



Audited Financial Statements

December 31, 2022



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pencil, Inc.

Opinion

We have audited the accompanying financial statements of Pencil, Inc. ("Pencil"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pencil as of December 31, 2022, 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 (GAAS). 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 Pencil 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 presentation 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 Pencil'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 Responsibility 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these 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 Pencil'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 Pencil'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

The financial statements of Pencil, as of and for the year ended December 31, 2021, were audited by other auditors whose report dated March 30, 2022 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects with the audited financial statements for which it was derived.

A handwritten signature in blue ink that reads "Slav CPAs LLP". The signature is written in a cursive, flowing style.

New York, NY
May 22, 2023

PENCIL, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2022
(With comparative totals at December 31, 2021)

	<u>12/31/22</u>	<u>12/31/21</u>
Assets		
Cash and cash equivalents	\$447,040	\$365,648
Investments (Note 3)	1,297,097	1,380,342
Government grants receivable	227,007	184,777
Pledges receivable	463,013	417,772
Security deposit	42,667	42,667
Fixed assets, net (Note 4)	15,088	12,121
Operating lease right-of-use asset (Note 5)	<u>186,047</u>	<u>0</u>
Total assets	<u><u>\$2,677,959</u></u>	<u><u>\$2,403,327</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$56,815	\$26,543
Operating lease liability (Note 5)	195,574	0
Deferred rent	<u>0</u>	<u>16,703</u>
Total liabilities	<u><u>252,389</u></u>	<u><u>43,246</u></u>
Net assets:		
Without donor restrictions	1,985,473	1,898,081
With donor restrictions (Note 6)	<u>440,097</u>	<u>462,000</u>
Total net assets	<u><u>2,425,570</u></u>	<u><u>2,360,081</u></u>
Total liabilities and net assets	<u><u>\$2,677,959</u></u>	<u><u>\$2,403,327</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, 2022
(With comparative totals for the year ended December 31, 2021)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total 12/31/22	Total 12/31/21
Public support and revenue:				
Contributions	\$1,200,662	\$835,500	\$2,036,162	\$2,315,439
Government grants	636,909		636,909	317,532
Special events (net of expenses with a direct benefit to donor) (Note 7)	422,706		422,706	0
Paycheck Protection Program grant (Note 8)			0	382,485
In-kind contributions (Note 9)	163,133		163,133	86,644
Interest and other income	5,236		5,236	5,677
Net assets released from restrictions (Note 6)	857,403	(857,403)	0	0
Total public support and revenue	<u>3,286,049</u>	<u>(21,903)</u>	<u>3,264,146</u>	<u>3,107,777</u>
Expenses:				
Program services	<u>2,234,837</u>		<u>2,234,837</u>	<u>1,928,578</u>
Supporting services:				
Management and general	332,272		332,272	388,035
Fundraising	<u>609,003</u>		<u>609,003</u>	<u>495,098</u>
Total supporting services	<u>941,275</u>	<u>0</u>	<u>941,275</u>	<u>883,133</u>
Total expenses	<u>3,176,112</u>	<u>0</u>	<u>3,176,112</u>	<u>2,811,711</u>
Change in net assets from operating activities	<u>109,937</u>	<u>(21,903)</u>	<u>88,034</u>	<u>296,066</u>
Non-operating activities:				
Gain on sale of investments	3,913		3,913	34,507
Unrealized loss on investments	<u>(26,458)</u>		<u>(26,458)</u>	<u>(54,429)</u>
Total non-operating activities	<u>(22,545)</u>	<u>0</u>	<u>(22,545)</u>	<u>(19,922)</u>
Change in net assets	87,392	(21,903)	65,489	276,144
Net assets - beginning of year	<u>1,898,081</u>	<u>462,000</u>	<u>2,360,081</u>	<u>2,083,937</u>
Net assets - end of year	<u>\$1,985,473</u>	<u>\$440,097</u>	<u>\$2,425,570</u>	<u>\$2,360,081</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, 2022
(With comparative totals for the year ended December 31, 2021)

	Supporting Services			Total Supporting Services	Total Expenses 12/31/22	Total Expenses 12/31/21
	Program Services	Management and General	Fundraising			
Salaries	\$1,412,010	\$170,996	\$355,806	\$526,802	\$1,938,812	\$1,737,854
Payroll taxes and benefits	329,058	40,115	83,472	123,587	452,645	435,754
Occupancy	283,435	33,969	70,862	104,831	388,266	375,467
Supplies, materials and office expenses	3,379	418	870	1,288	4,667	1,364
Travel, training and meetings (including in-kind)(Note 9)	54,596	4,616	10,389	15,005	69,601	11,829
Telephone and information technology	32,488	4,020	8,366	12,386	44,874	70,998
Equipment	15,081	1,866	3,883	5,749	20,830	21,835
Depreciation	5,224	647	1,345	2,165	7,216	9,538
Professional fees (including in-kind)(Note 9)		50,691		50,691	50,691	44,744
Consulting (including in-kind)(Note 9)	12,218	582	1,212	1,794	14,012	9,630
Insurance	20,602	2,550	5,305	7,855	28,457	27,465
Bank charges and administrative fees		4,793		4,793	4,793	7,220
Video and event production (including in-kind) (Note 9)	64,080		144,332	144,332	208,412	55,050
Bad debt expense		13,000		13,000	13,000	-
Other expenses	2,666	4,009	8,343	20,403	15,018	2,963
Total expenses	2,234,837	332,272	694,185	1,026,457	3,261,294	2,811,711
Less: direct special event expenses netted with revenue			(85,182)	(85,182)	(85,182)	0
Total expenses for statement of activities	\$2,234,837	\$332,272	\$609,003	\$941,275	\$3,176,112	\$2,811,711

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, 2022
(With comparative totals for the year ended December 31, 2021)

	<u>12/31/22</u>	<u>12/31/21</u>
Cash flows from operating activities:		
Change in net assets	\$65,489	\$276,144
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Realized gain on sale of investments	(3,913)	(34,507)
Unrealized loss on investments	26,458	54,429
Depreciation	7,216	9,538
Changes in assets and liabilities:		
Government grants receivable	(42,230)	(140,172)
Pledges receivable	(45,241)	(236,743)
Accounts payable and accrued expenses	30,272	(18,081)
Operating lease right-of-use asset and liability	9,527	0
Deferred rent	<u>(16,703)</u>	<u>(2,578)</u>
Net cash flows provided by/(used for) operating activities	<u>30,875</u>	<u>(91,970)</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	(466,602)	(109,922)
Purchase of investments	527,302	63,861
Purchases of fixed assets	<u>(10,183)</u>	<u>(5,988)</u>
Net cash provided by/(used for) investing activities	<u>50,517</u>	<u>(52,049)</u>
Net increase/(decrease) in cash and cash equivalents	81,392	(144,019)
Cash and cash equivalents - beginning of year	<u>365,648</u>	<u>509,667</u>
Cash and cash equivalents - end of year	<u>\$447,040</u>	<u>\$365,648</u>
Supplemental information:		
Interest and taxes paid	<u>\$0</u>	<u>\$0</u>

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

PENCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 or the contributions raised for those programs as they are run directly by the New York City schools. Pencil derives its revenue from soliciting contributions from the general public in New York City.

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

b. Recently Adopted Accounting Standards

Effective January 1 2022, Pencil adopted the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. Pencil elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing FASB ASU No. 2016-02, Pencil recognized right-of-use (“ROU”) assets of \$497,159 and lease liabilities totaling \$519,152 in its statement of financial position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

Effective January 1, 2022, Pencil adopted FASB ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures. See Note 9 for more details.

c. Basis of Presentation

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 the passage of time.

d. Revenue Recognition

Pencil follows the requirements of FASB's Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recognized at the time a contribution becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. Contributions that do contain donor restrictions are recorded in the class of 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. If donor restricted contributions are satisfied in the same period they were received, they are classified in the class of net assets without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

Pencil's government grants are primarily conditional non-exchange transactions and fall under the scope of FASB ASC 958-605. Revenue from these transactions is 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.

Unconditional promises to give that are expected to be received in less than one year are recorded at net realizable value. Those that are due in greater than one year are recorded at fair value, which is calculated using risk adjusted present value techniques. Long-term promises to give are treated as time restricted until the period they are due, at which time they will be released from restriction and counted towards operations.

Management has reviewed the collectability of all receivables, factoring in judgement about the creditworthiness and age of the receivable, as well as historical experience. Based on that evaluation, management has determined that no reserve for doubtful accounts is warranted.

e. 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.

f. Concentration of Credit Risk

Financial instruments which potentially subject Pencil to a 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 the failure of any financial institution.

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. Fair Value Measurements

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.

i. 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.

j. Leases

Pencil determines if an arrangement is or contains a lease at inception. Leases are included in ROU assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term.

k. 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 9).

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

l. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include 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's audited financial statements for the year ended December 31, 2021, from which the summarized information was derived.

m. Advertising

The cost of advertising is expensed as incurred.

n. 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.

o. Functional Allocation of Expenses

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.

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

- Salaries, payroll taxes 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.

p. 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, 2019 and later are subject to examination by applicable taxing authorities.

Note 3 - Investments

Investments can be summarized as follows:

	<u>December 31, 2022</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificates of deposit	\$0	\$544,695	\$544,695
Money market funds and other cash	<u>0</u>	<u>752,402</u>	<u>752,402</u>
Total	<u>\$0</u>	<u>\$1,297,097</u>	<u>\$1,297,097</u>

	<u>December 31, 2021</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificates of deposit	\$0	\$300,310	\$300,310
Mutual funds	252,075	0	252,075
Exchange traded funds:			
Short-term bonds	453,584	0	453,584
Corporate fixed income:			
Consumer cyclical	0	160,066	160,066
Healthcare	0	65,465	65,465
Industrial	<u>0</u>	<u>33,677</u>	<u>33,677</u>
Subtotal	705,659	559,518	1,265,177
Money market funds and other cash	<u>0</u>	<u>115,165</u>	<u>115,165</u>
Total	<u>\$705,659</u>	<u>\$674,683</u>	<u>\$1,380,342</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>12/31/22</u>	<u>12/31/21</u>
Computer hardware and software (5 years)	\$72,621	\$62,438
Furniture and equipment (5 years)	25,056	25,056
Leasehold improvements (5 years)	<u>591,669</u>	<u>591,669</u>
	689,346	679,163
Less: accumulated depreciation	<u>(674,258)</u>	<u>(667,042)</u>
Total fixed assets, net	<u>\$15,088</u>	<u>\$12,121</u>

Note 5 - Operating Lease Right-of-Use Asset and Operating Lease Liability

Pencil evaluated current contracts to determine which met the criteria of a lease. Pencil leases office space in New York, NY under an agreement that expires on July 31, 2023, which was determined to be an operating lease. The lease does not include specific extension terms.

The ROU assets represent Pencil's right to use the underlying asset for the lease term, and the lease liabilities represent Pencil's obligation to make lease payments arising from this lease. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. Pencil has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of December 31, 2022 was 2.89%. As of December 31, 2022, the weighted average remaining lease term for Pencil's operating lease was approximately 6 months.

For the year ended December 31, 2022, total operating lease cost was \$321,457. Cash paid for operating leases for the year ended December 31, 2022 was \$333,923. There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note 2b.

Future minimum annual lease payments are as follows:

Year ending December 31, 2023	\$197,042
Less: Present value discount	<u>(1,468)</u>
Total lease liability at December 31, 2022	<u>\$195,574</u>

Subsequent to year end, Pencil entered into a new lease agreement that expires July 2025. Future minimum annual lease payments under this lease are as follows:

Year ending:	December 31, 2023	\$317,426
	December 31, 2024	291,328
	December 31, 2025	<u>171,907</u>
Total		<u>\$780,661</u>

Note 6 - Net Assets With Donor Restrictions

Net assets with donor restrictions can be summarized as follows:

	<u>December 31, 2022</u>			
	<u>Balance</u>	<u>Contributions</u>	<u>Released</u>	<u>Balance</u>
	<u>1/1/22</u>		<u>from</u>	<u>12/31/22</u>
			<u>Restrictions</u>	
Program restrictions:				
Partnership Program	\$380,000	\$724,000	(\$700,000)	\$404,000
Internship Program	<u>82,000</u>	<u>111,500</u>	<u>(157,403)</u>	<u>36,097</u>
Total	<u>\$462,000</u>	<u>\$835,500</u>	<u>(\$857,403)</u>	<u>\$440,097</u>

	<u>December 31, 2021</u>			
	<u>Balance</u> <u>1/1/21</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	<u>Balance</u> <u>12/31/21</u>
Program restrictions:				
Partnership Program	\$361,000	\$592,000	(\$564,000)	\$389,000
Internship Program	<u>70,000</u>	<u>146,000</u>	<u>(143,000)</u>	<u>73,000</u>
Total	<u>\$431,000</u>	<u>\$738,000</u>	<u>(\$707,000)</u>	<u>\$462,000</u>

Note 7 - Special Event Income

During 2022, Pencil hosted the Celebration of Success fundraising event. The financial summary of the event is as follows:

Income	\$507,888
Less: expenses with a direct benefit to donor	<u>(85,182)</u>
	422,706
Less: other event expenses	<u>(4,940)</u>
Total	<u>\$417,766</u>

Note 8 - Paycheck Protection Program

During the year ended December 31, 2021, Pencil obtained a loan from the Small Business Administration (“SBA”) in the amount of \$382,485 through the Paycheck Protection Program (“PPP”). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were greater than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven. Pencil accounted for the PPP loan as a contribution in accordance with FASB ASC 958-605. The conditions for forgiveness of this loan were met during the year ended December 31, 2021 and the full amount was recognized as revenue during the year then ended. On June 14, 2021, full forgiveness was approved by the SBA.

Note 9 - In-Kind Contributions

In-kind contributions were allocated as follows:

	<u>December 31, 2022</u>			
	<u>Programs</u>	Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Video production	\$23,000	\$0	\$23,000	\$46,000
Event space	36,150	0	36,150	72,300
Professional fees	0	30,541	0	30,541
Consulting	0	7,092	0	7,092
Travel	<u>0</u>	<u>0</u>	<u>7,200</u>	<u>7,200</u>
Total	<u>\$59,150</u>	<u>\$37,633</u>	<u>\$66,350</u>	<u>\$163,133</u>

December 31, 2021

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Video production	\$25,050	\$0	\$25,050	\$50,100
Travel	0	0	7,200	7,200
Professional fees	0	25,744	0	25,744
Consulting	<u>0</u>	<u>3,600</u>	<u>0</u>	<u>3,600</u>
Total	<u>\$25,050</u>	<u>\$29,344</u>	<u>\$32,250</u>	<u>\$86,644</u>

Valuation Techniques and Inputs

Professional and consulting fees	Contributed services from professionals and consultants are valued at the estimated fair value based on current rates for similar services.
Video production	Contributed video production services are valued at the estimated fair value based on current rates for similar services.
Event space	Contributed event space are valued at the estimated fair value based on current rates in similar locations.
Travel	Contributed travel is valued at the standard market rate for similar travel.

Note 10 - 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, February 1, 2020, Pencil began providing matching contributions by contributing up to 2% of an employee's salary to the plan. During 2022 and 2021, Pencil made contributions totaling \$27,747 and \$28,957 to the plan, respectively.

Note 11 - 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. Ongoing operations include restricted funds for training and development activities of the Partnership and Internship Programs. The following reflects Pencil's financial assets available to meet cash needs for general expenditures within one year at December 31, 2022:

Cash and cash equivalents	\$447,040
Investments	1,297,097
Government grants receivable	227,007
Pledges receivable	<u>463,013</u>
Total	<u>\$2,434,157</u>

Note 12 - Related Party Transactions

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

Note 13 - Subsequent Events

Subsequent events have been evaluated through May 22, 2023, the date the financial statements were available to be issued. There were no material events that have occurred that required adjustment to or disclosure to the financial statements.