

CITIZENS FOR PENNSYLVANIA'S FUTURE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

**CITIZENS FOR PENNSYLVANIA'S FUTURE
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF FUNCTIONAL EXPENSES	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Citizens for Pennsylvania's Future
Harrisburg, Pennsylvania

We have audited the accompanying statement of financial position of Citizens for Pennsylvania's Future (a nonprofit organization) as of June 30, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Citizens for Pennsylvania's Future as of June 30, 2010, were audited by other auditors whose report dated October 20, 2010 expressed an unqualified opinion on those financial statements.

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 position of Citizens for Pennsylvania's Future as of June 30, 2011, 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.


CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 30, 2011

**CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010**

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$2,783,552	\$2,936,641
Grants Receivable	138,000	8,650
Other Current Assets	25,683	47,496
Total Current Assets	<u>2,947,235</u>	<u>2,992,787</u>
PROPERTY AND EQUIPMENT	572,553	590,261
OTHER ASSETS		
Investments	1,218,616	871,609
Security Deposits	8,447	8,447
Other Asset	36,688	28,416
Total Other Assets	<u>1,263,751</u>	<u>908,472</u>
Total Assets	<u><u>\$4,783,539</u></u>	<u><u>\$4,491,520</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 402,217	\$ 283,462
Deferred Revenue	13,500	14,021
Total Current Liabilities	<u>415,717</u>	<u>297,483</u>
NET ASSETS		
Unrestricted		
Undesignated	1,363,376	1,481,736
Designated	1,886,748	1,514,106
Total Unrestricted Net Assets	<u>3,250,124</u>	<u>2,995,842</u>
Temporarily Restricted	1,117,698	1,045,681
Permanently Restricted	-	152,514
Total Net Assets	<u>4,367,822</u>	<u>4,194,037</u>
Total Liabilities and Net Assets	<u><u>\$4,783,539</u></u>	<u><u>\$4,491,520</u></u>

See accompanying Notes to Financial Statements.

**CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011			2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Grants and Contributions	\$1,039,980	\$1,787,919	\$ -	\$2,827,899	\$ 650,960	\$2,428,229	\$ 11,170	\$3,090,359
Technical Assistance	14,559	-	-	14,559	338,335	-	-	338,335
Meeting Income	37,624	-	-	37,624	26,479	-	-	26,479
Membership Fee	32,484	-	-	32,484	22,679	-	-	22,679
Rental Income	11,303	-	-	11,303	27,378	-	-	27,378
Fund Raising	-	-	-	-	99,250	-	-	99,250
Investment and Other Income	279,861	-	-	279,861	90,672	-	-	90,672
	<u>1,415,811</u>	<u>1,787,919</u>	<u>-</u>	<u>3,203,730</u>	<u>1,255,753</u>	<u>2,428,229</u>	<u>11,170</u>	<u>3,695,152</u>
Net Assets Released from Restrictions	1,715,902	(1,715,902)	-	-	2,109,606	(2,109,606)	-	-
Reclassification of Net Assets	152,514	-	(152,514)	-	-	-	-	-
Total Public Support and Revenue	3,284,227	72,017	(152,514)	3,203,730	3,365,359	318,623	11,170	3,695,152
EXPENSES								
Program Services	2,341,161	-	-	2,341,161	2,459,993	-	-	2,459,993
Support Services								
Management and General	260,982	-	-	260,982	240,970	-	-	240,970
Lobbying	242,395	-	-	242,395	94,716	-	-	94,716
Fundraising	185,407	-	-	185,407	184,119	-	-	184,119
Total Support Services	688,784	-	-	688,784	519,805	-	-	519,805
Total Expenses	3,029,945	-	-	3,029,945	2,979,798	-	-	2,979,798
Change in Net Assets	254,282	72,017	(152,514)	173,785	385,561	318,623	11,170	715,354
Net Assets - Beginning of Year	2,995,842	1,045,681	152,514	4,194,037	2,610,281	727,058	141,344	3,478,683
NET ASSETS - END OF YEAR	\$3,250,124	\$1,117,698	\$ -	\$4,367,822	\$ 2,995,842	\$1,045,681	\$ 152,514	\$4,194,037

See accompanying Notes to Financial Statements.

**CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011				2010					
	Program Services	Management and General	Lobbying	Fund Raising	Total	Program Services	Management and General	Lobbying	Fund Raising	Total
Payroll	\$ 1,163,759	\$ 121,747	\$ 59,209	\$ 87,607	\$ 1,432,322	\$ 1,288,416	\$ 130,440	\$ 33,140	\$ 73,981	\$ 1,525,977
Payroll Taxes and other Fringe Benefits	311,378	32,575	15,842	23,440	383,235	180,662	25,282	7,419	14,872	228,235
Total Personnel Expenses	1,475,137	154,322	75,051	111,047	1,815,557	1,469,078	155,722	40,559	88,853	1,754,212
Advertising	1,992	437	14,563	12,133	29,125	16,150	657	8,348	18,678	43,833
Bank Charges	563	1,690	-	563	2,816	1,688	5,065	-	1,688	8,441
Consultants and Contract Labor	401,068	25,010	37,197	4,000	467,275	396,773	12,290	29,960	4,604	443,627
Conferences and Meetings	8,575	1,513	-	-	10,088	14,746	2,552	-	-	17,298
Depreciation	24,850	4,740	1,449	2,820	33,859	28,392	5,484	1,609	3,226	38,711
Dues, Subscriptions, and Membership Fees	5,174	-	-	225	5,399	6,602	-	-	274	6,876
Insurance	27,725	3,234	1,384	-	32,343	34,751	-	1,350	-	34,751
Internet Expenses	25,636	4,273	42,728	12,818	85,455	71,463	3,797	1,350	11,390	88,000
Investment Expenses	-	9,627	-	-	9,627	-	9,934	-	-	9,934
Occupancy Costs	39,882	4,334	2,182	4,589	50,987	40,440	7,811	2,292	4,595	55,138
Office Equipment Leases and Maintenance	2,676	41	-	27	2,744	1,330	237	-	16	1,583
Postage	3,235	379	5	1,051	4,670	13,209	1,548	19	4,292	19,068
Printing and Publications	11,067	1,661	24,722	9,993	47,443	50,028	2,249	1,174	9,704	63,155
Professional Fees	20,421	31,493	-	-	51,914	31,493	18,009	-	-	49,502
Rent	79,237	7,624	3,607	9,580	100,048	64,095	6,908	2,027	4,064	77,094
Research and Other	14,161	-	633	-	14,794	18,813	-	-	-	18,813
Supplies	21,355	1,217	1,042	730	24,344	10,716	1,992	498	2,014	15,220
Telephone	15,126	3,428	20,167	1,612	40,333	32,968	1,390	278	278	34,914
Travel and Entertainment	160,796	5,959	17,665	14,219	198,639	150,169	5,325	6,602	30,443	192,539
Video Project	2,485	-	-	-	2,485	7,089	-	-	-	7,089
Total Expenses	\$ 2,341,161	\$ 260,982	\$ 242,395	\$ 185,407	\$ 3,029,945	\$ 2,459,993	\$ 240,970	\$ 94,716	\$ 184,119	\$ 2,979,798

See accompanying Notes to Financial Statements.

**CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF CASH FLOWS
JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets:	\$ 173,785	\$ 715,354
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	33,859	38,711
Realized Gain on Sale of Investments	(111,661)	(6,349)
Unrealized Gain on Investments	(109,963)	(59,679)
Equity (Income) Loss from Investment	(8,272)	1,353
Non-Cash Contributions	(9,258)	-
(Increase) Decrease in Assets:		
Accounts Receivables	(129,350)	4,850
Other Current Assets	21,813	502
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	118,755	41,169
Deferred Revenue	(521)	2,211
Net Cash Provided (Used) by Operating Activities	<u>(20,813)</u>	<u>738,122</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	1,035,623	89,795
Purchase of Investments	(1,151,749)	(138,319)
Acquisition of Property and Equipment	(16,150)	(21,094)
Security Deposits	-	(4,062)
Net Cash Used by Investing Activities	<u>(132,276)</u>	<u>(73,680)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(153,089)	664,442
Cash and Cash Equivalents - Beginning of Year	<u>2,936,641</u>	<u>2,272,199</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,783,552</u></u>	<u><u>\$ 2,936,641</u></u>

See accompanying Notes to Financial Statements.

**CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Citizens for Pennsylvania's Future, (PennFuture) is a non-profit organization that engages in multi-faceted activities designed to help Pennsylvanians protect their natural resources while preserving their economic security. PennFuture advances its mission by providing citizens, organizations and members with education, technical assistance and legal representation. PennFuture is committed to furnish leadership, information and technical assistance to enable government, businesses, nonprofit organizations, community groups, and individuals to develop an environmentally sensitive and prosperous economy. PennFuture's revenue comes primarily from contributions and grants, investment income, and memberships.

Financial Statement Presentation

The financial position and activities of PennFuture are included in three separate categories of net assets. Unrestricted net assets are net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed), are reported as net assets released from restrictions. Temporarily restricted revenues received and released in the same year are reported as increases in unrestricted net assets.

Use of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, PennFuture considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Grants Receivable

PennFuture provides for uncollectible grants using the allowance method, which is based on management's judgment concerning historical collectability and analysis of individual grants. Past due grants are individually analyzed for collectability and written off when all efforts at collection have been exhausted. As of June 30, 2011 and 2010 there was no allowance for uncollectible grant receivables.

**CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at fair value. Short term investments in money market funds and limited partnerships are valued at cost which approximates fair value, and mutual funds are valued at their net asset value at year end.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Property and Equipment and Depreciation

Property and equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from five to forty years. PennFuture capitalizes all assets in excess of \$1,000 with a useful life extending beyond one year.

Grants and Contributions

Grant revenue is recognized based on the terms of the grant agreement. Grant agreements containing performance or reporting requirements are recognized as those requirements are fulfilled. Grant agreements which do not include the aforementioned requirements are treated as contributions.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires, (i.e. the donor-stipulated purposes has been fulfilled and/or the stipulated time period has elapsed) temporarily restricted net assets are reported as net assets released from restrictions.

Functional Expenses

Expenses are allocated to the various programs based upon direct charges for those items specifically identified with the respective programs. Other charges are allocated in accordance with an internally developed cost allocation plan.

The cost of operating the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

PennFuture qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and therefore, has no provision for federal or state income taxes. PennFuture follows the income tax standard for uncertain tax positions. The application of this standard has no impact on PennFuture's financial statements. PennFuture's

CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

informational tax returns are subject to review and examination by federal, state, and local authorities. PennFuture is not aware of any activities that would jeopardize its tax-exempt status. The tax returns for the fiscal years 2008 to 2010 are open to examination by federal and state authorities.

Fair Value Measurements

PennFuture has categorized its financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

Financial assets recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that PennFuture has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

Level 2

Financial assets whose values 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 asset or liability. Level 2 inputs include the following quoted prices for similar assets or liabilities in active markets (examples include money market funds and certificates of deposit) and quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently).

Level 3

Level 3 financial assets are those whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset (examples include certain private equity investments, long-term promises to give and split-interest agreements).

The following table presents PennFuture's fair value for those assets measured at fair value on a recurring basis as of June 30, 2011 and 2010:

**CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

	2011			
	Total	Level 1	Level 2	Level 3
Marketable Securities	\$ 1,218,616	\$ 1,218,616	\$ -	\$ -
Money Market Funds	98,016	-	98,016	-
	\$ 1,316,632	\$ 1,218,616	\$ 98,016	\$ -
	2010			
	Total	Level 1	Level 2	Level 3
Marketable Securities	\$ 872,733	\$ 872,733	\$ -	\$ -
Money Market Funds	205,871	-	205,871	-
	\$ 1,078,604	\$ 872,733	\$ 205,871	\$ -

Reclassifications

Certain items in the fiscal year 2010 financial statements have been reclassified to conform to the presentation of fiscal year 2011. These reclassifications have no impact on previously reported change in net assets.

Subsequent Events

In preparing these financial statements, PennFuture has evaluated events and transactions for potential recognition or disclosure through December 30, 2011, the date the financial statements were available to be issued.

NOTE 2 CREDIT RISK ARISING FROM CASH DEPOSITS

Cash and cash equivalents potentially subject PennFuture to a concentration credit risk. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in bank deposit accounts may exceed FDIC insurable limits.

NOTE 3 INVESTMENTS

PennFuture carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Short-term highly liquid investments are treated as cash equivalents rather than investments and are not included in marketable securities.

The market values and original cost of marketable securities available for sale are as follows:

**CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 3 INVESTMENTS (CONTINUED)

	June 30,			
	2011		2010	
	Market Value	Cost	Market Value	Cost
Bonds	\$ 245,699	\$ 236,675	\$ 32,262	\$ 27,837
Common Stocks and Mutual Funds	972,917	929,770	839,347	902,098
Total Investments	<u>1,218,616</u>	<u>1,166,445</u>	<u>871,609</u>	<u>929,935</u>
Money Market Funds	<u>98,016</u>	<u>95,485</u>	<u>205,871</u>	<u>205,871</u>
Total Investments and Money Market Accounts	<u>\$ 1,316,632</u>	<u>\$ 1,261,930</u>	<u>\$ 1,077,480</u>	<u>\$ 1,135,806</u>

Marketable securities and cash equivalents restricted for board designated endowments at June 30, 2011 and 2010 were \$1,314,195 and \$1,076,389, respectively.

Investment income and other income consisted of:

	Years Ending June 30,	
	2011	2010
Dividends and Interest	\$ 33,335	\$ 28,061
Realized Gain on Sale of Investments	111,661	6,349
Unrealized Gain on Investments	109,963	59,668
Other	16,630	(2,053)
Equity Gain (Loss) from Other Asset	8,272	(1,353)
Total Investment and Other Income	<u>\$ 279,861</u>	<u>\$ 90,672</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2011	2010
Land	\$ 70,000	\$ 70,000
Buildings and Improvements	614,587	614,587
Furniture and Fixtures	140,029	130,934
Computer Equipment	120,661	113,606
Automobile	21,401	21,401
Telephone System	28,410	28,410
Total	<u>995,088</u>	<u>978,938</u>
Less: Accumulated Depreciation	422,535	388,676
Total Property and Equipment	<u>\$ 572,553</u>	<u>\$ 590,262</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$33,859 and \$38,711, respectively.

**CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 5 OTHER ASSET

PennFuture has a 39.8625% equity interest in PaceControls, LLC. The investment in PaceControls, LLC is accounted for under the equity method of accounting. The activity for the years ended June 30 is as follows:

	2011	2010
Beginning Balance	\$ 28,416	\$ 29,769
Change in Fair Value	8,272	(1,353)
Ending Balance	<u>\$ 36,688</u>	<u>\$ 28,416</u>

NOTE 6 DEFERRED REVENUE

PennFuture receives membership revenue from various sources that are not deemed to be contributions. Members receive the organizations e-publications, action alerts and invitations to events, as well as the annual report and newsletter. The membership revenue received for future periods has been recorded as deferred revenue.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	June 30,	
	2011	2010
Black and Gold City Goes Green Project	\$ 16,076	\$ 4,000
Choose Clean Water Coalition	39,949	-
Clean Energy Education Plan	-	120,327
Clean Up Chesapeake Bay	102,307	100,000
Clean Water Laws Enforcement	156,959	238,150
Comprehensive Solar Energy Policy	69,900	-
Concerning Marcellus Drilling	14,423	-
Energy Center	64,675	7,500
Energy Foundation - Power	26,445	-
Energy Related Economic and Workforce Development	20,000	-
Environmental Policy Education for Youth	5,281	-
Federal Energy Standards	-	83,333
Federal Policy on Climate and Energy	-	12,500
Federal Protections for the Waters of the Chesapeake Bay Watershed	-	22,500
First Energy Allegheny Energy Merger Case	-	17,917
General Operating Support	-	325,000
Global Warming Education	-	41,667
Growing the Clean Energy Industry in Southeastern Pennsylvania and West Virginia	6,310	37,250
Investigation of Marcellus Gas Drilling Permitting	10,600	-
Low Carbon Fuel Standard Project	-	33,333
Municipal Energy Policy Education	21,885	-
Northeast Pennsylvania Clean Energy Standard	27,459	-
Other	18,715	-
Pennsylvania CAMO Coalition Outreach	5,000	-
Protecting Southwest Pennsylvania's Watersheds and State Forests	74,000	-
Protection for Upper Susquehanna Watershed	38,148	-
Provide Education on Energy Policy to Decision-Makers	-	2,205
Regional Prosperity in the Greater Philadelphia Area	399,566	-
Total Temporarily Restricted Net Assets	<u>\$1,117,698</u>	<u>\$1,045,682</u>

During the years ended June 30, 2011 and 2010, temporarily restricted net assets of \$1,715,902 and \$2,109,606, respectively, were released by incurring expenses pursuant to donor stipulations.

**CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 8 COMMITMENTS

PennFuture leases its Philadelphia, Pittsburgh, and Wilkes-Barre facilities under non-cancelable operating leases which expire through 2012 to 2016.

The minimum annual rentals as of June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 86,237
2013	77,490
2014	54,399
2015	55,256
2016	<u>42,252</u>
Total	<u>\$ 315,634</u>

Total rent expense exclusive of operating costs of facilities and office equipment was approximately \$102,792 and \$78,677 for the years ended June 30, 2011 and 2010, respectively.

NOTE 9 ECONOMIC DEPENDENCY

PennFuture is dependent upon grants from various foundations to fund program expenses. For the years ended June 30, 2011 and 2010, PennFuture received 68% and 70%, respectively, from three granting agencies. Discontinuation of, or reductions of such grants would force the curtailment of many program services.

NOTE 10 ROYALTY INCOME

PennFuture is the beneficiary of a sublicense donated to it in 2004 by two individuals. Under the terms of the sublicense, PennFuture is entitled to receive royalties from the licensee, PaceControls, LLC for the life of the underlying licensed patents. The sublicense provides for PennFuture to remit 50% of all royalty payment received to the individuals who donated the sublicense to PennFuture.

Included in investment and other income are net royalties of \$16,630 and \$21,518 for the years ended June 30, 2011 and 2010, respectively.

NOTE 11 SUBSEQUENT EVENT

PennFuture repaid a \$138,250 grant from the Pennsylvania Department of Community and Economic Development in October 2011. The funds were to be expended on the Community Conservation and Employment Program and were for the grant period July 1, 2008 through June 30, 2011. The amount repaid to the Pennsylvania Department of Community and Economic Development (including interest) totaled \$141,028. This amount has been accrued as of June 30, 2011 and is included as an offset to grants and contributions revenue in the statement of activities.