

**SCHOOL ON WHEELS, INC.**  
**(a Non-Profit Corporation)**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2010**

Member  
American Institute of Certified  
Public Accountants

Calif. Society of Certified Public  
Accountants

**ANTHONY BONENFANT & CO.**  
*Certified Public Accountants*

16601 Ventura Blvd., Suite 200  
Encino, CA 91436

Telephone  
(818) 907-1975

Fax  
(818) 907-6069

**INDEPENDENT AUDITOR'S REPORT**

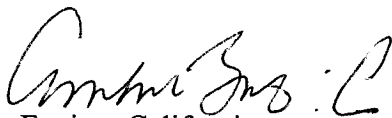
To the Board of Directors

School on Wheels, Inc.  
P.O. Box 23371  
Ventura, CA 93002

We have audited the accompanying statements of financial position of School on Wheels, Inc. (a non-profit corporation) as of December 31, 2010, and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of School on Wheels, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summary comparative information is derived from the 2009 financial statements and in our report dated March 17, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of School on Wheels, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Encino, California  
March 20, 2011

**SCHOOL ON WHEELS, INC.**  
**(a Non-Profit Corporation)**

STATEMENT OF FINANCIAL POSITION

December 31, 2010

	2010	2009
<b>Assets:</b>		
Cash and cash equivalents (note 2)	\$ 353,822	\$ 565,528
Grants receivable	102,500	-
Prepaid expenses	2,865	5,809
Fixed assets, at cost (note 4)	182,274	31,814
Deposits	9,900	4,800
	<b>Total Assets</b>	<b>Total Assets</b>
	<b>\$ 651,361</b>	<b>\$ 607,951</b>
 <b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 31,468	\$ 34,377
	<b>Total Liabilities</b>	<b>Total Liabilities</b>
	<b>\$ 31,468</b>	<b>\$ 34,377</b>
 <i>(See commitments - see Note 7)</i>		
 <b>Net Assets:</b>		
Unrestricted	\$ 547,728	\$ 406,989
Temporarily Restricted (note 5)	72,165	166,585
	<b>Total Net Assets</b>	<b>Total Net Assets</b>
	<b>619,893</b>	<b>573,574</b>
 <b>Total Liabilities and Net Assets</b>	<b>\$ 651,361</b>	<b>\$ 607,951</b>

See Accompanying Independent Auditor's Report and Notes to the Financial Statements

**SCHOOL ON WHEELS, INC.**  
**(a Non-Profit Corporation)**

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010</u>	<u>2009</u>
<b>Support and Revenues:</b>				
Grant income	\$ 490,360	\$ 68,350	\$ 558,710	\$ 153,145
Contributions	198,610	24,758	223,368	636,821
Donated materials	278,506	-	278,506	199,623
Interest income	4,574	-	4,574	3,695
Net Assets released from restrictions	187,528	(187,528)	-	-
<b>Total Support and Revenues</b>	<b>1,159,578</b>	<b>(94,420)</b>	<b>1,065,158</b>	<b>993,284</b>
<b>Expenses:</b>				
Program Services	931,975	-	931,975	845,189
Fundraising	31,245	-	31,245	48,480
Supporting Services, Management and General	55,619	-	55,619	61,827
<b>Total Expenses</b>	<b>1,018,839</b>	<b>-</b>	<b>1,018,839</b>	<b>955,496</b>
<b>Increase (Decrease) in Net Assets</b>	<b>140,739</b>	<b>(94,420)</b>	<b>46,319</b>	<b>37,788</b>
Net assets, beginning of year	406,989	166,585	573,574	535,786
<b>Net assets, end of year</b>	<b>\$ 547,728</b>	<b>\$ 72,165</b>	<b>\$ 619,893</b>	<b>\$ 573,574</b>

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**SCHOOL ON WHEELS, INC.**  
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STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010

	<b>Program Services</b>	<b>Fundraising</b>	<b>Supporting Services, Management and General</b>	<b>2010</b>	<b>2009</b>
Accounting	\$ -	\$ -	\$ 24,214	\$ 24,214	\$ 26,443
Automobile	8,804	-	1,516	10,320	11,313
Bank Charges	604	-	1,294	1,898	1,101
Computer Expenses	7,570	-	-	7,570	2,297
Contract Labor	94,125	7,526	-	101,651	100,472
Depreciation	20,767	-	1,497	22,264	22,111
Donated Materials	231,941	-	-	231,941	199,623
Dues	1,553	-	-	1,553	1,012
Employee Benefits	11,402	-	-	11,402	8,751
Insurance	7,052	-	2,400	9,452	13,217
Miscellaneous	2,224	-	459	2,683	4,197
Office Expense	8,074	1,061	4,714	13,849	6,236
Payroll	380,747	10,816	10,816	402,379	370,292
Payroll Taxes	31,249	892	892	33,033	30,819
Postage	-	-	3,162	3,162	3,334
Printing	-	-	1,061	1,061	2,987
Program Expenses	45,073	-	-	45,073	42,826
Promotional	-	8,014	-	8,014	10,457
Rent	55,814	1,900	1,900	59,614	66,901
Scholarships	1,640	-	-	1,640	2,400
Telephone	11,852	1,036	1,694	14,582	17,569
Travel and Meals	6,501	-	-	6,501	6,590
Utilities	4,983	-	-	4,983	4,548
<b>Total Functional Expenses</b>	<b>\$ 931,975</b>	<b>\$ 31,245</b>	<b>\$ 55,619</b>	<b>\$ 1,018,839</b>	<b>\$ 955,496</b>

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**SCHOOL ON WHEELS, INC.**  
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STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

	2010	2009
<b>Cash flows from Operating Activities:</b>		
Increase in Net Assets	\$ 46,319	\$ 37,788
Reconciliation of increase in net assets to net cash provided by operating activities:		
Depreciation	22,264	22,111
Increase in grants receivable	(102,500)	-
Decrease in prepaid expense	2,944	5,885
Increase in deposits	(5,100)	-
Decrease in accounts payable and accrued expenses	(2,909)	2,398
Net cash provided (used) by operating activities	(38,982)	68,182
<b>Cash Flow from investing activities:</b>		
Purchase of furniture and equipment	(48,759)	(7,361)
Buildout of new location	(123,965)	-
Net cash used by investing activities	(172,724)	(7,361)
Net increase (decrease) in cash and cash equivalents	(211,706)	60,821
Cash and cash equivalents at beginning of year	565,528	504,707
Cash and cash equivalents at end of year	\$ 353,822	\$ 565,528

**Supplemental disclosure of cash flow information:**

School on Wheels, Inc. did not pay interest or taxes in 2010.

See Accompanying Independent Auditor's Report and Notes to the Financial Statements

**SCHOOL ON WHEELS, INC.**  
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NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE 1 - NATURE OF ACTIVITIES**

Since 1993, School on Wheels has provided one-on-one tutoring for homeless children who live in shelters, motels, group foster homes or on the streets. The mission of School on Wheels is the enhancement of educational opportunities for homeless children from kindergarten through twelfth grade. Our goal is to shrink the gaps in their education and provide them with the highest education possible. In addition to weekly tutoring and mentoring, every student receives a backpack, school supplies, and uniforms; assistance enrolling in school and with locating and filing school records; and each student receives a toll-free phone number for around-the-clock School on Wheels' support. School on Wheels does not receive any government funding.

There are over 290,000 homeless children in California over the course of a year. Homeless mothers and children are now the fastest-growing segment of the homeless population, and the percentage of kids who are homeless in the U.S. is greater today than at any point since the Great Depression. There are more than 56,000 homeless children in just the school districts School on Wheels serves, and these estimates are based only on the homeless children who are attending school and who have admitted it to them. These children are typically four grade levels behind their peers and nine times more likely to drop out of school entirely. Like all children, they need an education to overcome these statistics, to have hope and a chance for success.

Homeless children need extra time and attention if the educational system is to do its job, but they often have no one in their lives who can give it to them. School on Wheels brings the message to our students that they are cared about and important, and our programs serve as a consistent support system at a time of great stress and fear. Every child needs an education to have hope and a chance for success, and the homeless child is no exception. If School on Wheels can close the gap for these kids, our program has the potential to help stop the cycle of homelessness and to relieve school districts of a tremendous capacity and resource burden.

In 2010, School on Wheels, Inc. achieved the following milestones:

- Opened a new Learning Center in Skid Row
- Tutored 1,400 students
- Recruited 1,501 volunteers
- Provided 6,270 students with backpacks filled with school supplies
- Distributed 454 school uniforms and 3,600 bus tokens
- Awarded three scholarships

See Accompanying Independent Auditor's Report and Notes to the Financial Statements

**SCHOOL ON WHEELS, INC.**  
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NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of School on Wheels, Inc. and changes therein are classified and reported as follows:

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Although management believes its estimates are appropriate, changes in assumptions utilized in preparing such estimates could cause these estimates to change in the future. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

School on Wheels, Inc. considers cash on hand, cash in banks, certificates of deposit, time deposits, and U. S. Government and other short-term securities and maturities of three months or less when purchased as cash and cash equivalents.

Building, furniture and equipment

Building, furniture and equipment are recorded at cost and depreciated using straight-line method over the estimated useful lives of the assets of 3 to 5 years. Maintenance, repairs and small property donations are expensed. Larger property donations and purchases for which there is a reasonable basis to measure value are capitalized and depreciated.

Unrestricted net assets

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. Net assets that are received with donor restrictions and whose restrictions are satisfied within the current year are included as unrestricted net assets.

See Accompanying Independent Auditor's Report and Notes to the Financial Statements

**SCHOOL ON WHEELS, INC.**  
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NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**Temporarily restricted net assets**

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met, either by actions of School on Wheels, Inc. and/or 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 restrictions. Temporarily restricted net assets received and satisfied within the current year are included as unrestricted net assets.

**Contributions**

Contributions are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor.

**Contributions in-kind**

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

For the year ended December 31, 2010, these in-kind donations included:

Office furniture	\$ 31,465
Computer equipment	15,100
Student backpacks, school materials and supplies	<u>231,941</u>
	<u>\$278,506</u>

Donated volunteer services are not reflected in the accompanying financial statements; however, in 2010, 1,501 volunteers donated an estimated 90,000 hours in support of School on Wheels, Inc.'s program services, valued at an estimated \$1,876,500. (The value of volunteer time is calculated by The Independent Sector based on the average hourly earnings of all production and non-supervisory workers on private non-farm payrolls in California – as determined by the Bureau of Labor Statistics – and increased by 12 percent to estimate for fringe benefits).

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NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**Allocating functional expenses**

Certain natural expenses are allocated among the programs, supporting services, and fundraising based upon management's estimates of employee hours incurred with respect to the various programs, supporting services and fundraising.

**NOTE 3 - TAX STATUS**

School on Wheels, Inc. is a non-profit organization and therefore is not subject to Federal or state income taxes under Internal Revenue Code Section 501(c)3. This exemption is for all income taxes except for those assessed on unrelated business income of which there is none.

**NOTE 4 - FIXED ASSETS**

Fixed assets at December 31, 2010 are summarized as follows:

Computers	\$ 140,605
Automobile	23,994
Office Furniture and Equipment	52,868
Leasehold Improvements	<u>131,452</u>
	348,919
Less accumulated depreciation	<u>(166,645)</u>
Net fixed assets	<u>\$ 182,274</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are summarized as follows:

Scholarship fund	\$64,372
Bus fund	<u>7,793</u>
Total	<u>\$72,165</u>

**NOTE 6 - RELATED PARTY TRANSACTIONS**

School on Wheels, Inc. leases office space from the organization's founder. The lease was month to month. During 2010, School on Wheels, Inc. paid the founder \$15,000 which is included in rent expense in the statement of functional expenses. Effective March 2011, the organization cancelled the lease.

The Executive Director of School on Wheels, Inc. provides her services on a pro-bono basis. The Development Consultant for School on Wheels, Inc. is paid for her grant writing services; she is a member of the Board of Directors.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE 7 - COMMITMENTS**

School on Wheels, Inc. operates three facilities. The South Los Angeles facility is occupied under a lease that expires on March 1, 2011, with five successive one year terms. Management intends to exercise its March 1, 2011 option. The Ventura facility is on a month-to-month lease; the Downtown facility is occupied under a five year operating lease expiring May 31, 2015. Minimum lease obligations for this facility is as follows:

<u>December 31</u>	
2011	\$ 44,335
2012	44,016
2013	45,340
2014	46,698
2015	<u>19,695</u>
	<u>\$200,084</u>

**NOTE 8 - SUBSEQUENT EVENT**

School on Wheels, Inc. has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2010 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 20, 2011, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

See Accompanying Independent Auditor's Report and Notes to the Financial Statements