

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

FINANCIAL STATEMENTS

Year Ended December 31, 2017

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, 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.

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.

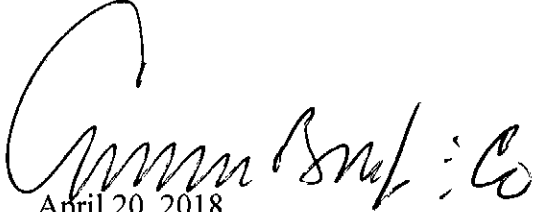
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 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.

Report on Summarized Comparative Information

We have previously audited the School on Wheels, Inc.'s 2016 financial statements, and our report dated February 20, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



April 20, 2018
Encino, California

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

STATEMENT OF FINANCIAL POSITION

December 31, 2017
With Summarized Totals at December 31, 2015

	2017	2016
Assets:		
Cash and cash equivalents (note 2)	\$ 1,383,601	\$ 1,426,792
Prepaid expenses	-	8,638
Fixed assets, at cost (note 4)	181,774	228,142
Deposits	8,760	8,760
Total Assets	\$ 1,574,135	\$ 1,672,332
Liabilities:		
Accounts payable	\$ 56,263	\$ 93,680
Accrued vacation	36,270	27,514
Deferred revenue	79,527	-
Total Liabilities	\$ 172,060	\$ 121,194
<i>(See commitments - Note 7)</i>		
Net Assets:		
Unrestricted	\$ 1,140,262	\$ 1,296,441
Temporarily Restricted (note 5)	261,813	254,697
Total Net Assets	1,402,075	1,551,138
Total Liabilities and Net Assets	\$ 1,574,135	\$ 1,672,332

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, 2017
With Summarized Totals at December 31, 2015

	Unrestricted	Temporarily Restricted	2017	2016
Support and Revenues:				
Grant income	\$ 1,026,546	\$ 207,675	\$ 1,234,221	\$ 1,200,716
Contributions	417,469	2,000	419,469	569,297
Donated materials	304,761	-	304,761	272,438
Gain/loss on sale of investments	175	-	175	(2,554)
Special events, net of direct expenses of \$15,017	2,629	-	2,629	160,213
Interest income	4,159	-	4,159	4,550
Net Assets released from restrictions	202,559	(202,559)	-	-
 Total Support and Revenues	1,958,298	7,116	1,965,414	2,204,660
 Expenses:				
Program Services	1,981,128	-	1,981,128	1,921,637
Fundraising	37,288	-	37,288	53,897
Supporting Services	96,061	-	96,061	101,913
 Total Expenses	2,114,477	-	2,114,477	2,077,447
 Increase (Decrease) in Net Assets	(156,179)	7,116	(149,063)	127,213
 Net assets, beginning of year	1,296,441	254,697	1,551,138	1,423,925
 Net assets, end of year	\$ 1,140,262	\$ 261,813	\$ 1,402,075	\$ 1,551,138

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, 2017
With Summarized Totals at December 31, 2015

	<u>Program Services</u>	<u>Fundraising</u>	<u>Supporting Services</u>	<u>2017</u>	<u>2016</u>
Accounting	\$ -	\$ -	\$ 9,400	\$ 9,400	\$ 16,200
Automobile	23,805	-	-	23,805	39,340
Bank Charges	34	-	8,187	8,221	6,445
Contract Labor/Consulting	37,590	9,495	-	47,085	25,885
Depreciation	48,192	7,919	7,216	63,327	44,959
Donated Materials	304,761	-	-	304,761	272,438
Dues	5,998	198	867	7,063	6,468
Employee Benefits	70,483	-	579	71,062	56,594
Insurance	6,816	-	8,028	14,844	17,897
Miscellaneous	4,573	-	582	5,155	5,346
Office Expense	8,870	30	1,205	10,105	12,797
Payroll	1,078,172	18,251	44,521	1,140,944	1,124,788
Payroll Taxes	76,920	-	4,000	80,920	89,771
Postage	5,710	235	113	6,058	5,539
Printing	13,923	58	2,041	16,022	33,690
Professional Development	4,653	-	-	4,653	10,358
Promotional	12,339	268	-	12,607	17,091
Rent	103,799	-	-	103,799	78,821
Repairs and Maintenance	12,404	-	5,527	17,931	4,282
Scholarships	28,951	-	-	28,951	16,434
Staff Recognition and Recruiting	5,361	-	813	6,174	18,751
Student Expenses	30,987	-	-	30,987	38,112
Technology	33,637	-	2,758	36,395	30,750
Telephone	20,019	-	28	20,047	21,086
Travel and Meals	9,567	834	196	10,597	9,342
Utilities	6,920	-	-	6,920	6,070
Volunteer Expenses	26,644	-	-	26,644	68,193
Total Functional Expenses	\$ 1,981,128	\$ 37,288	\$ 96,061	\$ 2,114,477	\$ 2,077,447

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, 2017
With Summarized Totals at December 31, 2015

	2017	2016
Cash flows from Operating Activities:		
Increase/(Decrease) in Net Assets	\$ (149,063)	\$ 127,213
Reconciliation of increase in net assets to net cash provided by operating activities:		
Depreciation	63,327	44,959
(Increase)/Decrease in prepaid expense	8,638	21,538
(Increase)/Decrease in deposits	-	(2,860)
Increase/(Decrease) in accounts payable and accrued expenses	50,866	23,247
Net cash provided by operating activities	(26,232)	214,097
Cash Flow from investing activities:		
Purchase of computer equipment, software and leasehold improvements	(16,959)	(154,476)
Net cash used by investing activities	(16,959)	(154,476)
Net increase (decrease) in cash and cash equivalents	(43,191)	59,621
Cash and cash equivalents at beginning of year	1,426,792	1,367,171
Cash and cash equivalents at end of year	\$ 1,383,601	\$ 1,426,792

Supplemental disclosure of cash flow information:

School on Wheels, Inc. did not pay interest or taxes in 2017 or 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, 2017

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, cars/vehicles, 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.
(a Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - NATURE OF ACTIVITIES (cont.)

In 2017, School on Wheels achieved the following milestones:

- Tutored 3,370 students
- Hosted 2,029 volunteers
- Distributed over 5,000 backpacks, school supplies, uniforms, and bus tokens
- Reached 2,113 students through digital learning
- Awarded scholarships to 60 amazing students
- 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 and determination of value of In Kind donations.

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.

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, 2017

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

Cash and cash equivalents (cont.)

Cash and cash equivalents include temporarily restricted cash and cash equivalents of \$261,813 and \$254,697 at December 31, 2017 and 2016, respectively.

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.

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, 2017

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 an estimated fair value in the period received. Total value of these in-kind donations includes the following:

Backpacks and school supplies	\$180,589
Computers and accessories	9,480
Fund-raising auction items	24,499
Holiday parties and field trips	26,975
Food	41,849
Other items	<u>21,369</u>
	<u>\$304,761</u>

In 2017, 2,029 volunteers donated an estimated total of 100,000 hours in support of School on Wheels, Inc.'s program services. The value of these services is estimated to be \$28.46 per hour for a total of \$2,846,000.

The value of volunteer time is based on the hourly earnings (approximated from yearly values) of all production and non-supervisory workers on private non-farm payrolls average (based on yearly earnings provided by the Bureau of Labor Statistics). Independent Sector indexes this figure to determine state values and increases it by 12 percent to estimate for fringe benefits.

Allocating functional expenses

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

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, 2017

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 2014.

NOTE 4 - FIXED ASSETS

Fixed assets at December 31, 2017 are summarized as follows:

Database Software	\$ 156,555
Office Equipment and Computers	74,209
Office Furniture and Fixtures	48,888
Leasehold Improvements	<u>149,314</u>
	428,966
Less accumulated depreciation	<u>(247,192)</u>
Net fixed assets	<u>\$ 181,774</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, 2017

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are summarized as follows:

Regional expansion	\$ 7,000
Digital learning	55,504
Equipment and training	88,884
Scholarships fund	106,945
Sports scholarship	1,480
Art supplies	<u>2,000</u>
	<u>\$261,813</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, 2018, with annual renewal options that include a 3% rent increase. Under the current lease, monthly rent is \$563 per month. Minimum lease obligations for the two long term leases are:

<u>December 31</u>	
2018	\$ 101,720
2019	103,720
2020	65,424
2021	<u>21,670</u>
	<u>\$ 292,534</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, 2017

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, 2017 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through April 20, 2018, 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.

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