

OUTWARD BOUND CANADA

FINANCIAL STATEMENTS

DECEMBER 31, 2019

Independent Auditor's Report

To the Members of Outward Bound Canada

Opinion

We have audited the financial statements of Outward Bound Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the Organization to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Organization.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Organization.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Organization to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Toronto, Ontario
June 10, 2020

Chartered Professional Accountants
Licensed Public Accountants

OUTWARD BOUND CANADA

Statement of Financial Position

December 31	2019 \$	2018 \$
ASSETS		
Current assets		
Cash	171,829	767,175
Short term investments	38,792	39,163
Accounts receivable	240,984	173,383
Inventory	17,503	-
Prepaid expenses	115,485	149,961
Due from Outward Bound Canada Foundation (note 3)	15,000	87,616
	599,593	1,217,298
Capital assets (note 4)	362,412	262,705
	962,005	1,480,003
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	236,450	182,239
Deferred contributions, grants and bursaries (note 7)	235,218	838,372
Deferred course and contract fees	86,149	230,613
Current portion of vehicle loans payable (note 8)	50,076	53,151
	607,893	1,304,375
Vehicle loans payable (note 8)	84,443	79,367
	692,336	1,383,742
NET ASSETS		
Invested in capital assets	227,893	130,187
Sustainability Fund (note 9)	32,000	32,000
Unrestricted	9,776	(65,926)
	269,669	96,261
	962,005	1,480,003

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Director

Director

OUTWARD BOUND CANADA

Statement of Operations

Year ended December 31	2019 \$	2018 \$
Revenues		
Course fees	1,781,496	1,853,363
Contributions, grants and bursaries	1,723,996	1,603,543
Donations and fundraising	1,925,140	965,297
Donations from Outward Bound Canada Foundation (note 3)	235,764	334,496
Other income	16,941	42,385
	<u>5,683,337</u>	<u>4,799,084</u>
Expenses		
Program (schedule 1)	1,319,786	1,367,122
Administration (schedule 2)	926,132	608,687
Salaries and benefits (schedule 3)	3,264,011	2,783,692
	<u>5,509,929</u>	<u>4,759,501</u>
Excess of revenues over expenses for year	<u>173,408</u>	<u>39,583</u>

The accompanying notes are an integral part of these financial statements

OUTWARD BOUND CANADA

Statement of Changes in Net Assets

Year ended December 31

	2019			
	Invested in Capital Assets \$	Sustainability Fund (note 9) \$	Unrestricted \$	Total \$
Balance, beginning of year	130,187	32,000	(65,926)	96,261
Excess of revenues over expenses	-	-	173,408	173,408
Purchase of capital assets, net of disposals	161,843	-	(161,843)	-
Amortization	(62,136)	-	62,136	-
Repayment of vehicle loans net of additions	(2,001)	-	2,001	-
Balance, end of year	<u>227,893</u>	<u>32,000</u>	<u>9,776</u>	<u>269,669</u>

	2018			
	Invested in Capital Assets \$	Sustainability Fund (note 9) \$	Unrestricted \$	Total \$
Balance, beginning of year	116,105	32,000	(91,427)	56,678
Excess of revenues over expenses	-	-	39,583	39,583
Purchase of capital assets, net of disposals	(9,729)	-	9,729	-
Amortization	(54,660)	-	54,660	-
Repayment of vehicle loans net of additions	78,471	-	(78,471)	-
Balance, end of year	<u>130,187</u>	<u>32,000</u>	<u>(65,926)</u>	<u>96,261</u>

The accompanying notes are an integral part of these financial statements

OUTWARD BOUND CANADA

Statement of Cash Flows

Year ended December 31	2019 \$	2018 \$
Cash flows from operating activities		
Excess of revenues over expenses for year	173,408	39,583
Adjustments to determine net cash provided by (used in) operating activities		
Amortization of capital assets	62,136	54,660
Loss (gain) on disposal of capital assets	4,553	(31)
	240,097	94,212
Change in non-cash working capital items		
Decrease (increase) in short term investments	371	(20,431)
Decrease (increase) in accounts receivable	(67,601)	40,117
Increase in inventory	(17,503)	-
Decrease (increase) in prepaid expenses	34,476	(62,984)
Increase in accounts payable and accrued liabilities	54,211	4,275
Increase (decrease) in deferred contributions, grants and bursaries	(603,154)	160,808
Decrease in deferred course and contract fees	(144,464)	(116,920)
	(503,567)	99,077
Cash flows from investing activities		
Additions to capital assets	(169,896)	(5,240)
Proceeds received on disposal of capital assets	3,500	15,000
	(166,396)	9,760
Cash flows from financing activities		
Decrease (increase) in due from Outward Bound Canada Foundation	72,616	(62,347)
Proceeds received from vehicle loans	58,331	-
Repayment of vehicle loans payable	(56,330)	(78,471)
	74,617	(140,818)
Net change in cash	(595,346)	(31,981)
Cash, beginning of year	767,175	799,156
Cash, end of year	171,829	767,175

The accompanying notes are an integral part of these financial statements

OUTWARD BOUND CANADA

Schedules to Financial Statements

Year ended December 31

Schedule of program expenses

Schedule 1

	2019	2018
	\$	\$
Program supplies and services	678,538	782,045
Food	307,286	332,831
Transportation	333,962	252,246
	<u>1,319,786</u>	<u>1,367,122</u>

Schedule of administration expenses

Schedule 2

	2019	2018
	\$	\$
Office and communications	154,155	125,731
Marketing	124,467	110,194
Fundraising	243,659	65,671
Travel	102,111	62,076
Insurance	53,571	55,559
Amortization	62,136	54,660
Dues and fees (note 3)	80,750	50,624
Interest and credit card charges	44,822	39,301
Professional fees	36,294	27,000
Rent	21,767	14,714
Board expenditures	2,400	3,157
	<u>926,132</u>	<u>608,687</u>

Schedule of salaries and benefits

Schedule 3

	2019	2018
	\$	\$
Direct program delivery	2,359,023	1,924,955
Administration and program supervision	904,988	858,737
	<u>3,264,011</u>	<u>2,783,692</u>

The accompanying notes are an integral part of these financial statements

OUTWARD BOUND CANADA

Notes to Financial Statements

December 31, 2019

Purpose of the organization

Outward Bound Canada (the "Organization") was incorporated as a not-for-profit corporation without share capital under the Canada Corporations Act, and received its certificate of continuance under the Canada Not-for-profit Corporations Act. The Organization is a registered charity in Canada and is exempt from income taxes.

The Organization's mission is to cultivate resilience, leadership, connections and compassion through inspiring and challenging journeys of self-discovery in the natural world. The Organization's experiential educational process is based upon the philosophy that learning and understanding take place when people engage in and reflect upon experiences in challenging environments in which they must acquire new skills and work with each other.

The Organization is partnered with high schools, universities, community groups, government agencies, corporate groups and learning institutes across Canada to provide a wide range of services that enhance capacity and leadership and assist youth and adults in challenging times of transition in urban and wilderness settings.

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. These financial statements have been prepared within the framework of the significant accounting policies summarized below:

(a) Revenue recognition

The Organization follows the deferral method of accounting for contributions, which include donations, bursaries and grants.

Contributions made for restricted purposes related to expenses of future periods are deferred and recognized as revenue at the time the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or, if the amount to be received can be reasonably estimated and collection is reasonably assured, when receivable.

Course fee revenue is recognized on a pro-rata basis over the term of the related course.

(b) Short-term investments

Short-term investments consist of guaranteed investment certificates held as security for the Organization's credit cards. These investments are readily convertible into cash and are not subject to significant risk of change in values.

(c) Inventory

The Organization's inventory, which consists of various branded clothing and accessories available for sale, is recorded at the lower of cost and net realizable value.

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2019

1. Significant accounting policies (continued)

(d) Financial instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are initially measured at the exchange amount, being the amount agreed upon by the related parties.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost. Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

Financial assets measured at amortized cost include cash, short term investments, accounts receivable and due from Outward Bound Canada Foundation.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and vehicle loans payable.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets;

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2019

1. Significant accounting policies (continued)

(e) Capital assets

The costs of capital assets are capitalized upon meeting the criteria for recognition as an asset; otherwise, costs are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Capital assets are measured at cost less accumulated amortization and accumulated impairment losses.

The Organization provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The estimated useful lives are as follows:

Program and computer equipment	5-7 years
Vehicles	6 years

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the statements of operations when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. Any impairment of capital assets is charged to income in the period in which the impairment occurs.

An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

(f) Related parties

For the purposes of these financial statements, a party is considered to be related to the Organization if such party or the Organization has the ability to, directly or indirectly, control or exercise significant influence over the other entity's financial and operating decisions, or if the Organization and such party are subject to common significant influence. Related parties may be individuals or other entities. Transactions with related parties in the normal course of business are initially recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties (note 3). Transactions with related parties not in the normal course of business are recorded at their carrying amount.

(g) Contributed materials and services

Volunteers contributed time to assist the Organization in carrying out its programs. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2019

1. Significant accounting policies (continued)

(h) Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on information available as of the date of issuance of the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2. Financial instrument risk management

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Organization's financial instruments.

The financial instruments of the Organization and the nature of the risks to which it may be subject are as follows:

Financial instrument	Risks				
	Credit	Liquidity	Market risk		
Currency			Interest rate	Other price	
Cash	X		X		
Short term investments	X			X	
Accounts receivable	X				
Due from Outward Bound Canada Foundation	X				
Accounts payable and accrued liabilities		X			
Vehicle loans payable		X			

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2019

2. Financial instrument risk management (continued)

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization reduces its exposure to credit risk associated with cash and short term investments by holding these balances in a major Canadian institutions. The Organization reduces its exposure to credit risk associated with accounts receivable by performing credit evaluations on a regular basis, granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The maximum exposures of the Organization to credit risk are as follows:

	2019 \$	2018 \$
Cash	171,829	767,175
Short term investments	38,792	39,163
Accounts receivable	240,984	173,383
Due from Outward Bound Canada Foundation	15,000	87,616
	<u>466,605</u>	<u>1,067,337</u>

Liquidity risk

Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, maintains adequate credit facilities (note 5) to repay its trade creditors as they become due, anticipating investing and financing activities and holding assets that can be readily converted into cash. The Organization has liquidity risk in accounts payable and accrued liabilities and vehicle loans payable to a maximum of \$370,969 (2018 - \$314,757).

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2019

2. Financial instrument risk management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) Currency Risk

Currency risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Organization by a customer, or that an obligation in a foreign currency was entered into by the Organization to a supplier, is different at the time of settlement than it was at time that the obligation originated. The Organization's exposure to foreign exchange risk is minimal as it does not have any significant foreign denominated financial instruments at year end.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on the maturity of its short term investments.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is not exposed to other price risk as it has no investments in marketable securities.

Changes in risk

There have been no changes in the Organization's risk exposures from the prior year.

3. Related party transactions

The Organization has related party transactions with Outward Bound Canada Foundation ("the Foundation"), which was established to help the Organization reach its fundraising and other objectives and Outward Bound International ("OBI"), a membership organization of all the Outward Bound Centres worldwide as follows:

- (a) During the year, the Organization received donations from the Foundation in the amount of \$235,764 (2018 - \$334,496).
- (b) During the year, the Organization paid dues to OBI in the amount of \$14,407 (2018 - \$16,906).
- (c) At year end, the Organization has a balance due from the Foundation in the amount of \$15,000 (2018 - \$87,616).
- (d) At year end, included in accounts payable and accrued liabilities (note 6) is an amount payable to OBI of \$10,018 (2018 - \$11,114).

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2019

4. Capital assets

	2019		
	Cost	Accumulated	Net
	\$	Amortization	\$
	\$	\$	\$
Program and computer equipment	422,311	230,840	191,471
Vehicles	271,606	100,665	170,941
	<u>693,917</u>	<u>331,505</u>	<u>362,412</u>
			2018
	Cost	Accumulated	Net
	\$	Amortization	\$
	\$	\$	\$
Program and computer equipment	366,543	246,940	119,603
Vehicles	216,919	73,817	143,102
	<u>583,462</u>	<u>320,757</u>	<u>262,705</u>

5. Credit facilities

Under the terms of a credit facility agreement dated December 27, 2017 with the Royal Bank of Canada ("RBC") the Organization has available to it a revolving demand facility to a maximum of \$200,000. Borrowings under this facility are due on demand with no specific terms of repayment and bear interest at RBC prime rate plus 1.80%. At year end, the Organization has \$nil (2018 - \$nil) outstanding under this facility.

Additionally, the Organization has available to it a Visa Business card with a credit limit of \$30,000. At year end \$6,490 (2018 - \$409) is outstanding on this card.

All borrowings under these facilities are secured by a general security agreement constituting a first ranking security interest on all of the Organization's assets.

6. Accounts payable and accrued liabilities

	2019	2018
	\$	\$
Accounts payable and accrued liabilities	202,684	155,936
Government remittances	33,766	26,303
	<u>236,450</u>	<u>182,239</u>

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2019

7. Deferred contributions, grants and bursaries

	2019 \$	2018 \$
Balance, beginning of year	838,372	677,564
Contributions received	919,866	1,683,053
Amount recognized as revenue	(1,523,020)	(1,522,245)
Balance, end of year	<u>235,218</u>	<u>838,372</u>

8. Vehicle loans payable

The Company has entered into the following vehicle loan agreements to finance the purchase of the following vehicles:

	2019 \$	2018 \$
Silver Ford F150 - payable in blended equal bi-weekly payments of \$595 and bears interest at 2.99% per annum. The loan matures in September 2023 and is secured by the vehicle	55,152	-
Silver Ford 250 - payable in blended equal monthly payments of \$696 per month and bears interest at 3.49% per annum. The loan matures in December 2022 and is secured by the vehicle	23,762	31,148
White Ford F250 - non-interest bearing and is payable in equal monthly principal payments of \$783 per month. The loan matures in May 2022 and is secured by the vehicle	22,700	32,093
Silver Ford 350 - non-interest bearing and is payable in equal monthly principal payments of \$993 per month. The loan matures in February 2022 and is secured by the vehicle	25,817	37,731
White Ford Transit - payable in blended equal monthly payments of \$1,455 per month and bears interest at 2.99% per annum. The loan matures in May 2020 and is secured by the vehicle	7,088	24,065
Silver Ford F150 - non-interest bearing loan was repaid in full during the year	-	7,481
	<u>134,519</u>	<u>132,518</u>
Less current portion:	<u>50,076</u>	<u>53,151</u>
	<u>84,443</u>	<u>79,367</u>

OUTWARD BOUND CANADA

Notes to Financial Statements (continued)

December 31, 2019

8. Vehicle loans payable (continued)

Principal payments over the next five years are as follows:

	<u>\$</u>
2020	50,076
2021	43,685
2022	28,993
2023	<u>11,765</u>
	<u><u>134,519</u></u>

9. Sustainability fund

The sustainability fund was established in recognition of the need to maintain working capital for continuing operations, and for the purpose of putting income aside in surplus years in order to offset deficits in other years. This fund is represented by internally restricted net assets as directed by the Board.

10. Commitments

The Organization is committed to annual payments for leases for premises until September 30, 2022. Future minimum lease payments, excluding HST, operating costs and property taxes, are as follows:

	<u>\$</u>
2020	83,230
2021	70,630
2022	<u>28,787</u>
	<u><u>182,647</u></u>

11. Subsequent events

Subsequent to year end, the global pandemic of the virus known as COVID-19 led the Canadian Federal government, as well as provincial and local governments, to impose measures, such as restricting foreign travel, mandating self-isolations and physical distancing and closing non essential businesses.

Throughout the COVID-19 pandemic, the Organization has prioritized the health and wellbeing of its employees, participants and the wider community. The Organization has cancelled its courses and its outdoor programs through to August 2020 as a result of the ongoing restrictions of group activities, travel and access to schools, parks and wilderness sites. The Organization has also taken measures to eliminate or reduce the costs associated with the cancelled courses and has significantly reduced its administrative costs. Because of the high level of uncertainty related to the outcome of this pandemic, it is difficult to estimate the financial effect on the Organization. No adjustments have been made in the financial statements as a result of these events.

HILBORN

LISTENERS. THINKERS. DOERS.