

North Carolina Outward Bound School

Asheville, North Carolina

Financial Statements
Years Ended March 31, 2018 and 2017

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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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, 2018 and 2017, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018, 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

December 6, 2018

North Carolina Outward Bound School

Statements of Financial Position

March 31,	2018	Restated 2017
Assets		
Cash and cash equivalents	\$ 3,603,903	\$ 4,221,173
Accounts receivable	221,289	260,193
Grants receivable	203,011	121,227
Contributions and pledges receivable, net	1,518,816	1,576,484
Inventories	17,044	28,161
Prepaid expenses	69,399	40,058
Property and equipment, net	2,342,457	1,794,257
Long-term investments	17,826,275	15,317,907
Cash value of life insurance	13,581	22,429
Total assets	\$ 25,815,775	\$ 23,381,889
Liabilities and Net Assets		
Liabilities:		
Line of credit payable	\$ 749,614	\$ 462,614
Accounts payable	671,792	206,606
Accrued expenses	88,864	92,996
Deferred revenue	803,830	845,870
Notes payable	1,189,197	1,265,562
Capital leases	328,830	373,963
Total liabilities	3,832,127	3,247,611
Net assets:		
Unrestricted	(270,021)	(725,060)
Temporarily restricted	9,594,239	9,489,783
Permanently restricted	12,659,430	11,369,555
Total net assets	21,983,648	20,134,278
Total liabilities and net assets	\$ 25,815,775	\$ 23,381,889

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

North Carolina Outward Bound School

Statement of Activities

Year Ended March 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and revenue:				
Tuition and scholarships	\$ 5,071,879	\$ 323,020	\$ -	\$ 5,394,899
Contributions	427,689	1,044,435	919,538	2,391,662
Capital campaign contributions	-	350,682	370,439	721,121
Federal and state grants	1,100,472	-	-	1,100,472
Other grants	-	195,460	-	195,460
Interest and dividends, net	5,403	334,289	(57)	339,635
Net gains (losses) on investments	-	1,258,650	(45)	1,258,605
Gain (loss) from Hurricane	51,504	-	-	51,504
Gain (loss) on sale of equipment	(61)	-	-	(61)
Investment income (expense) - LLC	225	-	-	225
Other revenue	295,880	-	-	295,880
Net assets released from restriction:				
Building acquisition restrictions	405,336	(405,336)	-	-
Equipment acquisition restrictions	835,391	(835,391)	-	-
Program and support restrictions	2,161,353	(2,161,353)	-	-
Total support and revenue	10,355,071	104,456	1,289,875	11,749,402
Expenses:				
School program services:				
Program delivery	5,342,161	-	-	5,342,161
Atlanta programming	174,569	-	-	174,569
Program administrative	1,378,501	-	-	1,378,501
Total school program services	6,895,231	-	-	6,895,231
Supporting services:				
General and administrative	1,020,783	-	-	1,020,783
Marketing	644,674	-	-	644,674
Student services	466,577	-	-	466,577
Professional program sales	93,842	-	-	93,842
Development	778,925	-	-	778,925
Total supporting services	3,004,801	-	-	3,004,801
Total expenses	9,900,032	-	-	9,900,032
Change in net assets	455,039	104,456	1,289,875	1,849,370
Net assets, beginning of year	(725,060)	9,489,783	11,369,555	20,134,278
Net assets, end of year	\$ (270,021)	\$ 9,594,239	\$ 12,659,430	\$ 21,983,648

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

North Carolina Outward Bound School

Statement of Activities

Year Ended March 31, 2017

	Restated			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Tuition and scholarships	\$ 4,702,798	\$ 494,436	\$ -	\$ 5,197,234
Contributions	290,086	575,278	311,027	1,176,391
Capital campaign contributions	-	931,243	450,371	1,381,614
Federal and state grants	735,619	-	-	735,619
Other Grants	-	401,985	-	401,985
Interest and dividends, net	101	310,424	(180)	310,345
Net gains (losses) on investments	-	1,250,934	-	1,250,934
Gain (loss) on sale of equipment	16,854	-	-	16,854
Investment income - LLC	(5,269)	-	-	(5,269)
Other revenue	284,727	-	-	284,727
Net assets released from restriction:				
Building acquisition restrictions	168,025	(168,025)	-	-
Equipment acquisition restrictions	34,975	(34,975)	-	-
Program and support restrictions	1,636,476	(1,636,476)	-	-
Total support and revenue	7,864,392	2,124,824	761,218	10,750,434
Expenses:				
School program services:				
Program delivery	4,799,722	-	-	4,799,722
Atlanta programming	141,948	-	-	141,948
Program administrative	1,150,874	-	-	1,150,874
Total school program services	6,092,544	-	-	6,092,544
Supporting services:				
General and administrative	836,140	-	-	836,140
Marketing	577,146	-	-	577,146
Student services	460,400	-	-	460,400
Professional program sales	94,284	-	-	94,284
Development	516,176	-	-	516,176
Total supporting services	2,484,146	-	-	2,484,146
Total expenses	8,576,690	-	-	8,576,690
Change in net assets	(712,298)	2,124,824	761,218	2,173,744
Net assets, beginning of year, as originally reported	(12,762)	8,141,613	10,608,337	18,737,188
Prior period restatement	-	(776,654)	-	(776,654)
Net assets, beginning of year, as restated	(12,762)	7,364,959	10,608,337	17,960,534
Net assets, end of year, as restated	\$ (725,060)	\$ 9,489,783	\$ 11,369,555	\$ 20,134,278

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

North Carolina Outward Bound School

Statement of Functional Expenses

Year Ended March 31, 2018

	School Program Services			Total School Program Services
	Program Delivery	Atlanta Programming	Program Administrative	
Salaries and wages	\$ 1,812,653	\$ 107,784	\$ 827,258	\$ 2,747,695
Benefits and payroll taxes	258,835	25,305	79,820	363,960
Total	2,071,488	133,089	907,078	3,111,655
Bad debt expense	-	-	78,413	78,413
Bank and brokerage fees	-	-	-	-
Board meetings	-	-	-	-
Charter and other fees	-	7,590	45,803	53,393
Consulting	-	-	36,692	36,692
Contract instruction	106,685	-	6,134	112,819
Dues and subscriptions	1,080	-	189	1,269
Education and training	4,427	4,632	9,100	18,159
Food and kitchen supplies	324,884	259	-	325,143
Gifts and awards	-	-	3,616	3,616
Insurance	358,326	3,817	1,434	363,577
Interest	5,396	-	9,928	15,324
Lease and equipment rental	159,111	1,800	2,168	163,079
Marketing and advertising	-	-	1,556	1,556
Miscellaneous	13,872	924	11,237	26,033
Operating grant used	2,918	-	-	2,918
Postage and freight	2,635	259	630	3,524
Printing, photography and production	8,532	268	877	9,677
Professional fees	10,290	-	19,734	30,024
Recons and program development	-	-	5,093	5,093
Repairs and maintenance	69,553	4,993	3,478	78,024
Special programs	-	-	72,262	72,262
Supplies	180,687	439	5,449	186,575
Taxes	18,352	-	-	18,352
Travel and vehicle	319,825	14,065	21,209	355,099
User fees	93,066	-	-	93,066
Utilities	128,625	2,434	3,392	134,451
Total expenses before scholarships and depreciation	3,879,752	174,569	1,245,472	5,299,793
Scholarships	1,394,809	-	-	1,394,809
Total expenses before depreciation	5,274,561	174,569	1,245,472	6,694,602
Depreciation	67,600	-	133,029	200,629
Total expenses	\$ 5,342,161	\$ 174,569	\$ 1,378,501	\$ 6,895,231

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

Supporting Services							
General and Administrative	Marketing	Student Services	Professional Program Sales	Development	Total Supporting Services	Totals	
\$ 380,151	\$ 166,560	\$ 307,563	\$ 64,933	\$ 217,907	\$ 1,137,114	\$ 3,884,809	
93,260	34,165	48,823	12,915	21,965	211,128	575,088	
473,411	200,725	356,386	77,848	239,872	1,348,242	4,459,897	
-	-	-	-	20,000	20,000	98,413	
12,002	-	73,082	-	7	85,091	85,091	
13,052	-	-	-	-	13,052	13,052	
40,450	339,515	-	-	-	379,965	433,358	
-	-	-	-	103,558	103,558	140,250	
-	-	3,200	-	-	3,200	116,019	
3,648	-	-	-	4,328	7,976	9,245	
428	-	21	620	60	1,129	19,288	
-	-	-	-	-	-	325,143	
5,616	-	-	-	18,598	24,214	27,830	
43,428	2,885	4,022	1,327	3,244	54,906	418,483	
48,432	-	10,559	2,744	8,451	70,186	85,510	
4,606	579	1,440	374	145,659	152,658	315,737	
-	26,492	-	-	-	26,492	28,048	
52,326	983	156	(413)	27,977	81,029	107,062	
-	-	-	-	-	-	2,918	
8,745	884	1,735	27	13,392	24,783	28,307	
-	10,776	198	-	124,675	135,649	145,326	
167,420	786	-	-	40	168,246	198,270	
-	832	-	-	-	832	5,925	
33,704	1,211	3,027	787	2,423	41,152	119,176	
-	-	-	-	-	-	72,262	
49,123	339	953	4,178	43,426	98,019	284,594	
-	-	-	-	-	-	18,352	
17,319	53,757	2,328	3,940	15,685	93,029	448,128	
-	-	-	-	-	-	93,066	
21,621	2,164	2,612	624	2,038	29,059	163,510	
995,331	641,928	459,719	92,056	773,433	2,962,467	8,262,260	
-	-	-	-	-	-	1,394,809	
995,331	641,928	459,719	92,056	773,433	2,962,467	9,657,069	
25,452	2,746	6,858	1,786	5,492	42,334	242,963	
\$ 1,020,783	\$ 644,674	\$ 466,577	\$ 93,842	\$ 778,925	\$ 3,004,801	\$ 9,900,032	

North Carolina Outward Bound School

Statement of Functional Expenses

Year Ended March 31, 2017

	School Program Services			Total School Program Services
	Program Delivery	Atlanta Programming	Program Administrative	
Salaries and wages	\$ 1,730,127	\$ 89,532	\$ 704,642	\$ 2,524,301
Benefits and payroll taxes	230,401	25,347	83,831	339,579
Total	1,960,528	114,879	788,473	2,863,880
Bad debt expense	-	-	2,040	2,040
Bank and brokerage fees	-	-	-	-
Board meetings	-	-	-	-
Charter and other fees	-	7,576	27,761	35,337
Consulting	-	-	39,600	39,600
Contract instruction	78,444	-	1,549	79,993
Dues and subscriptions	816	-	0	816
Education and training	4,816	281	5,394	10,491
Food and kitchen supplies	261,361	281	-	261,642
Gifts and awards	-	-	7,802	7,802
Insurance	370,181	2,994	1,250	374,425
Interest	8,648	-	9,872	18,520
Lease and equipment rental	122,823	1,800	1,450	126,073
Marketing and advertising	-	-	1,978	1,978
Miscellaneous	67,456	358	12,750	80,564
Operating grant used	33,617	-	-	33,617
Postage and freight	2,188	234	473	2,895
Printing, photography and production	1,744	126	1,427	3,297
Professional fees	21,533	4,056	8,268	33,857
Recons and program development	-	-	35,298	35,298
Repairs and maintenance	72,269	1,732	5,685	79,686
Special programs	-	-	50,004	50,004
Supplies	165,208	385	4,881	170,474
Taxes	18,410	-	-	18,410
Travel and vehicle	297,367	6,886	22,554	326,807
User fees	95,514	-	-	95,514
Utilities	124,648	360	7,166	132,174
Total expenses before scholarships and depreciation	3,707,571	141,948	1,035,675	4,885,194
Scholarships	1,016,862	-	-	1,016,862
Total expenses before depreciation	4,724,433	141,948	1,035,675	5,902,056
Depreciation	75,289	-	115,199	190,488
Total expenses	\$ 4,799,722	\$ 141,948	\$ 1,150,874	\$ 6,092,544

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

Supporting Services							
General and Administrative	Marketing	Student Services	Professional Program Sales	Development	Total Supporting Services	Totals	
\$ 401,318	\$ 123,607	\$ 291,241	\$ 65,642	\$ 231,707	\$ 1,113,515	\$ 3,637,816	
57,716	36,674	49,194	15,336	25,029	183,949	523,528	
459,034	160,281	340,435	80,978	256,736	1,297,464	4,161,344	
-	-	-	-	1,085	1,085	3,125	
13,557	-	70,406	-	36	83,999	83,999	
10,526	-	-	-	-	10,526	10,526	
27,916	320,032	-	-	-	347,948	383,285	
-	-	-	-	53,247	53,247	92,847	
-	-	3,520	-	-	3,520	83,513	
3,716	-	-	-	1,095	4,811	5,627	
4,193	-	1,325	218	16	5,752	16,243	
-	-	-	-	-	-	261,642	
9,863	-	-	-	7,844	17,707	25,509	
46,032	2,518	3,509	1,157	2,831	56,047	430,472	
32,668	-	10,498	2,729	8,399	54,294	72,814	
2,609	665	3,740	400	16,146	23,560	149,633	
-	8,750	-	-	-	8,750	10,728	
27,230	62	568	18	19,959	47,837	128,401	
-	-	-	-	-	-	33,617	
7,247	951	1,580	12	12,766	22,556	25,451	
-	9,490	78	-	100,739	110,307	113,604	
59,298	4,679	-	-	-	63,977	97,834	
-	1,376	-	-	-	1,376	36,674	
40,038	2,053	5,133	1,335	4,105	52,664	132,350	
-	-	-	-	-	-	50,004	
42,682	664	2,532	1,242	1,623	48,743	219,217	
-	-	-	-	-	-	18,410	
22,519	58,099	2,340	2,540	17,617	103,115	429,922	
-	-	-	-	-	-	95,514	
10,890	3,223	3,981	862	3,330	22,286	154,460	
820,018	572,843	449,645	91,491	507,574	2,441,571	7,326,765	
-	-	-	-	-	-	1,016,862	
820,018	572,843	449,645	91,491	507,574	2,441,571	8,343,627	
16,122	4,303	10,755	2,793	8,602	42,575	233,063	
\$ 836,140	\$ 577,146	\$ 460,400	\$ 94,284	\$ 516,176	\$ 2,484,146	\$ 8,576,690	

North Carolina Outward Bound School

Statements of Cash Flows

Years Ended March 31,

	2018	Restated 2017
Cash flows from operating activities:		
Change in net assets	\$ 1,849,370	\$ 2,173,744
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Gain) loss on sale of equipment	61	(16,854)
Depreciation	242,963	233,063
Change in cash surrender value of life insurance	8,848	8,058
Increase (decrease) in discount on pledges receivable	(52,356)	(7,162)
Contributions restricted for long-term investment	(1,289,977)	(761,399)
Net realized (gain) loss on long-term investments	(69,319)	(106,765)
Net unrealized (gain) loss on long-term investments	(1,189,286)	(1,144,169)
Change in assets and liabilities:		
Accounts receivable	38,904	(24,281)
Grants receivable	(81,784)	(43,178)
Contributions and pledges receivable	110,024	550,785
Inventories	11,117	(3,529)
Prepaid expenses	(29,341)	14,098
Accounts payable	465,186	(75,138)
Accrued expenses	(4,132)	38,735
Deferred revenue	(42,040)	354,528
Net cash provided by (used in) operating activities	(31,762)	1,190,536
Cash flows from investing activities:		
Proceeds from sale of long-term investments	560,293	511,026
Acquisition of long-term investments	(1,810,056)	(6,885)
Acquisition of property and equipment	(759,946)	(149,627)
Proceeds from sale of property and equipment	-	22,021
Net cash provided by (used in) investing activities	(2,009,709)	376,535
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowment	1,289,977	761,399
Other financing activities:		
Proceeds from line of credit payable	287,000	640,000
Repayment of line of credit payable	-	(122,000)
Repayment of notes payable	(76,365)	(60,856)
Repayment of capital leases	(76,411)	(64,098)
Net cash provided by (used in) financing activities	1,424,201	1,154,445
Net increase (decrease) in cash and cash equivalents	(617,270)	2,721,516
Cash and cash equivalents, beginning of year	4,221,173	1,499,657
Cash and cash equivalents, end of year	\$ 3,603,903	\$ 4,221,173
Supplemental disclosures of cash flow information:		
Aquisition of equipment through capital leases	\$ 31,278	\$ 139,523
Noncash refinancing of line of credit and notes payable	\$ -	\$ 1,250,000
Cash payments for interest	\$ -	\$ 70,837

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

North Carolina Outward Bound School

Notes to Financial Statements

March 31, 2018 and 2017

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 cash 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, 2018 and 2017

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, 2018 and 2017.

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 4.5% and 4.0% as of March 31, 2018 and 2017, respectively. The amount of the allowance for uncollectible pledges receivable is \$-0- as of March 31, 2018 and 2017.

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, 2018 and 2017

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

Property and equipment

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, 2018 and 2017

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 60 percent to 80 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, 2018 and 2017

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

Advertising

The School uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$28,048 and \$10,728 for the years ended March 31, 2018 and 2017, respectively.

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. No material uncertain tax positions were identified for tax years 2017 and 2016. Currently, the statute of limitations remains open subsequent to and including tax year 2014; however, no examinations are in process or anticipated. Any changes in the amount of a tax position will be recognized in the period the change occurs.

Reclassifications

Certain amounts for the year ended March 31, 2017 have been reclassified to conform to the current year presentation. These reclassifications had no effect on net income for the year ended March 31, 2017.

Note B – Cash and cash equivalents:

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

	2018	2017
Unrestricted operating	\$ 579,419	\$ 120,432
Unrestricted grant programs	1,001	-
Unrestricted base camps checking	2,380	5,586
Unrestricted petty cash	2,303	3,189
Total unrestricted cash	585,103	129,207
Temporarily restricted cash	3,018,800	4,091,966
	\$ 3,603,903	\$ 4,221,173

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note C – Contributions and pledges receivable, net:

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

	2018	Restated 2017
Receivable in less than one year	\$ 589,659	\$ 622,791
Receivable in one to five years	1,047,877	1,124,769
Total uncollected contributions and pledges	1,637,536	1,747,560
Discount to net present value (4.5%, 4.0%)	(118,720)	(171,076)
	\$ 1,518,816	\$ 1,576,484

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:

	2018	Restated 2017
Unrestricted	\$ 26,023	\$ 22,914
Temporarily restricted	984,246	1,197,535
Permanently restricted	508,547	356,035
	\$ 1,518,816	\$ 1,576,484

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note D – Long-term investments:

The cost, including reinvested dividends, and market value of long-term investments as of March 31, 2018 are as follows:

	Cost	Market Value/Equity Basis
Money market funds	\$ 277,727	\$ 277,727
Fixed income mutual funds	5,021,157	4,993,015
Agency endowments with Community Foundations	824,319	1,068,534
Equity mutual funds	9,210,141	11,384,378
Long-term investments – fair value	15,333,344	17,723,654
Partnership – equity method	102,621	102,621
Total long-term investments	\$ 15,435,965	\$ 17,826,275

The investment in a partnership for the year ended March 31, 2018 is the investment in Outward Bound Services Group II, LLC. The ownership percentage as of March 31, 2018 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, 2017 are as follows:

	Cost	Market Value/Equity Basis
Money market funds	\$ 269,841	\$ 269,841
Corporate fixed income instruments	3,795,104	3,832,495
Agency endowments with Community Foundations	997,261	1,177,262
Stocks	8,885,175	9,935,913
Long-term investments – fair value	13,947,381	15,215,511
Partnership – equity method	102,396	102,396
Total long-term investments	\$ 14,049,777	\$ 15,317,907

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note D – Long-term investments – continued:

These investments are classified as follows as of March 31:

	2018	2017
Unrestricted	\$ 103,780	\$ 103,430
Temporarily restricted	5,875,827	5,156,510
Permanently restricted	11,846,668	10,057,967
Total	\$ 17,826,275	\$ 15,317,907

Investment return for the year ended March 31, 2018 is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 5,403	\$ 334,289	\$ (57)	\$ 339,635
Realized gains (losses)	-	69,364	(45)	69,319
Unrealized gains (losses)	-	1,189,286	-	1,189,286
	\$ 5,403	\$ 1,592,939	\$ (102)	\$ 1,598,240

Interest and dividends is net of brokerage fees and bank charges of \$36,524.

Investment return for the year ended March 31, 2017 is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 101	\$ 310,424	\$ (180)	\$ 310,345
Realized gains (losses)	-	106,765	-	106,765
Unrealized gains (losses)	-	1,144,169	-	1,144,169
	\$ 101	\$ 1,561,358	\$ (180)	\$ 1,561,279

Interest and dividends is net of brokerage fees and bank charges of \$34,953.

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note E – Inventories:

Inventories as of March 31 consist of the following:

	2018	2017
Field food	\$ 7,226	\$ 16,976
Kitchen food	6,178	2,451
Books	3,640	8,734
	\$ 17,044	\$ 28,161

Note F – Property and equipment, net:

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

	2018	2017
Land	\$ 269,806	\$ 269,806
Site improvements	1,231,562	576,622
Buildings	4,129,972	4,185,251
Furniture, fixtures and equipment	1,241,398	1,234,393
Vehicles and boats	1,262,962	1,283,989
Construction in progress	65,856	85,591
	8,201,556	7,635,652
Less accumulated depreciation	5,859,099	5,841,395
	\$ 2,342,457	\$ 1,794,257

Note G – 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 \$88,046 as of March 31, 2018. The obligation under the bank note payable is for monthly payments of \$6,723, including interest at 3.67%, with a balloon payment of the remaining balance due December 8, 2021. The balance as of March 31, 2018 and 2017 is \$1,170,174 and \$1,229,030, respectively.

The school had a vehicle note payable with a vehicle credit company secured by a vehicle with a carrying value of \$1,314 as of March 31, 2018. The obligation under the vehicle note payable was for monthly payments of \$494, including interest at 5.24%. The note was paid in full during the year ended March 31, 2018. The balance as of March 31, 2017 was \$4,212.

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note G – Notes payable – continued:

The school has a vehicle note payable with a vehicle credit company secured by a vehicle with a carrying value of \$6,995 as of March 31, 2018. 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, 2018 and 2017 is \$7,997 and \$13,084, respectively.

The school has a vehicle note payable with a vehicle credit company secured by a vehicle with a carrying value of \$4,769 as of March 31, 2018. 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, 2018 and 2017 is \$5,513 and \$9,789, respectively.

The school has a vehicle note payable with a vehicle credit company secured by a vehicle with a carrying value of \$4,769 as of March 31, 2018. 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, 2018 and 2017 is \$5,513 and \$9,447, respectively.

Maturities of the notes payable are as follows:

Year ending March 31,

2019	\$	80,912
2020		74,775
2021		72,180
2022		961,330
2023		-
Thereafter		-

Total principal \$ 1,189,197

Note H – Line of credit payable:

During the year ended March 31, 2017, the School maintained a \$500,000 line of credit, secured by Cedar Rock Base Camp, including land and structures, which was due and payable on November 20, 2017. During the year ended March 31, 2018, the School renewed this line of credit and increased the available principal to \$1,000,000, the balance is due and payable on November 5, 2019. Interest is payable monthly and is charged at the Bank's Prime Rate less .5%. The interest rate as of March 31, 2018 was 4.25%. Advances outstanding under this line of credit as of March 31, 2018 and 2017 were \$749,614 and \$462,614, respectively.

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note H – Line of credit payable – continued:

The line of credit contains covenants requiring the School to maintain a tangible net worth of not less than \$20,000, to provide financial statements, prepared by the School, to the bank as soon as available but in no event later than 120 days after the end of the each fiscal year, and to provide audited financial statements to the bank as soon as available but in no event later than 150 days after the end of the each fiscal year. For the year ended March 31, 2018, the School was in violation of the financial statement reporting requirements. 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, 2018.

Note I – Temporarily restricted net assets:

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

	2018	2017
Capital	\$ 1,558,527	\$ 2,214,115
Endowment – Capital	76,151	31,940
Endowment – Funds available for scholarships	776,291	738,081
Endowment – Operating	41,990	128,290
Endowment – Other	741,267	464,294
Endowment – Scholarships	3,894,060	3,109,968
Grants	306,967	593,382
Restricted operating	1,328,750	1,203,347
Scholarships	870,236	1,006,366
	\$ 9,594,239	\$ 9,489,783

Note J – 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:

	2018	2017
Staff salary enhancement	\$ 351,519	\$ 351,519
Scholarships and special projects	12,307,911	11,018,036
	\$ 12,659,430	\$ 11,369,555

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note K – Endowment net assets:

Changes in endowment net assets for the year ended March 31, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,035	\$ 4,472,573	\$11,369,555	\$ 15,843,163
Interest and dividends, net of investment expense	124	92,655	(57)	92,722
Net capital appreciation (depreciation), realized and unrealized	-	1,499,612	(45)	1,499,567
Contributions	-	50,656	1,289,977	1,340,633
Amounts appropriated for expenditure	-	(585,737)	-	(585,737)
Endowment net assets, end of year	\$ 1,159	\$ 5,529,759	\$12,659,430	\$ 18,190,348

Changes in endowment net assets for the year ended March 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,035	\$ 3,420,418	\$10,608,337	\$ 14,029,790
Interest and dividends, net of investment expense	-	214,616	(180)	214,436
Net capital appreciation (depreciation), realized and unrealized	-	1,234,568	-	1,234,568
Contributions	-	-	761,398	761,398
Amounts appropriated for expenditure	-	(397,029)	-	(397,029)
Endowment net assets, end of year	\$ 1,035	\$ 4,472,573	\$11,369,555	\$ 15,843,163

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note K – Endowment net assets – continued:

As of March 31, 2018 and 2017, endowment net assets are composed entirely of donor designated endowment funds. As of March 31, 2018 and 2017, the portion of perpetual endowment funds classified as permanently restricted net assets required by explicit donor stipulation and the School’s endowment policy is \$12,681,708 and \$11,369,555, respectively. In addition, as of March 31, 2018 and 2017, the portion of perpetual endowment funds classified as temporarily restricted net assets subject to time with purpose restrictions is \$5,476,624 and \$4,351,355, respectively, and subject to time without purpose restrictions is \$41,990 and \$121,218, respectively.

Endowment net asset reconciliation to long-term investments as of March 31, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, end of year	\$ 1,159	\$ 5,529,759	\$12,659,430	\$18,190,348
Endowment funds, from pledges receivable	-	-	(524,802)	(524,802)
Endowment funds, due to (from)	-	287,960	(287,960)	-
Non-endowment funds held in long-term investments	102,621	58,108	-	160,729
Long-term investments	\$ 103,780	\$ 5,875,827	\$11,846,668	\$17,826,275

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note K – Endowment net assets – continued:

Endowment net asset reconciliation to long-term investments as of March 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, end of year	\$ 1,035	\$ 4,472,573	\$11,369,555	\$15,843,163
Endowment funds, from pledges receivable	-	-	(356,038)	(356,038)
Endowment funds, due to (from)	-	955,550	(955,550)	-
Non-endowment funds held in long-term investments	102,395	-	-	102,395
Long-term endowment funds to be invested	-	(271,613)	-	(271,613)
Long-term investments	\$ 103,430	\$ 5,156,510	\$10,057,967	\$15,317,907

Note L – 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:

	2018	2017
Capital (building and equipment acquisition restrictions)	\$ 1,240,727	\$ 203,000
Endowment	683,068	427,058
Grant	621,086	616,557
Restricted operations	213,308	231,128
Scholarships	643,891	361,733
Program and support restrictions	2,161,353	1,636,476
Net assets released from restriction	\$ 3,402,080	\$ 1,839,476

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note M – Capital leases:

As of the year ended March 31, 2017, the School leased sixteen vehicles under capital leases expiring in the year ending March 31, 2022 and 2023. During the year ended March 31, 2018, the School leased one additional vehicle under a capital lease expiring in the year ending March 31, 2024. 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, 2018 and 2017.

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

	2018	2017
Vehicles	\$ 491,664	\$ 466,375
Less accumulated amortization	177,155	92,412
	<u>\$ 314,509</u>	<u>\$ 373,963</u>

Minimum future lease payments under capital leases as of March 31, 2018 are as follows:

Year ending March 31,	
2019	\$ 91,935
2020	91,846
2021	92,021
2022	60,933
2023	20,593
Thereafter	510
Total minimum payments	357,838
Less amount attributable to interest	29,008
Present value of minimum lease payments	<u>\$ 328,830</u>

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note N – 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 leases a base camp facility in Scottsmoor, Florida. The annual calendar year charge for 2017 was \$35,370, to be increased by 5% in 2018. At present, the Scottsmoor lease will expire on December 31, 2018.

The School also leases various office equipment for each office and basecamp. These leases have monthly payments ranging from \$45 and \$747 and will expire between the years ended March 31, 2020 and 2022.

The total rental expense, including one-time event rentals, and user fees included in the financial statements for the year ended March 31, 2018 are \$315,737 and \$93,066, respectively. The total rental expense and user fees included in the financial statements for the year ended March 31, 2017 are \$149,633 and \$95,514, respectively.

Minimum future lease payments as of March 31, 2018 consist of the following:

<u>Year ending March 31,</u>		
2019	\$	42,226
2020		8,091
2021		3,158
2022		632
	\$	54,107

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note O – 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 to the Plan for the years ended March 31, 2018 and 2017. Employee contributions to the Plan for the years ended March 31, 2018 and 2017 were \$99,814 and \$91,278, respectively.

Note P – Related party transactions:

As of March 31, 2018 and 2017, the School owed Outward Bound USA (National OBS) \$105,403 and \$15,000, 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):

	2018	2017
Charter expense	\$ 93,844	\$ 63,253

Outward Bound Services Group (OBSG) is an Organization that is 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, 2018 and 2017, the School invoiced OBSG \$65,076 and \$70,644, respectively, for rent, office supplies and payroll reimbursements. As of March 31, 2018 and 2017, OBSG owed the School \$58,576 and \$103,367, respectively. During the years ended March 31, 2018 and 2017, the School incurred marketing fees of \$338,865 and \$315,814, respectively, to OBSG. As of March 31, 2018 and 2017, the School owed OBSG \$90,683 and \$9,554, 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, 2018 and 2017 was \$149,543 and \$378,423, respectively, which represented 5% and 14% of total contributions received during each year.

Note Q – 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, 2018 and 2017, the School's uninsured cash balance totaled \$3,471,472 and \$4,183,349, respectively.

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note R – 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, 2018 and 2017 from 34 individuals, with a total approximate intention to give of \$3,465,000. There are intentions to give included from the 34 individuals for which the amount cannot be determined at this point of time.

Note S – Commitments:

The School has an employee lease agreement with Outward Bound Services Group (OBSG) in which the School leases certain employees and business services related to these employees to OBSG. 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. Applicable payroll reimbursements to the School from OBSG are included in the total income invoiced to OBSG amounts disclosed in Note P in these financial statements.

Note T – Fair value of financial instruments:

As required by FASB ASC 820-10, as of March 31, 2018, 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	\$ -	\$ -	\$ 1,518,816	\$ 1,518,816
Long-term investments:				
Money market funds	277,727	-	-	277,727
Fixed income mutual funds	-	4,993,015	-	4,993,015
Agency endowments with Community Foundations	-	-	1,068,534	1,068,534
Equity mutual funds	11,384,378	-	-	11,384,378
Cash surrender value of life insurance	-	13,581	-	13,581
Total assets measured at fair value	\$ 11,662,105	\$ 5,006,596	\$ 2,587,350	\$19,256,051

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note T – Fair value of financial instruments – continued:

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

Beginning balance, April 1, 2017	\$ 1,576,484
Additional contributions	763,640
Less increase (decrease) in discount on pledges receivable	(52,356)
Less payments	873,664
<hr/>	
Ending balance, March 31, 2018	\$ 1,518,816

The reconciliation of significant unobservable inputs (level 3) for agency endowments with Community Foundations is as follows:

Beginning balance, April 1, 2017	\$ 1,177,262
Interest and dividends	22,738
Unrealized gains (losses)	69,604
Less distributions	201,070
<hr/>	
Ending balance, March 31, 2018	\$ 1,068,534

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note T – Fair value of financial instruments – continued:

As required by FASB ASC 820-10, as of March 31, 2017, 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	\$ -	\$ -	\$ 1,576,484	\$ 1,576,484
Long-term investments:				
Money market funds	269,841	-	-	269,841
Corporate fixed income instruments	-	3,832,495	-	3,832,495
Agency endowments with Community Foundations	-	-	1,177,262	1,177,262
Stocks	9,935,913	-	-	9,935,913
Cash surrender value of life insurance	-	22,429	-	22,429
Total assets measured at fair value	\$ 10,205,754	\$ 3,854,924	\$ 2,753,746	\$16,814,424

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

Beginning balance, April 1, 2016	\$ 2,069,773
Additional contributions	1,827,568
Less increase (decrease) in discount on pledges receivable	(57,495)
Less payments	2,378,352
Ending balance, March 31, 2017	\$ 1,576,484

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note T – Fair value of financial instruments – continued:

The reconciliation of significant unobservable inputs (level 3) for agency endowments with Community Foundations is as follows:

Beginning balance, April 1, 2016	\$ 1,212,088
Interest and dividends	25,163
Unrealized gains (losses)	78,105
Less distributions	138,094
<hr/>	
Ending balance, March 31, 2017	\$ 1,177,262

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 U – Prior period adjustment:

During the year ended March 31, 2018, management discovered that a three-year grant from a private foundation was recorded as a three-year pledge at the time the agreement was signed during the year ended March 31, 2016 resulting in an overstatement of temporarily restricted contribution revenue of \$1,191,341, an overstatement of temporarily restricted pledge receivable of \$826,988, an overstatement of discount on temporarily restricted pledge receivable of \$50,334, and an understatement of temporarily restricted grant revenue of \$364,353. This was corrected by decreasing the beginning balance of temporarily restricted net assets by \$776,654 as of June 30, 2016 and increasing temporarily restricted grant revenue by \$401,985 in the year ended March 31, 2017.

North Carolina Outward Bound School

Notes to Financial Statements – continued

March 31, 2018 and 2017

Note V – 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, 2018.

The School has evaluated events that have occurred after March 31, 2018 and prior to December 6, 2018 (the date of issuance) for potential recognition or disclosure in the financial statements.

North Carolina Outward Bound School
Asheville, North Carolina

Compliance Reports
Year Ended March 31, 2018

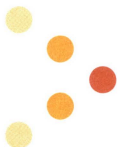


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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2018.

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, responses, and questioned costs as items 2018-001 and 2018-002 that we consider to be material weaknesses.

Johnson Price Sprinkle PA

1

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*.

North Carolina Outward Bound School's Response to Findings

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

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

December 6, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR STATE PROGRAM 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 Program

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 programs for the year ended March 31, 2018. North Carolina Outward Bound School's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings, responses, and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of North Carolina Outward Bound School's major state programs 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 audit requirements of *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 program 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 qualified opinion on compliance for each major state program. However, our audit does not provide a legal determination of North Carolina Outward Bound School's compliance.

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

As described in the accompanying schedule of findings, responses, and questioned costs, North Carolina Outward Bound School did not comply with requirements regarding CSFA 80.029 Delinquency Prevention as described in finding number 2018-003 for Eligibility. Compliance with such requirements is necessary, in our opinion, for North Carolina Outward Bound School to comply with the requirements applicable to that program.

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 Delinquency Prevention for the year ended March 31, 2018.

Other Matters

The results of our auditing procedures disclosed no other 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, responses, 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 program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program 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.

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 program 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 program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance

requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. We identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings, responses, and questioned costs as items 2018-003, 2018-004 and 2018-005 that we consider to be material weaknesses.

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, responses, 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, 2018, and have issued our report thereon dated December 6, 2018. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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

December 6, 2018

North Carolina Outward Bound School

Schedule of Findings, Responses, and Questioned Costs

Year Ended March 31, 2018

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 \$300,000.

North Carolina Outward Bound School

Schedule of Findings, Responses, and Questioned Costs

Year Ended March 31, 2018

Section II Financial Statement Findings

MATERIAL WEAKNESS

Finding 2018-001 Inadequate design and implementation of internal control over financial reporting.

Criteria: Management should have a system in place to reduce the likelihood of errors or misstatements in financial reporting.

Condition: Due to repeated turnover of key financial personnel and a limited number of accounting personnel that possess technical expertise as required by standards, there are inherent limitations of segregation of duties and accurate financial reporting. Account reconciliations were not prepared and balanced to the general ledger in a timely manner during the year resulting in the need for a significant number of audit adjustments. Program expenses were not allocated based on function in accordance with the established policies. There is lack of formal review and approval process of purchases, disbursements, journal entries, time cards, and internal accounting reports.

Context: While documenting internal controls relating to the general ledger, including journal entries, we noted that the Controller prepares all journal entries, without being formally approved by the Finance Officer or the Executive Director. There is no formal review or approval of the bank reconciliations, pledges receivable, or construction in process schedules. The functional expense allocation method used in the prior year was not used in the current year. During disbursements and receipts testing, we noted transactions that lacked supporting documentation, manager's approval, and accurate account coding. During testing of net assets released from restriction, we noted that documentation of supporting releases from restriction from the capital campaign could not be located. Cash requirements reports prepared by the Controller are not consistently formally reviewed by the CFO, Executive Director or Assistant Director. The time sheets for the base camp's Office Manager also did not document proper approval.

Cause: There are a limited number of personnel for certain accounting functions and there has been no cross training or procedures put into place for unanticipated absences. There is a lack of formalized internal control over internal financial reporting.

Effect: Errors and misstatements in financial reporting could occur. Transactions could be recorded without adequate oversight. Lack of timely reconciliations greatly increases the risk of errors or misstatements in financial reporting.

North Carolina Outward Bound School

Schedule of Findings, Responses, and Questioned Costs

Year Ended March 31, 2018

Section II Financial Statements Findings - continued

Recommendation: Additional skilled, knowledgeable and experienced staff should be hired in the Finance Department to enable timely and accurate financial reporting. Alternative controls should be developed to compensate for any lack of segregation of duties. Policies and procedures should be implemented that require reconciliations be prepared and balanced to the general ledger control accounts on a monthly basis and functional expenses should be allocated monthly to enable timely and accurate financial reporting.

Policies and procedures should be implemented that require approval and review of accounting transactions and journal entries. We also recommend departmental cross training to enable seamless continuity in the event of a change in key personnel.

Views of responsible officials and planned

corrective actions: Management of North Carolina Outward Bound School agrees with the finding. Existing policies and procedures for the Accounting department will be updated to include monthly reconciliations of all cash accounts and quarterly reconciliations of all other balance sheet accounts. Reconciliations will be reviewed by the appropriate staff member, who will initial the top right corner, indicating the reconciliation has been reviewed, and then stored in the appropriate binder or scanned and stored electronically. Staff will not prepare and approve their own reconciliations.

MATERIAL WEAKNESS

Finding 2018-002 Prior period adjustment

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: During the year ended March 31, 2018, management discovered that a three-year conditional grant from a private foundation was recorded as a three-year pledge at the time the agreement was signed during the year ended March 31, 2016 resulting in an overstatement of temporarily restricted contribution revenue of \$1,191,341, an overstatement of temporarily restricted pledges receivable of \$826,988, an overstatement of discount on temporarily restricted pledges receivable of \$50,334, and an understatement of temporarily restricted grant revenue of \$364,353.

Context: A conditional grant was incorrectly treated as a pledge.

Cause: Inadequate communication between the Development Department staff and the Finance Department staff and inadequate monitoring by management.

North Carolina Outward Bound School

Schedule of Findings, Responses, and Questioned Costs

Year Ended March 31, 2018

Section II Financial Statements Findings - continued

Effect: For the statements affected, the prior year financial statements were misstated.

Recommendation: Management should implement internal control procedures that will require timely reviews and reconciliations of financial records to ensure that balances are properly recorded and prevent prior period adjustments in the future. Reconciliations between the Development Department and the Finance Department would enable accurate and timely assessment of the classification of pledges and grants.

Views of responsible officials and planned

corrective actions: Management of North Carolina Outward Bound School agrees with the finding. The Finance and Development departments will reconcile new gifts monthly. In addition to reconciling new gifts, the Finance and Development departments will also reconcile pledges and grants receivable schedules monthly. Agreed upon adjustments will be acknowledged via e-mail from both departments to provide backup support. Any adjustment that is material will need to be approved by the Executive Director. Adjustments will be made in both the finance and development software in a timely manner.

Section III State Award Findings

Department of Juvenile Justice

Program Name: Delinquency Prevention

CSFA #: 80.029

Finding 2018-003 Eligibility

MATERIAL NONCOMPLIANCE

MATERIAL WEAKNESS

Criteria: Section I.A of the State of Florida, Department of Juvenile Justice contract specifies counties covered by the program. Section II.B of the State of Florida, Department of Juvenile Justice contract specifies criteria that students must meet in order to be eligible for participation in the program. Per section II.B.7 youth are required to submit a physical activity clearance within the last 6 months in order to ensure the youth are cleared for the strenuous physical activity. Per section II.B.8-13 youth are required to be screened through the NC Outward Bound School medical screening process and will not be eligible for participation based on the conditions in section II. B. 8-13. Section I.F.1-2 of the State of Florida, Department of Juvenile Justice contract indicates that pending investigations into allegations or suspicions of abuse make youth ineligible for the CINS and FINS programs.

North Carolina Outward Bound School

Schedule of Findings, Responses, and Questioned Costs

Year Ended March 31, 2018

Section III State Award Findings - continued

- Condition:** During eligibility testing, it was noted that five 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. Six students participated in the program whose medical record indicated diagnosis of a condition that deems a student ineligible for participation. Two participating students resided in counties not covered by the program. One participating students' entry screening summary indicated an open investigation into child abuse by parents. No follow up documentation was retained in the file.
- Effect:** The School was not in compliance with the eligibility requirement to provide services to students that did not have adequate medical clearance to participate in the program as stated in Section II.B of the Contract. The School was not in compliance with the eligibility requirement to provide services only to students that reside in eligible counties as stated in Section I.A of the Contract. The School was not in compliance with the eligibility requirement to provide services to students that meet the definitions of the CINS and FINS programs.
- Cause:** A lack of formal review of the completeness of student files prior to participation exists.
- Questioned cost:** \$79,736
- Context:** The amount of questioned costs is \$3,445 for youth serving the complete wilderness phase plus \$549 per home visit for up to two home visits per student required for successful completion of the follow-up phase. NCOBS was reimbursed as contracted for wilderness and follow-up phases for the above students in the total amount of \$1,051,277. Projected questioned cost for eligibility findings in FY 2018 is \$145,722. This amount was calculated by multiplying the percentage of students tested with compliance findings times the total student population, and then multiplying this number of students by the average reimbursement per student based on the number of students in FY 2018 and the amount of state funds expended in FY 2018. The total population of students served under this program was 139, of which, 101 students were tested and 14 students not in compliance with eligibility requirement to provide services to students that meet the definitions of the CINS and FINS programs.
- 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 a student's participation in a course.

North Carolina Outward Bound School

Schedule of Findings, Responses, and Questioned Costs

Year Ended March 31, 2018

Section III State Award Findings - continued

Views of responsible officials and planned

corrective actions: Management of North Carolina Outward Bound School agrees with the finding. Existing policies and procedures for medical screening follow up are being updated to include documentation requirements for follow up and diagnoses compliant with contract requirements. A checklist will be attached to all student folders. On a monthly basis the Program Director will review student folders for accuracy and completeness.

Finding 2018-004 Reporting

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 report testing, four instances were noted in which a required report was not submitted to the DJJ by the required submission date as specified in Section IV.B of the Contract. Specifically, two Quarterly Expenditure Reports, for quarters ending June 30, 2017 and September 30, 2017, the Organizational Chart for the annual contract due July 2017, and an annual continuity of operations plan due July 2017.

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.

North Carolina Outward Bound School

Schedule of Findings, Responses, and Questioned Costs

Year Ended March 31, 2018

Section III State Award Findings - continued

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 of North Carolina Outward Bound School agrees with the finding. Additional policy and procedure will be developed for reporting within contract required timelines.

Finding 2018-005 Allowable Costs

MATERIAL WEAKNESS

Criteria: In accordance with the State Single Audit Act the entity must establish and maintain effective internal control over grant awards. Per the State Projects Compliance Supplement allowable costs under contract include all costs directly related to serve identified youth and permissible under the Guide of State Expenditures. Costs must be necessary and reasonable, authorized and not prohibited, adequately documented, and not used to support either religious or anti-religious activities.

Condition: During allowable costs testing, we noted 13 instances where disbursement lacked required approval, 12 instances where the disbursement was coded to an incorrect general ledger account, and 14 disbursements in which no supporting documentation was provided because it could not be located.

Effect: Lack of proper implementation of internal control policies greatly increases the risk of an error or irregularity being undetected and can result in undetected noncompliance with grant requirements.

Cause: A lack of formal approval and review of the completeness of supporting documentation for allowable costs.

Questioned cost: \$0.

Context: The amount of questioned costs is \$0; all expenditures were deemed to be allowable.

North Carolina Outward Bound School

Schedule of Findings, Responses, and Questioned Costs

Year Ended March 31, 2018

Section III State Award Findings - continued

Recommendation: Controls should be developed and implemented to ensure that program expenditures have management approval, proper coding, and appropriate supporting documentation.

Views of responsible
officials and planned

corrective actions: Management of North Carolina Outward Bound School agrees with the finding. Additional policies and procedures will be developed and implemented for management approval, proper coding, and appropriate supporting documentation.

North Carolina Outward Bound School

Schedule of Findings, Responses, and Questioned Costs

Year Ended March 31, 2018

Corrective Action Plan

Section II Financial Statement Findings

Material weakness

Finding 2018-001

Name of contact person:

Steve Kallan, Chief Financial Officer

Corrective action:

Existing policies and procedures for the Accounting department will be updated to include monthly reconciliations of all cash accounts and quarterly reconciliations of all other balance sheet accounts. Reconciliations will be reviewed by the appropriate staff member, who will initial the top right corner, indicating the reconciliation has been reviewed, and then stored in the appropriate binder or scanned and stored electronically. Staff will not prepare and approve their own reconciliations.

Proposed completion date:

Implement immediately

Material weakness

Finding 2018-002

Name of contact person:

Steve Kallan, Chief Financial Officer

Corrective action:

The Finance and Development departments will reconcile new gifts monthly. In addition to reconciling new gifts, the Finance and Development departments will also reconcile pledges and grants receivable schedules monthly. Agreed upon adjustments will be acknowledged via e-mail from both departments to provide backup support. Any adjustment that is material will need to be approved by the Executive Director. Adjustments will be made in both the finance and development software in a timely manner.

Proposed completion date:

Implement immediately

Section III State Award Findings

Material noncompliance

Material weakness

Finding: 2018-003

Name of contact person:

Steve Kallan, Chief Financial Officer

Corrective action:

Existing policies and procedures for medical screening follow up are being updated to include documentation requirements for follow up and diagnoses compliant with contract requirements. A checklist will be attached to all student folders. On a monthly basis the Program Director will review student folders for accuracy and completeness.

Proposed completion date:

February 28, 2019

North Carolina Outward Bound School

Schedule of Findings, Responses, and Questioned Costs

Year Ended March 31, 2018

Corrective Action Plan – continued

Section III State Award Findings – continued

Material weakness

Finding: 2018-004

Name of contact person: Steve Kallan, Chief Financial Officer
Corrective action: Additional policies and procedures will be developed for reporting within contract required timelines.
Proposed completion date: March 31, 2019

Material weakness

Finding: 2018-005

Name of contact person: Steve Kallan, Chief Financial Officer
Corrective action: Additional policies and procedures will be developed and implemented for management approval, proper coding, and appropriate supporting documentation.
Proposed completion date: January 31, 2019

North Carolina Outward Bound School

Summary Schedule of Prior Year Audit Findings

Year Ended March 31, 2018

No findings reported in 2017.

North Carolina Outward Bound School

Schedule of Expenditures of Federal and State Awards

Year Ended March 31, 2018

Federal/State Agency, Pass-through Entity, Federal Programs/State Program	CFDA/CSFA Number	Contract/ Grant No.	Expenditures
FEDERAL AWARDS			
U.S. Department of Agriculture			
Pass-Through State of Florida Department of Agriculture and Consumer Services – Division of Food, Nutrition and Wellness National School Lunch Program Equipment Assistance Grant	10.579		\$ 2,918
U.S. Department of Agriculture			
Pass-Through State of Florida Department of Education National School Lunch Program	10.555		15,249
Total U.S. Department of Agriculture			18,167
Total Expenditures of Federal Awards			18,167
STATE AWARDS			
State of Florida Department of Juvenile Justice			
Delinquency Prevention	80.029	10099	1,082,306
Total State of Florida Department of Juvenile Justice			1,082,306
Total Expenditures of State Awards			1,082,306
Total Expenditures of Federal and State Awards			\$ 1,100,473

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity 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.