

# **Outward Bound California**

**Financial Report**

**December 31, 2012**

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Approachable  
Accountable

## 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, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities 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.

### ***Auditors' 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 of 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, 2012, 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.

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To the Board of Trustees  
Outward Bound California

***Other-Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is 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.

A handwritten signature in blue ink, appearing to read "M. M. M. LLC".

South Portland, Maine  
July 12, 2013

## Statement of Financial Position

December 31, 2012

### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 502,027
Accounts receivable	8,957
Contributions receivable	292,125
Prepaid expenses	6,947

<b>Total Current Assets</b>	<u>810,056</u>
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<b>Property and Equipment - Net</b>	<u>17,185</u>
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<b>Total Assets</b>	<u><u>\$ 827,241</u></u>
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### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts payable	\$ 20,145
Accrued expenses	50,242
Deferred revenue	8,595

<b>Total Current Liabilities</b>	<u>78,982</u>
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#### Net Assets

Unrestricted	496,950
Temporarily restricted	251,309

<b>Total Liabilities and Net Assets</b>	<u><u>\$ 827,241</u></u>
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## Statement of Activities

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains, Losses and Reclassifications</b>				
Course tuition and fees	\$ 632,598			\$ 632,598
Contributions and grants	597,430	\$ 167,750		765,180
Other income	30,081			30,081
Net assets released from restrictions	379,941	(379,941)		
<b>Total Revenues, Gains, Losses and Reclassifications</b>	<u>1,640,050</u>	<u>(212,191)</u>		<u>1,427,859</u>
<b>Expenses</b>				
Program	1,154,743			1,154,743
General management and administration	135,929			135,929
Fundraising and development	134,597			134,597
<b>Total Expenses</b>	<u>1,425,269</u>			<u>1,425,269</u>
<b>Change in Net Assets</b>	214,781	(212,191)		2,590
<b>Net Assets, Beginning of Year</b>	<u>282,169</u>	<u>463,500</u>		<u>745,669</u>
<b>Net Assets, End of Year</b>	<u>\$ 496,950</u>	<u>\$ 251,309</u>	<u>\$ -</u>	<u>\$ 748,259</u>

## Statement of Cash Flows

Year Ended December 31, 2012

**Cash flows from operating activities:**

Change in net assets	\$ 2,590
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	9,940
(Increase) decrease in operating assets:	
Accounts receivable	(6,857)
Contributions receivable	171,375
Prepaid expenses	(6,947)
Increase (decrease) in operating liabilities:	
Accounts payable	20,145
Accrued expenses	35,286
Deferred revenue	6,495
Total adjustments	<u>229,437</u>
<b>Net cash flows from operating activities</b>	<u>232,027</u>
 <b>Net change in cash and cash equivalents</b>	 232,027
 <b>Cash and cash equivalents at beginning of year</b>	 <u>270,000</u>
 <b>Cash and cash equivalents at end of year</b>	 <u><u>\$ 502,027</u></u>

## Notes to Financial Statements

December 31, 2012

### 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 was affiliated with Outward Bound, Inc. from 2007 through 2011, whereby programs were operated by the national organization. As of January 1, 2012, Outward Bound California disaffiliated from Outward Bound, Inc. and began operating programs as a separate, independent organization. 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, 2012.

#### 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, 2012

### 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, 2012.

#### 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. As of December 31, 2012, all contributions receivable are expected to be collected within one year and no allowance for uncollectible accounts was considered necessary.

#### 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.

#### 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, 2012

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

#### 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.

#### Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense was \$42 for the year ended December 31, 2012.

### NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2012:

Vehicles	\$ 34,949
Accumulated depreciation	<u>(17,764)</u>
	<u>\$ 17,185</u>

### NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2012:

Pledge receivable – time restriction	\$ 225,000
Information technology	24,193
Scholarships	<u>2,116</u>
	<u>\$ 251,309</u>

Releases of temporarily restricted net assets were for the following purposes for the year ended December 31, 2012:

Operations	\$ 238,500
Scholarships	67,884
School programs	32,750
Information technology	<u>807</u>
	<u>\$ 339,941</u>

### NOTE 4 – 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 \$2,400. Total rent expense for the year ended December 31, 2012 was \$29,184.

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 were \$0 during 2012. Future minimum annual lease payments total \$110,000 with payments of \$10,000 for 2013 and \$20,000 for each of the years ending 2014 through 2018.

## **Notes to Financial Statements**

**December 31, 2012**

### **NOTE 5 – PENSION PLAN**

The Organization offers eligible employees with a 401(k) qualified retirement plan. The Organization's contribution to the plan is discretionary subject to an annual review and approval by the Board of Directors. For the year ended December 31, 2012, the approved discretionary match contribution was 5%, and amounted to \$7,553.

### **NOTE 6 – 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 7 – RELATED PARTY**

The Organization is a member of the newly formed Outward Bound Services Group (OBSG), a 501(c)(3) organization which operates a national call center for the Outward Bound programs and Vets courses, 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. Each member has equal board representation and voting rights of the OBSG.

During the year ended December 31, 2012, the Organization's portion of the start-up costs and other shared expenses amounted to \$129,164. In addition, the Organization's fees for enrollment to the OBSG amounted to \$59,168.

### **NOTE 8 – EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through the date of the opinion of these financial statements, which represents the date on which the financial statements were available to be issued.

## Schedule of Functional Expenses

Year Ended December 31, 2012

	Program	Supporting Services		Total
		General	Fundraising	
Salaries	\$ 475,971	\$ 69,339	\$ 65,685	\$ 610,995
Payroll taxes and benefits	71,735	10,144	9,949	91,828
National fees	226,703			226,703
Employee expenses	61,091	17,408	2,059	80,558
Facility expenses	66,189	3,606	3,606	73,401
Insurance	62,653	8,326		70,979
Professional fees	4,049	17,712	49,066	70,827
Vehicle expenses	57,662			57,662
Food	40,327	8		40,335
Communication	21,454	2,130	397	23,981
Program and equipment costs	20,794			20,794
Travel	17,248	40		17,288
Bank and credit card fees	12,638	120		12,758
Depreciation	9,940			9,940
Office and general expenses	3,269	4,423		7,692
Promotional expenses	956	202	3,835	4,993
Office equipment and supplies	2,064	2,471		4,535
<b>Total Expenses</b>	<b>\$ 1,154,743</b>	<b>\$ 135,929</b>	<b>\$ 134,597</b>	<b>\$ 1,425,269</b>