OUTWARD BOUND CANADA

FINANCIAL STATEMENTS

DECEMBER 31, 2018

HILBORN LLP

HILBORN LLP

Independent Auditor's Report

To the Members of Outward Bound Canada

Opinion

We have audited the financial statements of Outward Bound Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the ability of the Organization to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Organization.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Organization.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Organization to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Hilborn LLP

Toronto, Ontario
May 23, 2019

Chartered Professional Accountants
Licensed Public Accountants

OUTWARD BOUND CANADA

Statement of Financial Position

December 31	2018	2017 (note 10)
	$	$
ASSETS		
Current assets		
Cash	**767,175**	799,156
Short term investments	**39,163**	18,732
Accounts receivable	**173,383**	213,500
Prepaid expenses	**149,961**	86,977
Due from Outward Bound Canada Foundation (note 3)	**87,616**	25,269
	1,217,298	1,143,634
Capital assets (note 4)	**262,705**	327,094
	1,480,003	1,470,728
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	**182,239**	177,964
Deferred contributions, grants and bursaries (note 6)	**838,372**	677,564
Deferred course and contract fees	**230,613**	347,533
Current portion of vehicle loans payable (note 7)	**53,151**	69,424
	1,304,375	1,272,485
Vehicle loans payable (note 7)	**79,367**	141,565
	1,383,742	1,414,050
NET ASSETS		
Invested in capital assets	**130,187**	116,105
Sustainability Fund (note 8)	**32,000**	32,000
Unrestricted	**(65,926)**	(91,427)
	96,261	56,678
	1,480,003	1,470,728

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	2018 $	2017 $
Revenues		
Course fees	**1,853,363**	1,915,487
Contributions, grants and bursaries	**1,603,543**	1,754,388
Donations and fundraising	**965,297**	664,780
Donations from Outward Bound Canada Foundation (note 3)	**334,496**	158,577
Other income	**42,385**	35,311
	4,799,084	4,528,543
Expenses		
Program (schedule 1)	**1,358,880**	1,362,395
Administration (schedule 2)	**608,687**	488,526
Salaries and benefits (schedule 3)	**2,791,934**	2,772,116
	4,759,501	4,623,037
Excess of revenues over expenses (expenses over revenues) for year	**39,583**	(94,494)

The accompanying notes are an integral part of these financial statements

OUTWARD BOUND CANADA

Statement of Changes in Net Assets

Year ended December 31

	Invested in Capital Assets $	Sustainability Fund (note 8) $	Unrestricted $	2018 Total $
Balance, beginning of year	116,105	32,000	(91,427)	**56,678**
Excess of revenues over expenses	-	-	39,583	**39,583**
Purchase of capital assets, net of disposals	(9,729)	-	9,729	**-**
Amortization	(54,660)	-	54,660	**-**
Repayment of vehicle loans payable	78,471	-	(78,471)	**-**
Balance, end of year	130,187	32,000	(65,926)	**96,261**

	Invested in Capital Assets (note 10) $	Sustainability Fund (note 9) $	Unrestricted (note 10) $	2017 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 disposals	132,052	-	(132,052)	-
Amortization	(59,056)	-	59,056	-
Proceeds from vehicle loans payable	(109,629)	-	109,629	-
Repayment of vehicle loans payable	59,866	-	(59,866)	-
Balance, end of year	116,105	32,000	(91,427)	56,678

The accompanying notes are an integral part of these financial statements

OUTWARD BOUND CANADA

Statement of Cash Flows

Year ended December 31	2018 $	2017 $
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues) for year	**39,583**	(94,494)
Adjustments to determine net cash provided by (used in) operating activities		
Amortization of capital assets	**54,660**	59,056
Loss (gain) on disposal of vehicle	**(31)**	1,206
	94,212	(34,232)
Change in non-cash working capital items		
Increase in short term investments	**(20,431)**	-
Decrease (increase) in accounts receivable	**40,117**	(55,172)
Increase in prepaid expenses	**(62,984)**	(35,514)
Increase in accounts payable and accrued liabilities	**4,275**	9,167
Increase in deferred contributions, grants and bursaries	**160,808**	98,014
Increase (decrease) in deferred course and contract fees	**(116,920)**	148,511
	99,077	130,774
Cash flows from investing activities		
Additions to capital assets	**(5,240)**	(137,258)
Proceeds received on disposal of capital assets	**15,000**	4,000
	9,760	(133,258)
Cash flows from financing activities		
Decrease (increase) in due from Outward Bound Canada Foundation	**(62,347)**	317,230
Proceeds from vehicle loans payable	**-**	109,629
Repayment of vehicle loans payable	**(78,471)**	(59,866)
	(140,818)	366,993
Net change in cash	**(31,981)**	364,509
Cash, beginning of year	**799,156**	434,647
Cash, end of year	**767,175**	799,156

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

	2018 $	2017 $
Program supplies and services	**773,803**	670,200
Food	**332,831**	368,072
Transportation	**252,246**	324,123
	1,358,880	1,362,395

Schedule of administration expenses

Schedule 2

	2018 $	2017 $
Office and communications	**125,731**	121,886
Marketing	**110,194**	62,602
Fundraising	**65,671**	15,854
Travel	**62,076**	53,786
Insurance	**55,559**	61,292
Amortization	**54,660**	59,056
Dues and fees (note 3)	**50,624**	41,769
Interest and credit card charges	**39,301**	38,186
Professional fees	**27,000**	22,400
Rent	**14,714**	9,738
Board expenditures	**3,157**	1,957
	608,687	488,526

Schedule of salaries and benefits

Schedule 3

	2018 $	2017 $
Direct program delivery	**1,933,197**	1,995,859
Administration and program supervision	**858,737**	776,257
	2,791,934	2,772,116

The accompanying notes are an integral part of these financial statements

December 31, 2018

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.

(b) **Short-term investments**

Short-term investments consist of guaranteed investment certificates held as security for the Organization's credit cards. These investments are readily convertable into cash and are not subject to significant risk of change in values.

December 31, 2018

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

(c) **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, short term investments, accounts receivable and due from Outward Bound Canada Foundation.

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;

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.

December 31, 2018

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

(d) **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.

(e) **Related parties**

For the purposes of these financial statements, a party is considered to be related to the Organization if such party or the Organization has the ability to, directly or indirectly, control or exercise significant influence over the other entity's financial and operating decisions, or if the Organization and such party are subject to common significant influence. Related parties may be individuals or other entities. Transactions with related parties in the normal course of business are initially recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties. Transactions with related parties not in the normal course of business are recorded at their carrying amount.

(f) **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.

December 31, 2018

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

(g) **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 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:

	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 Outward Bound Canada Foundation	X				
Accounts payable and accrued liabilities		X			
Vehicle loans payable		X			

December 31, 2018

2. **Financial instrument risk management (continued)**

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization reduces its exposure to credit risk associated with cash and short term investments by holding these balances in a major Canadian institutions. The Organization reduces its exposure to credit risk associated with accounts receivable by performing credit evaluations on a regular basis, granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The maximum exposures of the Organization to credit risk are as follows:

	2018 $	2017 $
Cash	767,175	799,156
Short term investments	39,163	18,732
Accounts receivable	173,383	213,500
Due from Outward Bound Canada Foundation	87,616	25,269
	1,067,337	1,056,657

Liquidity risk

Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, anticipating investing and financing activities and holding assets that can be readily converted into cash. The Organization has liquidity risk in accounts payable and accrued liabilities and vehicle loans payable to a maximum of $314,757 (2017 - $388,953).

December 31, 2018

2. **Financial instrument risk management (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 comprises three types of risk: currency risk, interest rate risk and other price risk.

i) **Currency Risk**
Currency risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Organization by a customer, or that an obligation in a foreign currency was entered into by the Organization to a supplier, is different at the time of settlement than it was at time that the obligation originated. The Organization's exposure to foreign exchange risk is minimal as it does not have any significant foreign denominated financial instruments at year end.

ii) **Interest rate risk**
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on the maturity of its short term investments.

iii) **Other price risk**
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is not exposed to other price risk as it has no investments in marketable securities.

Changes in risk

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

3. **Related party transactions**

The Organization has related party transactions with Outward Bound Canada Foundation ("the Foundation"), which was established to help the Organization reach its fundraising and other objectives and Outward Bound International ("OBI"), a membership organization of all the Outward Bound Centres worldwide as follows:

(a) During the year, the Organization received donations from the Foundation in the amount of $334,496 (2017 - $158,577).

(b) During the year, the Organization paid dues to OBI in the amount of $16,906 (2017 - $15,998).

(c) At year end, the Organization has a balance due from the Foundation in the amount of $87,616 (2017 - $25,269).

(d) At year end, included in accounts payable and accrued liabilities (note 5) is an amount payable to OBI of $11,114 (2017 - $12,298).

4. Capital assets

	2018		
	Cost $	Accumulated Amortization $	Net $
Program and computer equipment	366,543	246,940	119,603
Vehicles	216,919	73,817	143,102
	583,462	320,757	262,705

	2017 *(note 10)*		
	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

5. Accounts payable and accrued liabilities

	2018 $	2017 *(note 10)* $
Accounts payable and accrued liabilities	155,936	163,196
Government remittances	26,303	14,768
	182,239	177,964

6. Deferred contributions, grants and bursaries

	2018 $	2017 $
Balance, beginning of year	677,564	579,550
Contributions received	1,683,053	1,430,236
Amount recognized as revenue	(1,522,245)	(1,332,222)
Balance, end of year	838,372	677,564

December 31, 2018

7. Vehicle loans payable

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

	2018 $	2017 $
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	7,481	22,444
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	32,093	41,486
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	31,148	38,280
Honda side by side - payable in blended equal monthly payments of $842 per month and bears interest at 3.90% per annum. Subsequent to the disposal of the vehicle, the loan was repaid in full in October 2018	-	18,591
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	37,731	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	24,065	40,541
	132,518	210,989
Less current portion:	53,151	69,424
	79,367	141,565

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

Principal payments over the next five years are as follows:

	$
2019	53,150
2020	36,043
2021	29,226
2022	14,099
	132,518

8. **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.

9. **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:

	$
2019	55,251
2020	27,314
2021	14,714
2022	11,036
	108,315

10. **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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