



**NYC OUTWARD BOUND
SCHOOLS**

Transforming Schools, Changing Lives

Financial Report

June 30, 2017

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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, 2017 and 2016, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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, 2017 and 2016, 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 17 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.

Mudabbi Page (NY) LLC

South Portland, Maine
December 13, 2017

NYC Outward Bound Schools
Statements of Financial Position
June 30,

<u>ASSETS</u>	2017	2016
Current Assets		
Cash and cash equivalents	\$ 1,888,994	\$ 2,059,139
Restricted cash	47,723	58,294
Investments	3,027,874	2,751,332
Contracts receivable	1,300,481	1,015,301
Grants and contributions receivable	378,450	767,912
Prepaid expenses and other assets	55,303	56,876
Total current assets	6,698,825	6,708,854
Other Assets		
Grants and contributions receivable	325,262	188,842
Security deposit	3,635	3,635
Property and equipment, net	5,438,333	5,516,960
Total Assets	\$ 12,466,055	\$ 12,418,291
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payables and accrued expenses	\$ 207,035	\$ 126,306
Salaries and payroll taxes payable	186,974	242,718
Contract advances payable	67,220	70,816
Total current liabilities	461,229	439,840
Other Liabilities		
Security deposit	14,692	14,692
Total Liabilities	475,921	454,532
Net Assets		
Unrestricted:		
Board Designated Quasi Endowment	1,700,000	1,700,000
Board Designated Property, Plant and Equipment	5,438,333	5,516,960
Undesignated	3,924,958	3,693,445
	11,063,291	10,910,405
Temporarily Restricted	926,843	1,053,354
Total Net Assets	11,990,134	11,963,759
Total Liabilities and Net Assets	\$ 12,466,055	\$ 12,418,291

The accompanying notes are an integral part of these financial statements

NYC Outward Bound Schools
Statements of Activities
Years Ended June 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT FROM OPERATIONS						
Contract services	\$ 1,895,636		\$ 1,895,636	\$ 1,955,923		\$ 1,955,923
Grants and contributions	964,708	\$ 593,095	1,557,803	1,135,241	\$ 415,649	1,550,890
Fundraising events	1,573,119		1,573,119	1,480,473		1,480,473
Course fees	1,121,675		1,121,675	1,138,131		1,138,131
Investment income utilized in operations	30,813		30,813	14,426		14,426
Other income	169,251		169,251	183,524		183,524
	<u>5,755,202</u>	<u>593,095</u>	<u>6,348,297</u>	<u>5,907,718</u>	<u>415,649</u>	<u>6,323,367</u>
Net assets released from restrictions						
Satisfaction of program restrictions	553,165	(553,165)		521,622	(521,622)	
Satisfaction of time restrictions	166,441	(166,441)		13,698	(13,698)	
Total revenue and support from operations	<u>6,474,808</u>	<u>(126,511)</u>	<u>6,348,297</u>	<u>6,443,038</u>	<u>(119,671)</u>	<u>6,323,367</u>
OPERATING EXPENSES						
Network Schools	3,820,551		3,820,551	3,582,639		3,582,639
Associate Schools	441,892		441,892	375,425		375,425
Adventure and Team Building Programs	1,245,828		1,245,828	1,318,974		1,318,974
Supporting services:						
Management and general	372,341		372,341	352,959		352,959
Fundraising:						
General	571,619		571,619	520,234		520,234
Events	181,776		181,776	168,875		168,875
Total operating expenses	<u>6,634,007</u>		<u>6,634,007</u>	<u>6,319,106</u>		<u>6,319,106</u>
Change in net assets from operations	(159,199)	(126,511)	(285,710)	123,932	(119,671)	4,261
NON-OPERATING ACTIVITIES						
Revenue for capital activities	135,267		135,267	50,000		50,000
Investment income	207,631		207,631	61,483		61,483
Investment income to be released for operations	(30,813)		(30,813)	(14,426)		(14,426)
Change in net assets from non-operating activities	<u>312,085</u>		<u>312,085</u>	<u>97,057</u>		<u>97,057</u>
Change in net assets	152,886	(126,511)	26,375	220,989	(119,671)	101,318
Net assets at beginning of year	10,910,405	1,053,354	11,963,759	10,689,416	1,173,025	11,862,441
Net assets at end of year	\$ 11,063,291	\$ 926,843	\$ 11,990,134	\$ 10,910,405	\$ 1,053,354	\$ 11,963,759

NYC Outward Bound Schools
Statements of Cash Flows
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Changes in net assets	\$ 26,375	\$ 101,318
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	247,439	247,622
Bad debt expense		5,499
Realized and unrealized gains on investments	(163,700)	(31,667)
Change in operating assets and liabilities:		
Decrease in restricted cash	10,571	20,410
(Increase) decrease in contracts receivable	(285,180)	51,114
Decrease in grants and contributions receivable	253,042	107,448
Decrease in prepaid expenses and other assets	1,573	18,745
Increase (decrease) in accounts payable and accrued expenses	80,729	(210,085)
Increase (decrease) in salaries and payroll taxes payable	(55,744)	41,996
Decrease in contract advances payable	(3,596)	(5,900)
Net cash provided by operating activities	<u>111,509</u>	<u>346,500</u>
Cash flows from investing activities:		
Proceeds from sale of investments	973,413	604,922
Purchases of investments	(1,086,255)	(1,727,515)
Purchase of property and equipment	(168,812)	(27,383)
Net cash used in investing activities	<u>(281,654)</u>	<u>(1,149,976)</u>
Net increase (decrease) in cash and cash equivalents	(170,145)	(803,476)
Cash and cash equivalents, beginning of year	2,059,139	2,862,615
Cash and cash equivalents, end of year	<u>\$ 1,888,994</u>	<u>\$ 2,059,139</u>

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2017 and 2016

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 learning 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 2017 and 2016, NYC Outward Bound Schools served 10,254 and 11,738 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, Kurt Hahn, Launch Charter School, MAELS, 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 89% on-time network graduation rate far exceeded the most recent citywide average of 73%, and 99% of our 2017 graduates were accepted to college.

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2017 and 2016

1. ORGANIZATION – CONTINUED

Associate Schools – Over the past two years, we have successfully piloted a strand of work through which we provide professional learning and coaching to schools outside of our network interested in adopting key elements of our approach. Our support is designed to address two main school improvement areas: Community, Culture, and Character Building, and Demanding and Engaging Academics. Pursuant to our new strategic plan which will take us through 2020, we seek to grow the number of schools we work with to 25. This past year, we worked with 13 public schools in the City supporting teachers to implement practices for which 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 2016-17 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, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The balance in Board-designated quasi-endowment net assets was \$1,700,000 at June 30, 2017 and 2016.

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 \$5,438,333 and \$5,516,960 at June 30, 2017 and 2016, 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, 2017 and 2016.

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, 2017 and 2016

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, 2017, NYC Outward Bound Schools had non-operating revenue of \$312,085, \$135,267 of which was for two capital projects: rewiring the building to upgrade our telephone and data capacity and improving a portion of our outdoor space. The balance of \$176,818 was investment income. 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.

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, 2017 and 2016.

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, 2017 and 2016

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.

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2017 and 2016

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 leases with a term exceeding twelve months. 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, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Certificates of deposit		\$ 997,330
Long Term Investment Funds	\$ 3,027,874	1,754,002
Total investments	<u>\$ 3,027,874</u>	<u>\$ 2,751,332</u>

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2017 and 2016

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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,188,059			\$ 1,188,059
Equity	1,282,865			1,282,865
Fixed income	556,950			556,950
	<u>\$ 3,027,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,027,874</u>

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>

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016 consisted of current and multiyear promises to give which are collectible as follows:

	<u>2017</u>	<u>2016</u>
One year or less	\$ 378,450	\$ 767,912
One to five years, net of present value discount of \$34,738 and \$31,158, respectively.	325,262	188,842
	<u>\$ 703,712</u>	<u>\$ 956,754</u>

5. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment is as follows at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 7,216,032	\$ 7,308,252
Equipment and other fixed assets	226,209	191,325
	<u>7,442,241</u>	<u>7,499,577</u>
Less: Accumulated depreciation	<u>(2,553,908)</u>	<u>(2,532,617)</u>
	4,888,333	4,966,960
Land	550,000	550,000
	<u>\$ 5,438,333</u>	<u>\$ 5,516,960</u>

6. CONTRACT SERVICES REVENUE

Contract services revenue consisted of the following for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Operating contract revenue:		
City of New York Board of Education	\$ 1,736,884	\$ 1,646,413
City University of New York	113,955	113,955
New York State Children and Family Services/ Higher Education Services Corporation	44,797	195,555
Total operating contract revenue	<u>\$ 1,895,636</u>	<u>\$ 1,955,923</u>

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2017 and 2016

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available to satisfy the following program or time restrictions at June 30, 2017 and 2016:

	<u>June 30, 2016</u>	<u>Contributions</u>	<u>Net Assets Released from Restrictions</u>	<u>June 30, 2017</u>
Time restricted:				
General support	\$ 308,842		\$ (166,441)	\$ 142,401
Purpose restricted	744,512	\$ 593,095	(553,165)	784,442
	<u>\$ 1,053,354</u>	<u>\$ 593,095</u>	<u>\$ (719,606)</u>	<u>\$ 926,843</u>

	<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>

NYC Outward Bound Schools received an additional \$576,770 and \$599,594 during the years ended June 30, 2017 and 2016, 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, 2017 and 2016 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,	
2018	\$ 99,330
2019	99,330
2020	16,555
	<u>\$ 215,215</u>

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2017 and 2016

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 \$58,157 and \$38,883 to the plan for the years ended June 30, 2017 and 2016, 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Change in unrestricted net assets from operations	\$ (159,199)	\$ 123,932
Depreciation	247,439	247,622
	<u>\$ 88,240</u>	<u>\$ 371,554</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, 2017:

	<u>Unrestricted</u>
Endowment net assets, beginning of year	\$ 1,700,000
Board designated endowment funds	
Interest and dividends	28,101
Investment return	112,890
Internal transfer	(140,991)
Endowment net assets, end of year	<u>\$ 1,700,000</u>

NYC OUTWARD BOUND SCHOOLS

Notes to Financial Statements

June 30, 2017 and 2016

12. ENDOWMENT- CONTINUED

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	6,531
Internal transfer	<u>(33,190)</u>
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 13, 2017, 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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Program Services				Supporting Services			Total Expenses	6/30/2016
	Network schools	Associate Schools	Adventure & Team Building Programs	Total Program Services	Management and General	Fund Raising			
						Fund Raising General	Fund Raising Events		
Salaries	\$ 2,114,595	\$ 266,467	\$ 759,171	\$ 3,140,233	\$ 168,554	\$ 367,273	\$ 45	\$ 3,676,105	\$ 3,501,578
Payroll taxes and fringe benefits	532,972	76,036	157,309	766,317	61,410	105,568	4	933,299	808,032
Total salaries and related expenses	2,647,567	342,503	916,480	3,906,550	229,964	472,841	49	4,609,404	4,309,610
Other Expenses									
Professional fees	253,315	14,180	33,565	301,060	40,598	15,441	47,218	404,317	389,389
Food	101,833	4,782	48,938	155,553	5,014	3,176	114,728	278,471	247,438
Supplies	64,252	5,009	25,074	94,335	3,604	7,188	1,491	106,618	121,139
Occupancy	104,800	5,614	90,959	201,373	7,678	8,347		217,398	212,393
Insurance	73,061	8,771	24,540	106,372	13,677	13,251		133,300	125,328
Travel	102,342	3,027	8,898	114,267	884	1,340	228	116,719	150,059
Lodging	40,147	2,018	374	42,539	4,994	16		47,549	50,869
Charter Fees	53,249	7,814	10,801	71,864	2,424	5,832		80,120	87,184
Printing and photography	4,532	405	1,051	5,988	236	568	16,685	23,477	27,463
Equipment rental and maintenance	21,410	1,439	12,065	34,914	2,274	5,599		42,787	38,134
Professional development fees	72,716	22,802	1,679	97,197	3	7		97,207	110,122
Telephone	24,840	2,721	11,640	39,201	1,413	4,566		45,180	40,257
Program fees and permits	24,773	187	3,653	28,613	1,855	563	870	31,901	59,477
Dues, publications and membership	24,875	608	809	26,292	893	1,968		29,153	19,314
Postage	1,435	151	677	2,263	224	2,632	433	5,552	6,040
Payroll processing and bank charges					42,128			42,128	37,413
Advertising	532	64	179	775	1,354	96		2,225	1,805
Grants to schools	35,000			35,000				35,000	9,357
Miscellaneous	25,397	2,452	5,918	33,767	2,236	1,985	74	38,062	23,194
Bad debt - program									5,499
Total other	1,028,509	82,044	280,820	1,391,373	131,489	72,575	181,727	1,777,164	1,761,874
Total expenses before depreciation and interest	3,676,076	424,547	1,197,300	5,297,923	361,453	545,416	181,776	6,386,568	6,071,484
Depreciation	144,475	17,345	48,528	210,348	10,888	26,203		247,439	247,622
Total Expenses	\$ 3,820,551	\$ 441,892	\$ 1,245,828	\$ 5,508,271	\$ 372,341	\$ 571,619	\$ 181,776	\$ 6,634,007	\$ 6,319,106