OUTWARD BOUND
CALIFORNIA

Financial Report

December 31, 2014

CONTENTS

Independent Auditors' Report

To the Board of Trustees
Outward Bound California
San Francisco, California

We have audited the accompanying financial statements of Outward Bound California (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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.

Macpage LLC
30 Long Creek Drive, South Portland, ME 04106-2437 | 207-774-5701 | 207-774-7835 fax | cpa@macpage.com
One Market Square, Augusta, ME 04330-4637 | 207-622-4766 | 207-622-6545 fax
One Union Street, Suite 505, Portland, ME 04101-4050 | 207-774-4030 | 866-927-0288 fax
macpage.com

To the Board of Trustees
Outward Bound California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Outward Bound California as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Restatement

As discussed in Note 10 of the financial statements, beginning net assets as of January 1, 2014 have been restated to reflect the effect of a prior period adjustment. The effect on total beginning net assets as of January 1, 2013 was an increase of $105,423. The effect on the change in net assets for the year ended December 31, 2013 was a decrease of $22,426.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Macpage LLC

South Portland, Maine
April 22, 2015

Statements of Financial Position

December 31,

ASSETS

	2014	2013
Current Assets		
Cash and cash equivalents	$ 595,423	$ 580,078
Accounts receivable	73,501	75,413
Contributions receivable	30,000	54,892
Prepaid expenses	74,948	53,830
Total Current Assets	773,872	764,213
Property and Equipment - Net	13,996	15,239
Other Assets		
Contributions receivable - long term	681,300	
Investment	92,625	82,997
Total Other Assets	773,925	82,997
Total Assets	$ 1,561,793	$ 862,449

LIABILITIES AND NET ASSETS

	2014	2013
Current Liabilities		
Accounts payable	$ 10,052	$ 20,570
Accrued expenses	59,651	57,816
Deferred revenue	18,235	47,835
Total Current Liabilities	87,938	126,221
Net Assets		
Unrestricted	723,693	667,931
Temporarily restricted	750,162	68,297
	1,473,855	736,228
Total Liabilities and Net Assets	$ 1,561,793	$ 862,449

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Statement of Activities

Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, Losses and Reclassifications				
Course tuition and fees	$ 975,370			$ 975,370
Contributions and grants	800,489	$ 1,028,703		1,829,192
Other income	11,236			11,236
Net assets released from restrictions	346,838	(346,838)		
Total Revenues, Gains, Losses and Reclassifications	2,133,933	681,865		2,815,798
Expenses				
Program	1,673,838			1,673,838
General management and administration	93,232			93,232
Fundraising and development	320,729			320,729
Total Expenses	2,087,799			2,087,799
Change in Net Assets from Operations	46,134	681,865		727,999
Change in Net Assets from Non-Operating Activities				
Change in equity in investment	9,628			9,628
Total Change in Net Assets	55,762	681,865		737,627
Net Assets, Beginning of Year	667,931	68,297		736,228
Net Assets, End of Year	$ 723,693	$ 750,162	$ -	$ 1,473,855

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Statement of Activities

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, Losses and Reclassifications				
Course tuition and fees	$ 930,188			$ 930,188
Contributions and grants	382,172	$ 240,651		622,823
Other income	9,422			9,422
Net assets released from restrictions	423,663	(423,663)		
Total Revenues, Gains, Losses and Reclassifications	1,745,445	(183,012)		1,562,433
Expenses				
Program	1,232,971			1,232,971
General management and administration	200,397			200,397
Fundraising and development	224,093			224,093
Total Expenses	1,657,461			1,657,461
Change in Net Assets from Operations	87,984	(183,012)		(95,028)
Change in Net Assets from Non-Operating Activities				
Change in equity in investment	(22,426)			(22,426)
Total Change in Net Assets	65,558	(183,012)		(117,454)
Net Assets, Beginning of Year as Previously Reported	496,950	251,309		748,259
Prior-Period Adjustment - Note 10	105,423			105,423
Net Assets, Beginning of Year as Restated	602,373	251,309		853,682
Net Assets, End of Year	$ 667,931	$ 68,297	$ -	$ 736,228

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Years Ended December 31,

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 737,627	$ (117,454)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	9,546	6,991
Unrealized (gain) loss on investment	(9,628)	22,426
(Increase) decrease in operating assets:		
Accounts receivable	1,912	(66,456)
Contributions receivable	24,892	237,233
Prepaid expenses	(21,118)	(46,883)
Contributions receivable - long term	(681,300)	
Increase (decrease) in operating liabilities:		
Accounts payable	(10,518)	425
Accrued expenses	1,835	7,574
Deferred revenue	(29,600)	39,240
Total adjustments	(713,979)	200,550
Net cash flows from operating activities	23,648	83,096
Cash flows from investing activities:		
Purchase of property and equipment	(8,303)	(5,045)
Net cash flows from investing activities	(8,303)	(5,045)
Net change in cash and cash equivalents	15,345	78,051
Cash and cash equivalents at beginning of year	580,078	502,027
Cash and cash equivalents at end of year	$ 595,423	$ 580,078

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

December 31, 2014 and 2013

NOTE 1 – NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Outward Bound California (the Organization) is a nonprofit, adventure-based organization that delivers educational and leadership programs in the wilderness, in cities and in local schools. Urban programs are offered at the Bay Area Center in San Francisco and extended wilderness courses from base camps in the Sierra Nevada and in the Santa Cruz mountains. The mission is to inspire character development and self-discovery in people of all ages and walks of life through challenge and adventure, and to impel them to achieve more than they ever thought possible, to show compassion for others and to actively engage in creating a better world. Outward Bound California operates under a charter agreement with Outward Bound, Inc.

Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or through the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization has no permanently restricted net assets as of December 31, 2014 and 2013.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization maintains their cash accounts with a commercial bank. Accounts at the bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per account. At various times throughout the year, the Organization had cash balances in excess of FDIC insurance. The Organization believes it is not exposed to any significant credit risk on its cash balances.

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Notes to Financial Statements

December 31, 2014 and 2013

NOTE 1 – NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance for uncollectible accounts was considered necessary as of December 31, 2014 and 2013.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. No allowance for uncollectible accounts was considered necessary as of December 31, 2014 and 2013.

Property and Equipment

Property and equipment are recorded at cost or, if received as a gift, at fair value when acquired. Depreciation is computed on the straight-line basis over the assets' useful lives which range from three to seven years. Property and equipment purchases with a cost in excess of $2,500 are capitalized; all others are expensed as incurred. Ordinary repairs and maintenance costs are expensed as incurred, and repairs and maintenance costs in excess of $2,500 that extend the useful life the asset are capitalized.

Investment

Investment consists of a non-controlling interest of 14.78% in Outward Bound Services Group, a North Carolina Limited Liability Company, and accordingly is carried using the equity method.

Deferred Revenue

Deferred revenue includes course tuition and fees received for future courses. The Organization recognizes course revenue when a course is completed.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and determined not to be a private foundation within Section 509(a) of the Code.

Management has evaluated the Organization's tax positions and the Organization does not expect that unrecognized tax benefits or liabilities arising from tax positions will change significantly within the next twelve months. The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for three years following the filing of the return.

Notes to Financial Statements

December 31, 2014 and 2013

NOTE 1 – NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated Supplies and Materials

Each year, certain supplies and materials have been donated in-kind to the Organization. The estimated fair value of these materials has been reflected in the accompanying financial statements as contributions with a like amount included in program and supporting services expenses.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2014	2013
Vehicles	**$ 34,949**	$ 34,949
Course equipment	**13,347**	5,044
Accumulated depreciation	**(34,300)**	(24,754)
	$ 13,996	$ 15,239

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable consisted of the following as of December 31:

	2014	2013
Unconditional promises to give before unamortized discount	**$ 725,000**	$ 54,892
Less: unamortized discount	**(13,700)**	
Net unconditional promises to give	**$ 711,300**	$ 54,892
Amounts due in:		
Less that one year	**$ 275,000**	$ 54,892
One to five years	**450,000**	
Total	**$ 725,000**	$ 54,892

Discount rate used for the calculation of the unamortized discount was 2%.

Notes to Financial Statements

December 31, 2014 and 2013

NOTE 4 - INVESTMENT

Investment consisted of the following at December 31:

	2014	2013
Investment in Outward Bound Services Group	$ 92,625	$ 82,997

Investment income is summarized as follows as of December 31:

	2014	2013
Change in equity of Outward Bound Services Group Investment	$ 9,628	$ (22,426)

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	2014	2013
Pledge receivable – time restriction	$ 681,300	
Programs	34,400	$ 25,000
Scholarships	3,712	43,297
Land restoration	30,750	
	$ 750,162	$ 68,297

Releases of temporarily restricted net assets were for the following purposes for the years ended December 31:

	2014	2013
Operations	$ 235,000	$ 225,000
Scholarships	89,585	119,970
Programs	21,000	54,500
Land restoration	1,253	
Information technology		24,193
	$ 346,838	$ 423,663

NOTE 6 – LEASE COMMITMENTS

The Organization leases their facilities from the Presidio Trust under a lease agreement that expired in January 2012 and is currently leasing the facilities on a month-to-month basis. Monthly lease payments are approximately $2,500. Total rent expense for the years ended December 31, 2014 and 2013 was $30,341 and $32,808, respectively.

The Organization also leases the Midpines base camp from Outward Bound Holdco, LLC under a lease agreement that commenced January 1, 2012 and expires on December 31, 2018. The lease has an option to purchase the property for $400,000 during the lease term. Annual lease payments for the years ended December 31, 2014 and 2013 were $20,000 and $10,000, respectively. Future minimum annual lease payments total $80,000 with payments of $20,000 for each of the years ending 2015 through 2018.

Notes to Financial Statements

December 31, 2014 and 2013

NOTE 7 – PENSION PLAN

The Organization offers eligible employees a 401(k) qualified retirement plan. The Organization's contribution to the plan is discretionary and is subject to an annual review and approval by the Board of Trustees. For the years ended December 31, 2014 and 2013, the approved discretionary match contribution was 2% and 5%, respectively, and amounted to $4,849 and $7,350, respectively.

NOTE 8 – CONTINGENCIES

The Organization may be involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of such matters, subject to insurance deductibles, will not have a material adverse effect on the financial position of the Organization.

NOTE 9 – RELATED PARTY

The Organization is a member of the Outward Bound Services Group (OBSG), an organization which operates a national call center for the Outward Bound programs, and provides national marketing efforts and other services to the regional Outward Bound schools. The OBSG has six members, all of which are Outward Bound chartered organizations, and each member has equal board representation and voting rights.

During the years ended December 31, 2014 and 2013, the Organization's fees for enrollment to the OBSG amounted to $86,102 and $67,102, respectively.

In addition, the Organization's portion of the start-up costs and other shared expenses amounted to $123,164 in 2012. OBSG became a limited liability company in 2014, and these expenses were transferred to equity in OBSG, resulting in the investment discussed in Note 4.

NOTE 10 – PRIOR-PERIOD ADJUSTMENT

The accompanying financial statement for the year ended December 31, 2013 has been restated to recognize an investment in OBSG not previously recorded in a prior year as disclosed in Note 4. The effect of the restatement on total beginning net assets as of January 1, 2013 was an increase of $105,423. The effect on the change in net assets for the year ended December 31, 2013 was a decrease of $22,426.

NOTE 11 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 22, 2015, which represents the date on which the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

Schedule of Functional Expenses

Year Ended December 31, 2014

	Program	Supporting Services General	Supporting Services Fundraising	Total
Salaries	$ 841,219	$ 28,674	$ 145,281	$ 1,015,174
Payroll taxes and benefits	119,355	4,314	20,132	143,801
National fees	132,216			132,216
Employee expenses	49,323	1,674	8,418	59,415
Facility expenses	55,342	13,597		68,939
Insurance	67,795	1,384		69,179
Professional fees	6,830	38,481	21,905	67,216
Vehicle expenses	83,281			83,281
Food	76,068			76,068
Communication	16,710	1,381	4,142	22,233
Program and equipment costs	117,085			117,085
Travel	43,760	52	962	44,774
Bank and credit card fees	16,508	808	7,643	24,959
Depreciation	9,546			9,546
Office and general expenses	28,639	956	8,005	37,600
Promotional expenses	7,382		3,914	11,296
Office equipment and supplies	2,779	1,911	191	4,881
Event expenses			100,136	100,136
Total Expenses	$ 1,673,838	$ 93,232	$ 320,729	$ 2,087,799

Schedule of Functional Expenses

Year Ended December 31, 2013

	Program	Supporting Services General	Supporting Services Fundraising	Total
Salaries	$ 575,809	$ 86,340	$ 134,716	$ 796,865
Payroll taxes and benefits	88,757	19,795	22,364	130,916
National fees	107,994	639		108,633
Employee expenses	50,842	15,234	2,940	69,016
Facility expenses	91,939	10,687	5,611	108,237
Insurance	40,586	8,893		49,479
Professional fees	11,320	44,644	39,353	95,317
Vehicle expenses	60,687			60,687
Food	60,537	636	959	62,132
Communication	24,923	2,431	1,811	29,165
Program and equipment costs	36,803			36,803
Travel	40,844	3,299	751	44,894
Bank and credit card fees	14,649	112	1,081	15,842
Depreciation	6,991			6,991
Office and general expenses	3,014	2,849	10,512	16,375
Promotional expenses	8,260		250	8,510
Office equipment and supplies	9,016	4,838	3,745	17,599
Total Expenses	$ 1,232,971	$ 200,397	$ 224,093	$ 1,657,461

See independent auditors' report.