OUTWARD BOUND CALIFORNIA

Financial Report

December 31, 2018

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Independent Auditor's 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, 2018, and the related statements of activities, functional expenses and cash flows for the year 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.

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 auditing standards generally accepted in the United States of America. Those standards require that we 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 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Outward Bound California

Emphasis of Matter

As discussed in Note 1 to the financial statements, Outward Bound California adopted the amendments in Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The amendments have been applied on a retrospective basis with the exception of the omission of certain information as permitted by the ASU.

Prior Period Financial Statements

The 2017 financial statements of Outward Bound California as of December 31, 2017, were audited by Macpage LLC, who merged with Wipfli LLP as of August 1, 2018, and whose report, dated May 24, 2018, expressed an unmodified opinion on those statements. As discussed in Note 1 to the financial statements, Outward Bound California has adjusted its 2017 financial statements to retrospectively apply the change in accounting for Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. Macpage LLC reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2018 financial statements, we also audited the adjustment to the 2017 financial statements to retrospectively apply the change in accounting as described in Note 1. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to Outward Bound California's 2017 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

Wipfli LLP

South Portland, Maine
July 25, 2019

Statements of Financial Position

December 31,

ASSETS

	2018	2017
Current Assets		
Cash and cash equivalents	$ 1,303,409	$ 1,374,504
Accounts receivable	58,927	17,996
Prepaid expenses	90,220	73,089
Contributions receivable - current portion	975,000	769,790
Other current assets	250	2,118
Total Current Assets	2,427,806	2,237,497
Property and Equipment - Net	199,210	204,296
Other Assets		
Contributions receivable - long term	702,612	1,253,916
Investment in OBSG	105,069	102,972
Security deposits	26,268	21,743
Endowment investments	223,316	246,959
Total Other Assets	1,057,265	1,625,590
Total Assets	$ 3,684,281	$ 4,067,383

LIABILITIES AND NET ASSETS

	2018	2017
Current Liabilities		
Accounts payable	$ 37,440	$ 70,935
Accrued expenses	211,055	150,623
Current portion of capital leases	27,194	20,108
Deferred revenue	105,385	105,380
Other current liabilities	830	3,260
Total Current Liabilities	381,904	350,306
Non-Current Liabilities		
Long term portion of capital leases	55,227	55,906
Total Non-Current Liabilities	55,227	55,906
Net Assets		
Without donor restriction	652,761	615,060
With donor restriction	2,594,389	3,046,111
	3,247,150	3,661,171
Total Liabilities and Net Assets	$ 3,684,281	$ 4,067,383

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Course tuition and fees	$ 1,949,477		$ 1,949,477
Contributions and grants	910,161	$ 1,001,483	1,911,644
Other income	50,976		50,976
Net assets released from restrictions	1,429,562	(1,429,562)	
Total Operating Revenues	4,340,176	(428,079)	3,912,097
Expenses			
Program	3,490,446		3,490,446
General management and administration	137,520		137,520
Fundraising and development	676,540		676,540
Total Expenses	4,304,506		4,304,506
Change in Net Assets from Operations	35,670	(428,079)	(392,409)
Non-Operating Activities			
Change in equity in investment	2,031		2,031
Interest and dividend income		5,548	5,548
Investment loss		(29,191)	(29,191)
	2,031	(23,643)	(21,612)
Total Change in Net Assets	37,701	(451,722)	(414,021)
Net Assets, Beginning of Year	615,060	3,046,111	3,661,171
Net Assets, End of Year	$ 652,761	$ 2,594,389	$ 3,247,150

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

Statement of Activities

Year Ended December 31, 2017

	With Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Course tuition and fees	$ 1,589,011		$ 1,589,011
Contributions and grants	708,067	$ 880,405	1,588,472
Other income	59,322		59,322
Net assets released from restrictions	1,698,639	(1,698,639)	
Total Operating Revenues	4,055,039	(818,234)	3,236,805
Expenses			
Program	3,406,743		3,406,743
General management and administration	106,059		106,059
Fundraising and development	575,481		575,481
Total Expenses	4,088,283		4,088,283
Change in Net Assets from Operations	(33,244)	(818,234)	(851,478)
Non-Operating Activities			
Change in equity in investment	2,034		2,034
Total Change in Net Assets	(31,210)	(818,234)	(849,444)
Net Assets, Beginning of Year	646,270	3,864,345	4,510,615
Net Assets, End of Year	$ 615,060	$ 3,046,111	$ 3,661,171

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

Statement of Functional Expenses

Year Ended December 31, 2018

	Program	Supporting Services General	Supporting Services Fundraising	Total
Salaries	$ 1,956,060	$ 67,546	$ 296,440	$ 2,320,046
Payroll taxes and benefits	241,909	12,685	59,692	314,286
National fees	185,610	816	4,809	191,235
Employee expenses	114,632	11,456	35,315	161,403
Facility expenses	257,342	43	270	257,655
Insurance	72,608	4,295	8,555	85,458
Professional fees	14,464	32,386	52,202	99,052
Vehicle expenses	61,919			61,919
Food	123,575			123,575
Communication	13,948			13,948
Program and equipment costs	143,919			143,919
Travel	82,407	839	3,909	87,155
Bank and credit card fees	44,408	255	10,636	55,299
Depreciation	82,798			82,798
Office and general expenses	59,482	6,925	48,555	114,962
Promotional expenses	30,716	61	810	31,587
Office equipment and supplies	4,266	213	199	4,678
Event expenses	383		155,148	155,531
Total Expenses	$ 3,490,446	$ 137,520	$ 676,540	$ 4,304,506

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

Statements of Cash Flows

Years Ended December 31,

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (414,021)	$ (849,444)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	82,798	63,619
Change in equity investment	(2,031)	(2,034)
Investment losses	29,191	
(Increase) decrease in:		
Accounts receivable	(40,931)	(12,622)
Contributions receivable	346,094	862,906
Prepaid expenses	(17,131)	(6,894)
Security deposits	(4,525)	(20)
Other current assets	1,868	(1,531)
Increase (decrease) in:		
Accounts payable	(33,495)	(1,950)
Accrued expenses	60,432	36,483
Deferred revenue	5	63,122
Other current liabilities	(2,430)	2,283
Total adjustments	419,845	1,003,362
Net cash flows from operating activities	5,824	153,918
Cash flows from investing activities:		
Purchase of property and equipment	(48,855)	(97,054)
Purchase of investments	(5,614)	
Net cash flows from investing activities	(54,469)	(97,054)
Cash flows from financing activities:		
Repayment of capital lease obligation	(22,450)	(16,309)
Net cash flows from financing activities	(22,450)	(16,309)
Net change in cash and cash equivalents	(71,095)	40,555
Cash and cash equivalents at beginning of year	1,374,504	1,333,949
Cash and cash equivalents at end of year	$ 1,303,409	$ 1,374,504

Supplemental disclosures of cash flow information:

	2018	2017
Cash paid during the year for:		
Interest	$ 14,923	$ 7,079

Supplemental schedule of noncash investing and financing activities:

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

	2018	2017
Cost of property and equipment	$ 28,857	$ 24,980
Amount financed through a capital lease	(28,857)	(24,980)
Cash down payment for property and equipment	$ -	$ -

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

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 1 – NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

As part of an international network of 41 schools worldwide, with 11 in the United States, Outward Bound California (the Organization) is a nonprofit educational organization with programs that deliver character development, leadership and self-discovery in the outdoors and urban green spaces with a core mission of changing lives through challenge and discovery. Outward Bound California (OBCA), based in San Francisco, brings the life-changing experiences of the Outward Bound educational model to participants from California, across the United States and beyond. OBCA strives to provide equitable and inclusive programming and is diligently working to train our staff to provide culturally relevant and responsive programs for all participants. 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, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported, as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2018 and 2017

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, 2018 and 2017.

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, 2018 and 2017.

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 $5,000 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 $5,000 that extend the useful life the asset are capitalized.

Investment in OBSG

Investments 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 Investments

Endowment investments are carried at fair value.

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, 2018 and 2017

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 are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 Organization allocates its expenses on a functional basis among its various programs. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management allocates these costs based on factors, such as square footage associated with or hours employees worked on the respective program and supporting services. Management reviews the basis for this allocation annually.

Promotional and Advertising Expenses

The Organization expenses promotional and advertising costs as incurred.

Notes to Financial Statements

December 31, 2018 and 2017

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

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods, including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the year ended 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

- Mutual funds are based on the quoted net asset value of shares reported by the funds as of the last business day of the fiscal year.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. Pledges receivable, as of December 31, 2017, were reclassified from other assets to current assets in the amount of $769,790. There was no effect on the 2017 change in net assets as a result of such reclassifications.

Notes to Financial Statements

December 31, 2018 and 2017

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

Recently Adopted Pronouncements

Not-for-Profit Entities

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958). This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature among other changes. The guidance in this ASU is effective for the Organization's year ended 2018, and was applied retrospectively to these comparative financial statements. Amounts reported for the year ended 2017, were restated to reflect the change.

Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, to 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 year ending 2019. Management is currently evaluating the impact of adoption on its financial statements.

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. This guidance is effective for the Organization’s year ending 2020. The standard requires retroactive application to previously issued financial statements for 2019, if presented. Management is currently evaluating the impact of adoption on its financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects the Organization’s financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or internal board designations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 2 – LIQUIDITY AND AVAILABILITY – CONTINUED

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 1,303,409
Accounts receivable	58,927
Pledges receivable	975,000
	$ 2,337,336

The Organization's endowment funds consist of donor-restricted endowments. Except as allowed by the Organization's spending policy and the relevant law, donor-restricted endowment funds are not available for general expenditure.

NOTE 3 – PROPERTY AND EQUIPMENT

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

	2018	**2017**
Vehicles	**$ 178,864**	$ 149,545
Course equipment	**62,810**	62,810
Leasehold improvements	**139,744**	91,352
Design and development	**41,669**	41,669
	423,087	345,376
Less accumulated depreciation	**(223,877)**	(141,080)
	$ 199,210	$ 204,296

NOTE 4 – CONTRIBUTIONS RECEIVABLE

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

	2018	2017
Unconditional promises to give before unamortized discount	**$ 1,701,000**	$ 2,087,290
Less: unamortized discount	**(23,388)**	(63,584)
Net unconditional promises to give	**$ 1,677,612**	$ 2,023,706
Amounts due in:		
Less than one year	**$ 975,000**	$ 769,790
One to five years	**726,000**	1,317,500
Total	**$ 1,701,000**	$ 2,087,290

The discount rates used for the calculation of the unamortized discount range from 3.84% to 5.84%.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 5 – INVESTMENTS AND ENDOWMENT FUNDS

Investment consisted of the following at December 31:

	2018	2017
Investment in Outward Bound Services Group	**$ 105,069**	$ 102,972

Change in equity in investment consisted of the following for the years ended December 31:

	2018	2017
Change in equity of Outward Bound Services Group Investment	**$ 2,031**	$ 2,034

Endowment investments consisted of the following at December 31:

	2018	2017
Cash and cash equivalents	**$ 35**	$ 246,959
Equity fund	**136,293**	
Bond fund	**86,988**	
	$ 223,316	$ 246,959

Endowment net asset composition by type of fund as of December 31, 2018 are, as follows:

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds:			
Original donor-restricted gift		**$ 246,959**	**$ 246,959**
Accumulated investment losses		**(23,643)**	**(23,643)**
Total		**$ 223,316**	**$ 223,316**

Endowment net asset composition by type of fund as of December 31, 2017 are, as follows:

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds:			
Original donor-restricted gift		$ 246,959	$ 246,959
Total		$ 246,959	$ 246,959

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 5 – INVESTMENTS AND ENDOWMENT FUNDS – CONTINUED

Changes in endowment net assets for the year ended 2018 is, as follows:

December 31, 2018	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Beginning of year	**$**	**$ 246,959**	**$ 246,959**
Net investment loss		**(23,643)**	**(23,643)**
End of year	**$**	**$ 223,316**	**$ 223,316**

There was no activity in endowment net assets for the year ended 2017.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction are comprised of the following at December 31:

	2018	2017
Subject to expenditure for specified purpose:		
Programs	**$ 234,003**	$ 167,579
Scholarships	**48,823**	16,600
Capital campaign	**322,380**	757,579
Cabin construction		12,930
	605,206	954,688
Subject to time restriction:		
Time restricted	**1,765,867**	1,844,464
	1,765,867	1,844,464
Endowments:		
Original donor-restricted gift subject to spending policy and appropriation:		
Scholarships	**246,959**	246,959
Underwater endowments	**(23,643)**	
Total endowment	**223,316**	246,959
Total Net Assets with Donor Restrictions	**$ 2,594,389**	$ 3,046,111

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 6 – NET ASSETS WITH DONOR RESTRICTION – CONTINUED

Underwater funds – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of UPMIFA requires the Society to retain as a fund or perpetual duration. Deficiencies of this nature exist in one donor-restricted endowment funds, which has an original value of $246,959, a current fair value of $223,316, and a deficiency of $23,643 as of December 31, 2018. This deficiency resulted from unfavorable market fluctuations that occurred shortly after the investment of the contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows for the years ended December 31:

	2018	2017
Operations	**$ 83,598**	$ 346,580
Scholarships	**59,126**	111,951
Programs	**208,613**	106,061
Cabin Construction	**12,930**	7,070
Capital campaign	**1,065,295**	1,126,977
	$ 1,429,562	$ 1,698,639

NOTE 7 – LEASE COMMITMENTS

Operating Leases

The Organization leases additional office space from Tides, Inc. under a lease agreement that commenced September 1, 2016 and will expire on August 31, 2019. Monthly lease payments during the first year were approximately $4,598 and will increase by approximately 2.2% each year. Total rent expense for the years ended 2018 and 2017 was $57,042 and $55,490, respectively. Future minimum lease payments total $38,440 for the year ended 2019.

The Organization leases the Midpines base camp from Outward Bound Holdco, LLC under a lease agreement that commenced January 1, 2012 and will expire on December 31, 2020. 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 2018 and 2017. Future minimum annual lease payments total $20,000 for the years ending 2019 and 2020.

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 were approximately $1,671. Total rent expense for the years ended 2018 and 2017 was $21,462 and $19,437, respectively. There are no future minimum lease payments.

In 2018, the Organization entered into a lease agreement for additional staff housing that commenced February 1, 2018 and will expire on January 31, 2019 after which the Organization will continue to rent the property on a month-to-month basis. Lease payments for the year ended 2018 were $54,000. Future minimum lease payments total $4,850 for the year ended 2019.

The Organization leased additional staff housing under a lease agreement that commenced March 1, 2017 and expired February 28, 2018. The lease agreement was not renewed. Lease payments for the years ended 2018 and 2017 were $4,735. There are no future minimum lease payments.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 7 – LEASE COMMITMENTS – CONTINUED

The Organization leased a Southern California base camp under a lease agreement that commenced November 1, 2017 and expired on October 31, 2018. The lease agreement was not renewed. Lease payments for the year ended 2018 and 2017 were $16,185 and $2,666, respectively. There are no future minimum lease payments.

Capital Leases

The Organization also has capital lease agreements with Ford Motor Company LLC for vehicles. 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. The interest rate related to the lease obligations is 10%.

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

	2018	2017
Vehicles	**$ 143,915**	$ 114,597
Less accumulated depreciation	**68,677**	42,826
Net book value	**$ 75,238**	$ 71,771

The assets are depreciated on a straight-line basis over five years. Depreciation expense was $25,851 and $20,421 for the years ended 2018 and 2017, respectively.

At December 31, 2018, the future minimum lease payments under capital lease are, as follows:

Year ending December 31:

2019	**$ 34,215**
2020	**28,141**
2021	**17,391**
2022	**13,268**
2023	**4,329**
Total minimum lease payments	**97,344**
Less: Amount representing interest	**(14,923)**
Present value of minimum lease payments	**$ 82,421**

NOTE 8 – 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 2018 and 2017, the approved discretionary match contribution was 3% and 4%, and amounted to $31,595 and $30,076, respectively.

NOTE 9 – 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.

Notes to Financial Statements

December 31, 2018 and 2017

NOTE 10 – 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 2018 and 2017, the Organization's fees for enrollment to the OBSG amounted to $147,781 and $137,040, respectively.

NOTE 11 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are, as follows:

	Fair Value	Level 1	Level 2	Level 3
December 31, 2018				
Cash and cash equivalents	**$ 35**	**$ 35**		
Equity fund	**136,293**	**136,293**		
Bond fund	**86,988**	**86,988**		
Total	**$ 223,316**	**$ 223,316**	**$ -**	**$ -**
December 31, 2017				
Cash and cash equivalents	$ 246,959	$ 246,959		
Total	$ 246,959	$ 246,959	$ -	$ -

NOTE 12 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 25, 2019, 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.

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Independent Auditor's Report on Supplementary Information

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

The financial statements of Outward Bound California as of December 31, 2017, were audited by Macpage LLC, who merged with Wipfli LLP as of August 1, 2018, and whose report, dated May 24, 2018, expressed an unmodified opinion on those statements. In addition, their report stated the supplementary information, on page 20, as of and for the year ended December 31, 2017, was subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, and in their opinion, the information was fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

South Portland, Maine
July 25, 2019

Schedule of Functional Expenses

Year Ended December 31, 2017

	Program	Supporting Services General	Supporting Services Fundraising	Total
Salaries	$ 1,852,838	$ 47,363	$ 254,843	$ 2,155,044
Payroll taxes and benefits	270,145	8,731	42,364	321,240
National fees	173,668	974	5,164	179,806
Employee expenses	100,043	6,055	37,109	143,207
Facility expenses	259,587	485	2,491	262,563
Insurance	82,265	6,416	9,152	97,833
Professional fees	19,815	29,943	46,602	96,360
Vehicle expenses	57,095			57,095
Food	118,873			118,873
Communication	21,798	10	230	22,038
Program and equipment costs	137,741			137,741
Travel	68,421	527	5,738	74,686
Bank and credit card fees	39,098	95	5,969	45,162
Depreciation	63,361	48	210	63,619
Office and general expenses	94,146	4,897	57,262	156,305
Promotional expenses	44,646			44,646
Office equipment and supplies	3,203	515	881	4,599
Event expenses			107,466	107,466
Total Expenses	$ 3,406,743	$ 106,059	$ 575,481	$ 4,088,283