



**NYC OUTWARD BOUND
SCHOOLS**

Transforming Schools, Changing Lives

Financial Report

June 30, 2016

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Independent Auditors' Report

Board of Directors
NYC Outward Bound Schools
Long Island City, New York

Report on the Financial Statements

We have audited the accompanying financial statements of NYC Outward Bound Schools (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.



Board of Directors
NYC Outward Bound Schools

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NYC Outward Bound Schools as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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 16 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.

Mudald Page (NY) LLC

South Portland, Maine
December 9, 2016

NYC Outward Bound Schools
Statements of Financial Position
June 30,

<u>ASSETS</u>	2016	2015
Current Assets		
Cash and cash equivalents	\$ 2,059,139	\$ 2,862,615
Restricted cash	58,294	78,704
Investments	2,751,332	1,597,072
Contracts receivable	1,015,301	1,066,415
Grants and contributions receivable	767,912	649,780
Prepaid expenses and other assets	56,876	76,499
Total current assets	6,708,854	6,331,085
Other Assets		
Grants and contributions receivable	188,842	419,922
Security deposit	3,635	2,755
Property and equipment, net	5,516,960	5,737,200
Total Assets	\$ 12,418,291	\$ 12,490,962
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payables and accrued expenses	\$ 126,306	\$ 336,391
Salaries and payroll taxes payable	242,718	200,722
Contract advances payable	70,816	76,716
Total current liabilities	439,840	613,829
Other Liabilities		
Security Deposit	14,692	14,692
Total Liabilities	454,532	628,521
Net Assets		
Unrestricted:		
Board Designated Quasi Endowment	1,700,000	1,700,000
Board Designated Property, Plant and Equipment	5,516,960	5,737,200
Undesignated	3,693,445	3,252,216
Total	10,910,405	10,689,416
Temporarily Restricted	1,053,354	1,173,025
Total Net Assets	11,963,759	11,862,441
Total Liabilities and Net Assets	\$ 12,418,291	\$ 12,490,962

The accompanying notes are an integral part of these financial statement

NYC Outward Bound Schools
Statements of Activities
Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT FROM OPERATIONS						
Contract services	\$ 1,955,923		\$ 1,955,923	\$ 1,558,670		\$ 1,558,670
Grants and contributions	1,135,241	\$ 415,649	1,550,890	1,334,190	\$ 956,600	1,334,190
Fundraising events	1,480,473		1,480,473	1,490,555		1,490,555
Course fees	1,138,131		1,138,131	849,474		849,474
Investment income utilized in operations	14,426		14,426	6,314		6,314
Other income	183,524		183,524	232,120		232,120
	5,907,718	415,649	6,323,367	5,471,323	956,600	5,471,323
Net assets released from restrictions						
Satisfaction of program restrictions	521,622	(521,622)	-	449,906	(449,906)	-
Satisfaction of time restrictions	13,698	(13,698)	-	123,800	(123,800)	-
Total revenue and support from operations	6,443,038	(119,671)	6,323,367	6,045,029	382,894	6,427,923
OPERATING EXPENSES						
Expeditionary Learning Schools Network	3,582,639		3,582,639	3,592,249		3,592,249
Associate Schools	375,425		375,425	124,540		124,540
Adventure and Team Building Programs	1,318,974		1,318,974	1,248,757		1,248,757
Supporting services:						
Management and general	352,959		352,959	290,646		290,646
Fundraising:						
General	520,234		520,234	431,277		431,277
Events	168,875		168,875	176,910		176,910
Total operating expenses	6,319,106	-	6,319,106	5,864,379	-	5,864,379
Change in net assets from operations	123,932	(119,671)	4,261	180,650	382,894	563,544
NON-OPERATING ACITVITIES						
Revenue for capital activities	50,000		50,000	80,000		80,000
Investment Income	61,483		61,483	6,314		6,314
Investment Income to be released for operations	(14,426)		(14,426)	(6,314)		(6,314)
Change in net assets for non-operating activities	97,057	-	97,057	80,000	-	80,000
Change in net assets	220,989	(119,671)	101,318	260,650	382,894	643,544
Net assets at beginning of year	10,689,416	1,173,025	11,862,441	10,428,766	790,131	11,218,897
Net assets at end of year	\$ 10,910,405	\$ 1,053,354	\$ 11,963,759	\$ 10,689,416	\$ 1,173,025	\$ 11,862,441

NYC Outward Bound Schools
Statements of Cash Flows
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Changes in net assets	\$ 101,318	\$ 643,544
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	247,622	244,420
Bad debt expense	5,499	13,201
Realized and unrealized (gains) losses on investments	(31,667)	2,139
Change in operating assets and liabilities:		
(Increase) decrease in restricted cash	20,410	(49)
(Increase) decrease in contracts receivable	51,114	(203,130)
(Increase) decrease in grants and contributions receivable	107,448	(96,550)
Decrease in prepaid expenses and other assets	18,745	17,911
Decrease in accounts payable and accrued expenses	(210,085)	(57,537)
Increase in salaries and payroll taxes payable	41,996	19,795
Decrease in contract advances payable	(5,900)	(183,293)
Net cash provided by operating activities	<u>346,500</u>	<u>400,451</u>
Cash flows from investing activities:		
Proceeds from sale of investments	604,922	3,321,502
Purchases of investments	(1,727,515)	(2,802,993)
Purchase of property and equipment	(27,383)	(102,196)
Net cash used in investing activities	<u>(1,149,976)</u>	<u>416,313</u>
Net increase (decrease) in cash and cash equivalents	(803,476)	816,764
Cash and cash equivalents, beginning of year	<u>2,862,615</u>	2,045,851
Cash and cash equivalents, end of year	<u>\$ 2,059,139</u>	<u>\$ 2,862,615</u>

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2016 and 2015

1. ORGANIZATION

NYC Outward Bound Schools was founded in 1987 to effect positive and lasting change in the lives of New York City's young people and their public schools through Outward Bound's distinctive approach to education. For nearly three decades, we've been transforming schools and changing lives by bringing out the best in students, teachers, and school leaders throughout New York City. We operate a network of public schools based on the EL Education model, in partnership with the City's Department of Education, which primarily target students from underserved neighborhoods. Our educational approach delivers academic rigor through active, real-world learning, develops character skills, inspires students to serve their communities, and instills in them the grit to overcome challenges. Our graduates succeed in more than just college and careers – they're active citizens who make their communities better for all.

To further extend our impact and reach, we also offer Adventure & Team Building programs to young people not enrolled in our network schools. And we now have a new and expanding line of work – our Associate Schools program – through which we provide coaching and professional development supports to schools outside of our network interested in adopting specific best practices and approaches from our network schools. Both our schools and our programs impart the central lesson of Outward Bound: that all individuals, regardless of background or circumstance, can achieve at higher levels than they previously thought possible when given the right mix of challenge and support.

For federal income tax purposes, NYC Outward Bound Schools is classified as a 501(c)(3) organization and is exempt under Section 501(a) of the Internal Revenue Code and a similar provision of the New York State income tax laws.

During fiscal years 2016 and 2015, NYC Outward Bound Schools served 11,738 and 9,531 students and educators, respectively, through our core program areas:

Network Schools – We operate a growing network of small college-preparatory public schools in the City in partnership with the NYC Department of Education and continue to support our graduates once they are in college. Our schools especially target students from neighborhoods where access to high quality education has been limited until now. We assist our schools in implementing the EL Education school model, which is rooted in Outward Bound's educational approach, and provide an extensive package of services and supports aimed at promoting high-quality teaching, high levels of student achievement, character development, and college access, readiness and persistence. This past school year, there were 11 NYC Outward Bound schools in New York City: Brooklyn Collaborative, Channel View School for research, Gaynor McCown, The James Baldwin School, The Kurt Hahn School, Launch Charter School, MAELS Middle School, MELS, Leaders high School, West End Secondary and WHEELS.

While our schools are in various stages of implementing our school model, they each show strong evidence of becoming the kind of outstanding schools we envision: schools that bring together demanding academics, community and character to foster high levels of achievement for all its students. In fact, this past year, our 90% on-time network graduation rate far exceeded the most recent citywide average of 70% and 98% of our 2016 graduates were accepted to college.

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2016 and 2015

1. ORGANIZATION – CONTINUED

Associate Schools – During the 14-15 school year, we launched a new program area as part of our strategic plan through which we are providing professional development and coaching to schools outside our network, in an effort to increase our influence and presence in the public school system. This past year, we worked with 11 public schools in the City to provide professional development and coaching to teachers in two areas where schools have expressed needs and where we have considerable organizational expertise: Crew, our distinctive student advisory structure, and Case Studies, an inter-disciplinary curriculum framework that has proven to be especially well-suited to the Common Core. As this work grows, it will allow us to extend our reach to more schools beyond our network – and will also serve as a key source of new revenue as we tackle the challenge of further diversifying our revenue stream.

Adventure and Team Building Programs – NYC Outward Bound Schools provides a range of customized adventure and team building programs which incorporate Outward Bound’s activities and approaches and which we offer on a fee-for-service basis to City public schools, private schools, universities and other youth-serving organizations. They are organized around one or more of the following themes: Leadership/character development; service; and academic enrichment. As their name suggests, they are tailored to meet specific client needs and goals. They can be school and/or field-based and can be targeted to youth and/or adults. They vary in length from one day to a year and take place during the school day, after-school, on weekends and/or in the summer. 100% of clients who responded to our 2015-16 survey said that our programs were highly effective in helping them achieve strong student outcomes and met their targeted goals in the areas of leadership, character-building, and/or teamwork.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of NYC Outward Bound Schools have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The significant accounting policies are described below.

Basis of Presentation

The net assets of NYC Outward Bound Schools are reported as follows:

Unrestricted

Unrestricted net assets are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and are available for the general operations of NYC Outward Bound Schools. These net assets also include those funds that are designated for specific purposes by the Board of Directors.

The Board-designated quasi-endowment net assets include resources that have been designated by the Board of Directors to function as endowments. Any portion of the quasi-endowment may be expended upon approval of the Board of Directors. Investment income from these net assets supports the current operations of the NYC Outward Bound Schools.

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The balance in Board-designated quasi-endowment net assets was \$1,700,000 at June 30, 2016 and 2015.

In May 2005, the Board approved the designation of a certain portion of NYC Outward Bound Schools' unrestricted net assets for the purpose of funding the depreciation of property and equipment in future years. The balance was \$5,516,960 and \$5,737,200 at June 30, 2016 and 2015, respectively.

Temporarily Restricted

Temporarily restricted net assets include gifts of cash and other assets received with donor-imposed stipulations that will be met either by actions of NYC Outward Bound Schools and/or the passage of time.

Contributions with donor-imposed restrictions are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when purpose or time restrictions are met, and recorded in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same fiscal year are reported as unrestricted revenue.

Permanently Restricted

Permanently restricted net assets include funds that have been restricted by donors to be held in perpetuity. NYC Outward Bound Schools did not have any permanently restricted net assets at June 30, 2016 and 2015.

Cash and Cash Equivalents

NYC Outward Bound Schools considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Investment Policy and Objective

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying statements of financial position. Realized and unrealized gains or losses are reported in the accompanying statements of activities as increases or decreases in net assets. NYC Outward Bound Schools' primary investment objective is to maximize total return with minimal risk. The stated goal is to preserve capital that is intended for NYC Outward Bound Schools' charitable mission while generating cash flow to support current operations.

Grants and Contributions

NYC Outward Bound Schools records contributions and grants, both cash and in-kind, when an unconditional promise to give such assets is received from a donor. Contributions and grants are recorded at the fair market value of the assets received and are classified as either unrestricted, temporarily restricted or permanently restricted, depending on whether the donor has imposed a restriction on the use of such assets.

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions and grants receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using an appropriate discount rate determined in the year in which the contribution originates. Amortization of the discount is included in contribution revenue.

Revenues

Revenues from governmental contracts are recognized in the period when expenditures have been incurred or services have been performed in compliance with the respective contracts. Governmental contracts are subject to audit and potential disallowance. It is management's opinion that any potential disallowances will not have a material effect on the accompanying financial statements. Contract payments in excess of qualified expenses are accounted for as contract advances payable.

Revenues from event tickets and direct event expenses are reported in the fiscal year in which the event was held.

Revenues from course fees are recognized in the period when services have been performed. Fees received prior to services being performed are accounted for as contract advances payable.

Non-operating Activities

Non-operating activities include contributions for long-lived assets, investment income and grants that are passed-through to the network schools for long-lived assets. For the year ended June 30, 2016, NYC Outward Bound Schools had non-operating revenue of \$97,057, \$50,000 of which was for a capital project to develop a new customer relationship management system, and \$47,057 of which was investment income. For the year ended June 30, 2015, NYC Outward Bound Schools had non-operating revenue of \$80,000 for capital projects which was used to replace the building roof and upgrade security systems.

Allowance for Uncollectible Accounts

Grants and contributions receivable and contracts receivables outstanding longer than the payment terms are considered past due. NYC Outward Bound Schools determines its allowance by considering a number of factors, including the length of time receivables are past due, NYC Outward Bound Schools' previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. NYC Outward Bound Schools writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are recorded as revenue in the period received. No allowance for uncollectible accounts was considered necessary as of June 30, 2016 and 2015.

Property and Equipment

NYC Outward Bound Schools capitalizes property and equipment with a cost, or fair value if donated, exceeding \$1,000 and a useful life of more than one year. Depreciation of property and equipment is provided on the straight-line method over the expected useful lives of the assets as follows:

Building and improvements	5-50 years
Property and equipment	3-20 years

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In-Kind Contributions

In-kind contributions are reflected as revenue and expense in the accompanying financial statements at the estimated fair market value at time of donation.

Functional Expense Allocations

The costs of providing the various programs and other activities of NYC Outward Bound Schools have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management in accordance with grant provisions and/or another equitable basis.

Income Taxes

NYC Outward Bound Schools has processes in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. Management evaluated NYC Outward Bound Schools' tax positions and determined that NYC Outward Bound Schools has taken no uncertain tax positions that require adjustment to the financial statements. NYC Outward Bound Schools is no longer subject to federal and state examinations by tax authorities for the years ended before June 30, 2013.

Concentrations of Credit Risk

Financial instruments that potentially subject NYC Outward Bound Schools to concentrations of credit risk consist principally of cash and cash equivalents and investments. To minimize such risks, NYC Outward Bound Schools maintains a diversified portfolio in a variety of asset classes. NYC Outward Bound Schools maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. NYC Outward Bound Schools' cash accounts were placed with high credit quality financial institutions. NYC Outward Bound Schools has not experienced, nor does it anticipate, any losses in such accounts.

Use of Estimates

In conformity with US GAAP, the preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to be consistent with the classifications used in 2016. These reclassifications had no effect on the change in net assets 2015.

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent Accounting Pronouncements

Leasing

In February 2016, FASB issued ASU 2016-02, Leases. This new standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of entities that lease. The proposal is for a dual-model approach; a lessee would account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both would be reported on the balance sheet of the entity. For nonpublic entities, the new leasing standard would apply for fiscal years beginning after December 15, 2019. The standard requires retroactive application to previously issued financial statements for 2019 and 2018, if presented. Management is currently evaluating the impact of adoption on its financial statements.

Not-for-Profit Entities

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

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 all nonpublic entities' annual periods beginning after December 15, 2018, but management presently does not expect a significant change in revenue recognition.

3. INVESTMENTS

Investments at fair value held by NYC Outward Bound Schools at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Certificates of deposit	\$ 997,330	\$ 599,897
Long Term Investment Funds	1,754,002	997,175
Total investments	<u>\$ 2,751,332</u>	<u>\$ 1,597,072</u>

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2016 and 2015

3. INVESTMENTS – CONTINUED

NYC Outward Bound Schools has adopted a framework for measuring fair value and expanding its disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 - Quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. The types of investments in Level 1 include listed equities held in the name of NYC Outward Bound Schools, and exclude listed equities and other securities held indirectly through commingled funds.
- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the assets or liability and include situations where there is little (if any) market activity for the assets or liability. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

The following table summarizes investments by the fair value hierarchy levels as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 93,303			\$ 93,303
Equity	959,429			959,429
Fixed income	701,270	\$ 997,330		1,698,600
	<u>\$ 1,754,002</u>	<u>\$ 997,330</u>	<u>\$ -</u>	<u>\$2,751,332</u>

The following table summarizes investments by the fair value hierarchy levels as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 335,115			
Equity	417,437			
Fixed income	244,593	\$ 599,897		
	<u>\$ 997,175</u>	<u>\$ 599,897</u>	<u>\$ -</u>	<u>\$1,597,072</u>

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2016 and 2015

3. INVESTMENTS – CONTINUED

All investments have been valued using a market approach. Fair values of assets in Level 2 are calculated using quoted market prices for similar assets and assuming standard market conditions. The Organization invests in various investment securities and money market funds. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported in the consolidated statement of financial position.

4. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at June 30, 2016 and 2015 consisted of current and multiyear promises to give which are collectible as follows:

	<u>2016</u>	<u>2015</u>
One year or less	\$ 767,912	\$ 649,780
One to five years, net of present value discount of \$31,158 and \$63,195, respectively.	188,842	419,922
	<u>\$ 956,754</u>	<u>\$1,069,702</u>

5. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment is as follows at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 7,308,252	\$ 7,308,252
Equipment and other fixed assets	191,325	230,594
	<u>7,499,577</u>	<u>7,538,846</u>
Less: Accumulated depreciation	<u>(2,532,617)</u>	<u>(2,351,646)</u>
	4,966,960	5,187,200
Land	550,000	550,000
	<u>\$ 5,516,960</u>	<u>\$ 5,737,200</u>

6. CONTRACT SERVICES REVENUE

Contract services revenue consisted of the following for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Operating contract revenue:		
City of New York Board of Education	\$ 1,646,413	\$ 1,382,833
City University of New York	113,955	
New York State Children and Family Services/ Higher Education Services Corporation	195,555	175,837
Total operating contract revenue	<u>\$ 1,955,923</u>	<u>\$ 1,558,670</u>

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2016 and 2015

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available to satisfy the following program or time restrictions at June 30, 2016 and 2015:

	<u>June 30, 2015</u>	<u>Contributions</u>	<u>Net Assets Released from Restrictions</u>	<u>June 30, 2016</u>
Time restricted:				
General support	\$ 172,540	\$ 150,000	\$ (13,698)	\$ 308,842
Purpose restricted	1,000,485	265,649	(521,622)	744,512
	<u>\$ 1,173,025</u>	<u>\$ 415,649</u>	<u>\$ (535,320)</u>	<u>\$ 1,053,354</u>

	<u>June 30, 2014</u>	<u>Contributions</u>	<u>Net Assets Released from Restrictions</u>	<u>June 30, 2015</u>
Time restricted:				
General support	\$ 277,725	\$ 18,615	\$ (123,800)	\$ 172,540
Purpose restricted	512,406	937,985	(449,906)	1,000,485
	<u>\$ 790,131</u>	<u>\$ 956,600</u>	<u>\$ (573,706)</u>	<u>\$ 1,173,025</u>

NYC Outward Bound Schools received an additional \$599,594 and \$563,676 during the years ended June 30, 2016 and 2015, respectively, in purpose-restricted funds for which donor restrictions were met in the year the contribution was received.

8. CONTINGENCIES

NYC Outward Bound Schools is self-insured for liability insurance claims up to a stop loss limit of \$50,000. NYC Outward Bound Schools may become involved in claims or legal actions arising in the ordinary course of business. Management has determined that the ultimate disposition of such matters would not have a material adverse effect on the financial position of NYC Outward Bound Schools.

9. LEASE

On September 1, 2012, NYC Outward Bound Schools leased the second floor to The Mental Health Association of New York City, Inc. (MHA-NYC). Sublease income for the years ended June 30, 2016 and 2015 was \$99,330, and is included in other income in the accompanying statements of activities. Future minimum rental income to be received under the non-cancelable operating lease is contractually due as follows:

Year Ending June 30,	
2017	\$ 99,330
2018	99,330
2019	99,330
2020	16,555
	<u>\$ 314,545</u>

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2016 and 2015

10. PENSION PLAN

NYC Outward Bound Schools provides a 403(b) retirement plan for all eligible employees through Teachers Insurance and Annuity Association - College Retirement/Equities Fund ("TIAA-CREF"). After one year of service, employees can participate and make voluntary contributions to the plan. NYC Outward Bound Schools matches the employee contribution up to 3% of the employee's gross salary. The TIAA-CREF plan is a defined contribution plan, which provides employees with individually owned and fully vested annuity contracts. NYC Outward Bound Schools contributed \$38,883 and \$40,151 to the plan for the years ended June 30, 2016 and 2015, respectively.

11. CHANGE IN NET ASSETS FROM OPERATIONS

The change in net assets from operations includes a non-cash charge for depreciation expense related to NYC Outward Bound Schools' building and improvements, and other fixed assets. The change in net assets from operations exclusive of the charge for depreciation would be as follows for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Change in unrestricted net assets from operations	\$ 123,932	\$ 180,650
Depreciation	247,622	244,420
	<u>\$ 371,554</u>	<u>\$ 425,070</u>

12. ENDOWMENT

NYC Outward Bound Schools' endowment consists of one individual fund established for Board-approved expenditures as described in Note 2. Its endowment includes funds designated by the Board of Directors to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The following table summarized changes in board-designated endowment net assets for the year ended June 30, 2016:

	<u>Unrestricted</u>
Endowment net assets, beginning of year	\$ 1,700,000
Board designated endowment funds	
Interest and dividends	26,659
Investment return	(33,190)
Internal transfer	6,531
Endowment net assets, end of year	<u>\$ 1,700,000</u>

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2016 and 2015

12. ENDOWMENT- CONTINUED

The following table summarized changes in board-designated endowment net assets for the year ended June 30, 2015:

	<u>Unrestricted</u>
Endowment net assets, beginning of year	\$ 1,700,000
Board designated endowment funds	
Interest and dividends	2,185
Investment return	(844)
Internal transfer	(1,341)
Endowment net assets, end of year	<u>\$ 1,700,000</u>

13. SUBSEQUENT EVENTS

Management of the NYC Outward Bound Schools has made an evaluation of subsequent events up to December 9, 2016, the date the financial statements were available to be issued, and determined that any subsequent events that require recognition or disclosure have been considered in the preparation of these financial statements.

NYC Outward Bound Schools
Schedule of Functional Expenses
For the Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Program Services				Supporting Services			Total Expenses	6/30/2015
	Expeditionary Learning Schools Network	Associate Schools	Adventure & Team Building Programs	Total Program Services	Management and General	Fund Raising			
						Fund Raising General	Fund Raising Events		
Salaries	\$ 1,938,972	\$ 232,539	\$ 820,837	\$ 2,992,348	\$ 171,262	\$ 337,968	\$ 3,501,578	\$ 3,058,099	
Payroll taxes and fringe benefits	453,211	56,922	149,755	659,888	60,245	87,899	808,032	703,092	
Total salaries and related expenses	2,392,183	289,461	970,592	3,652,236	231,507	425,867	4,309,610	3,761,191	
Other Expenses									
Professional fees	251,886	9,138	27,900	288,924	35,735	11,171	\$ 53,559	389,389	484,578
Food	88,456	3,691	48,188	140,335	3,783	4,189	99,131	247,438	233,671
Supplies	74,874	4,360	29,605	108,839	4,088	7,091	1,121	121,139	91,340
Occupancy	96,930	5,044	98,563	200,537	3,652	8,204		212,393	178,374
Insurance	65,026	8,032	25,441	98,499	13,765	13,064		125,328	134,371
Travel	131,648	2,595	14,517	148,760	607	561	131	150,059	119,533
Lodging	48,918	1,695	221	50,834	11	24		50,869	55,224
Charter Fees	55,867	7,854	13,469	77,190	3,078	6,916		87,184	95,497
Printing and photography	8,485	1,023	2,759	12,267	631	1,417	13,148	27,463	29,757
Equipment rental and maintenance	19,512	1,738	8,499	29,749	2,353	6,032		38,134	37,807
Professional Development Fees	88,838	19,604	1,620	110,062	3	57		110,122	137,765
Telephone	21,061	2,276	11,930	35,267	1,376	3,614		40,257	39,523
Program fees and permits	53,389	84	3,758	57,231	1,080	1,166		59,477	44,794
Dues, publications and membership	16,976	556	632	18,164	906	244		19,314	5,406
Postage	1,866	228	689	2,783	423	1,049	1,785	6,040	4,587
Payroll processing and bank charges					37,413			37,413	23,184
Advertising	888	110	348	1,346	79	380		1,805	105,345
Grants to Schools	9,357			9,357				9,357	3,999
Miscellaneous	16,253	615	5,380	22,248	(70)	1,016		23,194	20,812
Bad debt - program	3,047	376	1,192	4,615	272	612		5,499	13,201
Total	1,053,277	69,019	294,711	1,417,007	109,185	66,807	168,875	1,761,874	1,858,768
Total Expenses before depreciation and interest	3,445,460	358,480	1,265,303	5,069,243	340,692	492,674	168,875	6,071,484	5,619,959
Depreciation	137,179	16,945	53,671	207,795	12,267	27,560		247,622	244,420
Total Expenses	\$ 3,582,639	\$ 375,425	\$ 1,318,974	\$ 5,277,038	\$ 352,959	\$ 520,234	\$ 168,875	\$ 6,319,106	\$ 5,864,379