

CITIZENS FOR PENNSYLVANIA'S FUTURE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

**Kreischer
Miller**

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**CITIZENS FOR PENNSYLVANIA'S FUTURE
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Independent Auditors' Report

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

We have audited the accompanying financial statements of Citizens for Pennsylvania's Future, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, cash flows and functional expenses 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.

Auditors' 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 from 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 auditors' 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 auditors consider 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 Citizens for Pennsylvania's Future as of June 30, 2015 and 2014, 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.

Kreischer Miller

Horsham, Pennsylvania
November 9, 2015

**CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014**

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 456,997	\$ 729,600
Grants Receivable	15,838	245,417
Other Receivables	19,023	4,800
Other Current Assets	<u>52,674</u>	<u>51,128</u>
Total Current Assets	544,532	1,030,945
PROPERTY AND EQUIPMENT	481,031	501,611
OTHER ASSETS		
Investments	1,713,679	1,673,145
Security Deposits	<u>9,491</u>	<u>9,066</u>
Total Other Assets	<u>1,723,170</u>	<u>1,682,211</u>
Total Assets	<u>\$ 2,748,733</u>	<u>\$ 3,214,767</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 238,237	\$ 241,388
Deferred Revenue	<u>12,669</u>	<u>14,017</u>
Total Current Liabilities	250,906	255,405
NET ASSETS		
Unrestricted	1,982,166	2,140,678
Temporarily Restricted	<u>515,661</u>	<u>818,684</u>
Total Net Assets	<u>2,497,827</u>	<u>2,959,362</u>
Total Liabilities and Net Assets	<u>\$ 2,748,733</u>	<u>\$ 3,214,767</u>

**CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE						
Grants	\$ 322,265	\$ 2,005,145	\$ 2,327,410	\$ 897,554	\$ 1,396,713	\$ 2,294,267
Contributions	139,660	-	139,660	118,128	-	118,128
Membership Fee	25,464	-	25,464	22,849	-	22,849
Fundraising Income	9,734	-	9,734	35,771	-	35,771
Rental Income	34,068	-	34,068	26,788	-	26,788
Investment and Other Income	90,895	-	90,895	284,832	-	284,832
	<u>622,086</u>	<u>2,005,145</u>	<u>2,627,231</u>	<u>1,385,922</u>	<u>1,396,713</u>	<u>2,782,635</u>
Net Assets Released from Restrictions	<u>2,308,168</u>	<u>(2,308,168)</u>	<u>-</u>	<u>933,695</u>	<u>(933,695)</u>	<u>-</u>
Total Public Support and Revenue	2,930,254	(303,023)	2,627,231	2,319,617	463,018	2,782,635
EXPENSES						
Program Services	2,181,544	-	2,181,544	1,699,980	-	1,699,980
Support Services						
Management and General	624,194	-	624,194	532,216	-	532,216
Lobbying	21,567	-	21,567	36,131	-	36,131
Fundraising	261,461	-	261,461	266,607	-	266,607
Total Support Services	<u>907,222</u>	<u>-</u>	<u>907,222</u>	<u>834,954</u>	<u>-</u>	<u>834,954</u>
Total Expenses	<u>3,088,766</u>	<u>-</u>	<u>3,088,766</u>	<u>2,534,934</u>	<u>-</u>	<u>2,534,934</u>
Change in Net Assets	(158,512)	(303,023)	(461,535)	(215,317)	463,018	247,701
Net Assets - Beginning of Year	<u>2,140,678</u>	<u>818,684</u>	<u>2,959,362</u>	<u>2,355,995</u>	<u>355,666</u>	<u>2,711,661</u>
NET ASSETS - END OF YEAR	<u>\$ 1,982,166</u>	<u>\$ 515,661</u>	<u>\$ 2,497,827</u>	<u>\$ 2,140,678</u>	<u>\$ 818,684</u>	<u>\$ 2,959,362</u>

See accompanying Notes to Financial Statements.

**CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (461,535)	\$ 247,701
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	22,043	22,746
Realized Gain on Sale of Investments	(128,923)	(23,626)
Realized Loss on Sale of Equipment	444	-
Unrealized (Gain) Loss on Investments	112,834	(216,461)
Non-Cash Contributions	(15,624)	(17,414)
(Increase) Decrease in Assets:		
Grants Receivable	229,579	(5,422)
Other Receivables	(14,223)	14,303
Other Current Assets	(1,546)	3,157
Security Deposits Paid	(425)	(490)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(3,151)	21,710
Deferred Revenue	(1,348)	3,800
Net Cash Provided (Used) by Operating Activities	<u>(261,875)</u>	<u>50,004</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	1,153,277	202,743
Purchase of Investments	(1,162,098)	(162,438)
Proceeds from Sale of Equipment	350	-
Acquisition of Property and Equipment	<u>(2,257)</u>	<u>(11,780)</u>
Net Cash Provided (Used) by Investing Activities	<u>(10,728)</u>	<u>28,525</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (272,603)	 78,529
 Cash and Cash Equivalents - Beginning of Year	 <u>729,600</u>	 <u>651,071</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 456,997</u>	 <u>\$ 729,600</u>

See accompanying Notes to Financial Statements.

**CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015					2014				
	Program Services	Management and General	Lobbying	Fundraising	Total	Program Services	Management and General	Lobbying	Fundraising	Total
Payroll	\$ 1,053,683	\$ 211,500	\$ 13,794	\$ 143,535	\$ 1,422,512	\$ 978,800	\$ 126,150	\$ 23,975	\$ 127,155	\$ 1,256,080
Payroll Taxes and Other Fringe Benefits	256,265	49,720	3,245	38,829	348,059	225,273	25,797	5,425	34,218	290,713
Advertising and Communications	142,731	130	-	-	142,861	12,010	7,199	-	-	19,209
Bank and Credit Card Charges	399	404	-	2,040	2,843	415	492	-	2,410	3,317
Blitzes	2,128	-	-	-	2,128	1,240	-	-	-	1,240
Consultants and Contract Labor	408,660	26,664	325	1,203	436,852	181,476	64,060	-	29,906	275,442
Conferences and Meetings	25,493	1,051	24	3,605	30,173	16,904	9,524	-	12,943	39,371
Depreciation	9,390	11,060	88	1,505	22,043	10,018	10,839	248	1,641	22,746
Dues, Subscriptions, and Membership Fees	12,781	1,127	900	5,176	19,984	7,221	777	-	4,152	12,150
Insurance	22,787	4,559	151	2,887	30,384	22,294	2,448	448	3,082	28,272
Internet and Computer Expenses	48,677	18,604	16	33,100	100,397	63,675	16,723	996	7,863	89,257
Investment Expenses	-	13,861	-	-	13,861	-	12,940	-	-	12,940
Occupancy Costs	93,573	80,742	742	12,037	187,094	95,212	40,978	1,920	14,007	152,117
Office Equipment Leases and Maintenance	2,189	4,129	23	289	6,630	3,202	1,043	71	434	4,750
Postage	1,564	1,492	132	2,121	5,309	3,501	796	29	5,921	10,247
Printing and Publications	7,974	328	170	5,709	14,181	4,960	1,096	193	9,245	15,494
Professional Fees	180	179,917	-	-	180,097	-	187,042	-	-	187,042
Research and Other	11,001	99	-	827	11,927	11,370	235	-	131	11,736
Supplies	4,872	9,858	-	1,158	15,888	3,341	11,711	13	2,610	17,675
Telephone	25,123	5,818	184	4,290	35,415	24,351	5,645	399	5,475	35,870
Travel and Entertainment	52,074	3,131	1,773	3,150	60,128	34,297	6,721	2,414	4,473	47,905
Video Project	-	-	-	-	-	420	-	-	941	1,361
TOTAL	\$ 2,181,544	\$ 624,194	\$ 21,567	\$ 261,461	\$ 3,088,766	\$ 1,699,980	\$ 532,216	\$ 36,131	\$ 266,607	\$ 2,534,934

See accompanying Notes to Financial Statements.

**CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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 temporarily restricted net assets.

Use of Estimates

The preparation of financial statements in accordance 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 checking, savings and money market accounts and certificates of deposits held in financial institutions 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, 2015 and 2014, there was no allowance for uncollectible grant receivables.

**CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Investments

Investments are stated at fair value.

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.

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.

**CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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).

**CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The following table presents PennFuture's fair value for those assets measured at fair value on a recurring basis as of June 30, 2015 and 2014:

	2015			
	Total	Level 1	Level 2	Level 3
Bond Funds	\$ 392,100	\$ 392,100	\$ -	\$ -
Common Stocks	877,813	877,813	-	-
Mutual Funds	443,766	443,766	-	-
	\$ 1,713,679	\$ 1,713,679	\$ -	\$ -

	2014			
	Total	Level 1	Level 2	Level 3
Bond Funds	\$ 330,287	\$ 330,287	\$ -	\$ -
Common Stocks	710,246	710,246	-	-
Mutual Funds	632,612	632,612	-	-
	\$ 1,673,145	\$ 1,673,145	\$ -	\$ -

Subsequent Events

In preparing these financial statements, PennFuture has evaluated events and transactions for potential recognition or disclosure through November 9, 2015, 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 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2015	2014
Land	\$ 70,000	\$ 70,000
Buildings and Improvements	597,156	622,267
Furniture and Fixtures	168,985	141,616
Computer Equipment	55,437	125,549
Telephone System	28,410	28,410
Total	919,988	987,842
Less: Accumulated Depreciation	438,957	486,231
Total Property and Equipment	\$ 481,031	\$ 501,611

**CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 3 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the years ended June 30, 2015 and 2014 was \$22,043 and \$22,746 respectively.

NOTE 4 INVESTMENTS

PennFuture carries investments in common stocks and mutual funds 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 investments.

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

	<u>Years Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Dividends and Interest	\$ 34,770	\$ 34,669
Realized Gain on Sale of Investments	128,923	23,626
Unrealized Gain (Loss) on Investments	(112,834)	216,461
Loss on Disposal of Equipment	(444)	-
Legal Income	35,000	4,800
Other Income	5,480	5,276
Total Investment and Other Income	<u>\$ 90,895</u>	<u>\$ 284,832</u>

Investment income and other income consist of:

	<u>Years Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Dividends and Interest	\$ 34,770	\$ 34,669
Realized Gain on Sale of Investments	128,923	23,626
Unrealized Gain (Loss) on Investments	(112,834)	216,461
Loss on Disposal of Equipment	(444)	-
Legal Income	35,000	4,800
Other Income	5,480	5,276
Total Investment and Other Income	<u>\$ 90,895</u>	<u>\$ 284,832</u>

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 investment was carried at a zero value as of June 30, 2015 and 2014.

**CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 5 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 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Work Under the Clean Air Defense Campaign	\$ -	\$ 21,446
Advancing Energy Efficiency Measures in Pennsylvania	30,522	78,151
Protecting the Clarence Moore Lands Tract of the Loyalsock State Forest	-	708
Municipal Stormwater Management Plans, State Permitting and Related Clean Water Act Concerning Marcellus Drilling	-	268,944
Clean Water Starts Here Initiative	367	6,637
Clean Energy Policy Recommendations to Pennsylvania's 2014 Gubernatorial Candidates	-	5,855
Black and Gold City Goes Green Project	-	7,542
Advance Building Energy Efficiency Policies and Programs in Pennsylvania	-	31,472
Electric Vehicle Outreach in Philadelphia	-	24,775
Advancing Energy Efficiency Measures and Renewable Energy in Pennsylvania	722	1,142
Work under the Choose Clean Water Campaign	-	19,705
Save the Loyalsock Coalition Work	5,990	6,644
Strategic Planning	16,684	6,916
Rule 111(d)	-	5,000
Support for Air Quality Improvement for Western Pennsylvania	-	9,722
Build Support for Comprehensive Regulation of Methane Emissions from Natural Gas Activities	41,494	180,000
Coal-Tar Based Sealcoat Reduction Campaign	20,000	134,025
Advancing Clean Energy in Pennsylvania	7,444	10,000
Protecting Pennsylvania's Public Lands from the Adverse Impacts of Natural Gas Development	20,632	-
Promote Implementation of Protective Land and Water Policies Related to Key Environmental Stressors in the Delaware River Watershed	71,531	-
Defending the Loyalsock State Forest from Gas Development	235,916	-
Delaware River Watershed Federal Funding Workgroup Facilitation	948	-
Next Great City Campaign	1,513	-
Protect and Restore Water Quality to a Portion of the Youghiogeny River near Ohioypyle State Park	21,898	-
Total	<u>40,000</u>	<u>-</u>
	<u>\$ 515,661</u>	<u>\$ 818,684</u>

During the years ended June 30, 2015 and 2014, temporarily restricted net assets of \$2,308,168 and \$933,695, respectively, were released by incurring expenses pursuant to donor stipulations.

**CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 7 COMMITMENTS

PennFuture leases its Philadelphia, Pittsburgh, and Wilkes-Barre facilities under non-cancelable operating leases which expire through 2016. PennFuture also leases a piece of office equipment under a non-cancelable operating lease expiring in August, 2019.

The minimum annual rentals as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 74,524
2017	1,896
2018	1,896
2019	1,896
2020	316
Total	<u>\$ 80,528</u>

Total rent expense exclusive of operating costs of facilities and office equipment was approximately \$101,432 and \$102,123 for the years ended June 30, 2015 and 2014, respectively.

NOTE 8 ECONOMIC DEPENDENCY

PennFuture is dependent upon grants from various foundations to fund program expenses. For the years ended June 30, 2015 and 2014, PennFuture received 69% and 78%, respectively, from three granting agencies. Discontinuation of, or reductions of such grants would force the curtailment of many program services.

NOTE 9 CONTINGENCY

Under the terms of an agreement between PaceControls, LLC and two individuals, PennFuture has a right to receive a licensing fee of \$150,000 and a consulting fee of \$30,000 plus simple interest from May, 2007 at 8% per annum. Payment is contingent upon PaceControls, LLC achieving certain levels of capital funding.

PaceControls, LLC has informed PennFuture that as a result of recent developments, it anticipates paying PennFuture the licensing fee and accrued interest of approximately \$297,000 before December 31, 2015. Two-thirds of any amounts received under the agreement will be paid by PennFuture to its sub-licensees.