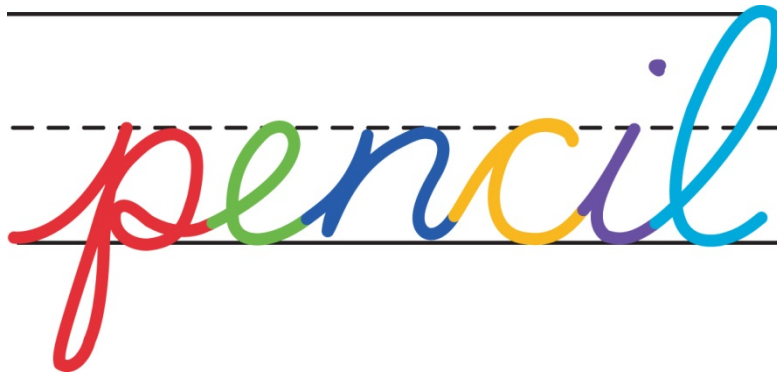


IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA



Audited Financial Statements

December 31, 2019

Independent Auditor's Report

To the Board of Directors of
Pencil, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Pencil, Inc. ("Pencil"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 from 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 judgment, 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.

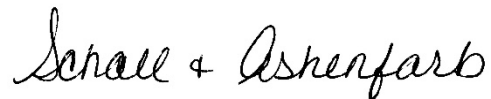
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pencil, Inc. as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited Pencil's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 13, 2019. 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.



Schall & Ashenfarb
Certified Public Accountants, LLC

April 2, 2020

PENCIL, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2019

(With comparative totals at December 31, 2018)

	<u>12/31/19</u>	<u>12/31/18</u>
Assets		
Cash and cash equivalents	\$345,312	\$326,693
Investments (Note 3)	1,439,187	1,340,188
Government grants receivable	156,246	157,500
Pledges receivable	230,420	439,775
Prepaid expenses and other assets	0	3,864
Security deposit	42,667	42,667
Fixed assets, net (Note 4)	<u>14,379</u>	<u>13,294</u>
 Total assets	 <u><u>\$2,228,211</u></u>	 <u><u>\$2,323,981</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$17,134	\$17,608
Deferred rent	<u>15,440</u>	<u>5,306</u>
Total liabilities	<u><u>32,574</u></u>	<u><u>22,914</u></u>
Net assets:		
Without donor restrictions	1,777,237	1,840,567
With donor restrictions (Note 5)	<u>418,400</u>	<u>460,500</u>
Total net assets	<u><u>2,195,637</u></u>	<u><u>2,301,067</u></u>
 Total liabilities and net assets	 <u><u>\$2,228,211</u></u>	 <u><u>\$2,323,981</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

PENCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total 12/31/19	Total 12/31/18
Public support and revenue:				
Contributions	\$655,345	\$533,900	\$1,189,245	\$1,575,958
Government grants	628,000		628,000	435,000
Special events (net of expenses with a direct benefit to donor) (Note 6)	994,434		994,434	1,030,280
In-kind contributions (Note 7)	113,788		113,788	139,226
Interest and other income	22,142		22,142	22,701
Net assets released from restrictions	576,000	(576,000)	0	0
Total public support and revenue	<u>2,989,709</u>	<u>(42,100)</u>	<u>2,947,609</u>	<u>3,203,165</u>
Expenses:				
Program services	<u>2,077,706</u>		<u>2,077,706</u>	<u>2,082,912</u>
Supporting services:				
Management and general	335,948		335,948	313,085
Fundraising	665,824		665,824	588,410
Total supporting services	<u>1,001,772</u>	<u>0</u>	<u>1,001,772</u>	<u>901,495</u>
Total expenses	<u>3,079,478</u>	<u>0</u>	<u>3,079,478</u>	<u>2,984,407</u>
Change in net assets from operating activities	<u>(89,769)</u>	<u>(42,100)</u>	<u>(131,869)</u>	<u>218,758</u>
Non-operating activities:				
Loss on sale of investments	(195)		(195)	(7,932)
Unrealized gain on investments	26,634		26,634	(12,775)
Total non-operating activities	<u>26,439</u>	<u>0</u>	<u>26,439</u>	<u>(20,707)</u>
Change in net assets	(63,330)	(42,100)	(105,430)	198,051
Net assets - beginning of year	<u>1,840,567</u>	<u>460,500</u>	<u>2,301,067</u>	<u>2,103,016</u>
Net assets - end of year	<u><u>\$1,777,237</u></u>	<u><u>\$418,400</u></u>	<u><u>\$2,195,637</u></u>	<u><u>\$2,301,067</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

PENCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

	Supporting Services				Total Supporting Services	Total Expenses 12/31/19	Total Expenses 12/31/18*
	Program Services	Management and General	Fundraising	Special Event			
Salaries	\$1,270,194	\$163,413	\$340,274		\$503,687	\$1,773,881	\$1,653,078
Payroll taxes and benefits	331,480	42,645	88,800		131,445	462,925	412,129
Occupancy	281,043	36,157	75,289		111,446	392,489	355,049
Supplies, materials and office expenses (including in-kind)(Note 7)	7,860	5,358	1,785		7,143	15,003	13,226
Travel, training and meetings (including in-kind)(Note 7)	49,524	5,379	11,305		16,684	66,208	82,068
Telephone and information technology	47,972	6,172	12,851		19,023	66,995	97,616
Equipment	23,735	3,053	6,358		9,411	33,146	36,565
Depreciation	6,417	826	1,719		2,545	8,962	38,574
Professional fees (including in-kind)(Note 7)		52,043			52,043	52,043	58,123
Consulting (including in-kind)(Note 7)	36,665	6,942	68,071		75,013	111,678	100,622
Insurance	17,682	2,275	4,737		7,012	24,694	23,863
Bank charges and administrative fees		10,300			10,300	10,300	13,529
Event production (including in-kind)			44,262	\$112,592	156,854	156,854	184,397
Bad debt expense					0	0	21,575
Other expenses	5,134	1,385	10,373		11,758	16,892	14,339
Total expenses	2,077,706	335,948	665,824	112,592	1,114,364	3,192,070	3,104,753
Less: direct special event expenses netted with revenue				(112,592)	(112,592)	(112,592)	(120,346)
Total expenses for statement of activities	\$2,077,706	\$335,948	\$665,824	\$0	\$1,001,772	\$3,079,478	\$2,984,407

*Reclassified for comparative purposes

The attached notes and auditor's report are an integral part of these financial statements.

PENCIL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

	<u>12/31/19</u>	<u>12/31/18</u>
Cash flows from operating activities:		
Change in net assets	(\$105,430)	\$198,051
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Loss on sale of investments	195	7,932
Unrealized (gain)/loss on investments	(26,634)	12,775
Depreciation	8,962	38,574
Changes in assets and liabilities:		
Government grants receivable	1,254	(154,182)
Pledges receivable	209,355	(129,805)
Prepaid expenses and other assets	3,864	(460)
Accounts payable and accrued expenses	(474)	(5,027)
Grants payable	0	(20,000)
Deferred rent	10,134	(23,087)
Net cash flows provided by/(used for) operating activities	<u>101,226</u>	<u>(75,229)</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	187,951	379,922
Purchase of investments	(260,511)	(503,647)
Purchases of fixed assets	(10,047)	(9,347)
Net cash flows used for investing activities	<u>(82,607)</u>	<u>(133,072)</u>
Net increase/(decrease) in cash and cash equivalents	18,619	(208,301)
Cash and cash equivalents - beginning of year	<u>326,693</u>	<u>534,994</u>
Cash and cash equivalents - end of year	<u><u>\$345,312</u></u>	<u><u>\$326,693</u></u>
Supplemental information:		
Interest and taxes paid	<u><u>\$0</u></u>	<u><u>\$0</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

PENCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 - Organization

Pencil, Inc. ("Pencil") was founded in 1995 to develop and coordinate meaningful corporate and community involvement in New York City public education. These financial statements do not reflect programs created by Pencil, Inc. or the contributions raised for those programs as they are run directly by the New York City schools. Pencil, Inc. derives its revenue from soliciting contributions from the general public in New York City, and from their annual fundraising event.

Pencil was incorporated in the State of New York and has been notified by the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred, rather than when received or paid.

Effective January 1, 2019 Pencil adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective January 1, 2019, Pencil adopted ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 605"). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, Pencil evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, Pencil applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

For contributions, Pencil evaluates whether they are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for Pencil to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way Pencil recognizes revenue.

b. Basis of Presentation and Revenue Recognition Principles

Pencil reports information regarding their financial position and activities in the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents all activity without donor-imposed restrictions as well as activity with donor-imposed restrictions, which expire within the same period.
- *Net Assets With Donor Restrictions* – relates to contributions of cash and other assets with donor stipulations that make clear the assets restriction, either due to a program nature or by passage of time.

c. Revenue recognition

Contributions are reported as an increase in net assets without donor restrictions, unless they contain a restriction by the donor for a specific program or time period, in which case they are reported in the net asset class 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. However, if a restriction is satisfied in the period the contribution has been made, it is recorded as net assets without donor restrictions.

Contributions of non-cash assets are recorded at fair value.

Revenue from non-exchange transactions may be subject to conditions which are defined under ASU No. 2018-08 as both barrier to entitlement and a right return of payments or release from obligations.

Pencil's government grants are primarily conditional non-exchange transactions and fall under the scope of *Topic 958, Not-for-Profit Entities*. Revenue from these transactions recognized when qualifying expenditures are incurred, performance related outcomes are achieved and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue.

d. Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking accounts and money market funds, but exclude cash held as part of the investment portfolio.

e. Concentration of Credit Risk

Financial instruments which potentially subject Pencil to concentration of credit risk consist of cash, money market accounts and investment securities which are placed with financial institutions that management deems to be creditworthy. The market value of investments is subject to market fluctuations.

Management believes that the investment policy is prudent for the long-term welfare of Pencil. At year end and at certain times during the year, a significant portion of the funds were in excess of federally insured levels; however, Pencil has not experienced any losses from these accounts due to failure of any financial institution.

f. Pledges Receivable

Pledges are recorded at net realizable value if expected to be received within one year or at fair value using risk-adjusted present value techniques, if material and expected to be received in more than one year. As of December 31, 2019, all pledges are expected to be received within one year. Conditional contributions are recognized when the conditions on which they depend are substantially met.

All receivables are assessed for collectability. Based on a review of several factors, including the credit worthiness of the donor and historical experience, no allowance for doubtful accounts has been established.

g. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset or paid to transfer a liability (i.e. "exit price") in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are recognized in the statement of activities.

h. Fixed Assets

Purchases of furniture, equipment, and leasehold improvements that are greater than \$1,000 and have a useful life greater than one year are capitalized at cost or, if donated, at their fair value at the date of the gift. Property and equipment are depreciated using the straight-line method over the estimated useful life of the asset.

i. Deferred Rent

Pencil records rent expense using the straight-line method and recognizes deferred rent for the cumulative amount that expenses exceed actual payments. In latter stages of the lease, deferred rent will be reduced as the amount of payments exceeds the expense recorded.

j. In-Kind Contributions

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind. Donated materials are recorded at the estimated fair value at the date of donation (See Note 7).

Board members and other individuals volunteer their time and perform a variety of tasks that assist Pencil. These services have not been recorded in the financial statements, as they do not meet the criteria outlined above.

k. Comparative Financial Information

The financial statements include certain prior year summarized comparative information by total but not in sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Pencil, Inc.'s financial statements for the year ended December 31, 2018, from which the summarized information was derived.

l. Advertising

The cost of advertising is expensed as incurred.

m. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

n. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following expenses were allocated using time and effort as the basis:

- Salaries, payroll tax and benefits
- Occupancy
- Supplies, materials and office expenses
- Telephone and information technology
- Equipment
- Depreciation
- Consulting
- Insurance
- Other expenses

All other expenses have been charged directly to the applicable program or supporting services.

o. Accounting for Uncertainty of Income Taxes

Pencil does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2016 and later are subject to examination by applicable taxing authorities.

p. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through April 2, 2020, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

q. New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2021 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

Pencil is in the process of evaluating the impact this standard will have on future financial statements.

Note 3 - Investments

Investments are recorded at fair value. Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that Pencil has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investments can be summarized as follows:

	<u>December 31, 2019</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificates of deposit	\$0	\$148,384	\$148,384
Mutual funds	475,673	0	475,673
Exchange traded funds:			
Short-term bonds	433,260	0	433,260
Corporate fixed income:			
Communication services	0	25,072	25,072
Energy	0	25,761	25,761
Consumer cyclical	0	77,706	77,706
Healthcare	0	50,781	50,781
Industrial	<u>0</u>	<u>50,106</u>	<u>50,106</u>
Subtotal	908,933	377,810	1,286,743
Money market funds and other cash	<u>0</u>	<u>152,444</u>	<u>152,444</u>
Total	<u>\$908,933</u>	<u>\$530,254</u>	<u>\$1,439,187</u>

	<u>December 31, 2018</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificates of deposit	\$0	\$191,357	\$191,357
Exchange traded funds:			
Short-term bonds	433,330	0	433,330
Corporate fixed income:			
Communication services	0	49,764	49,764
Energy	0	25,435	25,435
Consumer cyclical	0	82,138	82,138
Manufacturing	0	25,445	25,445
Healthcare	<u>0</u>	<u>48,744</u>	<u>48,744</u>
Subtotal	433,330	422,883	856,213
Money market funds and other cash	<u>0</u>	<u>483,975</u>	<u>483,975</u>
Total	<u>\$433,330</u>	<u>\$906,858</u>	<u>\$1,340,188</u>

Level 1 securities are valued at the closing price reported on the active market they are traded on. Level 2 securities are valued using observable market inputs for securities that are similar to those owned. This method produces a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

Note 4 - Fixed Assets

Fixed assets can be summarized as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Computer hardware and software (5 years)	\$132,723	\$122,676
Furniture and equipment (5 years)	198,962	198,962
Leasehold improvements (5 years)	591,669	591,669
Website database and program (3 years)	<u>387,840</u>	<u>387,840</u>
	1,311,194	1,301,147
Less: accumulated depreciation	<u>(1,296,815)</u>	<u>(1,287,853)</u>
Total	<u>\$14,379</u>	<u>\$13,294</u>

Note 5 - Net Assets With Donor Restrictions

Net assets with donor restrictions can be summarized as follows:

	<u>December 31, 2019</u>			
	<u>Balance</u>		<u>Released</u>	<u>Balance</u>
	<u>1/1/19</u>	<u>Contributions</u>	<u>from</u>	<u>12/31/19</u>
			<u>Restrictions</u>	
Program restrictions:				
Partnership program	\$250,500	\$486,400	(\$391,000)	\$345,900
Internship program	<u>210,000</u>	<u>47,500</u>	<u>(185,000)</u>	<u>72,500</u>
Total	<u>\$460,500</u>	<u>\$533,900</u>	<u>(\$576,000)</u>	<u>\$418,400</u>

	December 31, 2018			
	Balance <u>1/1/18</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>12/31/18</u>
Program restrictions:				
Partnership program	\$237,500	\$482,500	(\$469,500)	\$250,500
Internship program	<u>154,500</u>	<u>272,500</u>	<u>(217,000)</u>	<u>210,000</u>
Total program restrictions	392,000	755,000	(686,500)	460,500
Time restrictions	<u>2,500</u>	<u>0</u>	<u>(2,500)</u>	<u>0</u>
Total	<u>\$394,500</u>	<u>\$755,000</u>	<u>(\$689,000)</u>	<u>\$460,500</u>

Note 6 - Special Event

Pencil hosts an annual fundraising event. The special event proceeds and related expenses are summarized as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Gross revenue	\$1,107,026	\$1,150,626
Less: expenses with a direct benefit to donors	<u>(112,592)</u>	<u>(120,346)</u>
	994,434	1,030,280
Less: other event expenses	<u>(105,414)</u>	<u>(124,606)</u>
Total	<u>\$889,020</u>	<u>\$905,674</u>

Note 7 - In-Kind Contributions

In-kind contributions were allocated as follows:

	December 31, 2019			
	Management and			
	<u>Programs</u>	<u>General</u>	<u>Fundraising</u>	<u>Total</u>
Office supplies	\$0	\$4,500	\$0	\$4,500
Travel, training and meetings	19,675	4,700	9,850	34,225
Professional fees	0	34,543	0	34,543
Consulting	<u>29,500</u>	<u>6,020</u>	<u>5,000</u>	<u>40,520</u>
Total	<u>\$49,175</u>	<u>\$49,763</u>	<u>\$14,850</u>	<u>\$113,788</u>

	December 31, 2018			
	Management and			
	<u>Programs</u>	<u>General</u>	<u>Fundraising</u>	<u>Total</u>
Office supplies	\$0	\$1,500	\$0	\$1,500
Travel, training and meetings	54,258	4,700	1,450	60,408
Professional fees	0	41,123	0	41,123
Consulting	20,500	6,020	0	26,520
Special events	<u>0</u>	<u>0</u>	<u>9,675</u>	<u>9,675</u>
Total	<u>\$74,758</u>	<u>\$53,343</u>	<u>\$11,125</u>	<u>\$139,226</u>

Note 8 - Retirement Plan

Pencil has adopted a tax deferred 401(k) retirement plan for their employees. All employees are eligible to participate and can designate a percentage of their salaries, subject to regulatory limits, to be contributed to the plan on a pre-tax basis. Effective, April 1, 2017, Pencil began providing matching contributions by contributing up to 1% of an employee's salary to the plan. As of February 1, 2019, Pencil increased the matching contribution rate to 2%. During 2019 and 2018 Pencil made contributions totaling \$28,515 and \$11,632 to the plan.

Note 9 - Commitments

Pencil has a lease for office space which was set to expire on July 31, 2019, but was extended until 2023. Total rent expense was \$356,922 and \$316,044 for 2019 and 2018, respectively. Future minimum payments are as follows:

Year ending:	December 31, 2020	\$320,957
	December 31, 2021	327,376
	December 31, 2022	333,923
	July 31, 2023	<u>197,042</u>
Total		<u>\$1,179,298</u>

Note 10 - Liquidity and Availability of Financial Resources

Pencil maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. In addition, Pencil has a goal of maintaining a reserve in short-term investments to cover five to six months of normal operating expenses. As part of its liquidity management plan, Pencil operates its programs within a balanced budget and relies on grants and contributions to fund its operations and program activities. As indicated in Note 5, included in restricted funds are contributions for Partnership and Internship programs' training and development activities, which are part of ongoing operations. The following reflects Pencil's financial assets available to meet cash needs for general expenditures within one year at December 31, 2019:

Cash and cash equivalents	\$345,312
Investments	1,439,187
Government grants receivable	156,246
Pledges receivable due in less than one year	<u>230,420</u>
Total	<u>\$2,171,165</u>

Note 11 - Related Party Transactions

All donated legal services were performed by two law firms of which two members of the Board of Directors are partners.