

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

FINANCIAL STATEMENTS

Year Ended December 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
School on Wheels, Inc.

We have audited the accompanying financial statements of School on Wheels, Inc. (a non-profit corporation), which comprise the statements of financial position as of December 31, 2014, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

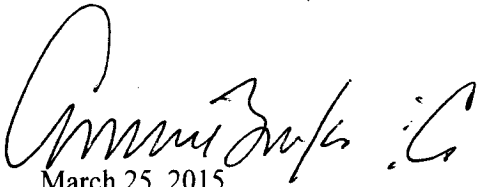
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School on Wheels, Inc.'s 2013 financial statements, and our report dated May 13, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Amir Z. [unclear]", written in a cursive style.

March 25, 2015
Encino, California

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

STATEMENT OF FINANCIAL POSITION

December 31, 2014
With Summarized Totals at December 31, 2013

	2014	2013
Assets:		
Cash and cash equivalents (note 2)	\$ 1,154,731	\$ 944,667
Prepaid expenses	12,200	8,078
Fixed assets, at cost (note 4)	109,562	101,861
Deposits	4,300	4,300
Total Assets	\$ 1,280,793	\$ 1,058,906
 Liabilities:		
Accounts payable	\$ 34,325	\$ 1,441
Accrued expenses	44,536	34,602
Total Liabilities	\$ 78,861	\$ 36,043
 <i>(See commitments - Note 7)</i>		
Net Assets:		
Unrestricted	\$ 1,101,273	\$ 957,775
Temporarily Restricted (note 5)	100,659	65,088
Total Net Assets	1,201,932	1,022,863
Total Liabilities and Net Assets	\$ 1,280,793	\$ 1,058,906

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, 2014
With Summarized Totals at December 31, 2013

	Unrestricted	Temporarily Restricted	2014	2013
Support and Revenues:				
Grant income	\$ 899,116	\$ 64,800	\$ 963,916	\$ 794,698
Contributions	368,437	14,800	383,237	348,914
Donated materials	224,839	-	224,839	209,469
Special events	29,185	-	29,185	43,978
Interest income	8,051	-	8,051	7,776
Net Assets released from restrictions	44,029	(44,029)	-	-
	1,573,657	35,571	1,609,228	1,404,835
Expenses:				
Program Services	1,310,411	-	1,310,411	1,256,881
Fundraising	34,931	-	34,931	34,302
Supporting Services	84,817	-	84,817	55,357
	1,430,159	-	1,430,159	1,346,540
	143,498	35,571	179,069	58,295
Net assets, beginning of year	957,775	65,088	1,022,863	964,568
Net assets, end of year	\$ 1,101,273	\$ 100,659	\$ 1,201,932	\$ 1,022,863

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

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2014
With Summarized Totals at December 31, 2013

	<u>Program Services</u>	<u>Fundraising</u>	<u>Supporting Services</u>	<u>2014</u>	<u>2013</u>
Accounting	\$ -	\$ -	\$ 7,900	\$ 7,900	\$ 8,250
Automobile	15,880	-	47	15,927	17,947
Bank Charges	-	-	2,207	2,207	4,691
Contract Labor/Consulting	15,044	12,882	6,177	34,103	68,394
Depreciation	24,703	-	2,745	27,448	27,025
Donated Materials	224,839	-	-	224,839	206,968
Dues	2,100	1,461	648	4,209	3,433
Employee Benefits	27,036	-	400	27,436	22,996
Insurance	9,220	-	4,823	14,043	13,175
Miscellaneous	9,130	134	3,015	12,279	10,538
Office Expense	5,246	87	2,380	7,713	7,619
Payroll	760,486	9,059	43,945	813,490	739,525
Payroll Taxes	65,983	-	4,275	70,258	65,786
Postage	1,844	1,336	771	3,951	2,895
Printing	4,240	5,692	1,140	11,072	10,563
Program Expenses	31,799	-	-	31,799	37,794
Promotional	3,980	4,280	-	8,260	961
Rent	61,037	-	-	61,037	57,628
Repairs and Maintenance	1,495	-	550	2,045	1,872
Scholarships	5,571	-	-	5,571	5,673
Technology	6,924	-	912	7,836	4,201
Telephone	17,882	-	40	17,922	16,630
Travel and Meals	7,922	-	2,842	10,764	4,359
Utilities	8,050	-	-	8,050	7,617
Total Functional Expenses	\$ 1,310,411	\$ 34,931	\$ 84,817	\$ 1,430,159	\$ 1,346,540

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

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

STATEMENT OF CASH FLOWS

Year Ended December 31, 2014
With Summarized Totals at December 31, 2013

	2014	2013
Cash flows from Operating Activities:		
Increase in Net Assets	\$ 179,069	\$ 58,295
Reconciliation of increase in net assets to net cash provided by operating activities:		
Depreciation	27,448	27,025
(Increase)/Decrease in prepaid expense	(4,122)	(1,326)
(Increase)/Decrease in accounts payable and accrued expenses	42,818	22,727
Net cash provided by operating activities	245,213	106,721
Cash Flow from investing activities:		
Purchase of computer equipment	(35,149)	(5,805)
Net cash used by investing activities	(35,149)	(5,805)
Net increase (decrease) in cash and cash equivalents	210,064	100,916
Cash and cash equivalents at beginning of year	944,667	843,751
Cash and cash equivalents at end of year	\$ 1,154,731	\$ 944,667

Supplemental disclosure of cash flow information:

School on Wheels, Inc. did not pay interest or taxes in 2014.

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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, downtown hotels, cars 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 learning and provide them with the highest education possible. In addition to weekly tutoring and mentoring, every student (and many more) receives a backpack, school supplies, and uniform; assistance enrolling in school and with locating and filing school records; and, the opportunity for a scholarship. School on Wheels does not receive any government funding.

A staggering 500,000 children are homeless in California over the course of a year. One in every 30 American children goes to sleep without a home of their own each year. There has been a 50% increase in students identified as homeless in school districts throughout the country since 2007.

Homelessness has a devastating impact on children's educational opportunities. Students experiencing homelessness typically change schools frequently. This can impact learning as students must adjust to new environments, curricula, teachers and classmates—all while still learning the same information other students are expected to learn. The impact is typically larger than many expect: each school change is estimated to set a student back academically some four to six months—and 28% of homeless children will attend three or more different schools in a single year. Too, the loss of a home can be traumatic, leaving students with tumultuous feelings that can impact their social and intellectual well being, resulting in behavioral problems that interfere with learning at almost three times the rate of other children. Limited access to food, medical care, and basic school supplies can also impact classroom performance. The result is that homeless children are nine times more likely to repeat a grade and four times more likely to drop out of school entirely.

School on Wheels is the only organization in the greater Los Angeles area exclusively dedicated to serving the educational needs of homeless children, the only one to focus on eliminating the specific barriers that stand between homeless children and the education they need and deserve to escape a life on the streets. 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 homeless 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.

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 1 - NATURE OF ACTIVITIES (cont.)

In 2014, School on Wheels achieved the following milestones:

- Tutored 3,129 students
- Hosted 1,816 volunteers
- Distributed over 6,000 backpacks, school supplies, uniforms, and bus tokens
- Awarded 12 scholarships
- Presented Presidential Volunteer Service Awards to 167 remarkable volunteers
- Tutored in six counties in Southern California

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. Significant estimates include allocation of overhead expense to program, fund-raising, and supporting services.

Cash and cash equivalents

School on Wheels, Inc. maintains its cash and cash equivalents in bank deposit accounts and other investment accounts which, at times, may exceed federally insured limits. The charity has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and cash equivalents include temporarily restricted cash and cash equivalents of \$100,659 and \$65,088 at December 31, 2014 and 2013, respectively.

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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

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.

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. In-kind donations included computer equipment, field trips, toys, holiday parties, student backpacks, school materials and supplies. Total value of these in-kind donations was recorded as \$224,839.

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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

Contributions in-kind (cont.)

Donated volunteer services are not reflected in the accompanying financial statements; however, in 2014, over 1,816 volunteers donated an estimated 95,000 hours in support of School on Wheels, Inc.'s program services. The value of these services, using the Bureau of Labor and Statistics hourly rate of \$26.34, is \$2,502,300.

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 fund-raising.

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 and state code sec 23701(d). 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, 2014 are summarized as follows:

Office Equipment and Computers	\$ 111,923
Office Furniture and Fixtures	36,482
Leasehold Improvements	<u>123,966</u>
	272,371
Less accumulated depreciation	<u>(162,809)</u>
Net fixed assets	\$ <u>109,562</u>

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are summarized as follows:

	<u>2014</u>	<u>2013</u>
Student field trip fund	\$ 4,051	\$ 0
Scholarship fund	68,054	65,088
Blended learning fund	<u>28,554</u>	<u>0</u>
	<u>\$100,659</u>	<u>\$ 65,088</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

The Executive Director of School on Wheels, Inc. provides her services on a pro-bono basis. A member of the Board of Directors was paid \$9,448 for Development Consulting services.

NOTE 7 - COMMITMENTS

School on Wheels, Inc. operates three facilities. The South Los Angeles facility was occupied under a lease that expired on January 31, 2015. The organization did not extend the lease. The Ventura facility is on a month-to-month lease at no charge to the organization. The Downtown facility is occupied under a five year operating lease expiring May 31, 2015. The organization intends to renew this lease. Minimum lease obligations for this facility is as follows:

December 31

2015	<u>\$19,695</u>
	<u>\$19,695</u>

Rent expense for the year ended December 31, 2014 was \$61,037.

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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, 2014 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 25, 2015, 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