SCHEDULE M (Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

▶ Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
▶ Attach to Form 990.

OMB No. 1545-0047

2010

Open To Public Inspection

Name of the organization: PENCIL Foundation

Employer identification number: 58-1475675

Part I Types of Property

		(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1	Art—Works of art				
2	Art—Historical treasures				
3	Art—Fractional interests				
4	Books and publications				
5	Clothing and household goods				
6	Cars and other vehicles				
7	Boats and planes				
8	Intellectual property				
9	Securities—Publicly traded				
10	Securities—Closely held stock				
11	Securities—Partnership, LLC, or trust interests				
12	Securities—Miscellaneous				
13	Qualified conservation contribution—Historic structures				
14	Qualified conservation contribution—Other				
15	Real estate—Residential				
16	Real estate—Commercial				
17	Real estate—Other				
18	Collectibles				
19	Food inventory				
20	Drugs and medical supplies				
21	Taxidermy				
22	Historical artifacts				
23	Scientific specimens				
24	Archeological artifacts				
25	Other ▶ ( )				
26	Other ▶ ( )				
27	Other ▶ ( )				
28	Other ▶ ( )				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement 29

			Yes	No
30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1–28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?	30a		
b	If "Yes," describe the arrangement in Part II.			
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?	31		
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?	32a		
b	If "Yes," describe in Part II.			
33	If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II.			

Part II **Supplemental Information.** Complete this part to provide the information required by Part I, lines 30b, 32b, and 33. Also complete this part for any additional information.

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule M (Form 990) is used by an organization that files Form 990 to report the types of **noncash contributions** received during the year by the organization and certain information regarding such **contributions.** The schedule requires reporting of the quantity and the reported financial statement amount of noncash contributions received by type of property. Report noncash donated items even if sold immediately after received. Do not report noncash contributions received by the organization in a prior year, donations of services, or the use of facilities.

Who Must File

An organization that answered "Yes" to Form 990, Part IV, *Checklist of Required Schedules,* lines 29 or 30, must complete Schedule M (Form 990) and attach it to Form 990. This means an organization that reported more than $25,000 of aggregate **noncash contributions** on Form 990, Part VIII, *Statement of Revenue*, line 1g, or that during the year received **contributions** of **art, historical treasures,** or other similar assets, or **qualified conservation contributions,** regardless of whether it reported any revenues for such contributions in Part VIII.

If an organization is not required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Specific Instructions

Part I. Types of Property

Column (a). Check the box if the organization received during the year any contributions of the property type identified.

Column (b). For each type of property received during the year, enter the number of **contributions** or the number of items contributed, determined in accordance with the organization's recordkeeping practices. Explain in Part II of this schedule whether the organization is reporting the number of contributions or the number of items received, or a combination of both methods. As described below, for contributions of **securities,** such as publicly traded stock, treat each separate gift (rather than each share received) as an item for this purpose.

Organizations that receive contributions of books, publications, clothing, and household goods are not required to complete column (b) for those items reported on lines 4 and 5.

Columns (c)–(d). In column (c), enter the revenues reported on Form 990, Part VIII, line 1g, for the appropriate property type. If none were reported, enter "0."

In column (d), describe the method used to determine the amount reported on Form 990, Part VIII, line 1g (for example, cost or selling price of the donated property, sale of comparable properties, replacement cost, opinions of experts, etc.). See Pub. 561, Determining the Value of Donated Property, for more information.

Example 1. A used car in poor condition is donated to a local high school for use by students studying car repair. A used car guide shows the dealer retail value for this type of car in poor condition is $1,600. However, the guide shows the price for a private party sale of the car is only $750. The fair market value of the car is considered to be $750, which is the amount the organization reported on Form 990, Part VIII, line 1g. In column (c), the organization should enter $750. In column (d), the organization should enter "sale of comparable properties and/or opinion of expert" as the method used to determine fair market value.

Example 2. An organization primarily receives bulk donations of clothing, household goods, and other similar items, intended for resale. Under its permitted financial reporting practices, it does not recognize or record revenue at the time of receipt of the contribution, but instead records such items in inventory and reports contribution revenues at the time of sale based on prior inventory turnover experience. In column (c), the organization can enter the amount that represents the total estimated amount of annual sales revenue for each type of property received under its permitted financial reporting method, and in column (d), enter "resale value or annual sales revenue" as the method of determining revenue.

Museums and other organizations that do not report contributions of **art, historical treasures,** and other similar items as revenues, as permitted under generally accepted accounting principles, enter "0" in column (c) and leave column (d) blank. The organization can explain in Part II that a zero amount was reported on Form 990, Part VIII, *Statement of Revenue*, line 1g, because the museum did not capitalize its collections, as allowed under **SFAS 116** (ASC 958-360-25).

An organization that receives **qualified conservation contributions** can report column (c) revenue consistent with a permitted method it uses for financial reporting purposes.

Line 1. Works of art include paintings, sculptures, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, photography, film, video, installation and multimedia arts, rare books and manuscripts, historical memorabilia, and other similar objects. Works of art do not include **collectibles** that are reported on line 18.

Line 2. An **historical treasure** is a building, structure, area, or property with recognized cultural, aesthetic, or historical value that is significant in the history, architecture, archeology, or culture of a country, state, or city.

Line 3. A **contribution** of a *fractional interest* in art is a contribution, not in trust, of an undivided portion of a donor's entire interest in a **work of art.** A contribution of the donor's entire interest must consist of a part of each substantial interest or right the donor owns in such work of art and must extend over the entire term of the donor's interest in the property. A gift generally is treated as a gift of an undivided portion of a donor's entire interest in property if the donee is given the right, as a tenant in common with the donor, to possession, dominion, and control of the property for a portion of each year appropriate to its interest in such property. For each work of art or item, report in column (b) the fractional interest for each year an interest in the property is received with respect to the underlying work of art or item. See section 170(o) for special rules for fractional gifts.

Line 4. Enter information about **contributions** of all books and publications. Do not include rare books and manuscripts reported on line 1, **collectibles** reported on line 18, and archival records reported on lines 25 through 28.

Line 5. Enter information about clothing items and **household goods** which were in good used condition or better. Clothing items and household goods which were not in good used condition or better are to be reported as a separate type in "other" beginning with line 25.

Lines 6–7. On line 6 include only **contributions** of motor vehicles manufactured primarily for use on public streets, roads, and highways. Do not include in lines 6 or 7 contributions of the donor's stock in trade or property held by the donor primarily for sale to customers in the ordinary course of a trade or business. The organization is

required to file Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, with the donor and the IRS with respect to contributions reported on these lines. See Form 990, Part V, line 7h.

Line 8. *Intellectual property* is any patent, copyright (other than a copyright described in section 1221(a)(3) or 1231(b)(1)(C)), trademark, trade name, trade secret, know-how, software (other than software described in section 197(e)(3)(A)(i)), or similar property. Certain **contributions** of intellectual property require the organization to file Form 8899, Notice of Income From Donated Intellectual Property, with the donor and the IRS with respect to such contribution. See Form 990, Part V, line 7g.

Line 9. Publicly traded securities means **securities** for which (as of the date of the contribution) market quotations are readily available on an established securities market. For each **security,** treat each separate gift (rather than each share received) as a **contribution** for this purpose. Include on this line interests in publicly traded partnerships, limited liability companies or trusts, and publicly traded corporations.

Line 10. Closely held stock means shares of stock issued by a corporation that is not publicly traded. For each **security,** treat each separate gift (rather than each share received) as a **contribution** for this purpose.

Line 11. Enter information about **contributions** of interests in a partnership, limited liability company, or trust, that is not publicly traded. For each **security,** treat each separate gift (rather than each share received) as a contribution for this purpose.

Line 12. Enter information about **contributions** of **securities** that are not reported on lines 9 through 11. For each security, treat each separate gift (rather than each share received) as a contribution for this purpose.

Lines 13–14. A **qualified conservation contribution** is a contribution of a qualified real property interest exclusively for conservation purposes. A *qualified real property interest* means any of the following interests in real property:

1. The entire interest of the donor,

2. A remainder interest,

3. A restriction (an easement), granted in perpetuity, on the use which may be made of the real property.

A *conservation* purpose means:

1. The preservation of land areas for outdoor recreation used by, or for the education of, the general public;

2. The protection of a relatively natural habitat of fish, wildlife, plants, or similar ecosystems;

3. The preservation of open space (including farmland and forest land) where such preservation is for the scenic enjoyment of the general public or is in accordance with governmental conservation policy; or

4. The preservation of an historically important land area or a certified historic structure.

See section 170(h) for additional information, including special rules with respect to the conservation purpose requirement for buildings in registered historic districts.

On line 13, enter information about contributions of a qualified real property interest that is a restriction with respect to the exterior of a certified historic structure. A **certified historic structure** is any building or structure listed on the National Register as well as any building certified as being of historic significance to a registered historic district. See section 170(h)(4)(B) for special rules that apply to contributions made after August 17, 2006.

On line 14, enter information about qualified conservation contributions other than those entered on line 13. This includes **conservation easements** to preserve land areas for outdoor recreation used by or for the education of, the general public; to protect a relatively natural habitat or ecosystem; to preserve open space; or to preserve an historically important land area.

Line 15. Enter information about **contributions** of residential real estate. Include information about contributions (not in trust) of a remainder interest in a personal residence which was not the donor's entire interest in the property. The term personal residence includes any property used by the donor as a personal residence but is not limited to the donor's principal residence. The term *personal residence* also includes stock owned by the donor as a tenant-stockholder in a cooperative housing corporation if the dwelling the donor is entitled to occupy as a tenant-stockholder is used by the donor as a personal residence. Do not enter information about contributions of the use of facilities or property, as such contributions are not reportable in Form 990, Part VIII, *Statement of Revenue.*

Line 16. Enter information about **contributions** of commercial real estate, such as a commercial office building. Include information about contributions (not in trust) of a remainder interest in a farm which was not the donor's entire interest in the property. The term *farm* refers to land used for the production of crops, fruits, or other agricultural products, or for the maintenance of livestock. A farm includes the improvements located on the farm property.

Line 17. Enter information about real estate interests not reported on lines 15 or 16.

Line 18. Collectibles include autographs, sports memorabilia, dolls, stamps, coins, books (other than books and publications reported on line 4), gems, and jewelry (other than costume jewelry reported on line 5), but not art reported on lines 1 through 3 or historical artifacts or scientific specimens reported on line 22 or 23.

Line 19. Enter information about food items, including food inventory contributed by corporations and other businesses.

Line 20. Enter information about drugs, medical supplies, and similar items contributed by corporations and other businesses that manufactured or distributed such items.

Line 21. *Taxidermy* property means any **work of art** that is the reproduction or preservation of an animal, in whole or in part; is prepared, stuffed, or mounted to recreate one or more characteristics of the animal; and contains a part of the body of the dead animal.

Line 22. Enter information about historical artifacts such as furniture, fixtures, textiles, and household items of an historic nature. Do not include **works of art** or **historical treasures** reported on lines 1 through 3 or any archeological artifacts reported on line 24.

Line 23. *Scientific specimens* include living plant and animal specimens, natural and physical sciences specimens (such as rocks and minerals), and objects or materials that relate to, or exhibit, the methods or principles of science.

Line 24. Enter information about archeological and ethnographical artifacts, other than **works of art** or **historical treasures** reported on lines 1 through 3 and historical artifacts reported on line 22. An *archaeological artifact* is any object that is over 250 years old and is normally discovered as a result of scientific excavation, clandestine or accidental digging for exploration on land, or under water. *Ethnological artifacts* are objects which are the product of a tribal or nonindustrial society, and important to the cultural heritage of a people because of its distinctive characteristics, comparative rarity, or its contribution to the knowledge of the origins, development, or history of that people.

Lines 25–28. Use lines 25 through 28 to separately report other types of property not described above or reported on previous lines. These include items that did not satisfy specific charitable deduction requirements applicable to the **contribution** of such type of property, but which were contributed to the organization, such as clothing and **household goods** that were not in good used or better condition, and **conservation easements** that the organization knows do not constitute **qualified conservation contributions.**

Self-created items, such as personal papers and manuscripts, including archival records, are to be listed separately as a type. *Archival records* are materials of any kind created or received by any person, family, or organization in the conduct of their affairs that are preserved because of the enduring value of the information they contain or as evidence of the functions and responsibilities of their creator.

Donations of items used by the organization at a charitable auction (other than goods sold by the charity at the auction, which should be reported on lines 1-24, as appropriate), such as food served at the event or floral centerpieces, can be reported separately on lines 25-28. **Noncash contributions** do not include donations of services or use of materials, equipment, or facilities, which may be reported on Schedule D (Form 990), Part XI, line 5 and can also be reported in the narrative section of Form 990, Part III, line 4.

Line 29. Enter the number of Forms 8283, Noncash Charitable Contributions, received by the organization during the year for **contributions** for which the organization completed Part IV, *Donee Acknowledgement*, of such form.

Lines 30a–30b. Answer "Yes" to line 30a if the organization received during the year a **noncash contribution** reportable on lines 1 through 28 for which the organization is required, by the terms of the gift or otherwise, to hold the property for at least three years from the date of the **contribution** and which property is not required to be used for exempt purposes for the entire holding period. An organization that answers "Yes" to line 30a must describe the arrangement in Part II.

Line 31. Answer "Yes" if the organization has a gift acceptance policy that requires the review of any non-standard contributions. A *non-standard contribution* includes a contribution of an item that is not reasonably expected to be used to satisfy or further the organization's exempt purpose (aside from the need of such organization for income or funds) and for which (a) there is no ready market to which the organization can go to liquidate the contribution and convert it to cash, and (b) the value of the item is highly speculative or difficult to ascertain. For example, the contribution of a taxpayer's successor member interest of the type described in Notice 2007-72, 2007-36 I.R.B. 544, is a non-standard contribution for this purpose.

Lines 32a–32b. Answer "Yes" to line 32a if the organization hires or uses third parties or related organizations to solicit, process, or sell **noncash contributions.** Answer "No" if the only third party used by the organization to solicit, process, or sell noncash contributions is a broker who sells publicly traded securities received by the organization as a gift. An organization that answers "Yes" to line 32a must describe these arrangements in Part II.

Line 33. If applicable, describe in Part II why the organization did not report revenue in column (c) for a type of property for which column (a) is checked.

Part II. Supplemental Information

Use Part II to provide narrative information required in Part I, column (b) and Part I, lines 30b, 32b, and 33. Also use Part II to provide other narrative explanations and descriptions, as needed. Identify the specific line number that the response supports. Part II can be duplicated if more space is needed.