	2013 \$	2012 \$
Cash flows from operating activities		
Excess of revenues over expenditures for year	30,411	11,034
Adjustments to determine net cash provided by (used in) operating activities		
Amortization of capital assets	17,714	21,832
	48,125	32,866
Change in non-cash working capital items		
Increase in accounts receivable	(11,073)	(2,333)
Increase in due from related party	(43,316)	(14,445)
Decrease in prepaid expenses	4,847	27,064
Increase (decrease) in accounts payable and accrued liabilities	(10,813)	20,287
Increase (decrease) in deferred contributions, grants and bursaries	103,932	(5,256)
Increase in deferred course fees	110,404	13,760
	202,106	71,943
Cash flows from investing activities		
Additions to capital assets	(8,746)	(10,000)
Cash flows from financing activities		
Repayment of loan payable	(885)	(10,347)
Net change in cash during the year	192,475	51,596
Cash, beginning of year	461,678	410,082
Cash, end of year	654,153	461,678

OUTWARD BOUND CANADA

Schedules to Financial Statements

Year ended December 31

Schedule of Program expenditures

	Schedule 1	
	2013	2012
	\$	\$
Salaries and benefits	1,363,449	1,130,572
Program supplies and services	474,696	663,299
Transportation	198,798	175,323
Food	189,169	188,986
Base site administration costs	53,645	86,561
Insurance	40,659	36,108
Amortization	17,714	21,832
	<u>2,338,130</u>	<u>2,302,681</u>

Schedule of Administration expenditures

	Schedule 2	
	\$	\$
Salaries and benefits	298,738	249,472
Professional fees	69,006	72,603
Office	54,748	45,365
Marketing	38,508	41,907
Interest and credit card charges	30,915	34,118
Fundraising	39,496	28,349
Travel	14,219	22,370
Dues and board expenditures (note 3)	19,065	17,280
	<u>564,695</u>	<u>511,464</u>

OUTWARD BOUND CANADA

Notes to Financial Statements

December 31, 2013

Purpose of the organization

Outward Bound Canada (the "Organization") is incorporated as not-for-profit corporation without share capital under the Canada Corporations Act, and is a registered charity under the Income Tax Act.

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

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

(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 during the related course.

(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, accounts receivable, due from related party and short term investment.

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

Notes to Financial Statements (continued)

December 31, 2013

1. Significant accounting policies (continued)

(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;

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.

(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 vehicles and program and computer equipment, are measured at cost less accumulated amortization and accumulated impairment losses.

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

Vehicles	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.

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2013

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. 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 Organization's 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			
Accounts receivable	X			
Due from related parties	X			
Short term investment	X			
Accounts payable and accrued liabilities		X		
Deferred course fees		X		

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2013

2. Financial instruments (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:

	2013 \$	2012 \$
Cash	654,153	461,678
Accounts receivable	58,916	47,843
Due from related parties	57,261	13,945
Short term investment	18,000	18,000
	<u>788,330</u>	<u>541,466</u>

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 deferred course fees amounting to \$327,097 (2012 - \$227,506).

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.

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2013

2. Financial instruments (continued)

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.

3. Related party transactions

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

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

- (b) Transactions

	2013 \$	2012 \$
Revenue		
Annual programming assistance	96,371	57,700
Transfer of restricted programming funds	-	42,670
Revenue - Donations from the Foundation	96,371	100,370
Expenses - Dues paid to OBI	10,327	7,993

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2013

3. Related party transactions (continued)

(c) Due from related party

	2013 \$	2012 \$
Due from the Foundation	57,261	13,945

4. Short term investment

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

5. Capital assets

	2013		
	Cost \$	Accumulated Amortization \$	Net \$
Vehicles	58,745	40,233	18,512
Program and computer equipment	202,267	174,406	27,861
	261,012	214,639	46,373

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

6. Accounts payable and accrued liabilities

	2013 \$	2012 \$
Accounts payable and accrued liabilities	86,844	100,541
Government remittances	8,086	5,202
	94,930	105,743

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2013

7. Deferred contributions, grants and bursaries

	2013 \$	2012 \$
Balance, beginning of year	366,135	371,391
Contributions received	986,542	905,703
Amount recognized as revenue	(882,610)	(910,959)
	<u>470,067</u>	<u>366,135</u>

8. Net assets invested in capital assets

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

	2013 \$	2012 \$
Capital assets (note 5)	46,373	55,341
Loan payable	-	(885)
	<u>46,373</u>	<u>54,456</u>

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

Excess of revenue over expenditures

	2013 \$	2012 \$
Amortization (schedule 1)	(17,714)	(21,832)

Change in investment in capital assets

	2013 \$	2012 \$
Capital assets acquired	8,746	10,000
Decrease in loan payable	885	10,347
	<u>9,631</u>	<u>20,347</u>

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2013

9. Lease

The Organization is committed to annual payments for leases for premises until April 30, 2016. Future minimum lease payments, excluding operating costs and property taxes, are as follows:

	<u>\$</u>
2014	43,253
2015	16,800
2016	<u>5,600</u>
	<u><u>65,653</u></u>

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, 2013, 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, 2013, 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 1, 2014

Chartered Professional Accountants
Licensed Public Accountants