

Audited Financial Statements

**PENCILS OF PROMISE INCORPORATED
DECEMBER 31, 2008**



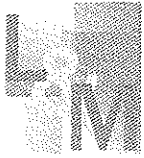
LIBERTA & MILO, LLP
Certified Public Accountants

CONTENTS

Audited Financial Statements

Independent Auditors' Report	1
Statement of financial position	2
Statement of unrestricted revenues and expenses	3
Statements of cash flows	4
Notes to the financial statements	5-6
Schedule of functional expenses	7





LIBERTA & MILO, LLP
Certified Public Accountants

Louis G. Liberta, CPA

Douglas P. Milo, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of directors of
Pencils Of Promise Incorporated

We have audited the accompanying statement of position of Pencils Of Promise Incorporated (a nonprofit organization) as of December 31, 2008 and the related statement of unrestricted revenues and expenses for the three months then ended. These financial statements are the responsibility of the Foundation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the charitable organization as of December 31, 2008 and the changes in its net assets and its cash flows for the three months then ended in conformity with accounting principles generally accepted in the United States of America.

Liberta & Milo, LLP
November 24, 2009
Roslyn, New York

**PENCILS OF PROMISE INCORPORATED
STATEMENT OF FINANCIAL POSITION
DECEMBER 31,2008**

ASSETS

CURRENT ASSETS

Cash - General

\$39,347

TOTAL CURRENT ASSETS

39,347

TOTAL ASSETS

\$39,347

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued expenses

3,000

TOTAL CURRENT LIABILITIES

3,000

NET ASSETS

36,347

TOTAL LIABILITIES AND NET ASSETS

\$39,347

See accompanying notes to the financial statements



**PENCILS OF PROMISE INCORPORATED
STATEMENT OF UNRESTRICTED REVENUES AND EXPENSES
FOR THE THREE MONTHS ENDED DECEMBER 31, 2008**

Income	
Fund raising	\$50,663
Donations	<u>8,109</u>
	58,772
Expenses	
Functional expenses	19,425
Administration-professional fees	<u>3,000</u>
	22,425
Increase in unrestricted net assets	36,347
NET ASSETS - OCTOBER 1, 2008	<u>0</u>
NET ASSETS - DECEMBER 31, 2008	<u>\$36,347</u>

See accompanying notes to the financial statements



PENCILS OF PROMISE INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2008

NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$36,347
Adjustments to reconcile change in net assets to net cash from operations :	
Changes in operating assets and liabilities:	
Increase in accrued expenses	<u>3,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>39,347</u>
Net increase in cash and cash equivalents	39,347
CASH AT OCTOBER 1, 2008	<u>0</u>
CASH AT DECEMBER 31, 2008	<u>\$39,347</u>
SUPPLEMENTAL INFORMATION:	
Income taxes	<u>\$0</u>
Interest	<u>\$0</u>

See accompanying notes to the financial statements



**PENCILS OF PROMISE INCORPORATED
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2008**

Note 1: REPORTING ENTITY

Pencils Of Promise Incorporated is a registered 501(C)(3) nonprofit organization dedicated to raising money to build primary education schools in areas of poverty within developing nations.

Pencils Of Promise Incorporated mission statement

Their purpose as an organization is twofold, first to raise the funds necessary to build schools of primary education in various local communities within developing nations, second the ultimate goal for each school will be self-sustenance by the local communities within 5 years of creation in regards to staffing and funding. "We firmly believe that education is the single most powerful tool in the fight against poverty and disease, and that the point of greatest impact is at the primary education level where simply placing a pencil in a child's hand is the first step towards unlocking the promise of self-empowerment and a higher quality of life."

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the significant accounting policies of Pencils Of Promise Incorporated applied in preparation of the accompanying financial statement follows:

Basis of Presentation - The financial statements of Pencils Of Promise Incorporated have been prepared on the accrual basis of accounting in conformity with the accounting principles generally accepted in the United States of America.

Financial Statement Presentation - The statements of financial position and of activities focuses on the organization as a whole and reports the amounts of it's total assets, liabilities, net assets and changes in net assets in accordance with the Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets- Net assets that result from contributions and other inflow of assets that are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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. Pencils Of Promise Incorporated has no temporarily restricted assets.



**PENCILS OF PROMISE INCORPORATED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Permanently Restricted Net Assets - These net assets are subject to donor-imposed restrictions that such assets be maintained permanently. Generally, the donor permits the organization to expend all or part of the income earned from the related assets for general or specific purposes. Pencils Of Promise Incorporated has no permanently restricted assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, Pencils Of Promise Incorporated included both cash deposit accounts and short-term investments with maturities of less than three months from the date they were purchased. Pencils Of Promise Incorporated's cash and cash equivalents include checking and money market accounts.

Revenue Recognition/Contributions - Support that is not restricted by the donor is reported as an increase in unrestricted net assets in the reporting period in which the support is recognized. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

In-Kind Contributions and Donation Services - Donated material and services that are material to the financial statements are recorded at their fair market value.

Use of Estimates and Assumptions- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses- The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses.

Income Tax Status- Pencils Of Promise Incorporated is exempt from Federal income taxes under Section 509(a)(2) of the Internal Revenue Code as a publicly supported charitable organization described in Section 501(c)(3). Consequently, no provision for federal income taxes is required or included in the accompanying financial statements.



**PENCILS OF PROMISE INCORPORATED
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE THREE MONTHS ENDED DECEMBER 31, 2008**

Fund Raising facility cost	\$15,380
Administrative	1,053
Travel and transportation	<u>2,993</u>
	<u>\$19,425</u>

See accompanying notes to the financial statements

