

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

FINANCIAL STATEMENTS

Year Ended December 31, 2021

Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of School on Wheels, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of School on Wheels, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about School on Wheels, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.


In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School on Wheels, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about School on Wheels, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the School on Wheels, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Encino, California
May 5, 2022

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

STATEMENT OF FINANCIAL POSITION

December 31, 2021
With Summarized Totals at December 31, 2020

	2021	2020
Current Assets:		
Cash and cash equivalents - without donor restrictions	\$ 2,072,315	\$ 2,107,080
Cash and cash equivalents - with donor restrictions	318,292	430,728
Prepaid expenses	12,000	17,890
Total Current Assets	2,402,607	2,555,698
Fixed assets, at cost	-	21,880
Deposits	8,760	8,760
Total Assets	\$ 2,411,367	\$ 2,586,338
Current Liabilities:		
Accounts payable and accrued expenses	\$ 242,822	\$ 186,534
Accrued vacation	63,640	59,592
Total Current Liabilities	306,462	246,126
SBA Payroll Protection Loan	-	279,700
Total Liabilities	\$ 306,462	\$ 525,826
<i>(See commitments - Note 7)</i>		
Net Assets:		
Without Donor Restrictions	\$ 1,786,613	\$ 1,629,784
With Donor Restrictions	318,292	430,728
Total Net Assets	2,104,905	2,060,512
Total Liabilities and Net Assets	\$ 2,411,367	\$ 2,586,338

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, 2021
With Summarized Totals at December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
Support and Revenues:				
Grant income	\$ 1,372,451	\$ 652,530	\$ 2,024,981	\$ 2,524,204
Contributions	565,015	51,490	616,505	838,869
Donated materials	330,419	-	330,419	270,719
Realized and unrealized gains/losses on investments	(5,118)	-	(5,118)	93
Special events, net of direct expenses of \$24,944	119,682	-	119,682	(1,248)
Interest income	5,155	-	5,155	13,946
Other income	-	-	-	-
Net Assets released from restrictions	816,456	(816,456)	-	-
	3,204,060	(112,436)	3,091,624	3,646,583
Other Income:				
SBA Payroll Protection Loan forgiveness	279,715	-	279,715	-
	3,483,775	(112,436)	3,371,339	3,646,583
Expenses:				
Program Services	3,071,213	-	3,071,213	2,816,423
Fundraising	123,028	-	123,028	83,338
Supporting Services	132,705	-	132,705	152,881
	3,326,946	-	3,326,946	3,052,642
Increase (Decrease) in Net Assets	156,829	(112,436)	44,393	593,941
Net assets, beginning of year	1,629,784	430,728	2,060,512	1,466,571
Net assets, end of year	\$ 1,786,613	\$ 318,292	\$ 2,104,905	\$ 2,060,512

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, 2021
With Summarized Totals at December 31, 2020

	Program Services	Fundraising	Supporting Services	2021	2020
Accounting	\$ -	\$ -	\$ 10,505	\$ 10,505	\$ 10,423
Automobile	7,757	-	-	7,757	7,755
Bank Charges	2,242	1,216	27,322	30,780	16,873
Contract Labor/Consulting	52,082	6,461	18,216	76,759	65,735
Depreciation	21,880	-	-	21,880	49,235
Donated Materials	330,419	-	-	330,419	270,719
Dues	4,626	75	434	5,135	6,355
Employee Benefits	140,759	5,816	18,485	165,060	97,451
Insurance	12,180	-	4,728	16,908	16,433
Lease Expense	62,845	-	1,794	64,639	97,298
Marketing and Advertising	1,108	2,294	15	3,417	24,561
Miscellaneous	3,087	-	20	3,107	2,637
Office Expense	4,794	-	-	4,794	9,362
Payroll	1,686,398	91,504	39,808	1,817,710	1,643,359
Payroll Taxes	139,410	7,919	3,445	150,774	129,183
Postage	7,731	2,429	94	10,254	5,143
Printing	4,878	-	85	4,963	19,354
Professional Development	11,229	529	326	12,084	7,075
Repairs and Maintenance	396	-	-	396	184
Scholarships	17,171	-	-	17,171	6,119
Staff Recognition and Recruiting	11,982	68	1,200	13,250	22,995
Student Expenses	342,111	-	-	342,111	338,912
Technology	103,478	4,101	5,042	112,621	131,600
Telephone	19,434	400	-	19,834	17,627
Travel and Meals	814	-	-	814	3,251
Utilities	3,176	-	-	3,176	3,785
Volunteer Expenses	79,226	216	1,186	80,628	49,218
Total Functional Expenses	\$ 3,071,213	\$ 123,028	\$ 132,705	\$ 3,326,946	\$ 3,052,642

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, 2021
With Summarized Totals at December 31, 2020

	2021	2020
Cash flows from Operating Activities:		
Increase/(Decrease) in Net Assets	\$ 44,393	\$ 593,941
Reconciliation of increase in net assets to net cash provided by operating activities:		
Depreciation	21,880	49,235
(Increase)/Decrease in prepaid expenses	5,890	(17,890)
Increase in accounts payable and accrued expenses	60,336	158,969
SBA Payroll Protection Plan loan forgiveness	<u>(279,700)</u>	<u>-</u>
Net cash provided by (used by) operating activities	(147,201)	784,255
Cash Flow from financing activities:		
SBA Payroll Protection Plan loan	<u>-</u>	<u>279,700</u>
Net cash provided by financing activities	-	279,700
Cash Flow from investing activities:		
Purchase of computer equipment, software and leasehold improvements	<u>-</u>	<u>(8,767)</u>
Net cash used by investing activities	-	(8,767)
Net increase (decrease) in cash and cash equivalents	(147,201)	1,055,188
Cash, cash equivalents and restricted cash at beginning of year	<u>2,537,808</u>	<u>1,482,620</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 2,390,607</u>	<u>\$ 2,537,808</u>

Supplemental disclosure of cash flow information:

School on Wheels, Inc. did not pay interest or taxes in 2021 or 2020.

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, 2021

NOTE 1 - NATURE OF ACTIVITIES

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.

School on Wheels is the only organization in Southern California exclusively dedicated to serving the educational needs of unhoused children, the only one to focus on eliminating the specific barriers that stand between these 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. 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.

Since April 2020, when the pandemic forced School on Wheels to adapt their strategies to new realities, their focus has been on limiting the burden placed on their unhoused students who are already academically behind and experiencing massive trauma. With schools closed, these students were shut out of not only academics, but also the counseling and emotional support that schools provide, not to mention daily nutrition and regular referrals to important medical services. In 2021, School on Wheels continued to adapt their practices for the pandemic circumstances – and in doing so found new and important ways to help their students, such as supporting their social emotional needs, bringing their parents into the process to foster a love of learning, providing Chromebooks/devices and Wi-Fi services, and improving their proficiency with digital tools and strategies. And, as always, School on Wheels staff and volunteers provided connection at a time when other connections were impossible. For their students, they are trusted adults, who teach, mentor, and assist their educational lives and provide a regular environment of reinforcement, positive modeling, and constructive feedback.

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, 2021

NOTE 1 - NATURE OF ACTIVITIES (cont.)

Despite all of these difficulties and restrictions, School on Wheels accomplished the following in 2021:

- Tutored 1,768 unhoused students remotely
- Trained and matched 1,293 volunteers to tutor online
- Provided 606 Chromebooks/devices and 413 hotspots to students
- Distributed 1,973 hard copy books; over 2,500 science and art kits; and 846 grocery/gift cards valued at \$100 each
- 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, 2021

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

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 \$318,292 and \$430,728 at December 31, 2021 and 2020, 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.

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SCHOOL ON WHEELS, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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	\$191,246
Books	10,105
Computers and accessories	26,255
Other items	<u>102,813</u>
	<u>\$330,419</u>

Value of volunteer time

In 2021, we had the honor of 1,293 volunteers who donated a total of 50,000 hours in support of School on Wheels, Inc.'s program services. The value of these services in 2021 was estimated to be \$33.61 per hour in California, for a total of \$1,680,500.

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, 2021

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 2019.

NOTE 4 - FIXED ASSETS

Fixed assets at December 31, 2021 are summarized as follows:

Database Software	\$ 156,555
Office Equipment and Computers	90,592
Office Furniture and Fixtures	48,888
Leasehold Improvements	<u>149,314</u>
	445,349
Less accumulated depreciation	<u>(445,349)</u>
Net fixed assets	\$ <u> -</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, 2021

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are summarized as follows:

	<u>2021</u>
Literacy program	\$ 40,040
Regional expansion	105,992
Scholarships funds	97,162
Board reserve fund	12,500
Bus program	22,561
Technology	<u>40,037</u>
	<u>\$318,292</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

The former Executive Director of School on Wheels, Inc. continues to provide executive advisory services on a pro bono basis.

A member of the Board of Directors was paid \$6,731 for Development Consulting services.

NOTE 7 - COMMITMENTS

School on Wheels, Inc. operates three facilities. The administrative office is occupied under a month to month lease. Minimum lease obligations for the remaining space leases are as follows:

<u>December 31</u>	
2022	\$ 84,697
2023	64,891
2024	66,810
2025	<u>28,175</u>
	<u>\$244,573</u>

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, 2021

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, 2021:

	<u>2021</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.

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 \$19,500, into the plan from the first date of employment. Employees ages 50 or over may make catch up contributions of an additional \$6,500. School on Wheels, Inc. may make matching contributions.

For the year ended December 31, 2021, School on Wheels, Inc. made matching contributions totaling \$61,129.

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, 2021

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>2021</u>	<u>2020</u>
Financial assets at year end--		
Cash	<u>\$2,390,607</u>	<u>\$2,537,808</u>
Total financial assets at year end	<u>2,390,607</u>	2,537,808
Less financial assets unavailable for general expenditures within one year--		
Donor restricted funds	<u>(318,292)</u>	(430,728)
Board designation (see footnote 8)--		
Operating reserve fund	<u>(87,500)</u>	<u>(87,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,984,815</u>	<u>\$2,019,580</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.

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, 2021 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through May 5, 2022, 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

SCHOOL ON WHEELS, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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.

NOTE 13- SBA - PAYROLL PROTECTION PLAN LOAN

The Organization received \$279,700 from the SBA under the Federal Payroll Protection Plan whereby interest and principal payments of \$11,776 were due monthly until the loan was paid in full in April 2023. On April 26, 2021, the SBA forgave the loan. The full amount of forgiveness debt was recorded as other income on the statement of activities.

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