

**CRAYONS TO CLASSROOMS**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

**CRAYONS TO CLASSROOMS**

**TABLE OF CONTENTS**

**YEARS ENDED DECEMBER 31, 2009 AND 2008**

---

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 11



## INDEPENDENT AUDITORS' REPORT

---

1 S Main St Ste 600  
Dayton OH 45402-2042  
(937) 223-5247  
Fax (937) 223-0300

[www.bradyware.com](http://www.bradyware.com)

Board of Directors  
**Crayons to Classrooms**  
Dayton, Ohio

We have audited the accompanying statement of financial position of **Crayons to Classrooms** as of December 31, 2009, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of **Crayons to Classrooms**. Our responsibility is to express an opinion on these financial statements based upon 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of **Crayons to Classrooms** as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The 2008 financial statements of **Crayons to Classrooms** were reviewed by us, and our report thereon dated May 27, 2009, stated that we were not aware of any material modifications that should be made to those statements for them to be in conformity with generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

*Brady, Ware & Schoenfeld, Inc.*

Dayton, Ohio  
June 15, 2010

**CRAYONS TO CLASSROOMS**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2009 AND 2008**

	<b>Audited 2009</b>	<b>Reviewed 2008</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 69,463	\$ 51,715
Investments	434,368	560,983
Pledges receivable	52,500	20,000
Inventory	603,387	270,692
Prepaid expenses	<u>3,884</u>	<u>1,470</u>
	<b>1,163,602</b>	904,860
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>85,500</b>	102,810
<b>OTHER ASSETS</b>		
Long-term pledges receivable, less current portion	<u>94,076</u>	-
	<b><u>\$ 1,343,178</u></b>	<b><u>\$ 1,007,670</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	<u>\$ 26,129</u>	<u>\$ 24,425</u>
<b>NET ASSETS</b>		
Unrestricted	1,170,473	983,245
Temporarily restricted	<u>146,576</u>	<u>-</u>
	<b><u>1,317,049</u></b>	<b><u>983,245</u></b>
	<b><u>\$ 1,343,178</u></b>	<b><u>\$ 1,007,670</u></b>

**CRAYONS TO CLASSROOMS**

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<b>Audited 2009</b>	<b>Reviewed 2008</b>
<b>PUBLIC SUPPORT AND REVENUE</b>		
Public Support		
Contributions	\$ 200,634	\$ 656,440
In-kind contributions	<u>733,777</u>	<u>316,752</u>
Total Public Support	<u>934,411</u>	<u>973,192</u>
Revenue		
Investment income	3,762	10,941
Interest income	<u>135</u>	<u>926</u>
Total Revenue	<u>3,897</u>	<u>11,867</u>
Total Unrestricted Public Support and Revenue	<u>938,308</u>	<u>985,059</u>
<b>EXPENSES</b>		
Program services	644,128	102,681
Management and general	62,588	33,272
Fundraising	<u>44,364</u>	<u>55,632</u>
Total Expenses	<u>751,080</u>	<u>191,585</u>
Change in Unrestricted Net Assets	<u>187,228</u>	<u>793,474</u>
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	<u>146,576</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<b>333,804</b>	<b>793,474</b>
<b>NET ASSETS</b>		
Beginning of year	<u>983,245</u>	<u>189,771</u>
End of year	<u>\$ 1,317,049</u>	<u>\$ 983,245</u>

**CRAYONS TO CLASSROOMS**

**STATEMENT OF FUNCTIONAL EXPENSES - AUDITED**

**YEAR ENDED DECEMBER 31, 2009**

---

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Payroll and benefits	\$ 169,195	\$ 19,095	\$ 17,926	\$ 206,216
Cost of goods sold	361,270	-	-	361,270
Occupancy	55,955	2,546	-	58,501
Repairs and maintenance	972	-	-	972
Supplies	7,379	32	-	7,411
Postage and shipping	1,108	-	-	1,108
Transportation	1,877	-	15	1,892
Telephone and communication	919	-	-	919
Printing and publication	11,380	130	5,613	17,123
Meetings and conferences	362	2,401	497	3,260
Taxes, licenses, and permits	-	425	-	425
Dues and subscriptions	-	1,903	275	2,178
Professional fees	10,621	36,056	20,038	66,715
Depreciation	<u>23,090</u>	<u>-</u>	<u>-</u>	<u>23,090</u>
Total Functional Expenses	<u>\$ 644,128</u>	<u>\$ 62,588</u>	<u>\$ 44,364</u>	<u>\$ 751,080</u>

**CRAYONS TO CLASSROOMS**

**STATEMENT OF FUNCTIONAL EXPENSES - REVIEWED**

**YEAR ENDED DECEMBER 31, 2008**

---

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Payroll and benefits	\$ 72,842	\$ 19,242	\$ 45,354	\$ 137,438
Occupancy	372	3,184	-	3,556
Repairs and maintenance	13,338	-	-	13,338
Supplies	5,560	-	-	5,560
Transportation	331	-	213	544
Telephone and communication	986	-	-	986
Printing and publication	1,056	-	-	1,056
Meetings and conferences	544	-	792	1,336
Dues and subscriptions	1,600	-	-	1,600
Miscellaneous	100	-	-	100
Professional fees	5,153	10,846	9,273	25,272
Depreciation	<u>799</u>	<u>-</u>	<u>-</u>	<u>799</u>
Total Functional Expenses	<u>\$ 102,681</u>	<u>\$ 33,272</u>	<u>\$ 55,632</u>	<u>\$ 191,585</u>

**CRAYONS TO CLASSROOMS****STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<b>Audited 2009</b>	Reviewed 2008
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 333,804	\$ 793,474
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	23,090	799
Net present value - pledge receivables	5,924	-
	<u>362,818</u>	<u>794,273</u>
Changes in operating assets and liabilities:		
Pledges receivable	(132,500)	(20,000)
Inventory	(332,695)	(270,692)
Prepaid expenses	(2,414)	(1,470)
Accounts payable	1,704	24,423
	<u>1,704</u>	<u>24,423</u>
Net Cash Provided (Used) by Operating Activities	<u>(103,087)</u>	<u>526,534</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(5,780)	(103,609)
Gross proceeds from sale of investments	180,000	177,087
Purchases of investments	(53,385)	(548,297)
	<u>(53,385)</u>	<u>(548,297)</u>
Net Cash Provided (Used) by Investing Activities	<u>120,835</u>	<u>(474,819)</u>
<b>NET INCREASE IN CASH</b>	<b>17,748</b>	<b>51,715</b>
<b>CASH</b>		
Beginning of year	<u>51,715</u>	-
End of year	<u>\$ 69,463</u>	<u>\$ 51,715</u>

## CRAYONS TO CLASSROOMS

### NOTES TO FINANCIAL STATEMENTS

---

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Business** - Crayons to Classrooms is a nonprofit Organization. The Organization is a free store for teachers of low-income children in Dayton, Ohio. It provides donated school supplies at no charge to under-funded kindergarten through 12th grade classrooms. The Organization was incorporated in October 2007, and received their 501(c)(3) determination in March 2008. In 2008, the Organization focused on fundraising and program development. The Organization began distributing school supplies in 2009.

**Basis of Presentation** - The Organization's financial statement presentation follows the recommendation of generally accepted accounting principles, which requires the Organization to record unconditional promises to give (pledges) as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. The Organization is also required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization had no permanently restricted net assets at December 31, 2009 and 2008.

**Unrestricted Net Assets** - Unrestricted net assets include unrestricted resources, including donations, gifts and bequests, available for the use of the Organization, over which the Board of Directors has discretionary control.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets include contributions and grants for which donor imposed restrictions have not been met. These restrictions will be satisfied by actions of the Organization.

**Permanently Restricted Net Assets** - Permanently restricted net assets are resources whose use is permanently restricted by donors.

**Financial Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. 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 statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Contributions** - Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose 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 received with temporary restriction that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization has recorded in-kind donations of product in the amount of \$678,178 and \$316,752 for the years ended December 31, 2009 and 2008, respectively.

## CRAYONS TO CLASSROOMS

### NOTES TO FINANCIAL STATEMENTS

---

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

**Pledges Receivable** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Management periodically reviews pledges for possible losses, if a pledge is deemed a risk an allowance would be established at that time. Pledges are considered a risk if full payments are not received in accordance with terms of the pledge. Due to the nature and aging of pledge receivables, management deems no allowance for doubtful pledges is required at December 31, 2009 and 2008.

**Property and Equipment** - Property and equipment is recorded at cost or, if donated, it is recorded at its fair market value at the date the donation is received. The Organization's policy is to capitalize all major expenditures in excess of \$1,000. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, ranging from three to seven years. At retirement or sale, the costs of the assets, less related accumulated depreciation, are removed from the accounts and the resulting gains and losses are included in income. Routine maintenance and repairs are expensed when incurred.

Depreciation expense for the years ended December 31, 2009 and 2008 was \$23,090 and \$799, respectively.

**Investments** - In accordance with generally accepted accounting standards, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair market values in the statement of financial position. Unrealized gains and losses on investments shall be reported in the statement of activities as increases or decreases in support and revenue unless their use is restricted by explicit donor stipulations or by law.

**Inventories** - Inventories consist of purchased and donated school supplies contributed to the Organization for its free store and are recorded at fair market value. These donated and purchased school supplies (FIFO method) are included in inventory.

**Tax-Exempt Status** - The Organization is operated as a nonprofit organization and is tax exempt under IRS Code Section 501(c)(3). Accordingly, no provision for income tax is presented in these financial statements.

**Accounting for Uncertainty in Income Taxes** - Based on its review, management does not believe the Organization has taken any material uncertain tax positions, including any position that would place the Organization's exempt status in jeopardy as of December 31, 2009.

**Reclassifications** - Certain prior year amounts have been reclassified to conform with current year presentation.

**Subsequent Events** - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 15, 2010, the date the financial statements were available to be issued.

## CRAYONS TO CLASSROOMS

### NOTES TO FINANCIAL STATEMENTS

---

#### NOTE B - PLEDGES RECEIVABLE

Pledges receivable at December 31, 2009 and 2008 are as follows:

	<u>Audited 2009</u>	<u>Reviewed 2008</u>
Less than one year	\$ 52,500	\$ 20,000
One to five years	<u>100,000</u>	<u>-</u>
Total unconditional promises to give	152,500	20,000
Less discount to net present value	<u>5,924</u>	<u>-</u>
Net pledges receivable	<u>\$ 146,576</u>	<u>\$ 20,000</u>

#### NOTE C - PROPERTY AND EQUIPMENT

	<u>Audited 2009</u>	<u>Reviewed 2008</u>
Leasehold Improvements	\$ 84,025	\$ 81,556
Equipment	<u>25,364</u>	<u>22,053</u>
Total property and equipment	109,389	103,609
Less accumulated depreciation	<u>23,889</u>	<u>799</u>
	<u>\$ 85,500</u>	<u>\$ 102,810</u>

#### NOTE D - INVESTMENTS

The Organization's investments are held by the Dayton Foundation. The Dayton Foundation administers the investment funds in accordance with the terms of the investment agreement. The investments are held in pooled group funds. The market value of these investments was \$434,368 and \$560,983 at December 31, 2009 and 2008, respectively.

Investment income and expense is summarized as follows for the years ended December 31, 2009 and 2008:

	<u>Audited 2009</u>	<u>Reviewed 2008</u>
Interest and dividends	\$ 3,762	\$ 10,941
Investment and administrative fees	<u>(1,077)</u>	<u>(918)</u>
	<u>\$ 2,685</u>	<u>\$ 10,023</u>

**CRAYONS TO CLASSROOMS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - FAIR VALUE**

In accordance with accounting standards, fair value is defined as a framework for measuring fair value (although it does not expand the required use of fair value) and details the required disclosures about fair value measurements. In the prior year, the Organization adopted the accounting standard except for certain non-financial assets and liabilities with respect to the deferral allowed under the accounting standards. The adoption of the standard did not have a material effect on the Organization's financial position, results of operations or activities, or cash flows for 2008. Beginning in 2009, the standards require that certain non-financial assets and liabilities be recognized or disclosed at fair value. At the present time, the Organization does not have any non-financial assets or liabilities that would require fair value recognition or disclosure under this standard.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. The Organization uses a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of input to determine fair value.

**Level 1** - Fair values for investments are determined by reference to quoted market prices in an active market and other relevant information generated by market transactions.

**Level 2** - Fair value for investments are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

**Level 3** - Fair values for investments are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

Fair values of the Organization's financial assets measured on a recurring basis at December 31, 2009 and 2008 are as follows:

	<b>Audited 2009</b>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets</b>				
Investments	<u>\$ 434,368</u>	<u>\$ -</u>	<u>\$ 434,368</u>	<u>\$ -</u>
	<b>Reviewed 2008</b>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets</b>				
Investments	<u>\$ 560,983</u>	<u>\$ -</u>	<u>\$ 560,983</u>	<u>\$ -</u>

## **CRAYONS TO CLASSROOMS**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **NOTE F - SERVICE AND RENTAL AGREEMENTS**

The Organization entered into three separate agreements with Goodwill Easter Seals Miami Valley (Goodwill) in July 2008. These agreements state that Goodwill will provide information technology equipment and services, financial services, and building space to the Organization, for a monthly fee. The total amount of expense for the information technology and financial services for the years ended December 31, 2009 and 2008 was \$25,362 and \$4,849, respectively. Rent is being charged at \$10 monthly. The Organization is also recording an in-kind donation and expense in the amount of \$55,599, to represent the fair market value of the rental space. These agreements renew automatically for successive one-year periods, unless terminated by either party.

#### **NOTE G - TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted net assets at December 31, 2009 are restricted for time purposes.