

North Carolina Outward Bound School
Asheville, North Carolina

Financial Statements and Supplementary Information
Years Ended March 31, 2015 and 2014

and
Independent Auditors' Report

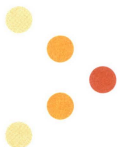


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Independent Auditors' Report

To the Board of Directors
North Carolina Outward Bound School
Asheville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of North Carolina Outward Bound School (a nonprofit organization), which comprise the statements of financial position as of March 31, 2015 and 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Carolina Outward Bound School, as of March 31, 2015 and 2014, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 30–33 are presented for purposes of additional analysis and are 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2015, on our consideration of North Carolina Outward Bound School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering North Carolina Outward Bound School’s internal control over financial reporting and compliance.

Johnson Price Sprinkle PA

September 24, 2015

North Carolina Outward Bound School

Statements of Financial Position

March 31,	2015	2014
Assets		
Cash and equivalents	\$ 1,335,692	\$ 882,055
Accounts receivable	256,690	286,586
Grants receivable	71,987	127,331
Contributions and pledges receivable, net	1,244,902	427,406
Inventories	14,731	12,312
Prepaid expenses	93,113	122,712
Short-term note receivable	40,000	-
Property and equipment, net	1,469,014	1,509,423
Long-term investments	15,455,871	11,048,985
Long-term note receivable	-	75,000
Cash value of life insurance	24,272	30,560
Total assets	\$ 20,006,272	\$ 14,522,370
Liabilities and Net Assets		
Liabilities:		
Line of credit payable	\$ 280,000	\$ 65,000
Accounts payable	260,223	213,431
Accrued expenses	73,966	43,083
Deferred revenue	563,915	353,537
Notes payable	1,012,180	997,991
Capital leases	14,753	24,687
Total liabilities	2,205,037	1,697,729
Net assets:		
Unrestricted	268,041	572,574
Temporarily restricted	7,607,560	6,395,922
Permanently restricted	9,925,634	5,856,145
Total net assets	17,801,235	12,824,641
Total liabilities and net assets	\$ 20,006,272	\$ 14,522,370

The accompanying notes are an integral part of these financial statements.

North Carolina Outward Bound School

Statement of Activities

Year Ended March 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and revenue:				
Tuition and scholarships	\$ 4,400,449	\$ 274,406	\$ -	\$ 4,674,855
Contributions	360,223	1,585,143	4,087,927	6,033,293
Federal and state grants	833,701	-	-	833,701
Interest and dividends, net	3,863	230,228	(47)	234,044
Net gains (losses) on investments	2,190	567,803	-	569,993
Gain (loss) on sale of equipment	15,133	-	-	15,133
Investment income - LLC	91,859	-	-	91,859
Other revenue	358,480	-	-	358,480
Net assets released from restriction:				
Building acquisition restrictions	102,247	(102,247)	-	-
Program and support restrictions	1,362,086	(1,343,695)	(18,391)	-
Total support and revenue	7,530,231	1,211,638	4,069,489	12,811,358
Expenses:				
School program services:				
Program delivery	4,447,402	-	-	4,447,402
Atlanta programming	36,279	-	-	36,279
Program administrative	1,043,011	-	-	1,043,011
Total school program services	5,526,692	-	-	5,526,692
Supporting services:				
General and administrative	829,764	-	-	829,764
Marketing	537,838	-	-	537,838
Student services	454,365	-	-	454,365
Professional program sales	96,694	-	-	96,694
Development	389,411	-	-	389,411
Total supporting services	2,308,072	-	-	2,308,072
Total expenses	7,834,764	-	-	7,834,764
Change in net assets	(304,533)	1,211,638	4,069,489	4,976,594
Net assets, beginning of year	572,574	6,395,922	5,856,145	12,824,641
Net assets, end of year	\$ 268,041	\$ 7,607,560	\$ 9,925,634	\$ 17,801,235

The accompanying notes are an integral part of these financial statements.

North Carolina Outward Bound School

Statement of Activities

Year Ended March 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and revenue:				
Tuition and scholarships	\$ 4,431,805	\$ 123,582	\$ -	\$ 4,555,387
Contributions	344,824	1,145,538	66,559	1,556,921
Federal and state grants	864,892	-	-	864,892
Interest and dividends, net	2,552	321,270	-	323,822
Net gains (losses) on investments	-	901,776	-	901,776
Gain (loss) on sale of equipment	4,057	-	-	4,057
Other revenue	487,412	-	-	487,412
Net assets released from restriction:				
Building acquisition restrictions	19,519	(19,519)	-	-
Program and support restrictions	1,305,803	(1,305,803)	-	-
Total support and revenue	7,460,864	1,166,844	66,559	8,694,267
Expenses:				
School program services:				
Program delivery	4,597,809	-	-	4,597,809
Atlanta programming	78,615	-	-	78,615
Program administrative	902,395	-	-	902,395
Total school program services	5,578,819	-	-	5,578,819
Supporting services:				
General and administrative	832,812	-	-	832,812
Marketing	391,886	-	-	391,886
Student services	442,517	-	-	442,517
Professional program sales	92,628	-	-	92,628
Development	250,901	-	-	250,901
Total supporting services	2,010,744	-	-	2,010,744
Total expenses	7,589,563	-	-	7,589,563
Change in net assets	(128,699)	1,166,844	66,559	1,104,704
Net assets, beginning of year	1,062,288	4,868,063	5,789,586	11,719,937
Net assets reclassification	(361,015)	361,015	-	-
Net assets, end of year	\$ 572,574	\$ 6,395,922	\$ 5,856,145	\$ 12,824,641

The accompanying notes are an integral part of these financial statements.

North Carolina Outward Bound School

Statements of Cash Flows

Years Ended March 31,	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 4,976,594	\$ 1,104,704
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Gain) loss on sale of equipment	(15,133)	(4,057)
Depreciation	196,648	196,317
Change in cash surrender value of life insurance	6,288	5,229
Increase (decrease) in discount on pledges receivable	75,250	11,768
Contributions restricted for long-term investment	(4,087,927)	(66,568)
Net realized (gain) loss on long-term investments	(22,048)	(372,455)
Net unrealized (gain) loss on long-term investments	(547,945)	(529,320)
Change in assets and liabilities:		
Accounts receivable	29,896	(179,064)
Grants receivable	55,344	98,726
Contributions and pledges receivable	(892,746)	(162,843)
Inventories	(2,419)	(4,685)
Prepaid expenses	29,599	(63,695)
Accounts payable	46,792	11,853
Accrued expenses	30,883	(32,176)
Deferred revenue	210,378	17,622
Net cash provided by (used in) operating activities	89,454	31,356
Cash flows from investing activities:		
Collections on long-term note receivable	35,000	25,000
Proceeds from sale of long-term investments	463,229	9,366,654
Acquisition of long-term investments	(4,300,122)	(9,249,293)
Acquisition of property and equipment	(156,239)	(158,788)
Proceeds from sale of property and equipment	15,133	4,057
Net cash provided by (used in) investing activities	(3,942,999)	(12,370)
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowment	4,087,927	66,568
Other financing activities:		
Proceeds from line of credit payable	295,000	130,000
Repayment of line of credit payable	(80,000)	(65,000)
Proceeds from notes payable	62,842	21,284
Repayment of notes payable	(48,653)	(38,321)
Repayment of capital leases	(9,934)	(9,402)
Net cash provided by (used in) financing activities	4,307,182	105,129
Net increase (decrease) in cash and equivalents	453,637	124,115
Cash and equivalents, beginning of year	882,055	757,940
Cash and equivalents, end of year	\$ 1,335,692	\$ 882,055
Supplemental disclosures of cash flow information:		
Cash payments for interest	\$ 53,124	\$ 53,096

The accompanying notes are an integral part of these financial statements.

North Carolina Outward Bound School

Notes to Financial Statements

March 31, 2015 and 2014

Note A – Organization and summary of significant accounting policies:

Organization and nature of operations

North Carolina Outward Bound School (the School) was founded to organize and operate an educational institution to inspire personal growth through a challenging, adventure-based learning experience. The School operates in North Carolina, Georgia and Florida, with mobile course offerings in Chile.

Basis of accounting

The School prepares its financial statements in accordance with accounting principles generally accepted in the United States of America which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the School and/or through the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. Generally, the donors of these assets permit the School to use all or part of the income earned on any related investments for general or specific purposes.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and equivalents

For purposes of reporting the statement of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note A – Organization and summary of significant accounting policies – continued:

Investments

The majority of the School's investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities.

The School also holds an investment in Outward Bound Services Group II, LLC which is accounted for using the equity method. The School's net income includes its proportionate share of net income or loss of equity investees.

Fair value measurement

The School has adopted FASB ASC 820-10, *Fair Value Measurements*. This statement defines fair value as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Certain valuation techniques are used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the School has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Accounts receivable

The School provides for the possible inability to collect accounts receivable by booking an allowance for doubtful accounts. The School writes off an account when it is considered to be uncollectible. The amount of the allowance for doubtful accounts is \$-0- as of March 31, 2015 and 2014.

Pledges receivable

Unconditional pledges are recorded in the period the pledge is received subject to an allowance as considered necessary by the School, and discounted to present value using an assumed rate of 4.74%. The amount of the allowance for uncollectible pledges receivable is \$-0- as of March 31, 2015 and 2014.

Inventories

Inventories are stated at the lower of cost on a first-in, first-out basis, or market.

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note A – Organization and summary of significant accounting policies – continued:

Property and equipment

If purchased, property and equipment is stated at cost less accumulated depreciation. Contributed property and equipment is stated at appraised or market value at the date of contribution. The School's capitalization policy requires individual assets to be capitalized if the minimum useful life exceeds three years. Minimum cost for capitalization is \$1,000. Depreciation is computed on a straight-line basis for all depreciable assets over estimated useful lives as follows:

Buildings and site improvements	15–30 years
Furniture, fixtures and equipment	5 years
Vehicles and boats	5 years
Computer software	3 years

Deferred revenue

Under its current procedures, the School records as deferred revenue monies which are received as advance payment for courses not yet started.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions.

The School reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

The School reports contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Pledges for support of current operations are recorded as unrestricted support. Pledges for support of future operations and property and equipment acquisitions are recorded as temporarily restricted support.

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note A – Organization and summary of significant accounting policies – continued:

Endowments

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds).

The State of North Carolina adopted UPMIFA effective March 19, 2009. The School has adopted UPMIFA and FASB ASC 958-205. The School is governed subject to the School's adopted policies.

The School's endowments consist of approximately 30 individual funds established in perpetuity mostly for the benefit of scholarships, staff development and unrestricted operating funds. The endowment assets consist only of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions as well as the School's adopted endowment policy.

The School has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are managed by an investment advisor who reports to the School's finance committee. To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The School targets a diversified asset allocation with 50 percent to 75 percent of the fund being invested in equities and equity equivalents at all times to achieve its long-term return objectives within prudent risk constraints.

The School expects its endowment funds, over time, to provide an average current yield of approximately 5 percent annually. Actual returns in any given year may vary from this amount. The School's policy is to appropriate the current yield for distribution each year. In establishing this policy, the School considered the long-term expected return on its endowment. The current spending policy is consistent with the School's objective to maintain the purchasing power for the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and capital return.

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note A – Organization and summary of significant accounting policies – continued:

Income taxes

The School is an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. It is the School's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain, and what, if any effect the uncertain tax position may have on the financial statements.

Reclassifications

Certain amounts as previously reported have been reclassified to conform to the current year presentation.

Note B – Cash and equivalents:

Cash and equivalents as of March 31 are classified as follows:

	2015	2014
Unrestricted operating	\$ 332,839	\$ 86,729
Unrestricted grant programs	1,044	4,429
Unrestricted base camps checking	2,296	2,897
Unrestricted petty cash	2,898	3,228
Total unrestricted cash	339,077	97,283
Temporarily restricted cash	996,615	784,772
	\$ 1,335,692	\$ 882,055

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note C – Contributions and pledges receivable, net:

Contributions and pledges receivable, net as of March 31 are as follows:

	2015	2014
Receivable in less than one year	\$ 333,879	\$ 362,169
Receivable in one to three years	1,001,250	80,214
Total uncollected contributions and pledges	1,335,129	442,383
Discount to net present value (4.74%)	(90,227)	(14,977)
	\$ 1,244,902	\$ 427,406

Donors have made pledges to the School for various purposes including operations and scholarships. Contributions and pledges receivable, net are classified as follows as of March 31:

	2015	2014
Unrestricted	\$ 71,298	\$ 10,250
Temporarily restricted	1,173,604	417,156
	\$ 1,244,902	\$ 427,406

Note D – Long-term investments:

The cost, including reinvested dividends and market value of long-term investments as of March 31, 2015 are as follows:

	Cost	Market Value
Money market funds	\$ 214,718	\$ 214,718
Corporate fixed income instruments	5,193,249	5,538,157
Partnership	94,050	94,050
Stocks	9,100,550	9,608,946
Total long-term investments	\$ 14,602,567	\$ 15,455,871

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note D – Long-term investments – continued:

The investment in a partnership for the year ended March 31, 2015 is the investment in Outward Bound Services Group II, LLC. The ownership percentage as of March 31, 2015 is 14.78%. As mentioned in Note A, the School is using the equity method to account for this investment even though the percentage of ownership is below 20%. This is based on the significant influence consideration. The School is represented on the LLC's Board of Directors and participates in the policy making process. There have also been uses of the School's management personnel by the LLC and there are material intra-entity transactions.

The cost, including reinvested dividends and market value of long-term investments as of March 31, 2014 are as follows:

	Cost	Market Value
Money market funds	\$ 2,545	\$ 2,545
Corporate fixed income instruments	4,390,659	4,415,833
Stocks	6,513,219	6,630,607
Total long-term investments	\$ 10,906,423	\$ 11,048,985

These investments are classified as follows as of March 31:

	2015	2014
Unrestricted	\$ 92,894	\$ (1,156)
Temporarily restricted	5,381,081	5,260,553
Permanently restricted	9,981,896	5,789,588
Total	\$ 15,455,871	\$ 11,048,985

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note D – Long-term investments – continued:

Investment return for the year ended March 31, 2015 is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 3,863	\$ 230,228	\$ (47)	\$ 234,044
Realized gains (losses)	-	22,048	-	22,048
Unrealized gains (losses)	2,190	545,755	-	547,945
	\$ 6,053	\$ 798,031	\$ (47)	\$ 804,037

Interest and dividends is net of brokerage fees and bank charges of \$38,280.

Investment return for the year ended March 31, 2014 is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 2,552	\$ 321,270	\$ -	\$ 323,822
Realized gains (losses)	-	372,455	-	372,455
Unrealized gains (losses)	-	529,321	-	529,321
	\$ 2,552	\$ 1,223,046	\$ -	\$ 1,225,598

Interest and dividends is net of brokerage fees and bank charges of \$32,249.

Note E – Inventories:

Inventories as of March 31 consist of the following:

	2015	2014
Field food	\$ 10,535	\$ 10,575
Kitchen food	2,474	1737
Books	1,722	-
	\$ 14,731	\$ 12,312

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note F – Property and equipment, net:

Property and equipment, net as of March 31, is as follows:

	2015	2014
Land	\$ 269,806	\$ 269,806
Site improvements	576,614	572,030
Buildings	4,110,491	4,085,339
Furniture, fixtures and equipment	1,239,031	1,226,038
Vehicles and boats	1,168,852	1,154,701
Construction in progress	16,331	10,377
	7,381,125	7,318,291
Less accumulated depreciation	5,912,111	5,808,868
	\$ 1,469,014	\$ 1,509,423

Note G – Accounts payable:

Accounts payable as of March 31 are classified as follows:

	2015	2014
Unrestricted	\$ 260,223	\$ 213,431

Note H – Notes payable:

The School has a term mortgage loan with a bank secured by Cedar Rock Base Camp, including land and structures, with a carrying value of \$30,477 and \$27,804 as of March 31, 2015 and 2014, respectively.

The obligation under the bank note payable is for monthly payments of \$6,723, including interest at 4.5%, with a balloon payment of the remaining balance due December 21, 2021. The balance as of March 31, 2015 and 2014 is \$943,227 and \$979,945, respectively.

The school has a vehicle note payable with a vehicle credit company. The obligation under the vehicle note payable is for monthly payments of \$494, including interest at 5.24% with the final payment due July 23, 2017. The balance as of March 31, 2015 and 2014 is \$12,862 and \$18,046, respectively.

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note H – Notes payable – continued:

The school has a vehicle note payable with a vehicle credit company. The obligation under the vehicle note payable is for monthly payments of \$460, including interest at 4.40% with the final payment due September 5, 2019. The balance as of March 31, 2015 and 2014 is \$22,497 and \$-0-, respectively.

The school has a vehicle note payable with a vehicle credit company. The obligation under the vehicle note payable is for monthly payments of \$355, including interest at 4.40% with the final payment due July 25, 2019. The balance as of March 31, 2015 and 2014 is \$16,797 and \$-0-, respectively.

The school has a vehicle note payable with a vehicle credit company. The obligation under the vehicle note payable is for monthly payments of \$355, including interest at 4.40% with the final payment due July 23, 2019. The balance as of March 31, 2015 and 2014 is \$16,797 and \$-0-, respectively.

Maturities of the notes payable are as follows:

<u>Year ending March 31,</u>	
2016	\$ 56,317
2017	58,933
2018	57,620
2019	58,252
2020	52,368
Thereafter	728,690
<hr/>	
Total principal	\$ 1,012,180

The note payable with the bank contains various covenants requiring the School to have a minimum tangible net worth of not less than \$2,000,000 and to provide financial statements to the bank as soon as available and not more than 120 days after the end of each fiscal year. For the years ended March 31, 2015, the School was in violation of the debt covenant related to providing financial statements not more than 120 days after year-end. Breach of any loan covenant can be an event of default and provide the lender rights for any actions or remedies it deems reasonable under the terms of the loan, including demand for payment. A waiver for the event of default was granted by the bank for the year ended March 31, 2015.

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note I – Line of credit payable:

During the years ended March 31, 2015 and 2014, the School maintained a \$560,000 line of credit, secured by investments, which is due and payable in full on demand. Interest is payable monthly and is charged at the corresponding Portfolio Loan Account Index Rate plus 3.5% which is subject to changes in money market conditions. There were no advances outstanding under this line of credit at March 31, 2015 and 2014.

During the years ended March 31, 2015 and 2014, the School maintained a \$500,000 line of credit, secured by Cedar Rock Base Camp, including land and structures, which is due and payable on December 20, 2015. Interest is payable monthly and is charged at the Bank's Prime Rate less .5%. The interest rate as of March 31, 2015 was 2.75%. Advances outstanding under this line of credit as of March 31, 2015 and 2014 were \$280,000 and \$65,000, respectively.

Note J – Temporarily restricted net assets:

As of March 31, temporarily restricted net assets are available for the following purposes:

	2015	2014
Capital	\$ 922,506	\$ 482
Endowment	4,917,098	4,954,921
Grants	240,998	364,901
Restricted operating	102,288	65,454
Scholarships	1,399,965	1,010,164
Undesignated	24,705	-
	<hr/>	<hr/>
	\$ 7,607,560	\$ 6,395,922

Note K – Permanently restricted net assets:

Permanently restricted net assets as of March 31 are restricted to investments in perpetuity, the income from which is expendable to support:

	2015	2014
General operations	\$ -	\$ 361,623
Staff salary enhancement	351,519	351,519
Scholarships and special projects	9,574,115	5,143,003
	<hr/>	<hr/>
	\$ 9,925,634	\$ 5,856,145

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note L – Endowment net assets:

Changes in endowment net assets for the year ended March 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets (deficit), beginning of year	\$ (1,156)	\$ 3,775,788	\$ 5,856,145	\$ 9,630,777
Interest and dividends, net of investment expense	-	204,492	(47)	204,445
Net capital appreciation (depreciation), realized and unrealized	2,191	515,286	-	517,477
Contributions	-	88,452	4,087,927	4,176,379
Amounts appropriated for expenditure	-	(298,387)	-	(298,387)
Amounts released from restriction	-	-	(18,391)	(18,391)
Endowment net assets (deficit), end of year	\$ 1,035	\$ 4,285,631	\$ 9,925,634	\$ 14,212,300

Changes in endowment net assets for the year ended March 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets (deficit), beginning of year	\$ (1,382)	\$ 3,102,219	\$ 5,789,586	\$ 8,890,423
Interest and dividends, net of investment expense	-	277,769	-	277,769
Net capital appreciation (depreciation), realized and unrealized	226	748,852	-	749,078
Contributions	-	68,108	66,559	134,667
Amounts appropriated for expenditure	-	(421,160)	-	(421,160)
Endowment net assets (deficit), end of year	\$ (1,156)	\$ 3,775,788	\$ 5,856,145	\$ 9,630,777

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note L – Endowment net assets – continued:

Endowment net asset composition by type of fund as of March 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor designated endowment funds	\$ 1,035	\$ 4,285,631	\$ 9,925,634	\$14,212,300

Endowment net asset composition by type of fund as of March 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor designated endowment funds	\$ (1,156)	\$ 3,775,788	\$ 5,856,145	\$ 9,630,777

As of March 31, 2015 and 2014, the portion of perpetual endowment funds classified as permanently restricted net assets required by explicit donor stipulation and the School's endowment policy is \$9,925,634 and \$5,856,145, respectively. In addition, as of March 31, 2015 and 2014, the portion of perpetual endowment funds classified as temporarily restricted net assets subject to time with purpose restrictions is \$4,232,962 and \$3,726,178, respectively, and subject to time without purpose restrictions is \$52,669 and \$49,610, respectively. As of March 31, 2015 and 2014, the deficit of \$- and \$1,156, respectively, in unrestricted net assets represents the amounts by which the fair value of certain donor-restricted endowment funds were below the amount required to be retained permanently.

Endowment net asset reconciliation to long-term investments as of March 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, end of year	\$ 1,035	\$ 4,285,631	\$ 9,925,634	\$14,212,300
Endowment funds held in cash	-	-	56,262	56,262
Non-endowment funds held in long-term investments	91,859	1,095,450	-	1,187,309
Long-term investments	\$ 92,894	\$ 5,381,081	\$ 9,981,896	\$15,455,871

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note L – Endowment net assets – continued:

Endowment net asset reconciliation to long-term investments as of March 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, end of year	\$ (1,156)	\$ 3,775,788	\$ 5,856,145	\$ 9,630,777
Endowment funds held in cash	-	-	(66,557)	(66,557)
Non-endowment funds held in long-term investments	-	1,484,765	-	1,484,765
Long-term investments	\$ (1,156)	\$ 5,260,553	\$ 5,789,588	\$11,048,985

Note M – Net assets released from restriction:

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes as follows for the years ended March 31:

	2015	2014
Capital (building acquisition restrictions)	\$ 102,247	\$ 19,519
Endowment	240,343	187,840
Grant	211,957	140,326
Restricted operations	218,819	83,587
Scholarships	690,967	894,050
Program and support restrictions	1,362,086	1,305,803
Net assets released from restriction	\$ 1,464,333	\$ 1,325,322

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note N – Capital leases:

As of March 31, 2015 and 2014, the School leases two vehicles under capital leases expiring in July and August 2016. The assets and liabilities under capital leases are recorded at the lower of the present value of minimum lease payments or the fair value of the assets. The assets are amortized over the lower of their related lease terms or their estimated useful lives. Amortization of assets under capital leases is included in depreciation expense for the years ended March 31, 2014 and 2013.

Following is a summary of vehicles held under capital leases as of March 31:

	2015	2014
Vehicles	\$ 42,945	\$ 42,945
Less accumulated amortization	28,192	18,258
	\$ 14,753	\$ 24,687

Minimum future lease payments under capital leases as of March 31, 2015 are approximated as follows:

<u>Year ending March 31,</u>	
2016	11,193
2017	4,161
Total minimum payments	15,354
Less amount attributable to interest	601
Present value of minimum lease payments	\$ 14,753

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note O – Operating leases:

The School maintains a lease with the United States Forestry Service for land located at Table Rock. The annual charge is \$6,000. Also, the Forestry Service, in a separate contract, has agreed to maintain the access road to the property at no cost. The lease with the Forestry Service requires the School to restore the property to its original condition at the termination of the lease. The lease will not be extended or renewed if the Government designates the area under lease for a higher use. At present, the lease will expire on December 31, 2018.

The School also pays user fees to the United States Forestry Service for utilization of other Government lands by School personnel on an "as utilized" basis under an agreement expiring December 31, 2018.

The School also has leases with two base camp facilities, Key Largo and Scottsmoor. For the Key Largo property, the annual calendar year charges for 2013, 2014 and 2015 will be \$44,640, \$46,200, and \$47,820, respectively. At present, the Key Largo lease will expire on December 31, 2015. For the Scottsmoor property, the annual calendar year charge for 2013 was \$29,099, and will increase by 5% in 2014 and 2015, by 4% in 2016, and by 3.5% in 2017 and 2018. At present, the Scottsmoor lease will expire on December 31, 2018.

The total rental expense and user fees included in the financial statements for the years ended March 31, 2015 and 2014 are \$116,660 and \$95,338, respectively. The total rental expense and user fees included in the financial statements for the years ended March 31, 2015 and 2014 are \$119,354 and \$96,892, respectively.

Minimum future lease payments consist of the following:

<u>Year ending March 31,</u>		
2016	\$	74,348
2017		40,023
2018		39,840
2019		27,195
	\$	181,406

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note P – Retirement plan:

All employees of the School may contribute to a 403(b)(7) retirement plan. Permanent staff who have been credited with one year of service are eligible for a matching contribution from the School. The School's contribution is based on the discretion of the Board of Trustees. The School made a matching contribution of \$20,000 and \$19,370 to the Plan for the years ended March 31, 2015 and 2014, respectively. Employee contributions to the Plan for the years ended March 31, 2015 and 2014 were \$73,761 and \$47,286, respectively.

Note Q – Related party transactions:

As of March 31, 2015 and 2014, the School has a long-term note receivable of \$40,000 and \$75,000, respectively, from Outward Bound USA (National OBS). The note is unsecured and has a seven year term with a graduated interest payment schedule of 0% the first year, 2.5% for the second year, and 5% for years three through seven. The unpaid principal and interest balance is due in full December 2015.

As of March 31, 2015 and 2014, the School owed Outward Bound USA (National OBS) \$23,964 and \$20,244, respectively, for charter expenses, marketing fees, and IT fees.

During the years ended March 31, the School had the following (income) expenses with Outward Bound USA (National OBS):

	2015	2014
Charter expense	\$ 76,423	\$ 39,550

Outward Bound Services Group (OBSG), formerly the National Programs Service Association, is a newly formed Organization that is now the National call center for all Outward Bound charters. The School is a member of OBSG and also shares some of its personnel and facilities with OBSG. During the years ended March 31, 2015 and 2014, the School invoiced OBSG \$62,753 and \$50,979, respectively, for rent and payroll reimbursements. As of March 31, 2015 and 2014, OBSG owed the School \$47,313 and \$23,714, respectively. During the years ended March 31, 2015 and 2014, the School incurred marketing fees of \$277,381 and \$273,583, respectively, to OBSG. As of March 31, 2015 and 2014, the School owed OBSG \$13,778 and \$19,335, respectively.

The School receives a significant amount of contributions from members of the Board of Directors. The total amount of contributions received from the members for the years ended March 31, 2015 and 2014 was \$3,821,487 and \$141,483, respectively, which represented 63% and 9% of total contributions received during each year.

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note R – Concentrations of credit risk:

The School maintains its cash balances in bank deposit accounts with three financial institutions, which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. As of March 31, 2015 and 2014, the School's uninsured cash balance totaled \$1,031,203 and \$578,804, respectively.

Note S – Intentions to give:

Periodically, the School receives notification of donors' intentions to give through bequests included in wills and charitable remainder trusts. According to the criteria for revenue recognition under FASB ASC 958-605, intentions to give are not recorded until they are legally enforceable. The school has received Intentions to give for the years ended March 31, 2015 and 2014 from 34 individuals with a total approximate intention to give of \$3,190,000. The amount for the additional intention to give is undetermined at this point in time.

Note T – Commitments:

The School has an employment services agreement with Tensaw Wilderness School dba Alabama Outward Bound School (AOBS). Under this agreement, North Carolina Outward Bound School contracts out its at-risk field staff employees to AOBS to deliver its at-risk programs. North Carolina Outward Bound School is also responsible for the administration of scheduling all seasonal at-risk staff and payment of all payroll and payroll taxes customarily performed by an employer for its employees. During 2014, AOBS was dissolved.

The School has an employee lease agreement with Outward Bound Services Group in which the School leases certain employees and business services related to these employees to Outward Bound Services Group. The School is responsible for supplying and supervising the personnel, and payment of all payroll, payroll taxes and insurance customarily performed by an employer for its employees.

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note U – Fair value of financial instruments:

As required by FASB ASC 820-10, as of March 31, 2015, the School's fair value measurements for investments that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall are as follows:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets:				
Pledges receivable	\$ -	\$ -	\$ 1,244,902	\$ 1,244,902
Long-term investments:				
Money market funds	214,718	-	-	214,718
Corporate fixed income instruments	-	4,092,657	1,445,500	5,538,157
Stocks	9,608,946	-	-	9,608,946
Cash surrender value of life insurance	-	24,272	-	24,272
Total assets measured at fair value	\$ 9,823,664	\$ 4,116,929	\$ 2,690,402	\$16,630,995

The reconciliation of significant unobservable inputs (level 3) for pledges receivable is as follows:

Beginning balance, April 1, 2014	\$ 427,406
Additional contributions	1,430,113
Less increase in discount on pledges receivable	75,250
Less payments	537,367
Ending balance, March 31, 2015	\$ 1,244,902

The reconciliation of significant unobservable inputs (level 3) for corporate fixed income instruments is as follows:

Beginning balance, April 1, 2014	\$ 1,596,108
Interest and dividends	18,973
Unrealized gains (losses)	69,229
Less distributions	238,810
Ending balance, March 31, 2015	\$ 1,445,500

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note U – Fair value of financial instruments – continued:

As required by FASB ASC 820-10, as of March 31, 2014, the School's fair value measurements for investments that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall are as follows:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets:				
Pledges receivable	\$ -	\$ -	\$ 427,406	\$ 427,406
Long-term investments:				
Money market funds	2,545	-	-	2,545
Corporate fixed income instruments	-	2,819,725	1,596,108	4,415,833
Stocks	6,630,607	-	-	6,630,607
Cash surrender value of life insurance	-	30,560	-	30,560
Total assets measured at fair value	\$ 6,633,152	\$ 2,850,285	\$ 2,023,514	\$11,506,951

The reconciliation of significant unobservable inputs (level 3) for pledges receivable is as follows:

Beginning balance, April 1, 2013	\$ 276,331
Additional contributions	464,553
Less increase in discount on pledges receivable	11,768
Less payments	301,710
Ending balance, March 31, 2014	\$ 427,406

The reconciliation of significant unobservable inputs (level 3) for corporate fixed income instruments is as follows:

Beginning balance, April 1, 2013	\$ 15,100
Contributions	1,578,869
Interest and dividends	1,892
Unrealized gains (losses)	247
Ending balance, March 31, 2014	\$ 1,596,108

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2015 and 2014

Note U – Fair value of financial instruments – continued:

Valuation techniques: Fair values for pledges receivable are based on a discounted interest rate to net present value. Fair values for long-term investments are based on quoted market prices in active and inactive markets and other observable inputs for investments in Community Foundations. Fair values for cash surrender value of life insurance are based on the School's share of the cash surrender value of the respective life insurance policies as presented by the insurance companies.

Change in valuation techniques: None.

Note V – Net assets reclassification:

During the year ended March 31, 2014, the School reclassified net assets in the amount of \$361,015 related to an amount collateralizing a line of credit with an investment brokerage firm that has been paid off and had been previously reported as unrestricted net assets to temporarily restricted net assets. This reclassification is reported on the statement of activities.

Note W – Subsequent events:

The School's investments are subject to various risks, including interest risk, credit risk and overall market volatility. No adjustment has been made in the accompanying financial statements for such market changes attributable to the period of volatility subsequent to March 31, 2015.

The School has evaluated events that have occurred after March 31, 2015 and prior to September 24, 2015 (the date of issuance) for potential recognition or disclosure in the financial statements.

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Supplementary Information

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North Carolina Outward Bound School

Schedule of Functional Expenses

Year Ended March 31, 2015

	School Program Services			Total School Program Services
	Program Delivery	Atlanta Programming	Program Administrative	
Salaries and wages	\$ 1,723,890	\$ 910	\$ 659,294	\$ 2,384,094
Benefits and payroll taxes	203,756	15,673	87,739	307,168
Total	1,927,646	16,583	747,033	2,691,262
Bad debt expense	-	-	-	-
Bank and brokerage fees	(67)	-	-	(67)
Board meetings	-	-	-	-
Charter and other fees	16,498	6,804	25,404	48,706
Consulting	-	-	40,105	40,105
Contract instruction	50,334	-	4,918	55,252
Dues and subscriptions	345	-	592	937
Education and training	4,408	-	12,892	17,300
Food and kitchen supplies	256,715	204	-	256,919
Gifts and awards	-	-	6,483	6,483
Insurance	382,549	1,161	2,018	385,728
Interest	6,166	-	9,757	15,923
Lease and equipment rental	105,696	1,800	1,261	108,757
Marketing and advertising	-	-	1,170	1,170
Miscellaneous	34,878	218	9,467	44,563
Postage and freight	3,521	181	735	4,437
Printing, photography and production	3,320	-	2,050	5,370
Professional fees	13,714	-	10,764	24,478
Recons and program development	-	-	571	571
Repairs and maintenance	60,785	5,463	8,661	74,909
Special programs	-	-	32,679	32,679
Supplies	132,605	190	6,016	138,811
Taxes	11,671	-	-	11,671
Travel and vehicle	296,194	2,919	34,011	333,124
User fees	95,338	-	-	95,338
Utilities	134,341	756	8,105	143,202
Total expenses before scholarships and depreciation	3,536,657	36,279	964,692	4,537,628
Scholarships	837,140	-	-	837,140
Total expenses before depreciation	4,373,797	36,279	964,692	5,374,768
Depreciation	73,605	-	78,319	151,924
Total expenses	\$ 4,447,402	\$ 36,279	\$ 1,043,011	\$ 5,526,692

Supporting Services							
General and Administrative	Marketing	Student Services	Professional Program Sales	Development	Total Supporting Services	Totals	
\$ 379,548	\$ 107,134	\$ 274,668	\$ 65,395	\$ 144,460	\$ 971,205	\$ 3,355,299	
86,139	24,494	64,814	14,244	22,320	212,011	519,179	
465,687	131,628	339,482	79,639	166,780	1,183,216	3,874,478	
-	-	-	-	5,000	5,000	5,000	
7,534	-	57,070	-	18	64,622	64,555	
2,740	-	-	-	-	2,740	2,740	
44,215	276,552	-	-	-	320,767	369,473	
-	-	-	-	45,255	45,255	85,360	
-	1,702	1,600	-	-	3,302	58,554	
4,691	-	-	-	825	5,516	6,453	
1,199	1,068	-	300	-	2,567	19,867	
-	-	-	-	-	-	256,919	
800	-	-	-	2,463	3,263	9,746	
47,615	4,471	5,742	1,875	4,426	64,129	449,857	
16,466	-	10,066	2,616	8,053	37,201	53,124	
1,508	1,538	3,429	351	1,077	7,903	116,660	
-	25,096	-	-	-	25,096	26,266	
87,009	829	42	99	11,215	99,194	143,757	
6,006	3,605	1,793	-	11,235	22,639	27,076	
-	10,035	290	-	84,637	94,962	100,332	
48,125	5,070	-	-	17,685	70,880	95,358	
-	1,379	-	-	-	1,379	1,950	
16,193	3,685	9,210	2,394	7,369	38,851	113,760	
-	2,637	-	-	-	2,637	35,316	
29,557	2,005	1,440	2,792	3,544	39,338	178,149	
-	-	-	-	-	-	11,671	
26,024	57,844	5,876	1,969	6,337	98,050	431,174	
-	-	-	-	-	-	95,338	
10,303	3,712	5,873	1,424	3,529	24,841	168,043	
815,672	532,856	441,913	93,459	379,448	2,263,348	6,800,976	
-	-	-	-	-	-	837,140	
815,672	532,856	441,913	93,459	379,448	2,263,348	7,638,116	
14,092	4,982	12,452	3,235	9,963	44,724	196,648	
\$ 829,764	\$ 537,838	\$ 454,365	\$ 96,694	\$ 389,411	\$ 2,308,072	\$ 7,834,764	

North Carolina Outward Bound School

Schedule of Functional Expenses

Year Ended March 31, 2014

	School Program Services			Total School Program Services
	Program Delivery	Atlanta Programming	Program Administrative	
Salaries and wages	\$ 1,795,028	\$ 24,874	\$ 536,299	\$ 2,356,201
Benefits and payroll taxes	242,628	21,166	79,168	342,962
Total	2,037,656	46,040	615,467	2,699,163
Bad debt expense	-	-	33,756	33,756
Bank and brokerage fees	1,012	-	-	1,012
Board meetings	-	-	-	-
Charter and other fees	-	6,804	17,157	23,961
Consulting	-	-	40,075	40,075
Contract instruction	46,638	-	975	47,613
Dues and subscriptions	405	18	180	603
Education and training	11,614	-	11,521	23,135
Food and kitchen supplies	243,522	244	-	243,766
Gifts and awards	-	-	3,677	3,677
Insurance	330,529	10,846	1,667	343,042
Interest	4,278	-	10,788	15,066
Lease and equipment rental	105,283	1,800	1,298	108,381
Marketing and advertising	-	-	1,629	1,629
Miscellaneous	30,577	102	4,320	34,999
Postage and freight	2,751	91	673	3,515
Printing, photography and production	680	535	3,812	5,027
Professional fees	9,525	-	7,537	17,062
Recons and program development	-	-	465	465
Repairs and maintenance	55,448	2,417	7,779	65,644
Special programs	-	-	1,312	1,312
Supplies	129,054	794	5,639	135,487
Taxes	11,725	-	-	11,725
Travel and vehicle	299,602	6,110	25,391	331,103
User fees	96,892	-	-	96,892
Utilities	136,438	2,167	14,645	153,250
Total expenses before scholarships and depreciation	3,553,629	77,968	809,763	4,441,360
Scholarships	985,719	-	-	985,719
Total expenses before depreciation	4,539,348	77,968	809,763	5,427,079
Depreciation	58,461	647	92,632	151,740
Total expenses	\$ 4,597,809	\$ 78,615	\$ 902,395	\$ 5,578,819

Supporting Services							
General and Administrative	Marketing	Student Services	Professional Program Sales	Development	Total Supporting Services	Totals	
\$ 405,204	\$ 14,277	\$ 269,100	\$ 60,558	\$ 109,249	\$ 858,388	\$ 3,214,589	
77,689	5,600	50,614	11,940	20,749	166,592	509,554	
482,893	19,877	319,714	72,498	129,998	1,024,980	3,724,143	
-	-	-	-	-	-	33,756	
11,857	-	47,189	-	67	59,113	60,125	
11,546	-	-	-	-	11,546	11,546	
15,589	273,581	-	-	-	289,170	313,131	
-	-	-	-	45,433	45,433	85,508	
-	-	1,200	-	-	1,200	48,813	
3,240	-	-	-	-	3,240	3,843	
903	-	-	373	-	1,276	24,411	
-	-	-	-	-	-	243,766	
66,108	-	-	-	780	66,888	70,565	
41,467	1,052	4,884	1,166	4,599	53,168	396,210	
15,990	-	10,699	2,782	8,559	38,030	53,096	
1,553	553	7,397	362	1,108	10,973	119,354	
-	21,058	-	-	-	21,058	22,687	
10,153	2	384	1,011	7,326	18,876	53,875	
10,639	1,477	2,270	56	3,788	18,230	21,745	
-	15,431	934	-	20,302	36,667	41,694	
54,991	6,006	-	-	-	60,997	78,059	
-	889	-	-	-	889	1,354	
25,303	3,311	8,270	2,150	6,619	45,653	111,297	
-	38,537	4,933	-	-	43,470	44,782	
33,380	6	4,328	4,187	1,145	43,046	178,533	
-	-	-	-	-	-	11,725	
18,994	982	2,625	1,516	2,493	26,610	357,713	
-	-	-	-	-	-	96,892	
14,246	4,147	15,244	3,295	8,722	45,654	198,904	
818,852	386,909	430,071	89,396	240,939	1,966,167	6,407,527	
-	-	-	-	-	-	985,719	
818,852	386,909	430,071	89,396	240,939	1,966,167	7,393,246	
13,960	4,977	12,446	3,232	9,962	44,577	196,317	
\$ 832,812	\$ 391,886	\$ 442,517	\$ 92,628	\$ 250,901	\$ 2,010,744	\$ 7,589,563	

North Carolina Outward Bound School
Asheville, North Carolina

Compliance Reports
Year Ended March 31, 2015

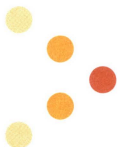


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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
North Carolina Outward Bound School
Asheville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Carolina Outward Bound School (a nonprofit organization), which comprise the statement of financial position as of March 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Carolina Outward Bound School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Carolina Outward Bound School's internal control. Accordingly, we do not express an opinion on the effectiveness of North Carolina Outward Bound School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Johnson Price Sprinkle PA

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Carolina Outward Bound School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of North Carolina Outward Bound School, in a separate letter dated September 24, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson Price Sprinkle PA

September 24, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE *FLORIDA SINGLE AUDIT ACT***

To the Board of Directors
North Carolina Outward Bound School
Asheville, North Carolina

Report on Compliance for Each Major State Project

We have audited North Carolina Outward Bound School's compliance with the types of compliance requirements described in the *Florida Single Audit Act*, Section 215.97 of the Florida Statutes that could have a direct and material effect on each of North Carolina Outward Bound School's major state projects for the year ended March 31, 2015. North Carolina Outward Bound School's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of North Carolina Outward Bound School's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Florida Single Audit Act*, Section 215.97 of the Florida Statutes. Those standards and the *Florida Single Audit Act*, Section 215.97 of the Florida Statutes require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about North Carolina Outward Bound School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of North Carolina Outward Bound School's compliance.

Johnson Price Sprinkle PA

Basis for Qualified Opinion on the Department of Juvenile Justice – Delinquency Prevention Grant

As described in the accompanying schedule of findings and questioned costs, North Carolina Outward Bound School did not comply with requirements regarding CSFA 80.029 Delinquency Prevention grant as described in finding number 2015-001 for Youth to be Served. Compliance with such requirements is necessary, in our opinion, for North Carolina Outward Bound School to comply with the requirements applicable to that project.

Qualified Opinion on the Department of Juvenile Justice – Delinquency Prevention Grant

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, North Carolina Outward Bound School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Delinquency Prevention grant for the year ended March 31, 2015.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the *Florida Single Audit Act*, Section 215.97 of the Florida Statutes.

North Carolina Outward Bound School’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. North Carolina Outward Bound School’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of North Carolina Outward Bound School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Carolina Outward Bound School’s internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with the *Florida Single Audit Act*, Section 215.97 of the Florida Statutes, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Carolina Outward Bound School’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of

compliance requirement of a state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-002 to be a material weakness.

North Carolina Outward Bound School's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. North Carolina Outward Bound School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of North Carolina Outward Bound School as of and for the year ended March 31, 2015, and have issued our report thereon dated September 24, 2015. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise North Carolina Outward Bound School's financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the *Florida Single Audit Act* 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 audit 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Florida Single Audit Act*, Section 215.97 of the Florida Statutes. Accordingly, this report is not suitable for any other purpose.

Johnson Price Sprinkle PA

September 24, 2015

North Carolina Outward Bound School

Schedule of Findings and Questioned Costs

Year Ended March 31, 2015

Section I Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

State awards - Florida

Internal control over major projects

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes No

Types of auditors' report issued on compliance for major projects: Qualified

Any audit findings disclosed that are required to be reported in accordance with the *Florida Single Audit Act*, Section 215.97 of the Florida Statutes? Yes No

Projects tested as major were:
CSFA 80.029 Department of Juvenile Justice –
Delinquency Prevention

The threshold for distinguishing Type A and Type B programs was \$250,110.

North Carolina Outward Bound School was not determined to be a low-risk auditee.

North Carolina Outward Bound School

Schedule of Findings and Questioned Costs – continued

Year Ended March 31, 2015

Section II Financial Statement Findings

None noted

Section III State Award Findings

Department of Juvenile Justice

Program Name: Delinquency Prevention

CSFA #: 80.029

Finding 2015-001 Youth to be Served

MATERIAL WEAKNESS

- Criteria:** In accordance with Section II.B.7 of the State of Florida, Department of Juvenile Justice contract, prior to admission to any wilderness expedition, each youth is required to submit a physical activity clearance within the last 6 months (either through the Department of Health, the family private physician or the use of the DJJ Comprehensive Physical Assessment with medical grade classification) in order to ensure the youth is cleared for the strenuous physical activity and meet the Department's Office of Health placement review criteria for excessive exercise or wilderness programs.
- Condition:** During the eligibility testing, one student participated in the program whose physical exam form indicated the need for further examination or specialty follow-up, and a stress test prior to participation. No follow-up could be located in the student's file. Additionally, nine students participated in the program whose physical exam forms were either missing a date or were dated in excess of six months prior to admission and participation.
- Effect:** The School was in violation of providing services to children and families in need that did not have adequate medical clearance to participate in a wilderness expedition as stated in Section II.B.7 of the contract.
- Cause:** A lack of formal review of the completeness of student files prior to participation exists.
- Questioned cost:** \$45,429.40
- Context:** The amount of questioned costs is the \$3,445 for youth serving complete wilderness phase plus \$1,097.94 for two home visits required for successful completion of the follow-up phase. NCOBS was reimbursed as contracted for wilderness and follow-up phases in the total amount of \$4,542.94 for each of the instances above, resulting in total questioned costs of \$45,429.40.
- Recommendation:** Additional training of intake staff should occur to ensure that forms are consistently and fully completed. A formal review process should be implemented to ensure that required eligibility and medical forms are fully completed and any necessary follow-up has occurred prior to participation.

North Carolina Outward Bound School

Schedule of Findings and Questioned Costs – continued

Year Ended March 31, 2015

Section III State Award Findings - continued

Views of responsible officials and planned

corrective actions: Management agrees with the finding. In-service training for student medical screeners will be provided annually. Policies and procedures specific to physical activity clearance will be revised to ensure compliance with the contract.

Finding 2015-002 Deliverables

MATERIAL WEAKNESS

Criteria: In accordance with Section IV.B-C of the State of Florida, Department of Juvenile Justice contract, specific reports are required to be provided by the Provider to the Department prior to and throughout the term of the Contract. The Provider should submit written reports with all required documentation within the prescribed timeframes to the correct individuals to become eligible for payment.

Condition: During the report testing, three instances were noted in which reports were not submitted by the required submission date as specified in Section IV.B of the Contract, and the Provider could not provide documentation of submission of a fourth required report. Specifically, a required Expenditure Report was submitted two quarters late, Proof of Insurance and Organizational Chart were not submitted prior to delivery of services as specified in the contract, and the School could not provide documentation of submission of their Continuity of Operations Plan, which is required to be submitted prior to delivery of services.

Effect: The School was in violation of reporting provisions as stated in Section IV.B-C of the Contract.

Cause: A lack of controls over the completeness and timeliness of reporting exists. Additionally, there is no formal documentation retained regarding report submission.

Questioned cost: \$0

Context: The amount of questioned costs is \$0 for the instances of noncompliance with reporting provisions. Although required reports were not submitted in a timely manner, none of the reports in question involved invoices to the DJJ for services provided.

Recommendation: Controls should be developed and implemented to ensure that required reports are submitted to the DJJ in a timely manner, and that submission of these reports is documented. Periodic review should take place to ensure that the process is being followed according to reporting requirements as stated in Section IV.B-C of the Contract.

Views of responsible officials and planned

corrective actions: Management agrees with the finding. A Florida programs business office policy will be established for timely submission and documentation.

North Carolina Outward Bound School

Corrective Action Plan

Year Ended March 31, 2015

Section II Financial Statement Findings

None noted

Section III State Award Findings

Finding: 2015-001 Youth to be Served

Name of contact person: Elizabeth Whitten, Chief Financial Officer
Corrective action: Management agrees with the finding. In-service training for student medical screeners will be provided annually. Policies and procedures specific to physical activity clearance will be revised to ensure compliance with the contract.
Proposed completion date: December 2015

Finding: 2015-002 Deliverables

Name of contact person: Elizabeth Whitten, Chief Financial Officer
Corrective action: Management agrees with the finding. A Florida programs business office policy will be established for timely submission and documentation.
Proposed completion date: December 2015

North Carolina Outward Bound School

Summary Schedule of Prior Year Audit Findings

Year Ended March 31, 2015

Finding: 2014-001

Status: A policy has been implemented for the review of journal entries. The CFO reviews all Journal Entries. At the close of each month, the Program Director reviews the general ledger for errors and communicates any errors or questions to the Finance Office. The program Director also completes a variance report explaining significant variations from the budget.

Finding: 2014-002

Status: The FINS Administrative Policies and Procedures Manual policy # 4.100 regarding student records was updated in May 2015 to clearly specify procedures for the handling and storage of student records.

Finding: 2014-003, 2013-003

Status: During the negotiation of contract #10099, representatives from NCOBS and FL DJJ agreed that grant expenditures could be tracked through an allocation based on program usage. Allocations are calculated quarterly on a line-by-line basis and reported to FL DJJ in the quarterly expense report.

Finding: 2014-004

Status: Upon adoption of contract #10099 on July 1, 2014, participation requirements were updated to reflect requirements as specified in the Contract.

Finding: 2013-001

Status: An enterprise wide policy and procedure was established for documenting and recording of pledges, donations and gifts that ensures proper documentation and acknowledgement of the gift at the time it is received. All relevant staff were trained.

Finding: 2013-002

Status: A Florida Programs Business office policy and procedure was established for submission of invoices related to contract terms and statute requirements.

Finding: 2013-004

Status: Training on North Carolina Outward Bound's established procedures for approval of expenses was provided to Florida Programs staff.

No findings were reported for the year ended March 31, 2012.

The Children and Families in Need of Services project was transitioned to North Carolina Outward Bound on January 1, 2012 as a result of a disaffiliation agreement of Outward Bound, Inc. with its Affiliating Organizations.

North Carolina Outward Bound School

Schedule of Expenditures of Federal and State Awards

Year Ended March 31, 2015

Federal/State Agency, Pass-through Entity, Federal Programs/State Project	CFDA/CSFA Number	Contract/ Grant No.	Expenditures
FEDERAL AWARDS			
U.S. Department of Health and Human Services			
Pass-Through State of Florida Department of Juvenile Justice, Social Services Block Grant	93.667/ 80.005	X1452	\$ 94,599
Total U.S. Department of Health and Human Services			94,599
U.S. Department of Agriculture			
Pass-Through State of Florida Department of Education National School Lunch Program	10.555		18,065
Total U.S. Department of Agriculture			18,065
Total Expenditures of Federal Awards			112,664
STATE AWARDS			
State of Florida Department of Juvenile Justice			
Children and Families in Need of Services	80.005	X1452	136,130
Delinquency Prevention	80.029	10099	602,973
Total State of Florida Department of Juvenile Justice			739,103
Total Expenditures of State Awards			739,103
Total Expenditures of Federal and State Awards			\$ 851,767

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal grant activity and state projects of North Carolina Outward Bound School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 691-5, Rules of the Florida Department of Banking and Finance, Florida Administration Code, *Schedule of Expenditures of State Financial Assistance*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

North Carolina Outward Bound School

Asheville, North Carolina

Auditor Communications

Years Ended March 31, 2015 and 2014

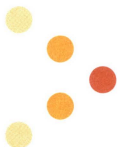


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Communications With Those Charged With Governance

To the Audit Committee
North Carolina Outward Bound School
Asheville, North Carolina

We have audited the financial statements of North Carolina Outward Bound School for the year ended March 31, 2015, and have issued our report thereon dated September 24, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the *Florida Single Audit Act*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 23, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Carolina Outward Bound School are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2015. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful life for property and equipment is based on historical evidence of the actual useful life. Management's estimate of the fair value of investments is based on fair value market amounts. Management's estimate of the allocation of expenses by function is based on an analysis of the number of employees worked in each department. We evaluated the key factors and assumptions used to develop the above described estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Johnson Price Sprinkle PA

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure regarding bank notes payable in Note H of the financial statements, the disclosure regarding line of credit payable in Note I, and disclosures regarding net asset designations and restrictions, endowments and release of those restrictions in Notes J, K, L, and M. We evaluated the key factors for these disclosures in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of the audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Several internal control matters are reported as part of the compliance requirements under *Government Auditing Standards* and have not been separately reported in this communication. Those matters should be considered through your evaluation of the compliance reports.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Audit Committee, Board of Directors and management of North Carolina Outward Bound School and is not intended to be and should not be used by anyone other than these specified parties.

Johnson Price Sprinkle PA

September 24, 2015

Client: **06227 - North Carolina Outward Bound School**
 Engagement: **06227 - North Carolina Outward Bound School**
 Trial Balance: **TB**
 Workpaper: **1300.15A - PAJEs to attach to SAS 114 Letter**

Account	Description	W/P Ref	Debit	Credit
Passed Journal Entries JE # 16		3700.30		
To adjust accounts payable balance per gl to agree with open invoice report from Financial Edge.				
01-2101-110-000	TRADE ACCOUNTS PAYABLE		21,641.39	
01-3100-110-000	UNRESTRICTED NET ASSETS		1,649.86	
01-5465-110-101	MISCELLANEOUS			23,291.25
Total			<u>23,291.25</u>	<u>23,291.25</u>

Other Internal Control Related Matters

To the Board of Directors
North Carolina Outward Bound School
Asheville, North Carolina

In planning and performing our audit of the financial statements of North Carolina Outward Bound School as of and for the year ended March 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered North Carolina Outward Bound School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of a number of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 24, 2015 on the financial statements of North Carolina Outward Bound School.

Inadequate Segregation of Duties

We noted that the Chief Financial Officer has the ability to post to the accounting records, to set up vendors, initiate cash disbursements, review the cash requirements report, sign checks and review the bank reconciliations. We also noted that there are several Program Directors and the Director of At Risk Programs that have the ability to set up new vendors and approve cash disbursements. We understand that a new procedure was implemented during the year for the Assistant School Director to approve all new vendors and expenditures over \$400. We commend the Organization for adding this mitigating internal control. We understand that an informal review of bank reconciliations occurs but further recommend that a key member of management review and formally approve the bank reconciliations to mitigate the risk of fraud related to management override of controls resulting from a lack of segregation of incompatible duties with regard to cash disbursements.

This report is intended solely for the information and use of the Board of Directors, management and others within the Organization.

We have enjoyed this opportunity to work with North Carolina Outward Bound School and its staff and look forward to working with you in the future.

If we can advise or help implement changes for the items mentioned above or help with any other matters, please let us know.

Johnson Price Sprinkle PA

September 24, 2015