

Outward Bound California

Financial Statements

Years Ended December 31, 2020 and 2019



OUTWARD BOUND
CALIFORNIA

WIPFLI

Independent Auditor's Report

Finance Committee
Outward Bound California
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of Outward Bound California, (a nonprofit organizations) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses 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; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

WIPFLI

Emphasis of Matter

As discussed in Note 15 to the financial statements, Outward Bound California has been affected by the COVID-19 outbreak. Our opinion is not modified with respect to this matter.

Wipfli LLP

Wipfli LLP
South Portland, Maine
December 29, 2021

Outward Bound California

Statements of Financial Position

Years Ended December 31,	2020	2019
ASSETS		
Current Assets		
Cash	\$ 2,026,867	\$ 1,719,880
Accounts receivable	-	29,056
Prepaid expenses	60,014	76,937
Contributions receivable - current portion	279,809	1,062,314
Other current assets	13,014	1,004
Total Current Assets	2,379,704	2,889,191
Property and equipment	364,681	259,480
Other Assets		
Contributions receivable - long term	45,051	264,197
Investment in OBSG	65,898	111,282
Security deposits	19,000	26,268
Endowment investments	303,500	267,365
Total Other Assets	433,449	669,112
Total Assets	\$ 3,177,834	\$ 3,817,783
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 59,567	\$ 147,521
Accrued expenses	330,477	215,226
Current portion of capital leases	14,561	23,834
Deferred revenue	81,350	149,435
Other current liabilities	11,134	25,635
Total Current Liabilities	497,089	561,651
Non-Current Liabilities		
Long term portion of capital leases	16,815	31,342
Total Non-Current Liabilities	16,815	31,342
Total Liabilities	513,904	592,993
Net Assets		
Without donor restriction	914,166	925,233
With donor restriction	1,749,764	2,299,557
Total Net Assets	2,663,930	3,224,790
Total Liabilities and Net Assets	\$ 3,177,834	\$ 3,817,783

See accompanying notes to financial statements.

Outward Bound California

Statement of Activities

December 31, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Course tuition and fees	\$ 275,684	\$ -	\$ 275,684
Contributions and grants	878,575	572,181	1,450,756
Government grants	677,944	-	677,944
Other income	40,565	-	40,565
Net assets released from restrictions	1,158,109	(1,158,109)	-
Total Operating Revenues	\$ 3,030,877	\$ (585,928)	\$ 2,444,949
Operating Expenses			
Program	\$ 2,135,585	\$ -	\$ 2,135,585
General and administrative	235,674	-	235,674
Fundraising and development	625,301	-	625,301
Total Expenses	2,996,560	-	2,996,560
Change in Net Assets - Operations	34,317	(585,928)	(551,611)
Non-Operating Activities			
Change in equity in investment	(45,384)	-	(45,384)
Investment income	-	36,135	36,135
Change in Net Assets - Non-Operating	(45,384)	36,135	(9,249)
Total Change in Net Assets	(11,067)	(549,793)	(560,860)
Net Assets, Beginning of Year	925,233	2,299,557	3,224,790
Net Assets, End of Year	\$ 914,166	\$ 1,749,764	\$ 2,663,930

See accompanying notes to financial statements.

Outward Bound California

Statement of Activities

December 31, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Course tuition and fees	\$ 2,254,509	\$ -	\$ 2,254,509
Contributions and grants	770,404	1,492,462	2,262,866
Other income	98,222	-	98,222
Net asset released from restrictions	1,831,343	(1,831,343)	-
Total Operating Revenues	\$ 4,954,478	\$ (338,881)	\$ 4,615,597
Operating Expenses			
Program	\$ 3,694,471	\$ -	\$ 3,694,471
General and administrative	160,601	-	160,601
Fundraising and development	833,147	-	833,147
Total Expenses	4,688,219	-	4,688,219
Change in Net Assets - Operations	266,259	(338,881)	(72,622)
Non-Operating Activities			
Change in equity in investment	6,213	-	6,213
Investment gain	-	44,049	44,049
Change in Net Assets - Non-Operating	6,213	44,049	50,262
Total Change in Net Assets	272,472	(294,832)	(22,360)
Net Assets, Beginning of Year	652,761	2,594,389	3,247,150
Net Assets, End of Year	\$ 925,233	\$ 2,299,557	\$ 3,224,790

See accompanying notes to financial statements.

Outward Bound California

Statement of Functional Expenses

Year Ended December 31, 2020	Program	General and Administrative	Fund Raising	Total
Salaries	\$ 1,135,781	\$ 128,699	\$ 329,148	\$ 1,593,628
Payroll taxes and benefits	293,921	36,720	86,289	416,930
National fees	145,379	272	639	146,290
Employee expenses	70,552	9,171	15,920	95,643
Facility expenses	186,467	2,995	7,038	196,500
Insurance	78,268	7,888	18,537	104,693
Professional fees	23,125	44,879	56,000	124,004
Vehicle expenses	9,645	-	-	9,645
Food	26,324	-	-	26,324
Communication	8,897	26	(40)	8,883
Program and equipment costs	23,243	-	-	23,243
Travel	7,687	23	816	8,526
Bank and credit card fees	14,553	390	7,698	22,641
Depreciation	61,401	-	-	61,401
Office and general expenses	44,456	4,185	86,257	134,898
Promotional expenses	5,237	-	965	6,202
Office equipment and supplies	649	426	-	1,075
Event expenses	-	-	16,034	16,034
Total Expenses	\$ 2,135,585	\$ 235,674	\$ 625,301	\$ 2,996,560

See accompanying notes to financial statements.

Outward Bound California

Statement of Functional Expenses

Year Ended December 31, 2019	Program	General and Administrative	Fund Raising	Total
Salaries	\$ 2,018,375	\$ 78,961	\$ 348,296	\$ 2,445,632
Payroll taxes and benefits	304,048	12,168	53,669	369,885
National fees	224,977	1,176	5,506	231,659
Employee expenses	87,630	15,012	13,016	115,658
Facility expenses	262,278	2,020	8,704	273,002
Insurance	69,934	2,178	9,687	81,799
Professional fees	37,905	35,942	247,100	320,947
Vehicle expenses	55,731	-	-	55,731
Food	131,101	-	-	131,101
Communication	21,370	-	-	21,370
Program and equipment costs	148,488	-	-	148,488
Travel	83,247	775	2,863	86,885
Bank and credit card fees	56,159	229	11,192	67,580
Depreciation	55,825	-	-	55,825
Office and general expenses	81,628	10,854	31,682	124,164
Promotional expenses	48,712	196	43	48,951
Office equipment and supplies	2,765	1,090	36	3,891
Event expenses	4,298	-	101,353	105,651
Total Expenses	\$ 3,694,471	\$ 160,601	\$ 833,147	\$ 4,688,219

See accompanying notes to financial statements.

Outward Bound California

Statements of Cash Flows

Years Ended December 31,	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (560,860)	\$ (22,360)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	61,401	55,825
Investment gain	(30,457)	(37,629)
Change in equity investment	45,384	(6,213)
(Increase) decrease in:		
Accounts receivable	29,056	53,259
Contributions receivable	1,001,651	327,713
Prepaid expenses	16,923	13,283
Security deposits	7,268	-
Other current assets	(12,010)	(754)
Increase (decrease) in:		
Accounts payable	(87,954)	110,081
Accrued expenses	115,251	4,171
Deferred revenue	(68,085)	44,050
Other current liabilities	(14,501)	24,805
Net cash flows from operating activities	503,067	566,231
Cash flows from investing activities:		
Purchase of property and equipment	(166,602)	(116,095)
Purchase investments	(5,678)	(6,420)
Net cash flows from investing activities	(172,280)	(122,515)
Cash flows from financing activities:		
Repayment of capital lease obligation	(23,800)	(27,245)
Net cash flows from financing activities	(23,800)	(27,245)
Net change in cash and cash equivalents	306,987	416,471
Cash and cash equivalents at beginning of year	1,719,880	1,303,409
Cash and cash equivalents at end of year	\$ 2,026,867	\$ 1,719,880

See accompanying notes to financial statements.

Outward Bound California

Notes to Financial Statements

Note 1: Nature of Activities and Significant 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. The Organization, 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. The Organization 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 (GAAP) 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 are 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 GAAP 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 that it is not exposed to any significant credit risk on its cash balances.

Outward Bound California

Notes to Financial Statements

Note 1: Nature of Activities and Significant Policies (Continued)

For purposes of this 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.

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, 2020 and 2019.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectible promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible.

Property and Equipment

Property and equipment are recorded at cost of, if received as a gift, at fair value when acquired. Depreciation is computed on the straight-line bases 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.

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%.

Outward Bound California

Notes to Financial Statements

Note 1: Nature of Activities and Significant Policies (Continued)

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 perpetual in nature the original gift(s) donated to the 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 perpetual in nature is restricted until those amounts are appropriated for expenditure by the Organization in a manner consistent with California UPMIFA.

Course Tuition and Fees

The Organization recognizes revenue from tuition and fees during the period in which the related services are provided to students. The performance obligation of delivering services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course period. Payment for tuition and fees is required before the start of the academic period.

All amounts received prior to the commencement of the course, including enrollment deposits, are deferred to the applicable period. Due to the nature and timing of the performance and/or transfer of services, substantially all deferred revenue at December 31 of each year is recognized the following year.

Scholarships and discounts provided to students are recorded as a reduction from tuition and fees at the time revenue is recognized.

Contributions and Grants

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Outward Bound California

Notes to Financial Statements

Note 1: Nature of Activities and Significant Policies (Continued)

Grant Revenues: Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

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.

Outward Bound California

Notes to Financial Statements

Note 1: Nature of Activities and Significant 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 2020, 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.

Recently Adopted Pronouncements

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the guidance in ASU 2014-09 is that an entity should 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 Organization applied Topic 606 on a modified retrospective basis and elected the practical expedient in paragraph FASB ASC 606-10-65-1(f)(1), under which an entity need not restate contracts that begin and are completed within the same annual reporting period. There were no changes to reported assets, liabilities, net assets, revenues, expenses for 2019 and therefore no cumulative adjustment for prior periods as a result of adopting this standard.

Outward Bound California

Notes to Financial Statements

Note 2: Liquidity and Availability of Financial Resources

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, 2020 and 2019, 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.

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 at December 31:

	2020	2019
Cash and cash equivalents	\$ 905,463	\$ 1,014,199
Accounts receivable	-	29,056
Pledges receivable	279,809	1,062,314
Total financial assets available for expenditure	\$ 1,185,272	\$ 2,105,569

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

	2020	2019
Vehicles	\$ 214,896	\$ 204,047
Course Equipment	62,810	62,810
Leasehold improvements	162,514	162,514
Design and development	265,565	109,812
	705,785	539,183
Less accumulated depreciation	(341,104)	(279,703)
Total	\$ 364,681	\$ 259,480

Outward Bound California

Notes to Financial Statements

Note 4: Contributions Receivable

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

	2020	2019
Unconditional promises to give before unamortized discount	\$ 327,749	\$ 1,367,314
Less: unamortized discount	(2,889)	(40,803)
Net unconditional promises to give	324,860	1,326,511
Amounts due in:		
Less than one year	279,809	1,062,314
One to five years	47,940	305,000
Total	\$ 327,749	\$ 1,367,314

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

Note 5: Investments and Endowment Funds

Investment consist of the following at December 31:

	2020	2019
Investment in Outward Bound Services Group	\$ 65,898	\$ 111,282

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

	2020	2019
Change in equity of Outward Bound Services Group Investment	\$ (45,384)	\$ 6,213

Endowment investments consisted of the following at December 31:

	2020	2019
Cash and cash equivalents	\$ 36	\$ 35
Equity funds	201,596	172,762
Bond funds	101,868	94,568
Total	\$ 303,500	\$ 267,365

Outward Bound California

Notes to Financial Statements

Note 5: Investments and Endowment Funds (Continued)

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

As of December 31, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift	\$ -	\$ 246,959	\$ 246,959
Accumulated investment gains	-	56,541	56,541
Total	\$ -	\$ 303,500	\$ 303,500

As of December 31, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift	\$ -	\$ 246,959	\$ 246,959
Accumulated investment gains	-	20,406	20,406
Total	\$ -	\$ 267,365	\$ 267,365

Changes in endowment net assets are, as follows:

Year ended December 31, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ -	\$ 267,365	\$ 267,365
Net investment income	-	36,135	36,135
Total	\$ -	\$ 303,500	\$ 303,500

Year ended December 31, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ -	\$ 223,316	\$ 223,316
Net investment income	-	44,049	44,049
Total	\$ -	\$ 267,365	\$ 267,365

Outward Bound California

Notes to Financial Statements

Note 6: Deferred Revenue

Deferred revenue is primarily from enrollment deposits and consists of the following for the years ended:

	2020	2019
Beginning of year	\$ 149,435	\$ 105,385
Additions	81,350	149,435
Revenue recognized	(149,435)	(105,385)
Total	\$ 81,350	\$ 149,435

Note 7: Paycheck Protection Program

In 2020, the Organization had a grant of \$561,000 which represents an award from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. The Organization has determined the award is a conditional grant and has applied the policy as described in Note 1. Accordingly, the award is reported as a refundable advance liability until the conditions are substantially met or explicitly waived.

The Organization has interpreted the condition of the award to be the incurrence of eligible expenditures, adjusted for any decrease in full time equivalents and or salary/wage limitations, recognized in stages over the covered period of either 8 or 24 weeks. The Organization determined it substantially met the conditions of the award in the year 2020 and recognized the full amount of the award as revenue. Subsequent to December 31, 2020, the Organization was notified by the lender and the SBA that the award was forgiven in full.

Note 8: Net Assets with Donor Restriction

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

	2020	2019
Subject to expenditure for specified purpose:		
Programs	\$ 290,154	\$ 456,525
Scholarships	50,000	39,224
Capital campaign	1,106,110	1,536,443
Total purpose restricted	1,446,264	2,032,192
Endowments:		
Perpetual in nature	246,959	246,959
Appreciation	56,541	20,406
Total endowment	303,500	267,365
Total Net Assets with Donor Restrictions	\$ 1,749,764	\$ 2,299,557

Outward Bound California

Notes to Financial Statements

Note 8: Net Assets with Donor Restriction (Continued)

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:

	2020	2019
Operations	\$ 150,000	\$ 285,388
Scholarships	42,724	20,000
Programs	253,372	335,304
Capital campaign	712,013	1,190,651
Total net assets released from restrictions	\$ 1,158,109	\$ 1,831,343

Note 9: Lease Commitments

Operating Leases

The Organization leases the Midpines base camp from Outward Bound Holdco, LLC under a lease agreement that commenced January 1, 2012 and expired 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 2020 and 2019.

The Organization leases other facilities on a month-to-month basis. Monthly lease payments were approximately \$6,596.

Total rent expense for the years ended 2020 and 2019 was \$165,158 and \$204,408, respectively.

Capital Leases

The Organization also has capital lease agreements 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:

	2020	2019
Vehicles	\$ 84,018	\$ 169,098
Less accumulated depreciation	(60,875)	(102,077)
Net book value	\$ 23,143	\$ 67,021

The assets are depreciated on a straight-line basis over five years. Depreciation expense was \$16,805 and \$25,851 for the years ended 2020 and 2019, respectively.

Outward Bound California

Notes to Financial Statements

Note 9: Lease Commitments (Continued)

At December 31, 2020, the future minimum lease payments under capital lease are, as follows:

Years ending December 31:

2021	\$	17,391
2022		13,268
2023		4,329
Total minimum lease payments		34,988
Less: Amount representing interest		(3,612)
Present value of minimum lease payments		\$ 31,376

Note 10: Retirement 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 2020 and 2019, the approved discretionary match contribution was 3%, and amounted to \$31,595 and \$48,951, respectively.

Note 11: 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 12: Related Party

The Organization is a member of the Outward Bound Services (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 2020 and 2019, the Organization's fees for enrollment to the OBSG amounted to \$110,076 and \$175,823, respectively.

Outward Bound California

Notes to Financial Statements

Note 13: Fair Value Measurements

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

As of December 31, 2020	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 36	\$ 36	\$ -	\$ -
Equity funds	201,596	201,596	-	-
Bond funds	101,868	101,868	-	-
Total	\$ 303,500	\$ 303,500	\$ -	\$ -

As of December 31, 2019	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 35	\$ 35	\$ -	\$ -
Equity funds	172,762	172,762	-	-
Bond funds	94,568	94,568	-	-
Total	\$ 267,365	\$ 267,365	\$ -	\$ -

Note 14: Supplemental Disclosures Of Cash Flow Information

Supplemental disclosures of cash flow information are as follows:

Years Ended December 31,	2020	2019
Cash paid during the year for:		
Interest	\$ 4,001	\$ 7,852

Note 15: Business Risks

In March 2020, the World Health Organization declared the outbreak of the COVID-19 pandemic. In response, many countries have implemented measures to combat the outbreak which have impacted organizations, workforces, and economies. For the year ended 2020, Outward Bound California's operations were significantly impacted by mandatory shelter-in-place orders, travel restrictions, and other government-mandated restrictions.

In response to COVID-19, the Organization implemented a COVID-19 safety plan, which outlined the minimum requirements for safely operating programs during the pandemic. Ultimately, Organization was required to halt all Group Partner and Open Enrollment programs in the Spring and Summer of 2020, which affected the Organization's earned revenue stream. The Organization took various actions to reduce our operating costs and mitigate future financial impact, including reductions in overhead and direct program expenses.

The future impact of the CV19 Crisis on the Organization, cannot be reasonably estimated at this time.

Outward Bound California

Notes to Financial Statements

Note 16: Subsequent Event

In February 2021 the Organization received approximately \$729,000 of additional funds from the second round of the SBA's PPP grant.

Note 17: Evaluation of Subsequent Events

The Organization has evaluated subsequent events through December 29, 2021, 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.