

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

FINANCIAL STATEMENTS

Year Ended December 31, 2019

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, 2019, 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, 2019, 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 2018 financial statements, and our report dated April 10, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



February 29, 2020
Encino, California

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

STATEMENT OF FINANCIAL POSITION

December 31, 2019
With Summarized Totals at December 31, 2018

	2019	2018
Assets:		
Cash and cash equivalents (note 2)	\$ 1,482,620	\$ 1,507,083
Fixed assets, at cost (note 4)	62,348	124,333
Deposits	8,760	8,760
Total Assets	\$ 1,553,728	\$ 1,640,176
 Liabilities:		
Accounts payable and accrued expenses	\$ 48,784	\$ 96,711
Accrued vacation	38,373	46,884
Deferred revenue	-	50,000
Total Liabilities	\$ 87,157	\$ 193,595
 <i>(See commitments - Note 7)</i>		
Net Assets:		
Without Donor Restrictions	\$ 1,319,916	\$ 1,285,028
With Donor Restrictions (note 5)	146,655	161,553
Total Net Assets	1,466,571	1,446,581
Total Liabilities and Net Assets	\$ 1,553,728	\$ 1,640,176

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, 2019
With Summarized Totals at December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019</u>	<u>2018</u>
Support and Revenues:				
Grant income	\$ 1,304,140	\$ 144,700	\$ 1,448,840	\$ 1,534,172
Contributions	394,100	3,293	397,393	407,980
Donated materials	462,642	-	462,642	457,979
Gain/loss on sale of investments	135	-	135	(984)
Special events, net of direct expenses of \$47,437	227,882	-	227,882	273,111
Interest income	10,282	-	10,282	5,001
Other income	3,757	-	3,757	-
Net Assets released from restrictions	162,891	(162,891)	-	-
 Total Support and Revenues	 2,565,829	 (14,898)	 2,550,931	 2,677,259
 Expenses:				
Program Services	2,342,410	-	2,342,410	2,467,796
Fundraising	67,546	-	67,546	48,665
Supporting Services	120,985	-	120,985	116,292
 Total Expenses	 2,530,941	 -	 2,530,941	 2,632,753
 Increase (Decrease) in Net Assets	 34,888	 (14,898)	 19,990	 44,506
 Net assets, beginning of year	 1,285,028	 161,553	 1,446,581	 1,402,075
 Net assets, end of year	 <u>\$ 1,319,916</u>	 <u>\$ 146,655</u>	 <u>\$ 1,466,571</u>	 <u>\$ 1,446,581</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, 2019
With Summarized Totals at December 31, 2018

	Program Services	Fundraising	Supporting Services	2019	2018
Accounting	\$ -	\$ -	\$ 40,279	\$ 40,279	\$ 31,676
Automobile	17,725	875	1,271	19,871	29,297
Bank Charges	-	-	9,638	9,638	14,492
Contract Labor/Consulting	22,225	5,715	10,313	38,253	53,145
Depreciation	61,985	-	-	61,985	65,057
Donated Materials	462,642	-	-	462,642	457,979
Dues	3,018	-	225	3,243	4,026
Employee Benefits	89,990	-	1,887	91,877	76,430
Insurance	8,519	-	8,944	17,463	17,142
Interest Expense	-	-	-	-	6,663
Lease Expense	111,125	-	-	111,125	107,771
Marketing and Advertising	4,717	3,002	123	7,842	4,251
Miscellaneous	2,930	-	2,326	5,256	8,426
Office Expense	7,974	-	257	8,231	16,386
Payroll	1,266,703	55,193	16,112	1,338,008	1,362,406
Payroll Taxes	107,667	-	-	107,667	107,716
Postage	3,881	8	1,521	5,410	4,985
Printing	4,587	-	5,805	10,392	16,015
Professional Development	13,130	-	1,311	14,441	7,446
Repairs and Maintenance	3,498	-	525	4,023	5,771
Scholarships	15,827	-	-	15,827	35,646
Staff Recognition and Recruiting	4,631	30	2,119	6,780	15,361
Student Expenses	46,293	-	-	46,293	44,656
Technology	21,926	2,688	16,527	41,141	39,867
Telephone	17,634	-	-	17,634	19,337
Travel and Meals	9,650	-	1,104	10,754	15,379
Utilities	9,619	-	-	9,619	9,274
Volunteer Expenses	24,514	35	698	25,247	56,153
Total Functional Expenses	\$ 2,342,410	\$ 67,546	\$ 120,985	\$ 2,530,941	\$ 2,632,753

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, 2019
With Summarized Totals at December 31, 2018

	2019	2018
Cash flows from Operating Activities:		
Increase/(Decrease) in Net Assets	\$ 19,990	\$ 44,506
Reconciliation of increase in net assets to net cash provided by operating activities:		
Depreciation	61,985	65,057
Increase/(Decrease) in accounts payable and accrued expenses	(56,438)	51,062
Increase/(Decrease) in deferred revenue	(50,000)	(29,527)
Net cash provided by operating activities	(24,463)	131,098
Cash Flow from investing activities:		
Purchase of computer equipment, software and leasehold improvements	-	(7,616)
Net cash used by investing activities	-	(7,616)
Net increase (decrease) in cash and cash equivalents	(24,463)	123,482
Cash and cash equivalents at beginning of year	1,507,083	1,383,601
Cash and cash equivalents at end of year	\$ 1,482,620	\$ 1,507,083

Supplemental disclosure of cash flow information:

School on Wheels, Inc. did not pay interest or taxes in 2019 or 2018.

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, 2019

NOTE 1 - NATURE OF ACTIVITIES

One in every 20 children in California goes to sleep without a home of their own each 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 three to four 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, 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.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 - NATURE OF ACTIVITIES (cont.)

In 2019, School on Wheels achieved the following milestones:

- Tutored 3,200 students
- Trained and matched 2,464 volunteers
- Distributed over 7,400 backpacks, school supplies, uniforms, and bus tokens
- Awarded scholarships to 53 amazing students
- Tutored in six counties in Southern California

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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:

Contributions are recorded in the period received. Contributions received are recorded as net assets without donor restrictions, or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor by time or purpose are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The related expense or cost of assets purchased in order to satisfy the donor restriction is expensed or capitalized.

When restrictions are satisfied in the same accounting period that the contribution is received, both revenue and expenses are reported in the net assets without donor restrictions class.

When a donor makes a contribution but does not stipulate a restriction of any kind on the use of funds, the transaction is reported as an increase in net assets without donor restriction.

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, 2019

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

Comparability of financial statements

School on Wheels, Inc. adopted ASU 2016-14 “Presentation of Financial Statements of Not-for-Profit Entities.” Accordingly, current year financial statements do not necessarily compare in format to financial statements issued in prior years. For purposes of these financial statements, December 31, 2018 amounts are presented under ASU 2016-14 requirements as well.

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.

Cash and cash equivalents include donor restricted cash and cash equivalents of \$146,655 and \$161,553 at December 31, 2019 and 2018, 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.

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, 2019

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	\$253,448
Computers and accessories	4,350
Fund-raising auction items	25,718
Holiday parties and field trips	79,256
Other items	<u>99,870</u>
	<u>\$462,642</u>

Value of volunteer time

In 2019, we had the honor of 2,464 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 \$29.95 per hour in California, for a total of \$2,995,000.

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.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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 2016.

NOTE 4 - FIXED ASSETS

Fixed assets at December 31, 2019 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>(374,234)</u>
Net fixed assets	\$ <u>62,348</u>

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SCHOOL ON WHEELS, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are summarized as follows:

	<u>2019</u>
K-3 Literacy program	\$ 10,000
Regional expansion	14,633
Scholarships funds	56,343
Field trips	5,000
Board reserve fund	12,500
Robotics	1,078
SRLC funds	21,460
50K LA County	24,891
OC Funds	<u>750</u>
	<u>\$146,655</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

The former Executive Director of School on Wheels, Inc. provided her services through July 2019 on a pro-bono basis. She continues to provide executive advisory services on a pro bono basis. A member of the Board of Directors was paid \$7,864 for Development Consulting services.

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SCHOOL ON WHEELS, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 7 - COMMITMENTS

School on Wheels, Inc. operates three facilities. The administrative office is occupied under a one year lease expiring July 31, 2020, with annual renewal options that include a 3% rent increase. Under the current lease, monthly rent is \$598 per month. Minimum lease obligations for the two long term leases are:

<u>December 31</u>	
2020	\$100,379
2021	81,987
2022	62,127
2023	63,990
2024	<u>26,990</u>
	<u>\$335,473</u>

NOTE 8 - GOVERNING BOARD DESIGNATIONS

School on Wheels, Inc.'s governing Board has designated certain amounts of net assets without donor restriction for specific purposes. Unlike donor restricted funds, Board designated funds are decided upon for any purpose by the governing Board. The Board may change or alter designation of funds at any time.

The following designation was in place as of December 31, 2019:

	<u>2019</u>
Operating Reserve Fund	<u>\$ 87,500</u>

The Board established this designation to fulfill its agreement with a grantor who donated \$12,500 towards the same purpose. Total operating reserve fund between Board designation and donor restricted funds is \$100,000.

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SCHOOL ON WHEELS, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 9 - EMPLOYEE BENEFIT PLANS

School on Wheels, Inc. sponsors an IRC sec 403 (b) Tax-Sheltered Annuity Plan in which all employees are eligible to participate. All employees are eligible to make elective contributions, up to \$18,500, into the plan from the first date of employment. Employees ages 50 or over may make catch up contributions of an additional \$6,000. School on Wheels, Inc. may make matching contributions.

For the year ended December 31, 2019, School on Wheels, Inc. made matching contributions totaling \$5,056.

NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects School on Wheels, Inc.'s financial assets as of the balance sheet date, reduced by amounts not available for general use within one year or because of contractual or donor-imposed restrictions.

	<u>2019</u>	<u>2018</u>
Financial assets at year end—		
Cash	<u>\$1,482,620</u>	<u>\$1,507,083</u>
Total financial assets at year end	1,482,620	1,507,083
Less financial assets unavailable for general expenditures within one year—		
Donor restricted funds	(146,655)	(161,553)
Board designation (see footnote 8)—		
Operating reserve fund	<u>(87,500)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,248,465</u>	<u>\$1,345,530</u>

As part of School on Wheels, Inc.'s liquidity management, it establishes detailed budgets before the start of the year, then, on a monthly basis, closely monitor actual financial performance compared to budgets.

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, 2019

NOTE 11 - SUBSEQUENT EVENT

School on Wheels, Inc. has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2019 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through February 29, 2020, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 12 - 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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