

**PENCIL FOUNDATION**

**FINANCIAL STATEMENTS  
AND OTHER INFORMATION**

**JUNE 30, 2013 AND 2012**

# PENCIL FOUNDATION

## Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities .....	4 - 5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7 - 15
OTHER INFORMATION	
Schedules of Support and Revenue, Expenses and Changes in Net Assets .....	16 - 19



## Independent Auditor's Report

To the Board of Directors  
PENCIL Foundation  
Nashville, Tennessee

We have audited the accompanying financial statements of PENCIL Foundation (the "Foundation"), a Tennessee not-for-profit corporation, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Foundation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of support and revenue, expenses, and changes in net assets on pages 16 - 19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Crosslin + Associates, P.C.*

Nashville, Tennessee  
December 2, 2013

PENCIL FOUNDATION  
STATEMENTS OF FINANCIAL POSITION

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ASSETS

	June 30,	
	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 566,825	\$ 657,775
Investments in certificates of deposit	503,569	515,079
Contributions receivable (Note B)	79,589	38,122
Contracts and grants receivable (Note C)	95,304	56,019
Prepaid expenses and other assets	<u>9,913</u>	<u>5,890</u>
 Total assets	 <u>\$1,255,200</u>	 <u>\$1,272,885</u>

LIABILITIES

Accounts payable and accrued liabilities	\$ <u>99,473</u>	\$ <u>56,987</u>
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NET ASSETS

Unrestricted	1,018,327	1,094,276
Temporarily restricted (Note I)	<u>137,400</u>	<u>121,622</u>
Total net assets	<u>1,155,727</u>	<u>1,215,898</u>
 Total liabilities and net assets	 <u>\$1,255,200</u>	 <u>\$1,272,885</u>

See accompanying notes to financial statements.

PENCIL FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2013 AND 2012

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	2013		
	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue:</b>			
Contributions and grants	\$ 79,763	\$ 1,610,325	\$ 1,690,088
In-kind contributions	-	371,591	371,591
Special events income (net of related direct costs of \$65,132 and \$62,451 for 2013 and 2012, respectively)	202,245	-	202,245
Rental income (Note E)	-	-	-
Interest income	8,702	-	8,702
Net assets released from restrictions (Note I)	<u>1,966,138</u>	<u>(1,966,138)</u>	<u>-</u>
Total support and revenue	<u>2,256,848</u>	<u>15,778</u>	<u>2,272,626</u>
<b>Expenses:</b>			
Program activities expense:			
Jobs for Tennessee Graduates	589,867	-	589,867
Financial Literacy/Homebuyer's Education	46,833	-	46,833
PENCIL Partners	294,883	-	294,883
Reading Partners	125,216	-	125,216
Math Partners	77,244	-	77,244
Saint Thomas Science Scholars	5,107	-	5,107
Family resource centers	261,409	-	261,409
PENCIL Box	473,908	-	473,908
NAZA	<u>372,583</u>	<u>-</u>	<u>372,583</u>
Total program activities expense	<u>2,247,050</u>	<u>-</u>	<u>2,247,050</u>
Support services:			
Collaborative	70,410	-	70,410
Administrative	<u>15,337</u>	<u>-</u>	<u>15,337</u>
Total support services	<u>85,747</u>	<u>-</u>	<u>85,747</u>
Total expenses	<u>2,332,797</u>	<u>-</u>	<u>2,332,797</u>
Net (decrease) increase in net assets	( 75,949)	15,778	( 60,171)
Net assets at beginning of year	<u>1,094,276</u>	<u>121,622</u>	<u>1,215,898</u>
Net assets at end of year	<u>\$ 1,018,327</u>	<u>\$ 137,400</u>	<u>\$ 1,155,727</u>

See accompanying notes to financial statements.

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2012		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 155,176	\$ 1,538,181	\$1,693,357
-	386,742	386,742
132,519	38,122	170,641
31,644	-	31,644
17,697	-	17,697
<u>1,877,423</u>	<u>(1,877,423)</u>	<u>-</u>
<u>2,214,459</u>	<u>85,622</u>	<u>2,300,081</u>
596,931	-	596,931
51,254	-	51,254
250,358	-	250,358
119,104	-	119,104
109,236	-	109,236
5,383	-	5,383
132,955	-	132,955
478,922	-	478,922
<u>302,672</u>	<u>-</u>	<u>302,672</u>
<u>2,046,815</u>	<u>-</u>	<u>2,046,815</u>
131,465	-	131,465
47,554	-	47,554
<u>179,019</u>	<u>-</u>	<u>179,019</u>
<u>2,225,834</u>	<u>-</u>	<u>2,225,834</u>
( 11,375)	85,622	74,247
<u>1,105,651</u>	<u>36,000</u>	<u>1,141,651</u>
<u>\$ 1,094,276</u>	<u>\$ 121,622</u>	<u>\$1,215,898</u>

See accompanying notes to financial statements.

PENCIL FOUNDATION  
STATEMENTS OF CASH FLOWS

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	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (decrease) increase in net assets	\$( 60,171)	\$ 74,247
Adjustments to reconcile net (decrease) increase in net assets to net cash used in operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in receivables	( 80,752)	38,447
(Increase) decrease in prepaid expense and other	( 4,023)	2,033
Decrease in funds held for others	-	(174,856)
Increase (decrease) in accounts payable and accrued expenses	<u>42,486</u>	<u>( 17,145)</u>
Total adjustments	<u>( 42,289)</u>	<u>(151,521)</u>
Net cash used in operating activities	<u>(102,460)</u>	<u>( 77,274)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investments	<u>11,510</u>	<u>45,356</u>
Net cash provided by investing activities	<u>11,510</u>	<u>45,356</u>
Decrease in cash and cash equivalents	( 90,950)	( 31,918)
Cash and cash equivalents at beginning of year	<u>657,775</u>	<u>689,693</u>
Cash and cash equivalents at end of year	<u>\$ 566,825</u>	<u>\$ 657,775</u>



PENCIL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and General

PENCIL Foundation (the “Foundation”) is a nonprofit organization formed in 1982 to coordinate efforts by Nashville area businesses and civic organizations to support the Metropolitan Nashville Public School System. Descriptions of the Foundation’s programs are as follows:

Jobs for Tennessee Graduates (JTG) places a career specialist in high schools to provide job readiness instruction, opportunities for leadership development, interventions to aid in school completion and post-graduation assistance. This program serves students who have been identified by school officials as having one or more barriers to success. Primary funding is on a cost-reimbursement basis by the State Department of Education and the Nashville Career Advancement Center along with donations from corporations and foundations. In recent years, the program was expanded to include selected middle school students at Cameron, Wright and Oliver Middle Schools. Through this initiative, students focus on career exploration. The middle school program is funded by the Community Enhancement Fund and the Nashville After Zone Alliance.

Financial Literacy/Homebuyer’s Education (Financial Literacy) educates and assists participants in obtaining the financial skills needed to build a good credit history, savings and/or emergency funds, creating the foundation for sustainable wealth and eventual homeownership. Those served include high school students and young adults who have low-to-moderate income levels.

PENCIL Partners encourages a business or other community organization to “partner with” a specific school and conduct activities that enhance learning opportunities for the students. In addition, this program sponsors various other projects throughout the year. This program is primarily funded through corporate and individual donations. The following are related programs offered under PENCIL Partners:

- Career Mentoring pairs adults with three 9<sup>th</sup> grade students to mentor on careers and personal development. The program is funded by private and corporate contributions.

PENCIL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reading Partners supports volunteers who work with children in Metropolitan Nashville Public Schools, with the goal of improving children's reading ability and enjoyment. The program focuses on students in elementary and middle schools to support local and state goals for all children to read proficiently by the end of third grade. This program is funded by the United Way, local businesses, and foundations.

Math Partners promotes student achievement in mathematics through trained volunteers. The program provides academic assistance to students in elementary and middle schools whose scores on Tennessee's standardized achievement test fall below the national norm. Funded by local corporations and the United Way, volunteers instruct students in basic skills and concepts as they provide hands-on-activities that relate to real life math usage. This program is funded by the United Way, local businesses, and foundations.

Saint Thomas Hospital Science Scholars is designed to encourage, among selected high school sophomores, a love of science and a greater awareness of the role of science and math in the medical field through a unique, year-long learning project. It provides instruction from medical experts and exposes students to the career opportunities available in these fields. The program is fully funded by a grant from Saint Thomas Hospital.

Family Resource Centers are a partnership between United Way, Metro Nashville Government, Metro Nashville Public Schools and PENCIL Foundation. PENCIL Foundation provides all management responsibilities for the Antioch, Bordeaux, Glencliff, Madison Middle, Maplewood, and Tusculum Family Resource Centers, which serves as a hub of resources, support and opportunities for students and their families. The goal is to provide an accessible system of coordinated public and private sector services to strengthen families' abilities to support the academic and life success of their children.

PENCIL Box provides basic school supplies to disadvantaged students whose teachers often purchase these materials with their own money. Funded primarily by a grant from Louisiana Pacific, the program is a partnership between the Nashville business community and Metro Nashville Public Schools. Companies are encouraged to donate both new and surplus school supplies, which are distributed through the program. Teachers "shop for free" at the center for items essential to classroom instruction.

PENCIL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Nashville After Zone Alliance (NAZA) is a network of afterschool providers that operate in different geographic zones. PENCIL is the coordinating agency for the South Central Zone, which includes the following schools in the Overton and Glenciff clusters: Cameron, Wright, Croft, McMurray and Oliver Middle Schools. NAZA is a partnership of the Mayor's Office, Metropolitan Nashville Public Schools, and youth-serving organizations. The goal of NAZA is to create a network of quality afterschool programs in geographically designated zones. Students are exposed to enrichment activities within the visual and performance arts such as dance, painting and pottery. Other activities provide academic support, as well as team building and leadership opportunities.

Collaborative reflects the financial and administrative resources that the Foundation provides for two education not-for-profit organizations, Alignment Nashville and Nashville Public Education Foundation. This collaborative effort is defined by Memorandums of Agreement between PENCIL and the two respective organizations. Reduced infrastructure expenses benefit all three not-for-profit organizations. Partial funding from Alignment Nashville is received for a PENCIL employee working part-time for the STEM Hub project in coordination with Metro Nashville Public Schools.

Accrual Basis and Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

The Foundation classifies its net assets and its revenue, expenses, gains and losses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of the Foundation and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets would permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities. The Foundation had no permanently restricted net assets at June 30, 2013 or 2012.

PENCIL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions receivable are recorded at their estimated fair value and reflect discounts for payment terms greater than one year, if applicable. Contributions receivable are considered to be either conditional or unconditional promises to give. A conditional contribution is one which depends on the occurrence of some specified uncertain future event to become binding on the donor. Conditional contributions are not recorded as revenue until the condition is met, at which time they become unconditional. Unconditional contributions are recorded as revenue at the time verifiable evidence of the promise to give is received.

In the event a donor makes changes to the nature of a restricted gift which affects its classification among the net asset categories, such amounts are reflected as reclassifications in the statement of activities.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

The Foundation has invested in certificates of deposit with a financial institution with maturities ranging from fiscal year 2014 to 2019. These certificates of deposits have an average yield of 4.09% as of June 30, 2013.

Income Taxes

The Foundation is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code; and accordingly, no provision for income taxes is included in the accompanying financial statements.

PENCIL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Foundation accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Foundation include, but are not limited to, the tax exempt status and determination of whether income is subject to unrelated business income tax; however, the Foundation has determined that such tax positions do not result in an uncertainty requiring recognition.

Use of Estimates in the Preparation of Financial Statements

Judgment and estimation are exercised by management in certain areas of the preparation of financial statements. The most significant area is the collection of receivables. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

Office Equipment

Costs of office equipment are charged to expense. Where appropriate, such costs are reimbursed through program contracts. These amounts are not material to the financial statements of the Foundation.

Donated Services

A substantial number of unpaid volunteers have made contributions of their time to assist the Foundation's Partners, Math Partners, Reading Partners and PENCIL Box programs. The total value of time contributed by these volunteers for the year ended June 30, 2013 and 2012, has been estimated to be approximately \$2,400,000 and \$2,300,000, respectively. These amounts have not been recorded in the accompanying financial statements.

PENCIL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Instruments

Assets and liabilities recorded at fair value on a recurring basis in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Foundation's financial instruments consist of cash equivalents, investments, receivables, accounts payable and accrued liabilities. The recorded values of cash equivalents, receivables, accounts payable and accrued liabilities approximate their fair values based on their short-term nature. Investments consist of certificates of deposit and are recorded at fair value using Level 1 inputs.

Reclassifications

Certain reclassifications have been made to the financial information for 2012 to conform to the presentation adopted for 2013.

B. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due within one year and totaled \$79,589 and \$38,122 at June 30, 2013 and 2012, respectively. No allowance for uncollectible contributions receivable was considered necessary at June 30, 2013 or 2012.

In 2012, the Foundation received donor notification of a conditional promise to give in the amount of \$30,000. The funds were designated as a challenge matching grant to be received by the Foundation contingent upon the Foundation obtaining \$30,000 in new gifts/or grants in 2013 for the PENCIL Box program. At June 30, 2013, the conditions were met and the Foundation received the gift. There were no outstanding conditional gifts as of June 30, 2013.

PENCIL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

C. CONTRACTS AND GRANTS RECEIVABLE

Contracts and grants receivable are due within one year and no allowance for uncollectible amounts was considered necessary at June 30, 2013 and 2012.

D. INDIRECT COST ALLOCATION

The Foundation's policy is to record contributions to individual programs based on the designation of the contributor and to maintain individual expense accounts for each program. General overhead expenses are allocated from PENCIL to the various programs based on the estimated time and expenses expended for each individual program and other appropriate allocation methods.

E. LEASES

The Foundation leases office space and certain office equipment under non-cancelable operating leases which expire at various dates through December 2017. The Foundation had a sublease agreement of office space with a nonprofit organization resulting in \$31,644 of rental income for the year ended June 30, 2012. The sublease agreement was not renewed for fiscal year 2013. Lease expense for all operating leases was \$80,528 and \$112,919 for the years ended June 30, 2013 and 2012, respectively.

Year Ending June 30,

2014	\$ 72,123
2015	68,482
2016	61,605
2017	63,450
2018	<u>32,195</u>
	<u>\$297,855</u>

F. RETIREMENT PLAN

The Foundation established a retirement plan in September 2001 for essentially all employees pursuant to Internal Revenue Code Section 401(k). The amount of matching contributions by the Foundation is based upon the amounts contributed by plan participants. Contributions by the Foundation to the plan for the years ended June 30, 2013 and 2012, were \$29,911 and \$26,837, respectively.

PENCIL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

G. COMMITMENTS AND CONTINGENCIES

The Foundation has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes any required reimbursements would not be material to the financial statements of the Foundation.

The Foundation is subject to various claims and legal actions, which arise in the ordinary course of business. In the opinion of management, in consultation with legal counsel, the ultimate resolution of such matters will not have a material adverse effect on the Foundation's financial position or results of operations.

H. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents held by the Foundation. Cash and cash equivalents at June 30, 2013, includes demand deposits and a money market fund held at financial institutions. The deposits and the money market fund carry credit risk to the extent they exceed federally insured limits from time to time. Credit risk also extends to receivables, all of which are uncollateralized.

I. NET ASSETS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Temporarily restricted net assets totaling \$137,400 and \$121,622 at June 30, 2013 and 2012, were available for the various programs.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

Purpose restrictions accomplished consisted of the following for the years ending June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Job for Tennessee Graduates	\$ 553,087	\$ 573,359
Financial Literacy/Homebuyer's Education	46,441	52,441
PENCIL Partners	130,061	135,020
Reading Partners	96,828	121,328
Math Partners	60,527	119,782
Saint Thomas Science Scholars	5,000	5,000
Family Resource Centers	259,517	135,210
PENCIL Box	454,558	435,385
NAZA	<u>360,119</u>	<u>299,898</u>
Total restrictions released	<u>\$1,966,138</u>	<u>\$1,877,423</u>



PENCIL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

J. RELATED PARTIES

The Foundation has certain members of its board of directors who have financial interests in entities which engage in business transactions with the Foundation. These entities include financial institutions and a company from which the Foundation leases office space.

K. FUND RAISING COSTS

For fiscal years ended June 30, 2013 and 2012, expenses totaling \$108,549 and \$124,851, respectively, were associated with fundraising and are classified in the statement of activities in the program's activities expenses.

L. SUBSEQUENT EVENTS

Management evaluated subsequent events through December 2, 2013, the date the financial statements were available to be issued, and has determined there are no subsequent events requiring disclosure.

## **OTHER INFORMATION**

PENCIL FOUNDATION  
SCHEDULE OF SUPPORT AND REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2013

	<u>JTG</u>	<u>Financial Literacy</u>	<u>PENCIL Partners</u>
Support and Revenue:			
Contributions and grants	\$ 584,487	\$ 46,441	\$ 91,939
In-kind contributions	-	-	-
Special events income, net	2,000	-	200,245
Rental income	-	-	-
Interest income	-	-	-
Total support and revenue	<u>586,487</u>	<u>46,441</u>	<u>292,184</u>
Expenses:			
Salaries and wages	402,304	34,856	194,136
Payroll taxes	30,229	2,547	13,644
Medical insurance	47,267	2,035	16,330
401(k) contribution	8,733	427	5,426
Lease expense	16,335	4,818	18,205
Insurance	2,637	-	803
Repairs and maintenance	2,041	295	1,419
Telephone	8,749	214	1,863
Postage	966	31	577
Purchased equipment	8,075	-	556
Office supplies	3,133	660	871
Travel	5,772	23	1,022
Donated supplies	-	-	-
Program activities	6,068	100	18,634
Professional development	4,061	-	1,029
Publications and promotions	8,858	-	3,557
Professional services	14,263	150	7,577
Copier expense	4,546	677	1,940
Internet	15,830	-	7,294
Miscellaneous	-	-	-
Total expenses	<u>589,867</u>	<u>46,833</u>	<u>294,883</u>
Net (decrease) increase in net assets	<u>\$ ( 3,380)</u>	<u>\$ ( 392)</u>	<u>\$ ( 2,699)</u>
Net Assets at July 1, 2012			
Net Assets at June 30, 2013			

<u>Reading Partners</u>	<u>Math Partners</u>	<u>Saint Thomas Science Scholars</u>	<u>Family Resource Centers</u>	<u>PENCIL Box</u>	<u>NAZA</u>	<u>Collaborative</u>	<u>PENCIL</u>	<u>Total</u>
\$ 106,828	\$ 60,527	\$ 5,000	\$ 259,517	\$ 95,467	\$ 360,119	\$70,616	\$ 9,147	\$ 1,690,088
-	-	-	-	371,591	-	-	-	371,591
-	-	-	-	-	-	-	-	202,245
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	8,702	8,702
<u>106,828</u>	<u>60,527</u>	<u>5,000</u>	<u>259,517</u>	<u>467,058</u>	<u>360,119</u>	<u>70,616</u>	<u>17,849</u>	<u>2,272,626</u>
85,228	48,948	4,063	199,456	60,059	81,378	60,644	5,978	1,177,050
5,834	3,372	313	15,109	4,787	5,839	4,217	-	85,891
7,128	5,230	478	19,993	4,897	6,224	3,497	449	113,528
3,631	1,512	197	2,841	2,023	3,255	1,866	-	29,911
9,042	6,655	-	2,926	5,181	2,340	-	-	65,502
536	428	-	536	321	482	-	-	5,743
572	435	-	24	402	439	-	-	5,627
590	693	-	2,188	999	856	-	210	16,362
466	269	3	250	130	176	142	( 56)	2,954
231	198	-	239	131	145	-	-	9,575
497	1,366	-	1,521	2,376	1,066	-	1,316	12,806
254	143	39	1,573	2,930	1,944	-	89	13,789
-	-	-	-	371,591	-	-	-	371,591
4	3	-	5,129	10,501	260,995	-	3,162	242,395
514	376	-	481	295	428	-	-	54,684
3,448	1,831	-	2,596	1,327	1,801	-	-	23,418
3,146	2,372	-	2,816	1,834	1,168	-	193	48,220
760	745	14	428	499	1,114	6	1,343	12,072
3,335	2,668	-	3,303	3,625	2,933	38	-	39,026
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,653</u>	<u>2,653</u>
<u>125,216</u>	<u>77,244</u>	<u>5,107</u>	<u>261,409</u>	<u>473,908</u>	<u>372,583</u>	<u>70,410</u>	<u>15,337</u>	<u>2,332,797</u>
<u>\$( 18,388)</u>	<u>\$(16,717)</u>	<u>\$( 107)</u>	<u>\$( 1,892)</u>	<u>\$( 6,850)</u>	<u>\$( 12,464)</u>	<u>\$ 206</u>	<u>\$ 2,512</u>	<u>( 60,171)</u>
								<u>1,215,898</u>
								<u>\$ 1,155,727</u>

See accompanying independent auditor's report.

PENCIL FOUNDATION  
SCHEDULE OF SUPPORT AND REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2012

	<u>JTG</u>	<u>Financial Literacy</u>	<u>PENCIL Partners</u>	<u>Reading Partners</u>
Support and Revenue:				
Contributions and grants	\$598,359	\$52,441	\$135,020	\$116,328
In-kind contributions	-	-	-	-
Special events income, net	-	-	143,197	9,300
Rental income	-	-	-	-
Interest income	-	-	-	-
Total support and revenue	<u>598,359</u>	<u>52,411</u>	<u>278,217</u>	<u>125,628</u>
Expenses:				
Salaries and wages	380,825	38,185	174,530	82,814
Payroll taxes	28,069	2,775	11,964	5,747
Medical insurance	82,080	2,165	17,127	4,942
401(k) contribution	7,111	519	5,768	3,679
Lease expense	16,434	5,088	16,932	9,272
Insurance	5,755	-	1,657	1,184
Repairs and maintenance	1,243	286	1,287	561
Telephone	11,518	192	2,385	966
Postage	496	245	334	254
Purchased equipment	3,232	-	102	73
Office supplies	7,160	411	820	776
Travel	9,878	38	2,431	207
Donated supplies	-	-	-	-
Program activities	5,317	-	56	40
Professional development	2,060	-	99	35
Publications and promotions	8,707	906	3,056	2,944
Professional services	13,954	-	5,724	3,611
Copier expense	4,332	392	1,883	315
Internet	8,760	52	4,203	1,684
Miscellaneous	-	-	-	-
Total expenses	<u>596,931</u>	<u>51,254</u>	<u>250,358</u>	<u>119,104</u>
Net increase in net assets	<u>\$ 1,428</u>	<u>\$ 1,187</u>	<u>\$ 27,859</u>	<u>\$ 6,524</u>
Net Assets at July 1, 2011				
Net Assets at June 30, 2012				

<u>Math Partners</u>	<u>Saint Thomas Science Scholars</u>	<u>Family Resource Centers</u>	<u>PENCIL Box</u>	<u>NAZA</u>	<u>Collaborative</u>	<u>PENCIL</u>	<u>Total</u>
\$ 94,782	\$5,000	\$135,210	\$101,143	\$299,898	\$154,217	\$ 959	\$1,693,357
-	-	-	386,742	-	-	-	386,742
14,944	400	-	-	2,800	-	-	170,641
-	-	-	-	-	-	31,644	31,644
-	-	-	-	-	-	<u>17,697</u>	<u>17,697</u>
<u>109,726</u>	<u>5,400</u>	<u>135,210</u>	<u>487,885</u>	<u>302,698</u>	<u>154,217</u>	<u>50,300</u>	<u>2,300,081</u>
60,075	4,175	105,868	52,471	74,645	77,507	19,814	1,070,909
4,104	307	8,230	5,246	5,046	4,913	1,537	77,938
5,979	599	5,964	1,415	6,786	8,615	10,052	145,724
1,729	160	864	2,039	1,149	3,819	-	26,837
7,260	-	1,060	5,490	2,736	31,644	-	95,916
947	-	710	947	750	-	-	11,950
455	-	27	354	293	1,494	119	6,119
1,113	-	1,177	1,314	1,384	221	43	20,313
145	23	52	93	62	292	2,659	4,655
58	-	44	58	58	-	-	3,625
3,753	3	4,471	2,802	4,528	309	1,382	26,415
161	72	219	1,386	18,241	-	93	32,726
-	-	-	386,742	-	-	-	386,742
32	-	208	12,287	4,232	-	-	22,172
28	-	71	28	28	-	-	2,349
1,828	-	1,283	1,476	1,604	-	-	21,804
18,421	-	1,543	2,219	178,974	1,000	3,582	229,028
1,636	44	167	289	827	1,465	998	12,348
1,512	-	997	2,266	1,329	186	4,873	25,862
-	-	-	-	-	-	<u>2,402</u>	<u>2,402</u>
<u>109,236</u>	<u>5,383</u>	<u>132,955</u>	<u>478,922</u>	<u>302,672</u>	<u>131,465</u>	<u>47,554</u>	<u>2,225,834</u>
<u>\$ 490</u>	<u>\$ 17</u>	<u>\$ 2,255</u>	<u>\$ 8,963</u>	<u>\$ 26</u>	<u>\$ 22,752</u>	<u>\$ 2,746</u>	74,247
							<u>1,141,651</u>
							<u>\$1,215,898</u>

See accompanying independent auditor's report.