OUTWARD BOUND CANADA

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017, 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, 2017, 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
May 24, 2018

Chartered Professional Accountants
Licensed Public Accountants

OUTWARD BOUND CANADA

Statement of Financial Position

December 31	2017 $	2016 $
ASSETS		
Current assets		
Cash	**799,156**	434,647
Short term investments (note 3)	**18,732**	18,732
Accounts receivable	**213,500**	158,328
Prepaid expenses	**86,977**	51,463
Due from related party (note 4)	**25,269**	342,499
	1,143,634	1,005,669
Capital assets (note 5)	**327,094**	254,098
	1,470,728	1,259,767
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	**177,964**	168,797
Deferred contributions, grants and bursaries (note 7)	**677,564**	579,550
Deferred course and contract fees	**347,533**	199,022
Current portion of vehicle loans payable (note 8)	**69,424**	40,425
	1,272,485	987,794
Vehicle loans payable (note 8)	**141,565**	120,801
	1,414,050	1,108,595
NET ASSETS		
Invested in capital assets	**147,896**	92,872
Sustainability Fund (note 9)	**32,000**	32,000
Unrestricted	**(123,218)**	26,300
	56,678	151,172
	1,470,728	1,259,767

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	**2017**	**2016**
		(note 11)
	$	**$**
Revenues		
Course fees	**1,915,487**	1,931,885
Contributions, grants and bursaries	**1,754,388**	1,688,934
Donations and fundraising	**664,780**	598,225
Donations from Outward Bound Canada Foundation (note 4)	**158,577**	93,629
Other income	**35,311**	24,418
	4,528,543	4,337,091
Expenses		
Program (schedule 1)	**1,362,395**	1,417,021
Administration (schedule 2)	**488,526**	420,371
Salaries and benefits (schedule 3)	**2,772,116**	2,513,768
	4,623,037	4,351,160
Excess of expenses over revenues for year	**(94,494)**	(14,069)

The accompanying notes are an integral part of these financial statements

OUTWARD BOUND CANADA

Statement of Changes in Net Assets

Year ended December 31

	2017			
	Invested in Capital Assets $	**Sustainability Fund (note 9) $**	**Unrestricted $**	**Total $**
Balance, beginning of year	92,872	32,000	26,300	**151,172**
Excess of expenses over revenues	-	-	(94,494)	**(94,494)**
Purchase of capital assets, net of trade in allowances	163,843	-	(163,843)	**-**
Vehicle loans payable, net of repayments	(49,763)	-	49,763	**-**
Amortization	(59,056)	-	59,056	**-**
Balance, end of year	147,896	32,000	(123,218)	**56,678**

	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	-	32,000	(32,000)	-
Balance, end of year	92,872	32,000	26,300	151,172

The accompanying notes are an integral part of these financial statements

OUTWARD BOUND CANADA

Statement of Cash Flows

Year ended December 31	**2017**	2016
	$	$
Cash flows from operating activities		
Excess of expenses over revenues for year	**(94,494)**	(14,069)
Adjustments to determine net cash provided by (used in) operating activities		
Amortization of capital assets	**59,056**	24,610
Loss (gain) on disposal of vehicle	**1,206**	(2,293)
	(34,232)	8,248
Change in non-cash working capital items		
Increase in short term investments	**-**	(732)
Decrease (increase) in accounts receivable	**(55,172)**	66,408
Decrease (increase) in prepaid expenses	**(35,514)**	34,328
Increase in accounts payable and accrued liabilities	**9,167**	45,778
Increase (decrease) in deferred contributions, grants and bursaries	**98,014**	(23,758)
Increase in deferred course and contract fees	**148,511**	40,649
	130,774	170,921
Cash flows from investing activities		
Additions to capital assets	**(137,258)**	(253,827)
Proceeds on disposal of capital assets	**4,000**	7,500
	(133,258)	(246,327)
Cash flows from financing activities		
Decrease (increase) in due from related party	**317,230**	(266,375)
Proceeds of vehicle loans payable	**109,629**	161,226
Vehicle loans repayment	**(59,866)**	-
	366,993	(105,149)
Net change in cash	**364,509**	(180,555)
Cash, beginning of year	**434,647**	615,202
Cash, end of year	**799,156**	434,647

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**

	2017 $	2016 $
Program supplies and services	**670,200**	817,437
Food	**368,072**	279,265
Transportation	**324,123**	320,319
	1,362,395	1,417,021

Schedule of Administration expenses **Schedule 2**

	2017 $	2016 $
Office and communications	**121,886**	98,005
Amortization	**59,056**	24,610
Marketing	**62,602**	64,301
Insurance	**61,292**	45,714
Travel	**53,786**	53,585
Dues and board expenditures (note 4)	**43,726**	30,160
Interest and credit card charges	**38,186**	37,071
Professional fees	**22,400**	30,450
Fundraising	**15,854**	26,773
Rent	**9,738**	9,130
Bad debts	**-**	572
	488,526	420,371

Schedule of Salaries and benefits **Schedule 3**

	2017 $	2016 $
Direct program delivery	**1,995,859**	1,777,284
Administration and program supervision	**776,257**	736,484
	2,772,116	2,513,768

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

December 31, 2017

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.

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.

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.

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:

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

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:

	2017 $	2016 $
Cash	799,156	434,647
Short term investments	18,732	18,732
Accounts receivable	213,500	158,328
Due from related party	25,269	342,499
	1,056,657	954,206

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 loans payable amounting to $388,953 (2016 - $330,023). 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.

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.

3. **Short term investments**

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

4. **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

	2017 $	2016 $
Revenue - Donations from the Foundation	158,577	93,629
Expenditures - Dues paid to OBI	15,998	16,613

(c) Due from related party

	2017 $	2016 $
Due from the Foundation	25,269	342,499

(d) Accounts receivable include amounts receivable from:

	2017 $	2016 $
OBI	2,557	3,227

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

	2017 $	2016 $
OBI	12,298	17,222

December 31, 2017

5. Capital assets

	2017		
	Cost $	Accumulated Amortization $	Net $
Program and computer equipment	386,514	232,381	154,133
Vehicles	216,919	43,958	172,961
	603,433	276,339	327,094

	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

6. Accounts payable and accrued liabilities

	2017 $	2016 $
Accounts payable and accrued liabilities	163,196	155,529
Government remittances	14,768	13,268
	177,964	168,797

7. Deferred contributions, grants and bursaries

	2017 $	2016 $
Balance, beginning of year	579,550	603,308
Contributions received	1,430,236	1,209,183
Amount recognized as revenue	(1,332,222)	(1,232,941)
Balance, end of year	677,564	579,550

December 31, 2017

8. Vehicle loans payable

The Company entered into the following vehicle loan agreements to finance the purchase of the following vehicles:

	2017 $	2016 $
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	22,444	37,407
White Ford F250 - 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	41,486	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	38,280	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	18,591	27,770
Silver Ford 350 - non-interest bearing and is payable in equal monthly principal payments of $993 per month. The loan matures in February 2022 and is secured by the vehicle	49,647	-
White Ford Transit - payable in blended equal monthly payments of $1,455 per month and bears interest at 2.99% per annum. The loan matures in May 2020 and is secured by the vehicle	40,541	-
	210,989	161,226
Less current portion:	69,424	40,425
	141,565	120,801

December 31, 2017

8. **Vehicle loans payable (continued)**

Principal payments over the next five years are as follows:

2018	$ 69,424
2019	62,197
2020	36,043
2021	29,226
2022	14,099

9. **Sustainability fund**

The sustainability fund was established 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.

10. **Commitments**

The Organization is committed to annual payments for leases for premises until September 30, 2022. Future minimum lease payments, excluding HST, operating costs and property taxes, are as follows:

	$
2018	92,555
2019	39,351
2020	14,714
2021	14,714
2022	11,036
	172,370

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.

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