

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

FINANCIAL STATEMENTS

Year Ended December 31, 2016

ANTHONY BONENFANT & CO.
Certified Public Accountants

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, 2016, 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, 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School on Wheels, Inc.'s 2015 financial statements, and our report dated March 12, 2016, 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, 2015, 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 "Ami M. C.", is written over the printed date and location.

February 20, 2017
Encino, California

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

STATEMENT OF FINANCIAL POSITION

December 31, 2016
With Summarized Totals at December 31, 2015

	2016	2015
Assets:		
Cash and cash equivalents (note 2)	\$ 1,426,792	\$ 1,367,171
Prepaid expenses	8,638	30,176
Fixed assets, at cost (note 4)	228,142	118,625
Deposits	8,760	5,900
Total Assets	\$ 1,672,332	\$ 1,521,872
 Liabilities:		
Accounts payable	\$ 93,680	\$ 73,818
Accrued expenses	27,514	24,129
Total Liabilities	\$ 121,194	\$ 97,947
 <i>(See commitments - Note 7)</i>		
Net Assets:		
Unrestricted	\$ 1,296,441	\$ 1,241,876
Temporarily Restricted (note 5)	254,697	182,049
Total Net Assets	1,551,138	1,423,925
Total Liabilities and Net Assets	\$ 1,672,332	\$ 1,521,872

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, 2016
With Summarized Totals at December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>2015</u>
Support and Revenues:				
Grant income	\$ 1,050,716	\$ 150,000	\$ 1,200,716	\$ 933,634
Contributions	532,062	37,235	569,297	566,475
Donated materials	272,438	-	272,438	368,214
Loss on sale of investments	(2,554)	-	(2,554)	-
Special events, net of direct expenses of \$46,322	160,213	-	160,213	117,604
Interest income	4,550	-	4,550	5,139
Net Assets released from restrictions	114,587	(114,587)	-	-
Total Support and Revenues	2,132,012	72,648	2,204,660	1,991,066
Expenses:				
Program Services	1,921,637	-	1,921,637	1,655,817
Fundraising	53,897	-	53,897	28,664
Supporting Services	101,913	-	101,913	84,592
Total Expenses	2,077,447	-	2,077,447	1,769,073
Increase (Decrease) in Net Assets	54,565	72,648	127,213	221,993
Net assets, beginning of year	<u>1,241,876</u>	<u>182,049</u>	<u>1,423,925</u>	<u>1,201,932</u>
Net assets, end of year	<u>\$ 1,296,441</u>	<u>\$ 254,697</u>	<u>\$ 1,551,138</u>	<u>\$ 1,423,925</u>

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

SCHOOL ON WHEELS, INC.
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STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016
With Summarized Totals at December 31, 2015

	<u>Program Services</u>	<u>Fundraising</u>	<u>Supporting Services</u>	<u>2016</u>	<u>2015</u>
Accounting	\$ -	\$ -	\$ 16,200	\$ 16,200	\$ 8,330
Automobile	39,326	14	-	39,340	23,425
Bank Charges	-	-	6,445	6,445	5,738
Contract Labor/Consulting	17,650	8,235	-	25,885	22,824
Depreciation	20,473	21,229	3,257	44,959	30,095
Donated Materials	272,438	-	-	272,438	368,217
Dues	4,388	1,638	442	6,468	5,986
Employee Benefits	54,239	-	2,355	56,594	62,326
Insurance	8,729	-	9,168	17,897	10,668
Miscellaneous	5,346	-	-	5,346	16,370
Office Expense	10,690	-	2,107	12,797	7,338
Payroll	1,055,493	18,593	50,702	1,124,788	957,023
Payroll Taxes	85,465	-	4,306	89,771	84,711
Postage	5,315	136	88	5,539	4,062
Printing	31,400	-	2,290	33,690	10,966
Program Expenses	38,112	-	-	38,112	30,724
Professional Development	8,641	-	1,717	10,358	9,107
Promotional	13,602	3,489	-	17,091	6,456
Rent	78,821	-	-	78,821	51,456
Repairs and Maintenance	3,390	-	892	4,282	5,567
Scholarships	16,434	-	-	16,434	8,499
Staff Recognition and Recruiting	18,147	-	604	18,751	-
Technology	29,804	-	946	30,750	2,376
Telephone	20,847	-	239	21,086	15,533
Travel and Meals	8,696	491	155	9,342	14,278
Utilities	6,070	-	-	6,070	6,998
Volunteer Expenses	68,121	72	-	68,193	-
Total Functional Expenses	\$ 1,921,637	\$ 53,897	\$ 101,913	\$ 2,077,447	\$ 1,769,073

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

SCHOOL ON WHEELS, INC.
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STATEMENT OF CASH FLOWS

Year Ended December 31, 2016
With Summarized Totals at December 31, 2015

	2016	2015
Cash flows from Operating Activities:		
Increase in Net Assets	\$ 127,213	\$ 221,993
Reconciliation of increase in net assets to net cash provided by operating activities:		
Depreciation	44,959	30,095
(Increase)/Decrease in prepaid expense	21,538	(17,976)
(Increase)/Decrease in accounts payable and accrued expenses	23,247	19,086
(Increase)/Decrease in deposits	(2,860)	(1,600)
Net cash provided by operating activities	214,097	251,598
Cash Flow from investing activities:		
Purchase of computer equipment, software and leasehold improvements	(154,476)	(39,158)
Net cash used by investing activities	(154,476)	(39,158)
Net increase (decrease) in cash and cash equivalents	59,621	212,440
Cash and cash equivalents at beginning of year	1,367,171	1,154,731
Cash and cash equivalents at end of year	\$ 1,426,792	\$ 1,367,171

Supplemental disclosure of cash flow information:

School on Wheels, Inc. did not pay interest or taxes in 2016.

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, 2016

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, campgrounds or on the streets. The mission of School on Wheels is the enhancement of educational opportunities for homeless children from kindergarten through twelfth grade. Their goal is to shrink the gaps in their learning and provide them with the highest quality 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.

One in every 20 children in California goes to sleep without a home of their own each year – that’s a shocking 526,708 children who experience homelessness in California over the course of a year. 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. The loss of a home can be traumatic, leaving students with tumultuous feelings that can impact their social and intellectual wellbeing, 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. Fewer than 25% of homeless students graduate from high school.

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 their 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, their 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.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 - NATURE OF ACTIVITIES (cont.)

In 2016, School on Wheels achieved the following milestones:

- Tutored 3,450 students
- Hosted 2,202 volunteers
- Distributed over 7,500 backpacks, school supplies, uniforms, and bus tokens
- Reached 1,232 students through digital learning
- Awarded 28 scholarships
- Presented Presidential Volunteer Service Awards to 250 remarkable, dedicated 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 \$254,697 and \$182,049 at December 31, 2016 and 2015, respectively.

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, 2016

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.

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SCHOOL ON WHEELS, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

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 includes the following:

Backpacks and school supplies	\$125,355
Computers and accessories	6,548
Fundraising auction items	51,408
Holiday parties and field trips	26,700
Other Items	40,437
Food	<u>21,990</u>
	<u>\$272,438</u>

In 2016, a total of 2,202 volunteers donated a total of 100,000 hours in support of School on Wheels, Inc.'s program services. The value of these services is estimated to be \$27.59 per hour for a total of \$2,759,000.

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.

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SCHOOL ON WHEELS, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3 - TAX STATUS

School on Wheels, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for Federal and state income taxes.

School on Wheels, Inc. accounts for income taxes by evaluating its tax positions and recognizes a liability for any positions that would not be considered “more likely than not” to be upheld under a tax authority examination. If such issues exist, School on Wheels, Inc.’s policy will be to recognize any tax liability so recorded, including applicable interest and penalties, as a component of income tax expense.

School on Wheels, Inc. has reviewed its tax positions and determined that an accrual for uncertain income tax positions and adjustment to the tax provision was not necessary. With few exceptions, School on Wheels, Inc. is no longer subject to U. S. Federal and state income tax examinations for fiscal years before 2013.

NOTE 4 - FIXED ASSETS

Fixed assets at December 31, 2016 are summarized as follows:

Software	\$ 139,596
Office Equipment and Computers	74,209
Office Furniture and Fixtures	48,888
Leasehold Improvements	<u>149,314</u>
	412,007
Less accumulated depreciation	<u>(183,865)</u>
Net fixed assets	\$ <u>228,142</u>

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SCHOOL ON WHEELS, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are summarized as follows:

Digital learning	\$ 50,000
Region expansion	100,000
Scholarship fund	103,217
Sports scholarship	<u>1,480</u>
	<u>\$254,697</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 \$9,990 for Development Consulting services.

NOTE 7 - COMMITMENTS

School on Wheels, Inc. operates three facilities. The administrative office is occupied under a one year lease expiring July 31, 2017, with annual renewal options that include a 3% rent increase. Under the current lease, monthly rent is \$450 per month. Minimum lease obligations for the two long term leases are:

<u>December 31</u>	
2017	\$ 98,741
2018	101,359
2019	104,049
2020	65,424
2021	<u>21,670</u>
	<u>\$391,243</u>

Rent expense for the year ended December 31, 2016 was \$78,821.

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SCHOOL ON WHEELS, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through February 20, 2017, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 9 - CONCENTRATION OF RISK

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. School on Wheels, Inc. has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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