OUTWARD BOUND CANADA

FINANCIAL STATEMENTS

DECEMBER 31, 2014

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 statement of financial position as at December 31, 2014, 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, 2014, 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.

Hilborn LLP

Toronto, Ontario
April 30, 2015

Chartered Professional Accountants
Licensed Public Accountants

OUTWARD BOUND CANADA

Statement of Financial Position

December 31	2014 $	2013 $
ASSETS		
Current assets		
Cash	**637,330**	654,153
Accounts receivable	**46,295**	58,916
Due from related party (note 3)	**19,012**	57,261
Prepaid expenses	**70,003**	86,986
Short term investments (note 4)	**18,000**	18,000
	790,640	875,316
Capital assets (note 5)	**42,052**	46,373
	832,692	921,689
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	**122,268**	94,930
Deferred contributions, grants and bursaries (note 7)	**382,250**	470,067
Deferred course fees	**186,200**	232,167
	690,718	797,164
NET ASSETS		
Invested in capital assets (note 8)	**42,052**	46,373
Unrestricted	**99,922**	78,152
	141,974	124,525
	832,692	921,689

Approved on behalf of the Board:

Director

Director

Statement of Operations

Year ended December 31	2014	2013
		(note 10)
	$	$
Revenues		
Course fees	**1,586,645**	1,592,720
Contributions, grants and bursaries	**946,704**	882,610
Donations and fundraising	**400,007**	324,578
Donations from Outward Bound Canada Foundation (note 3)	**28,288**	96,731
Other income	**34,216**	36,597
	2,995,860	2,933,236
Expenditures		
Program (schedule 1)	**870,589**	842,867
Administration (schedule 2)	**409,808**	346,475
Salaries and benefits (schedule 3)	**1,698,014**	1,713,483
	2,978,411	2,902,825
Excess of revenues over expenditures for year	**17,449**	30,411

Statement of Changes in Net Assets

Year ended December 31

			2014
	Invested in Capital Assets $	**Unrestricted $**	**Total $**
Balance, beginning of year	46,373	78,152	**124,525**
Excess of revenues over expenditures (expenditures over revenues) (note 8)	(14,401)	31,850	**17,449**
Change in investment in capital assets (note 8)	10,080	(10,080)	**-**
Balance, end of year	42,052	99,922	**141,974**

			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

Statement of Cash Flows

Year ended December 31	2014 $	2013 $
Cash flows from operating activities		
Excess of revenues over expenditures for year	**17,449**	30,411
Adjustments to determine net cash provided by (used in) operating activities		
Amortization of capital assets	**14,401**	17,714
	31,850	48,125
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	**12,621**	(11,073)
Decrease in prepaid expenses	**16,983**	4,847
Increase (decrease) in accounts payable and accrued liabilities	**27,338**	(10,813)
Increase (decrease) in deferred contributions, grants and bursaries	**(87,817)**	103,932
Increase (decrease) in deferred course fees	**(45,967)**	110,404
	(44,992)	245,422
Cash flows from investing activities		
Additions to capital assets	**(10,080)**	(8,746)
Cash flows from financing activities		
Decrease (increase) in due from related party	**38,249**	(43,316)
Repayment of loan payable	**-**	(885)
	38,249	(44,201)
Net change in cash during the year	**(16,823)**	192,475
Cash, beginning of year	**654,153**	461,678
Cash, end of year	**637,330**	654,153

Schedules to Financial Statements

Year ended December 31

Schedule of Program expenditures — **Schedule 1**

	2014	2013 *(note 10)*
	$	$
Program supplies and services	**492,717**	473,870
Food	**190,438**	189,169
Transportation	**187,434**	179,828
	870,589	842,867

Schedule of Administration expenditures — **Schedule 2**

	2014	2013 *(note 10)*
	$	$
Amortization	**14,401**	17,714
Marketing	**62,154**	56,246
Professional fees	**22,000**	21,006
Interest and credit card charges	**30,173**	30,915
Fundraising	**55,448**	39,496
Travel	**46,772**	33,189
Insurance	**41,373**	44,389
Bad debts	**4,212**	-
Rent and base camp facilities	**46,260**	20,778
Dues and board expenditures (note 3)	**24,378**	19,622
Office and communications	**62,637**	63,120
	409,808	346,475

Schedule of salaries and benefits — **Schedule 3**

	2014	2013 *(note 10)*
	$	$
Direct program delivery	**1,270,696**	1,448,346
Administration and program supervision	**427,318**	265,137
	1,698,014	1,713,483

December 31, 2014

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.

The significant accounting policies used are as follows:

(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.

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, accounts receivable, due from related party and short term investments.

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

(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.

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 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.

(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.

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 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 required disclosures provide information that assists users of 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:

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

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:

	2014 $	2013 $
Cash	637,330	654,153
Accounts receivable	46,295	58,916
Due from related party	19,012	57,261
Short term investments	18,000	18,000
	720,637	788,330

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 amounting to $122,268 (2013 - $94,930).

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.

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 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

	2014 $	2013 $
Revenue - Donations from the Foundation	28,288	96,371
Expenditures - Dues paid to OBI	10,256	10,327

(c) Due from related party

	2014 $	2013 $
Due from the Foundation	19,012	57,261

3. **Related party transactions (continued)**

(d) Accounts receivable include amounts receivable from:

	2014 $	2013 $
OBI	1,679	-

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

	2014 $	2013 $
OBI	10,844	5,000

4. **Short term investments**

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

5. **Capital assets**

			2014
	Cost $	Accumulated Amortization $	Net $
Vehicles	58,745	44,861	13,884
Program and computer equipment	212,347	184,179	28,168
	271,092	229,040	42,052

			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

6. **Accounts payable and accrued liabilities**

	2014 $	2013 $
Accounts payable and accrued liabilities	111,122	86,844
Government remittances	11,146	8,086
	122,268	94,930

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

	2014 $	2013 $
Balance, beginning of year	470,067	366,135
Contributions received	858,887	986,542
Amount recognized as revenue	(946,704)	(882,610)
Balance, end of year	382,250	470,067

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:

	2014 $	2013 $
Capital assets (note 5)	42,052	46,373

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

Excess of revenue over expenditures

	2014 $	2013 $
Amortization (schedule 2)	(14,401)	(17,714)

8. **Net assets invested in capital assets (continued)**

Change in investment in capital assets

	2014 $	2013 $
Capital assets acquired	10,080	8,746
Decrease in loan payable	-	885
	10,080	9,631

9. **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:

	$
2015	60,934
2016	38,056
2017	32,455
2018	32,455
2019	2,705
	166,605

10. **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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