

Pencil, Inc.

Audited Financial Statements

December 31, 2023



Pencil, Inc.

Audited Financial Statements

December 31, 2023

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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, 2023, 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, 2023, 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 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 GAAS, 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 the 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

We have previously audited Pencil's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects with the audited financial statements from which it was derived.

Sax CPAs LLP

New York, NY
September 17, 2024

Pencil, Inc.

Statement of Financial Position

At December 31, 2023
(With comparative totals at December 31, 2022)

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 176,903	\$ 447,040
Investments	1,357,360	1,297,097
Government grants receivable	155,407	227,007
Pledges receivable	886,040	463,013
Security deposit	42,667	42,667
Property and equipment, net	14,279	15,088
Operating lease right-of-use asset	445,250	186,047
TOTAL ASSETS	<u>\$ 3,077,906</u>	<u>\$ 2,677,959</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 19,169	\$ 56,815
Operating lease liability	446,454	195,574
Deferred revenue	111,244	-
Total liabilities	<u>576,867</u>	<u>252,389</u>
NET ASSETS		
Without donor restrictions	1,836,192	1,985,473
With donor restrictions	664,847	440,097
Total net assets	<u>2,501,039</u>	<u>2,425,570</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,077,906</u>	<u>\$ 2,677,959</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, 2023
(With comparative totals for the year December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/23	Total 12/31/22
REVENUE AND SUPPORT				
Contributions	\$ 1,056,375	\$ 1,048,250	\$ 2,104,625	\$ 2,036,162
Government grants	965,685	-	965,685	636,909
Special events (net of expenses with a a direct benefit to donor)	395,847	-	395,847	422,706
In-kind contributions	105,876	-	105,876	163,133
Interest and other income	38,132	-	38,132	5,236
Net assets released from restriction	823,500	(823,500)	-	-
Total revenue support	<u>3,385,415</u>	<u>224,750</u>	<u>3,610,165</u>	<u>3,264,146</u>
EXPENSES				
Program services	<u>2,466,225</u>	<u>-</u>	<u>2,466,225</u>	<u>2,234,837</u>
Supporting services				
Management and general	521,431	-	521,431	332,272
Fundraising	<u>551,942</u>	<u>-</u>	<u>551,942</u>	<u>609,003</u>
Total supporting services	<u>1,073,373</u>	<u>-</u>	<u>1,073,373</u>	<u>941,275</u>
Total expenses	<u>3,539,598</u>	<u>-</u>	<u>3,539,598</u>	<u>3,176,112</u>
Change in net assets from operating activities	(154,183)	224,750	70,567	88,034
Non-operating activities				
Gain on sale of investments	2,351	-	2,351	3,913
Unrealized gain/(loss) on investments	<u>2,551</u>	<u>-</u>	<u>2,551</u>	<u>(26,458)</u>
Total non-operating activities	<u>4,902</u>	<u>-</u>	<u>4,902</u>	<u>(22,545)</u>
Change in net assets	(149,281)	224,750	75,469	65,489
NET ASSETS, beginning of year	<u>1,985,473</u>	<u>440,097</u>	<u>2,425,570</u>	<u>2,360,081</u>
NET ASSETS, end of year	<u>\$ 1,836,192</u>	<u>\$ 664,847</u>	<u>\$ 2,501,039</u>	<u>\$ 2,425,570</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, 2023
(With comparative totals for the year December 31, 2022)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses 12/31/23</u>	<u>Total Expenses 12/31/22</u>
Salaries	\$ 1,650,694	\$ 271,347	\$ 339,184	610,531	\$ 2,261,225	\$ 1,938,812
Payroll taxes and benefits	413,772	67,336	84,170	151,506	565,278	452,645
Occupancy	256,789	41,010	50,763	91,773	348,562	388,266
Supplies, materials and office expenses	10,886	1,790	2,237	4,027	14,913	4,667
Travel, training and meetings (including in-kind)	1,687	71,061	5,750	76,811	78,498	69,601
Telephone and information technology	33,744	5,546	6,934	12,480	46,224	44,874
Equipment	12,566	2,066	2,582	4,648	17,214	20,830
Depreciation	6,197	1,019	1,273	2,292	8,489	7,216
Professional fees (including in-kind)	-	-	-	-	-	50,691
Consulting (including in-kind)	4,998	7,608	-	7,608	12,606	14,012
Insurance	22,580	3,711	4,640	8,351	30,931	28,457
Bank charges and administrative fees	-	28,159	-	28,159	28,159	4,793
Video and event production (including in-kind)	37,063	18,393	178,422	196,815	233,878	208,412
Bad debt expense	-	-	-	-	-	13,000
Other expenses	15,249	2,385	1,737	4,122	19,371	15,018
Total expenses	2,466,225	521,431	677,692	1,199,123	3,665,348	3,261,294
Less: direct special event expenses netted with revenue	-	-	(125,750)	(125,750)	(125,750)	(85,182)
Total expenses for statement of activities	<u>\$ 2,466,225</u>	<u>\$ 521,431</u>	<u>\$ 551,942</u>	<u>\$ 1,073,373</u>	<u>\$ 3,539,598</u>	<u>\$ 3,176,112</u>

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, 2023
(With comparative totals for the year ended December 31, 2022)

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 75,469	\$ 65,489
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities		
Realized gain on sale of investments	(2,351)	(3,913)
Unrealized (gain)/loss on investments	(2,551)	26,458
Depreciation	8,489	7,216
Changes in assets and liabilities		
Government grants receivable	71,600	(42,230)
Pledges receivable	(423,027)	(45,241)
Accounts payable and accrued expenses	(37,646)	30,272
Operating lease right-of-use asset and liability	(8,323)	9,527
Deferred revenue	111,244	(16,703)
Net cash flows (used for)/provided by operating activities	<u>(207,096)</u>	<u>30,875</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	(804,202)	(466,602)
Purchase of investments	748,841	527,302
Purchases of property and equipment	(7,680)	(10,183)
Net cash flows (used for)/provided by investing activities	<u>(63,041)</u>	<u>50,517</u>
Net (decrease)/increase in cash and cash equivalents	(270,137)	81,392
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	<u>447,040</u>	<u>365,648</u>
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u>\$ 176,903</u>	<u>\$ 447,040</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest and taxes	<u>\$ -</u>	<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, 2023

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 financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958 - *Presentation of Financial Statement of Not-For-Profit Entities*. FASB ASC 958 requires Pencil to report information regarding its financial position and activities according to the following specific classes of net assets. Pencil reports information regarding its financial position and activities according to the following classes of net assets:

b. Basis of Presentation

- *Net Assets without Donor Restrictions* - represents those resources for which there are no restrictions by donors as to their use.
- *Net Assets with Donor Restrictions* - represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Revenue Recognition

Pencil follows the requirements of FASB 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, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

c. Revenue Recognition - Continued

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.

Special event revenue is comprised of payments received from third parties to support and/or attend fundraising events. Special event revenue includes an exchange transaction component for the value of the goods or services rendered, which follows revenue recognition guidance under FASB ASC 606. The amount paid by third parties that is above the value of the goods or services is considered a contribution. Revenue is recognized at the time the fundraising event occurs.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk adjusted present value techniques. 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.

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 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.

f. 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.

Pencil, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

g. 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 market 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.

h. Property and Equipment

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. 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. Pencil does not report ROU assets and lease liabilities for short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Pencil will exercise that option.

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 8).

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.

Pencil, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

k. 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, 2022, 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. 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.

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, 2020 and later are subject to examination by applicable taxing authorities.

Pencil, Inc.

Notes to Financial Statements

December 31, 2023

Note 3 - Investments

Investments can be summarized as follows:

	December 31, 2023		
	Level 1	Level 2	Total
Certificates of deposit	\$ -	\$ 558,663	\$ 558,663
Money market funds and other cash	-	798,697	798,697
Total	<u>\$ -</u>	<u>\$ 1,357,360</u>	<u>\$ 1,357,360</u>

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

Property and equipment consist of the following:

	December 31,	
	2023	2022
Computer hardware and software (5 years)	\$ 80,301	\$ 72,621
Furniture and equipment (5 years)	25,056	25,056
Leasehold improvements (5 years)	591,669	591,669
Total	697,026	689,346
Less: accumulated depreciation	(682,747)	(674,258)
Total property and equipment, net	<u>\$ 14,279</u>	<u>\$ 15,088</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, 2025, which was determined to be an operating lease. The lease does not include specific extension terms.

Pencil, Inc.

Notes to Financial Statements

December 31, 2023

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

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, 2023 was 4.92%. As of December 31, 2023, the weighted average remaining lease term for Pencil's operating lease was approximately 18 months.

For the year ended December 31, 2023, total operating lease cost was \$309,104. Cash paid for operating leases for the year ended December 31, 2022 was \$321,457. There were no noncash investing and financing transactions related to leasing.

Future minimum annual lease payments are as follows:

Year ending:

	December 31, 2024		\$ 291,328
	December 31, 2025		171,907
Total			<u>463,235</u>
Less: present value discount			(16,781)
Total lease liability at December 31, 2023			<u><u>\$ 446,454</u></u>

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions can be summarized as follows:

	December 31, 2023			
	Balance	Contributions	Released	Balance
	1/1/23		From Restriction	12/31/23
Program restrictions:				
Partnership Program	\$ 404,000	\$ 440,750	\$ (484,000)	\$ 360,750
Internship Program	6,097	442,500	(207,000)	241,597
Other Program	30,000	165,000	(132,500)	62,500
Total	<u>\$ 440,097</u>	<u>\$ 1,048,250</u>	<u>\$ (823,500)</u>	<u>\$ 664,847</u>
	December 31, 2022			
	Balance	Contributions	Released	Balance
	1/1/22		From Restriction	12/31/22
Program restrictions:				
Partnership Program	\$ 380,000	\$ 724,000	\$ (700,000)	\$ 404,000
Internship Program	82,000	111,500	(157,403)	36,097
Total	<u>\$ 462,000</u>	<u>\$ 835,500</u>	<u>\$ (857,403)</u>	<u>\$ 440,097</u>

Pencil, Inc.

Notes to Financial Statements

December 31, 2023

Note 7 - Special Event Income

During 2023, Pencil hosted the Celebration of Success fundraising event. The financial summary of the event is as follows:

Income	\$ 521,597
Less: expenses with a direct benefit to donor	<u>(125,750)</u>
	395,847
Less: other event expenses	<u>(10,927)</u>
Total	<u><u>\$ 384,920</u></u>

Note 8 - In-kind Contributions

In-kind contributions were allocated as follows:

	December 31, 2023			
	Management and			
	Programs	General	Fundraising	Total
Video production	\$ 37,062	\$ -	\$ 37,062	\$ 74,124
Event space	-	18,394	-	18,394
Consulting	-	7,608	-	7,608
Travel	-	-	5,750	5,750
Total	<u>\$ 37,062</u>	<u>\$ 26,002</u>	<u>\$ 42,812</u>	<u>\$ 105,876</u>

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

Pencil, Inc.

Notes to Financial Statements

December 31, 2023

Note 9 - 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 2023 and 2022, Pencil made contributions totaling \$27,809 and \$27,747 to the plan, respectively.

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. 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, 2023:

Cash and cash equivalents	\$	176,903	
Investments		1,357,360	
Government grants receivable		155,407	
Pledges receivable		886,040	
Total short-term financial assets			\$ 2,575,710
Less amounts not available for general expenditures donor-imposed program restrictions			<u>(664,847)</u>
Financial assets available to meet cash needs for general expenditures within one year			<u>\$ 1,910,863</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.

Note 12 - Subsequent Events

Subsequent events have been evaluated through September 17, 2024, 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.