

CITIZENS FOR PENNSYLVANIA'S FUTURE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

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, 2013 and 2012, 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, 2013 and 2012, 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  
October 16, 2013

**CITIZENS FOR PENNSYLVANIA'S FUTURE  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2013 AND 2012**

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 651,071	\$ 1,360,262
Grants Receivable	239,995	142,269
Other Receivables	19,103	7,419
Other Current Assets	54,285	51,342
Total Current Assets	964,454	1,561,292
 <b>PROPERTY AND EQUIPMENT</b>	 512,577	 540,761
<b>OTHER ASSETS</b>		
Investments	1,455,949	1,231,743
Security Deposits	8,576	8,447
Total Other Assets	1,464,525	1,240,190
 Total Assets	 \$ 2,941,556	 \$ 3,342,243
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 219,678	\$ 368,741
Deferred Revenue	10,217	20,000
Total Current Liabilities	229,895	388,741
 <b>NET ASSETS</b>		
Unrestricted	2,355,995	2,405,454
Temporarily Restricted	355,666	548,048
Total Net Assets	2,711,661	2,953,502
 Total Liabilities and Net Assets	 \$ 2,941,556	 \$ 3,342,243

See accompanying Notes to Financial Statements.

**CITIZENS FOR PENNSYLVANIA'S FUTURE  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2013 AND 2012**

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>						
Grants and Contributions	\$ 893,319	\$ 1,079,620	\$ 1,972,939	\$ 598,780	\$ 1,078,401	\$ 1,677,181
Technical Assistance	86,497	-	86,497	64,137	-	64,137
Meeting Income	38,094	-	38,094	24,407	-	24,407
Membership Fees	27,602	-	27,602	36,534	-	36,534
Rental Income	25,494	-	25,494	15,460	-	15,460
Investment and Other Income (Loss)	184,376	-	184,376	(12,738)	-	(12,738)
	<u>1,255,382</u>	<u>1,079,620</u>	<u>2,335,002</u>	<u>726,580</u>	<u>1,078,401</u>	<u>1,804,981</u>
Net Assets Released from Restrictions	<u>1,272,002</u>	<u>(1,272,002)</u>	<u>-</u>	<u>1,648,051</u>	<u>(1,648,051)</u>	<u>-</u>
Total Public Support and Revenue	2,527,384	(192,382)	2,335,002	2,374,631	(569,650)	1,804,981
<b>EXPENSES</b>						
Program Services	1,769,730	-	1,769,730	2,395,994	-	2,395,994
Support Services						
Management and General	556,090	-	556,090	495,714	-	495,714
Lobbying	53,357	-	53,357	146,751	-	146,751
Fundraising	197,666	-	197,666	180,842	-	180,842
Total Support Services	<u>807,113</u>	<u>-</u>	<u>807,113</u>	<u>823,307</u>	<u>-</u>	<u>823,307</u>
Total Expenses	<u>2,576,843</u>	<u>-</u>	<u>2,576,843</u>	<u>3,219,301</u>	<u>-</u>	<u>3,219,301</u>
Change in Net Assets	(49,459)	(192,382)	(241,841)	(844,670)	(569,650)	(1,414,320)
Net Assets - Beginning of Year	<u>2,405,454</u>	<u>548,048</u>	<u>2,953,502</u>	<u>3,250,124</u>	<u>1,117,698</u>	<u>4,367,822</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,355,995</u>	<u>\$ 355,666</u>	<u>\$ 2,711,661</u>	<u>\$ 2,405,454</u>	<u>\$ 548,048</u>	<u>\$ 2,953,502</u>

See accompanying Notes to Financial Statements.

**CITIZENS FOR PENNSYLVANIA'S FUTURE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (241,841)	\$ (1,414,320)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation	29,687	34,126
Realized Gain on Sale of Investments	(34,819)	(17,571)
Realized Loss on Sale of Equipment	3,379	1,541
Unrealized (Gain) Loss on Investments	(96,617)	34,406
Equity Loss from Investment	-	36,688
Non-Cash Contributions	(12,893)	(10,383)
(Increase) Decrease in Assets:		
Grants Receivable	(97,726)	(4,269)
Other Receivables	(11,684)	(7,419)
Other Current Assets	(2,943)	(25,659)
Security Deposits	(129)	-
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(149,063)	(33,476)
Deferred Revenue	(9,783)	6,500
Net Cash Used by Operating Activities	(624,432)	(1,399,836)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	281,664	175,207
Purchase of Investments	(361,541)	(194,786)
Proceeds from Sale of Equipment	-	1,000
Acquisition of Property and Equipment	(4,882)	(4,875)
Net Cash Used by Investing Activities	(84,759)	(23,454)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(709,191)	(1,423,290)
Cash and Cash Equivalents - Beginning of Year	1,360,262	2,783,552
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 651,071	\$ 1,360,262

See accompanying Notes to Financial Statements.

**CITIZENS FOR PENNSYLVANIA'S FUTURE  
STATEMENTS OF FUNCTIONAL EXPENSES  
JUNE 30, 2013 AND 2012**

	2013					2012				
	Program Services	Management and General	Lobbying	Fundraising	Total	Program Services	Management and General	Lobbying	Fundraising	Total
Payroll	\$ 906,633	\$ 185,099	\$ 22,813	\$ 113,536	\$ 1,228,081	\$ 1,207,772	\$ 201,295	\$ 61,938	\$ 77,421	\$ 1,548,426
Payroll Taxes and Other Fringe Benefits	213,607	57,448	5,474	31,908	308,437	285,012	47,501	14,616	18,270	365,399
Total Personnel Expenses	<u>1,120,240</u>	<u>242,547</u>	<u>28,287</u>	<u>145,444</u>	<u>1,536,518</u>	<u>1,492,784</u>	<u>248,796</u>	<u>76,554</u>	<u>95,691</u>	<u>1,913,825</u>
Advertising and Communications	12,991	931	-	-	13,922	23,177	2,454	756	944	27,331
Bank Charges	901	2,625	-	875	4,401	689	2,068	-	690	3,447
Consultants and Contract Labor	256,745	13,827	15,000	-	285,572	458,883	36,963	43,390	3,325	542,561
Conferences and Meetings	79,879	51	101	10,177	90,208	10,172	3,632	-	-	13,804
Depreciation	11,151	16,859	281	1,396	29,687	26,618	4,436	1,366	1,706	34,126
Dues, Subscriptions, and Membership Fees	9,910	2,248	1,100	3,612	16,870	1,957	9,251	85	-	11,293
Excise Tax	-	295	-	-	295	-	22,544	-	-	22,544
Insurance	19,958	4,077	503	2,498	27,036	20,386	3,398	1,046	1,307	26,137
Internet and Computer Expenses	64,270	10,680	936	4,657	80,543	55,005	9,168	2,820	3,526	70,519
Investment Expenses	-	10,517	-	-	10,517	-	12,037	-	-	12,037
Occupancy Costs	92,558	37,510	2,328	11,591	143,987	124,366	20,377	6,270	7,837	158,850
Office Equipment Leases and Maintenance	3,462	700	87	434	4,683	1,160	193	60	74	1,487
Postage	1,743	1,117	48	2,859	5,767	7,573	1,117	365	9,429	18,484
Printing and Publications	4,306	1,867	399	4,365	10,937	23,540	5,626	4,296	29,821	63,283
Professional Fees	-	170,286	-	-	170,286	-	99,513	-	-	99,513
Research and Other	19,061	115	-	218	19,394	16,497	-	-	-	16,497
Supplies	11,236	13,406	117	544	25,303	23,947	2,723	1,006	1,311	28,987
Telephone	23,863	8,947	548	4,203	37,561	32,639	4,825	1,484	2,796	41,744
Travel and Entertainment	36,936	17,485	3,622	4,793	62,836	75,641	6,593	7,253	22,385	111,872
Video Project	520	-	-	-	520	960	-	-	-	960
Total Expenses	<u>\$ 1,769,730</u>	<u>\$ 556,090</u>	<u>\$ 53,357</u>	<u>\$ 197,666</u>	<u>\$ 2,576,843</u>	<u>\$ 2,395,994</u>	<u>\$ 495,714</u>	<u>\$ 146,751</u>	<u>\$ 180,842</u>	<u>\$ 3,219,301</u>

See accompanying Notes to Financial Statements.



**CITIZENS FOR PENNSYLVANIA'S FUTURE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**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 furnishing 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 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 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, 2013 and 2012, there was no allowance for uncollectible grant receivables.

**CITIZENS FOR PENNSYLVANIA'S FUTURE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments are stated at fair value. Bonds, common stocks, 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 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

**CITIZENS FOR PENNSYLVANIA'S FUTURE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

status. The tax returns for the fiscal years 2010 to 2012 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).

**CITIZENS FOR PENNSYLVANIA'S FUTURE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**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, 2013 and 2012:

	2013			
	Total	Level 1	Level 2	Level 3
Bonds	\$ 342,456	\$ 342,456	\$ -	\$ -
Common Stocks	595,193	595,193		
Mutual Funds	518,300	518,300		
	<u>\$ 1,455,949</u>	<u>\$ 1,455,949</u>	<u>\$ -</u>	<u>\$ -</u>

  

	2012			
	Total	Level 1	Level 2	Level 3
Bonds	\$ 252,654	\$ 252,654	\$ -	\$ -
Common Stocks	553,513	553,513	-	-
Mutual Funds	425,576	425,576	-	-
	<u>\$ 1,231,743</u>	<u>\$ 1,231,743</u>	<u>\$ -</u>	<u>\$ -</u>

**Subsequent Events**

In preparing these financial statements, PennFuture has evaluated events and transactions for potential recognition or disclosure through October 16, 2013, 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 common stocks and mutual funds with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Short-term highly liquid investments are treated as cash equivalents rather than investments and are not included in investments.

**CITIZENS FOR PENNSYLVANIA'S FUTURE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 3 INVESTMENTS (CONTINUED)**

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

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Bonds	\$ 342,456	\$ 344,337	\$ 252,654	\$ 236,675
Common Stocks	595,193	484,565	553,513	496,680
Mutual Funds	518,300	512,229	425,576	480,726
Total Investments	<u>\$ 1,455,949</u>	<u>\$ 1,341,131</u>	<u>\$ 1,231,743</u>	<u>\$ 1,214,081</u>

Investment income and other income consist of:

	Years Ended June 30,	
	2013	2012
Dividends, Interest and Royalties	\$ 45,319	\$ 41,522
Realized Gain on Sale of Investments	34,819	17,571
Unrealized Gain (Loss) on Investments	96,617	(34,406)
Loss on Disposal of Equipment	(3,379)	(1,541)
Other Income	11,000	804
Equity Loss from Other Asset	-	(36,688)
Total Investment and Other Income (Loss)	<u>\$ 184,376</u>	<u>\$ (12,738)</u>

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2013	2012
Land	\$ 70,000	\$ 70,000
Buildings and improvements	614,587	614,587
Furniture and Fixtures	137,516	137,516
Computer Equipment	125,549	124,815
Automobile	-	21,401
Telephone System	28,410	28,410
Total	<u>976,062</u>	<u>996,729</u>
Less: Accumulated Depreciation	463,485	455,968
Total Property and Equipment	<u>\$ 512,577</u>	<u>\$ 540,761</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$29,687 and \$34,126, respectively.

**CITIZENS FOR PENNSYLVANIA'S FUTURE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 5 OTHER ASSET**

PennFuture has a 39.8625% limited partner 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:

	2013	2012
Beginning Balance	\$ -	\$ 36,688
Change in Fair Value	-	(36,688)
Ending Balance	\$ -	\$ -

**NOTE 6 DEFERRED REVENUE**

PennFuture receives membership revenue from various sources that are not deemed to be contributions. Members receive the organization's 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:

	2013	2012
Regional Prosperity in the Greater Philadelphia Area (William Penn Foundation)	\$ 63,829	\$ 200,021
Municipal Energy Policy Education (Tremaine)	-	9,378
Clean Up Chesapeake Bay	-	27,895
Energy Foundation - Power	-	10,267
Continued Growth for Renewables in Pennsylvania	-	7,793
Comprehensive Solar Energy Policy for Southwestern Pennsylvania	21,413	89,034
Protection for Upper Susquehanna Watershed	14,120	28,614
Clean Water Laws Enforcement	-	83,012
Protecting Southwest Pennsylvania's Watersheds and State Forests (Colcom)	-	17,998
Pennsylvania CAMO Coalition Outreach	-	2,570
Strategic Policy Direction, Environmental Advocacy, and Advocacy Training	-	18,122
Black and Gold City Goes Green Project	10,416	41,200
Institute for Gas Drilling Excellence or Center for Sustainable Shale Development	20,268	-
Responsible Drilling, Clean Water Protection and Next Great City Campaign	123,040	-
Concerning Marcellus Drilling	10,725	12,144
Energy Benchmarking and Updating State Energy Codes	29,598	-
Electric Vehicle Outreach in Philadelphia	737	-
Defending and Strengthening Pennsylvania Renewable Energy and Energy Efficiency Regulations	27,073	-
Advancing Energy Efficiency Measures in Pennsylvania	29,359	-
Protecting the Clarence Moore Lands Tract of the Loyalsock State Forest	5,088	-
	\$ 355,666	\$ 548,048

During the years ended June 30, 2013 and 2012, temporarily restricted net assets of \$1,272,002 and \$1,648,051, respectively, were released by incurring expenses pursuant to donor stipulations.

**CITIZENS FOR PENNSYLVANIA'S FUTURE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 8 COMMITMENTS**

PennFuture leases its Philadelphia, Pittsburgh, and Wilkes-Barre facilities under non-cancelable operating leases which expire from 2013 to 2016. PennFuture also leases a piece of office equipment under a non-cancelable operating lease expiring in 2015.

The minimum annual rentals as of June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 111,323
2015	101,493
2016	<u>72,629</u>
Total	<u>\$ 285,445</u>

Total rent expense exclusive of operating costs of facilities and office equipment was approximately \$98,279 and \$98,924 for the years ended June 30, 2013 and 2012, respectively.

**NOTE 9 ECONOMIC DEPENDENCY**

PennFuture is dependent upon grants from various foundations to fund program expenses. For the years ended June 30, 2013 and 2012, PennFuture received 70% and 73%, 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.

Included in investment and other income are net royalties of \$7,509 and \$712 for the years ended June 30, 2013 and 2012, respectively.