

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

FINANCIAL STATEMENTS

Year Ended December 31, 2018

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, 2018, 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.

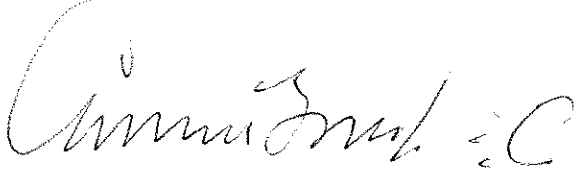
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018, 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 2017 financial statements, and our report dated April 20, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



April 10, 2019
Encino, California

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

STATEMENT OF FINANCIAL POSITION

December 31, 2018
With Summarized Totals at December 31, 2017

	2018	2017
Assets:		
Cash and cash equivalents (note 2)	\$ 1,507,083	\$ 1,383,601
Fixed assets, at cost (note 4)	124,333	181,774
Deposits	8,760	8,760
Total Assets	\$ 1,640,176	\$ 1,574,135
 Liabilities:		
Accounts payable	\$ 96,711	\$ 56,263
Accrued vacation	46,884	36,270
Deferred revenue	50,000	79,527
Total Liabilities	\$ 193,595	\$ 172,060
 <i>(See commitments - Note 7)</i>		
Net Assets:		
Without Donor Restrictions	\$ 1,285,028	\$ 1,140,262
With Donor Restrictions (note 5)	161,553	261,813
Total Net Assets	1,446,581	1,402,075
Total Liabilities and Net Assets	\$ 1,640,176	\$ 1,574,135

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, 2018
With Summarized Totals at December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	2018	2017
Support and Revenues:				
Grant income	\$ 1,424,549	\$ 109,623	\$ 1,534,172	\$ 1,234,221
Contributions	395,480	12,500	407,980	419,469
Donated materials	457,979	-	457,979	304,761
Gain/loss on sale of investments	(984)	-	(984)	175
Special events, net of direct expenses of \$65,013	273,111	-	273,111	2,629
Interest income	5,001	-	5,001	4,159
Net Assets released from restrictions	222,383	(222,383)	-	-
Total Support and Revenues	2,777,519	(100,260)	2,677,259	1,965,414
Expenses:				
Program Services	2,467,796	-	2,467,796	1,981,128
Fundraising	48,665	-	48,665	37,288
Supporting Services	116,292	-	116,292	96,061
Total Expenses	2,632,753	-	2,632,753	2,114,477
Increase (Decrease) in Net Assets	144,766	(100,260)	44,506	(149,063)
Net assets, beginning of year	1,140,262	261,813	1,402,075	1,551,138
Net assets, end of year	\$ 1,285,028	\$ 161,553	\$ 1,446,581	\$ 1,402,075

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, 2018
With Summarized Totals at December 31, 2017

	<u>Program Services</u>	<u>Fundraising</u>	<u>Supporting Services</u>	<u>2018</u>	<u>2017</u>
Accounting	\$ -	\$ -	\$ 31,676	\$ 31,676	\$ 9,400
Automobile	28,362	247	688	29,297	23,805
Bank Charges	-	-	14,492	14,492	8,221
Contract Labor/Consulting	45,950	4,174	3,021	53,145	47,085
Depreciation	53,690	-	11,367	65,057	63,327
Donated Materials	457,979	-	-	457,979	304,761
Dues	2,687	-	1,339	4,026	7,063
Employee Benefits	74,905	-	1,525	76,430	71,062
Insurance	8,577	-	8,565	17,142	14,844
Interest Expense	6,663	-	-	6,663	-
Miscellaneous	6,518	-	1,908	8,426	5,155
Office Expense	12,531	-	3,855	16,386	10,105
Payroll	1,312,549	38,109	11,748	1,362,406	1,140,944
Payroll Taxes	107,516	-	200	107,716	80,920
Postage	4,647	77	261	4,985	6,058
Printing	13,632	-	2,383	16,015	16,022
Professional Development	6,325	99	1,022	7,446	4,653
Promotional	1,701	550	2,000	4,251	12,607
Rent	107,771	-	-	107,771	103,799
Repairs and Maintenance	3,263	-	2,508	5,771	17,931
Scholarships	35,646	-	-	35,646	28,951
Staff Recognition and Recruiting	14,149	80	1,132	15,361	6,174
Student Expenses	44,656	-	-	44,656	30,987
Technology	24,186	3,588	12,093	39,867	36,395
Telephone	19,132	-	205	19,337	20,047
Travel and Meals	10,990	1,741	2,648	15,379	10,597
Utilities	9,274	-	-	9,274	6,920
Volunteer Expenses	54,497	-	1,656	56,153	26,644
Total Functional Expenses	\$ 2,467,796	\$ 48,665	\$ 116,292	\$ 2,632,753	\$ 2,114,477

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, 2018
With Summarized Totals at December 31, 2017

	2018	2017
Cash flows from Operating Activities:		
Increase/(Decrease) in Net Assets	\$ 44,506	\$ (149,063)
Reconciliation of increase in net assets to net cash provided by operating activities:		
Depreciation	65,057	63,327
(Increase)/Decrease in prepaid expense	-	8,638
Increase/(Decrease) in accounts payable and accrued expenses	51,062	50,866
Increase/(Decrease) in deferred revenue	(29,527)	-
Net cash provided by operating activities	131,098	(26,232)
Cash Flow from investing activities:		
Purchase of computer equipment, software and leasehold improvements	(7,616)	(16,959)
Net cash used by investing activities	(7,616)	(16,959)
Net increase (decrease) in cash and cash equivalents	123,482	(43,191)
Cash and cash equivalents at beginning of year	1,383,601	1,426,792
Cash and cash equivalents at end of year	\$ 1,507,083	\$ 1,383,601

Supplemental disclosure of cash flow information:

School on Wheels, Inc. did not pay interest or taxes in 2018 or 2017.

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, 2018

NOTE 1 - NATURE OF ACTIVITIES

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 children experiencing homelessness 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.

Since 1993, School on Wheels has provided tutoring and mentoring for 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 children experiencing homelessness 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.

School on Wheels is the only organization in Southern California 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. Children without a home 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 these 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, 2018

NOTE 1 - NATURE OF ACTIVITIES (cont.)

In 2018, School on Wheels achieved the following milestones:

- Tutored 3,624 students
- Hosted 2,321 volunteers
- Distributed over 5,500 backpacks, school supplies, uniforms, and bus tokens
- Provided 38,673 hours of student access to digital learning
- Awarded scholarships to 71 amazing students
- 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, 2018

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

Cash and cash equivalents (cont.)

Cash and cash equivalents include donor restricted cash and cash equivalents of \$161,067 and \$261,813 at December 31, 2018 and 2017, 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.

Net assets without donor restrictions

Net assets without donor restrictions 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 net assets without donor restrictions.

Net assets with donor restrictions

Net assets with donor restrictions 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, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions received and satisfied within the current year are included as net assets without donor restrictions.

Contributions

Contributions are recorded as received. All contributions are available without donor restrictions 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, 2018

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:

Clothing	\$10,632
Books	6,871
Backpacks and school supplies	263,581
Computers and accessories	5,975
Fund-raising auction items	55,590
Holiday parties and field trips	66,590
Other items	<u>48,740</u>
	<u>\$457,979</u>

In 2018, we had the honor of 2,321 volunteers who 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 \$29.09 per hour in California, for a total of \$2,909,000.

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, 2018

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 2015.

NOTE 4 - FIXED ASSETS

Fixed assets at December 31, 2018 are summarized as follows:

Database Software	\$ 156,555
Office Equipment and Computers	81,825
Office Furniture and Fixtures	48,888
Leasehold Improvements	<u>149,314</u>
	436,582
Less accumulated depreciation	<u>(312,249)</u>
Net fixed assets	\$ <u>124,333</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, 2018

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are summarized as follows:

K-3 Literacy program	\$ 13,670
Regional expansion	1,322
Scholarships fund	67,232
Field trips	16,829
Bus program	50,000
Board reserve fund	<u>12,500</u>
	<u>\$161,553</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 \$8,655 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 \$580 per month. Minimum lease obligations for the two long term leases are:

<u>December 31</u>	
2019	\$ 104,949
2020	65,800
2021	<u>21,670</u>
	<u>\$ 192,419</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, 2018

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, 2018 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through April 10, 2019, 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