OUTWARD BOUND CALIFORNIA

Financial Report

December 31, 2016

CONTENTS

Independent Auditors' Report

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

Financial Statements

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, 2016 and 2015, 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.

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, 2016 and 2015, 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.

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
macpage.com

To the Board of Trustees
Outward Bound California

Report on Supplementary Information

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 15 and 16 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
May 23, 2017

Statements of Financial Position

December 31,

ASSETS

		2016		2015
Current Assets				
Cash and cash equivalents	$	1,333,949	$	717,116
Accounts receivable		5,374		23,543
Contributions receivable		18,485		538,509
Prepaid expenses		66,195		65,031
Other current assets		587		1,164
Total Current Assets		1,424,590		1,345,363
Property and Equipment - Net		145,881		100,405
Other Assets				
Contributions receivable - long term		2,868,127		540,400
Investment		100,938		104,518
Security deposits		21,723		16,075
Restricted cash		246,959		
Total Other Assets		3,237,747		660,993
Total Assets	$	4,808,218	$	2,106,761

LIABILITIES AND NET ASSETS

		2016		2015
Current Liabilities				
Accounts payable	$	72,885	$	111,315
Accrued expenses		114,140		76,281
Current portion of capital leases		14,885		9,230
Deferred revenue		42,258		47,619
Other current liabilities		977		2,187
Total Current Liabilities		245,145		246,632
Non-Current Liabilities				
Long term portion of capital leases		52,458		41,432
Total Non-Current Liabilities		52,458		41,432
Net Assets				
Unrestricted		646,270		634,588
Temporarily restricted		3,617,386		937,150
Permanently restricted		246,959		246,959
		4,510,615		1,818,697
Total Liabilities and Net Assets	$	4,808,218	$	2,106,761

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

Statement of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, Losses and Reclassifications				
Course tuition and fees	$ 1,350,480			$ 1,350,480
Contributions and grants	815,737	$ 3,969,674		4,785,411
Other income	66,096			66,096
Gain on sale of property and equipment	8,000			8,000
Net assets released from restrictions	1,289,438	(1,289,438)		
Total Revenues, Gains, Losses and Reclassifications	3,529,751	2,680,236		6,209,987
Expenses				
Program	2,894,974			2,894,974
General management and administration	97,582			97,582
Fundraising and development	521,933			521,933
Total Expenses	3,514,489			3,514,489
Change in Net Assets from Operations	15,262	2,680,236		2,695,498
Change in Net Assets from Non-Operating Activities				
Change in equity in investment	(3,580)			(3,580)
Total Change in Net Assets	11,682	2,680,236		2,691,918
Net Assets, Beginning of Year	634,588	937,150	$ 246,959	1,818,697
Net Assets, End of Year	$ 646,270	$ 3,617,386	$ 246,959	$ 4,510,615

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

Statement of Activities

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, Losses and Reclassifications				
Course tuition and fees	$ 1,149,243			$ 1,149,243
Contributions and grants	730,823	$ 851,203		1,582,026
Other income	27,809			27,809
Gain on sale of property and equipment	3,700			3,700
Net assets released from restrictions	664,215	(664,215)		
Total Revenues, Gains, Losses and Reclassifications	2,575,790	186,988		2,762,778
Expenses				
Program	2,052,659			2,052,659
General management and administration	136,520			136,520
Fundraising and development	439,130			439,130
Total Expenses	2,628,309			2,628,309
Change in Net Assets from Operations	(52,519)	186,988		134,469
Change in Net Assets from Non-Operating Activities				
Change in equity in investment	11,893			11,893
Disaffiliation expense	(48,479)			(48,479)
Contributions			$ 246,959	246,959
Total Change in Net Assets	(89,105)	186,988	246,959	344,842
Net Assets, Beginning of Year	723,693	750,162		1,473,855
Net Assets, End of Year	$ 634,588	$ 937,150	$ 246,959	$ 1,818,697

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

Statements of Cash Flows

Years Ended December 31,

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 2,691,918	$ 344,842
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	29,709	13,452
Unrealized (gain) loss on investment	3,580	(11,893)
Gain on sale of property and equipment	(8,000)	(3,700)
(Increase) decrease in operating assets:		
Accounts receivable	18,169	49,958
Contributions receivable	520,024	(508,509)
Prepaid expenses	(1,164)	9,917
Security deposits	(5,648)	(16,075)
Other current assets	577	(1,164)
Contributions receivable - long term	(2,327,727)	140,900
Restricted cash	(246,959)	
Increase (decrease) in operating liabilities:		
Accounts payable	(38,430)	101,263
Accrued expenses	37,859	16,630
Deferred revenue	(5,361)	29,384
Other current liabilities	(1,210)	2,187
Total adjustments	(2,024,581)	(177,650)
Net cash flows from operating activities	667,337	167,192
Cash flows from investing activities:		
Purchase of property and equipment	(45,463)	(44,966)
Proceeds from sale of property and equipment	8,000	3,700
Net cash flows from investing activities	(37,463)	(41,266)
Cash flows from financing activities:		
Repayment of capital lease obligation	(13,041)	(4,233)
Net cash flows from financing activities	(13,041)	(4,233)
Net change in cash and cash equivalents	616,833	121,693
Cash and cash equivalents at beginning of year	717,116	595,423
Cash and cash equivalents at end of year	$ 1,333,949	$ 717,116

Supplemental disclosures of cash flow information:

	2016	2015
Cash paid during the year for:		
Interest	$ 6,727	$ 1,844

Supplemental schedule of noncash investing and financing activities:

The Organization acquired vehicles through the use of capital leases as follows:

	2016	2015
Cost of property and equipment	29,722	59,895
Amount financed through a capital lease	(29,722)	(54,895)
Cash down payment for property and equipment	$ -	$ 5,000

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

Notes to Financial Statements

December 31, 2016 and 2015

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.

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, 2016 and 2015

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, 2016 and 2015.

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, 2016 and 2015.

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.

Endowment Funds

Spending Policy

The overall investment objective for the Organization's endowment fund will be to preserve the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the Organization. The target annual return for the portfolio is the rate of inflation, plus 4.5%.

Interpretation of State Law

The Organization has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of a gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original gift(s) donated to the permanent endowment, and accumulations in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with California UPMIFA.

Notes to Financial Statements

December 31, 2016 and 2015

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

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.

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.

Promotional and Advertising Expenses

The Organization expenses promotional and advertising costs as incurred.

Reclassifications

Certain amounts in the 2015 financial statement have been reclassified to conform to the 2016 presentation. There was no effect on the 2015 change in net assets as a result of such reclassifications.

Notes to Financial Statements

December 31, 2016 and 2015

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

Recent Accounting Pronouncements

Leasing

In February 2016, FASB issued ASU 2016 – 02, *Leases*. This new standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of entities that lease. The proposal is for a dual-model approach; a lessee would account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both would be reported on the balance sheet of the entity. For nonpublic companies, the new leasing standard would apply for the year ending December 31, 2020. The standard requires retroactive application to previously issued financial statements for 2019 and 2018, if presented. Management is currently evaluating the impact of adoption on its financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This new standard will clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standard (IFRS). The core principle of the guidance requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for the Organization's year ending December 31, 2019. Management is currently evaluating the impact of adoption on its financial statements.

Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities, to amend current reporting requirements to make several improvements, including reducing complexities of information presented within Not-for-Profit financial statements. A main provision of this update is that a Not-for-Profit entity will report two classes of net assets (amounts for net assets with donor restrictions and net assets without donor restrictions), rather than the currently required three classes. The guidance is effective for annual periods beginning after December 15, 2017, with early application permitted. This standard requires retroactive application to previously issued financial statements for 2018 and 2017, if presented. Management is currently evaluating the impact of adoption on its financial statements.

NOTE 2 – PROPERTY AND EQUIPMENT

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

	2016	2015
Vehicles	**$ 124,566**	$ 94,844
Course equipment	**36,123**	27,295
Leasehold improvements	**37,577**	26,019
Design and development	**25,075**	
	223,341	148,158
Less accumulated depreciation	**(77,460)**	(47,753)
	$ 145,881	$ 100,405

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 3 – CONTRIBUTIONS RECEIVABLE

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

	2016	2015
Unconditional promises to give before unamortized discount	**$ 2,968,485**	$ 1,083,509
Less: unamortized discount	**(81,873)**	(4,600)
Net unconditional promises to give	**$ 2,886,612**	$ 1,078,909
Amounts due in:		
Less than one year	**$ 1,093,485**	$ 853,509
One to five years	**1,875,000**	230,000
Total	**$ 2,968,485**	$ 1,083,509

The discount rate used for the calculation of the unamortized discount was 3.45%.

NOTE 4 – INVESTMENTS AND ENDOWMENT FUNDS

Investment consisted of the following at December 31:

	2016	2015
Investment in Outward Bound Services Group	**$ 100,938**	$ 104,518

Investment income is summarized as follows as of December 31:

	2016	2015
Change in equity of Outward Bound Services Group Investment	**$ (3,580)**	$ 11,893

Donor-restricted endowment net asset compositions by type of fund for the years ended December 31, 2016 and 2015 are, as follows:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
December 31, 2016				
Donor-restricted endowment fund	**$**	**$**	**$ 246,959**	**$ 246,959**
	$ -	**$ -**	**$ 246,959**	**$ 246,959**

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
December 31, 2015				
Donor-restricted endowment fund	$	$	$ 246,959	$ 246,959
	$ -	$ -	$ 246,959	$ 246,959

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 4 – INVESTMENTS AND ENDOWMENT FUNDS – CONTINUED

Changes in endowment net assets for the year ended December 31, 2016 is, as follows:

December 31, 2016	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Beginning of year	$	$	$ 246,959	$ 246,959
Contributions				
End of year	$ -	$ -	$ 246,959	$ 246,959

Changes in endowment net assets for the year ended December 31, 2015 is, as follows:

December 31, 2015	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Beginning of year	$	$		
Contributions			$ 246,959	$ 246,959
End of year	$ -	$ -	$ 246,959	$ 246,959

NOTE 5 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2016	2015
Pledge receivable – time restriction	**$ 2,889,176**	$ 516,848
Programs	**84,400**	92,900
Scholarships	**63,688**	25,842
Capital campaign	**560,122**	294,060
Cabin construction	**20,000**	7,500
	$ 3,617,386	$ 937,150

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

	2016	2015
Operations	**$ 855,000**	$ 338,552
Scholarships	**191,438**	164,397
Programs	**82,112**	69,566
Land restoration	**26,950**	25,809
Capital campaign	**133,938**	65,891
	$ 1,289,438	$ 664,215

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 5 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS – CONTINUED

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

	2016	2015
Hearst Scholarship	**$ 164,590**	
Pinnacle Scholarship	**21,394**	
Aubrey Meyerson Memorial Scholarship	**31,924**	
Ryan DeGreen Memorial Scholarship	**29,051**	
Contributions receivable		$ 246,959
	$ 246,959	$ 246,959

During the year ended December 31, 2015, the Organization received, from Northwest Outward Bound School (NWOBS), a permanently restricted fund. The Organization received the funds during the year ended December 31, 2016 and expects to invest the funds in 2017. Permanently restricted net assets represent donor-restricted donations of which the income is to be used primarily for scholarships. As of December 31, 2015, permanently restricted net assets consisted of a contribution receivable to the Organization of $246,959.

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 $1,590. Total rent expense for the years ended December 31, 2016 and 2015 was $19,062 and $20,361, respectively.

During the year, the Organization entered into a new lease agreement with Tides, Inc. for additional office space at the Presidio that commenced September 1, 2016 and will expire August 31, 2019. Monthly lease payments during the first year are approximately $4,598, and increase by approximately 2.2% each year on the anniversary of the leases commencement date. Lease payments for the year ended December 31, 2016 were $18,393. Future minimum lease payments total $55,593, $56,833, and $38,440 for the years ending 2017, 2018, and 2019, respectively.

The Organization 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 were $20,000 for the years ended December 31, 2016 and 2015. Future minimum annual lease payments total $40,000 with payments of $20,000 for each of the years ending 2017 and 2018.

The Organization leases the Bay Area staff house from Presidio Trust under a lease agreement that commenced March 24, 2015, and was renewed on February 21, 2017. The new lease will expire on February 28, 2018. Lease payments for the years ended December 31, 2016 and 2015 were $51,890 and $41,430, respectively. Future minimum lease payments total $66,290 with payments of $56,820 and $9,470 for the years ending 2017 and 2018, respectively.

During the year, the Organization entered into a new lease agreement with Affordable Rentals for additional staff housing that commenced August 1, 2016 and will expire on July 31, 2017. Lease payments for the year ended December 31, 2016 were $5,250, and future minimum lease payments total $7,350.

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 6 – LEASE COMMITMENTS – CONTINUED

The Organization leases the Joshua Tree base camp from Justin Federman under a lease agreement that commenced October 8, 2015 and expired on April 8, 2016. Lease payments for the year ended December 31, 2016 were $4,800.

During the year, the Organization entered into a lease agreement with Bill Vecchiarelli for the Joshua Tree base camp that commenced October 15, 2016 and will expire on April 15, 2017. Lease payments for the year ended December 31, 2016 were $1,875, and future minimum lease payments total $2,625.

The Organization also has capital lease agreements with Ford Motor Company LLC for a Ford F-350 SRW pickup truck and a van. During the year, the Organization entered into another capital lease agreement with Ford Motor Company LLC for a Ford-350 DRW. The terms of the agreements exceed 75% of the estimated useful life of the respective assets. The economic substance of the leases is that the Organization is financing the acquisition of the assets through the leases and, accordingly, they are recorded in the Organization's assets and liabilities.

Assets under capital lease are included as vehicles. The following are the details of capitalized leased assets at December 31:

	2016	2015
Vehicles	**$ 89,617**	$ 59,895
Less accumulated depreciation	**22,405**	5,472
Net book value	**$ 67,212**	$ 54,423

The assets are depreciated on a straight-line basis over five years. Depreciation expense was $16,933 and $5,472 for the years ended December 31, 2016 and 2015, respectively.

At December 31, 2016, the future minimum lease payments under capital lease are, as follows:

Year ending December 31:

2017	**$ 20,947**
2018	**20,947**
2019	**20,947**
2020	**14,872**
2021	**4,123**
Total minimum lease payments	**81,836**
Less: Amount representing interest	**(14,493)**
Present value of minimum lease payments	**$ 67,343**

The interest rate related to the lease obligations is 10% and the maturity date for the Ford-350 DRW, Ford-350 SRW and van are February 2021, April 2020 and September 2020, respectively.

NOTE 7 – PENSION PLAN

The Organization offers eligible employees participation in 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, 2016 and 2015, the approved discretionary match contribution was 4% and 3%, respectively, and amounted to $20,834 and $9,589, respectively.

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 8 – CONTINGENCIES

The Organization may be involved in claims and legal actions arising in the ordinary course of its 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 PARTIES

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, 2016 and 2015, the Organization's fees for enrollment to the OBSG amounted to $126,375 and $95,075, respectively.

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 23, 2017, 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, 2016

		Supporting Services		
	Program	**General**	**Fundraising**	**Total**
Salaries	$ 1,543,136	$ 44,348	$ 224,473	$ 1,811,957
Payroll taxes and benefits	215,891	6,785	32,867	255,543
National fees	168,334	1,446	7,164	176,944
Employee expenses	77,657	6,141	14,532	98,330
Facility expenses	180,250	93	2,857	183,200
Insurance	76,510	5,734	8,711	90,955
Professional fees	31,849	25,195	36,066	93,110
Vehicle expenses	50,423			50,423
Food	95,471			95,471
Communication	32,584	64	1,527	34,175
Program and equipment costs	153,305			153,305
Travel	82,112	516	6,773	89,401
Bank and credit card fees	41,911	141	5,943	47,995
Depreciation	29,010	117	582	29,709
Office and general expenses	73,647	6,272	50,329	130,248
Promotional expenses	36,887			36,887
Office equipment and supplies	4,997	730	419	6,146
Event expenses	1,000		129,690	130,690
Total Expenses	$ 2,894,974	$ 97,582	$ 521,933	$ 3,514,489

See independent auditors' report.

Schedule of Functional Expenses

Year Ended December 31, 2015

		Supporting Services		
	Program	**General**	**Fundraising**	**Total**
Salaries	$ 1,027,871	$ 47,818	$ 175,110	$ 1,250,799
Payroll taxes and benefits	142,595	18,899	29,684	191,178
National fees	123,933	1,999	7,114	133,046
Employee expenses	62,227	4,063	10,846	77,136
Facility expenses	94,896	623	2,905	98,424
Insurance	75,130	7,928	8,071	91,129
Professional fees	7,489	27,335	9,780	44,604
Vehicle expenses	50,930			50,930
Food	85,439			85,439
Communication	22,043	79	1,371	23,493
Program and equipment costs	151,157			151,157
Travel	60,580	1,431	6,126	68,137
Bank and credit card fees	9,168	18,799	9,849	37,816
Depreciation	11,775	362	1,315	13,452
Office and general expenses	98,662	7,045	39,668	145,375
Promotional expenses	25,336	4	20	25,360
Office equipment and supplies	3,226	135	487	3,848
Event expenses	202		136,784	136,986
Total Expenses	$ 2,052,659	$ 136,520	$ 439,130	$ 2,628,309