

CITIZENS FOR PENNSYLVANIA'S FUTURE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

CITIZENS FOR PENNSYLVANIA'S FUTURE

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Robin Kramer & Green, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Citizens for Pennsylvania's Future (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 audits provide 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'Robin Kramer & Green, LLP'.

October 20, 2010

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,936,641	\$ 2,272,199
Investments	871,609	757,058
Accounts receivable	8,650	13,500
Prepaid expenses and other current assets	47,496	47,998
	3,864,396	3,090,755
PROPERTY AND EQUIPMENT		
Land	70,000	70,000
Building and improvements	614,587	614,587
Furniture and fixtures	130,934	120,460
Computer equipment	113,605	102,985
Automobile	21,401	21,401
Telephone system	28,410	28,410
	978,937	957,843
Less: Accumulated depreciation	388,676	349,966
	590,261	607,877
OTHER ASSETS		
Security deposits	8,447	4,385
Investment	28,416	29,769
	36,863	34,154
	\$ 4,491,520	\$ 3,732,786
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 283,462	\$ 242,293
Deferred revenue	14,021	11,810
	297,483	254,103
NET ASSETS		
Unrestricted		
Undesignated	1,481,736	1,163,755
Designated for property and equipment	590,261	607,877
Designated	923,845	838,649
	2,995,842	2,610,281
Temporarily restricted	1,045,681	727,058
Permanently restricted	152,514	141,344
	4,194,037	3,478,683
	\$ 4,491,520	\$ 3,732,786

See Accompanying Notes to Financial Statements

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF ACTIVITIES

Years Ended June 30,

2010

2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Grants and contributions	\$ 650,960	\$ 2,428,229	\$ 11,170	\$ 3,090,359	\$ 63,249	\$ 2,099,324	\$ 7,638	\$ 2,170,211
Technical assistance	338,335	-	-	338,335	24,943	-	-	24,943
Meeting income	26,479	-	-	26,479	45,508	-	-	45,508
Membership fee	22,679	-	-	22,679	19,728	-	-	19,728
Rental income	27,378	-	-	27,378	52,704	-	-	52,704
Fund raising	99,250	-	-	99,250	1,000	-	-	1,000
Investment and other income	90,672	-	-	90,672	(219,837)	-	-	(219,837)
	1,255,753	2,428,229	11,170	3,695,152	(12,705)	2,099,324	7,638	2,094,257
Net assets released from restrictions	2,109,606	(2,109,606)	-	-	2,320,488	(2,320,488)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	3,365,359	318,623	11,170	3,695,152	2,307,783	(221,164)	7,638	2,094,257
EXPENSES								
Program services	2,459,993	-	-	2,459,993	2,142,184	-	-	2,142,184
Support services								
Management and general	240,970	-	-	240,970	258,222	-	-	258,222
Lobbying	94,716	-	-	94,716	130,782	-	-	130,782
Fundraising	184,119	-	-	184,119	104,516	-	-	104,516
Total Support Services	519,805	-	-	519,805	493,520	-	-	493,520
	2,979,798	-	-	2,979,798	2,635,704	-	-	2,635,704
TOTAL EXPENSES	385,561	318,623	11,170	715,354	(327,921)	(221,164)	7,638	(541,447)
INCREASE (DECREASE) IN NET ASSETS	2,610,281	727,058	141,344	3,478,683	2,938,202	948,222	133,706	4,020,130
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								

See Accompanying Notes to Financial Statements

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30,

	2010						2009			
	Support Services			Total	Support Services			Total		
	Program Services	Management and General	Lobbying		Fund Raising	Program Services	Management and General		Lobbying	Fund Raising
Payroll	\$ 1,288,416	\$ 130,440	\$ 33,140	\$ 73,981	\$ 1,525,977	\$ 1,122,259	\$ 141,420	\$ 45,567	\$ 58,940	\$ 1,368,186
Payroll taxes and other fringe benefits	180,662	25,282	7,419	14,872	228,235	158,199	19,293	5,788	9,646	192,926
Advertising and promotions	1,469,078	155,722	40,559	88,853	1,754,212	1,280,458	160,713	51,355	68,586	1,561,112
Bank charges	16,150	657	8,348	18,678	43,833	21,341	2,845	2,845	1,423	28,454
Consultants and contract labor	1,688	5,065	-	1,688	8,441	4,126	222	44	44	4,436
Conferences and meetings	396,773	12,290	29,960	4,604	443,627	312,550	-	64,016	-	376,566
Depreciation and amortization	14,746	2,552	-	-	17,298	6,846	-	-	-	6,846
Dues, subscriptions, and membership fees	28,392	5,484	1,609	3,226	38,711	29,136	6,604	777	2,330	38,847
Insurance	6,602	-	-	274	6,876	2,066	-	739	148	2,953
Internet expenses	34,751	-	-	-	34,751	34,671	-	-	-	34,671
Investment expenses	71,463	3,797	1,350	11,390	88,000	59,882	3,219	644	644	64,389
Occupancy costs	-	9,934	-	-	9,934	-	15,040	-	-	15,040
Office equipment leases and maintenance	40,440	7,811	2,292	4,595	55,138	44,094	9,994	1,176	3,527	58,791
Postage	1,330	237	-	16	1,583	1,833	331	22	22	2,208
Printing and publications	13,209	1,548	19	4,292	19,068	13,306	306	153	1,529	15,294
Professional fees	50,028	2,249	1,174	9,704	63,155	63,858	8,515	4,257	8,515	85,145
Rent	31,493	18,009	-	-	49,502	16,550	28,181	-	382	45,113
Research and other	64,095	6,908	2,027	4,064	77,094	54,157	12,275	1,444	4,332	72,208
Supplies	18,813	-	-	-	18,813	21,537	-	-	-	21,537
Telephone	10,716	1,992	498	2,014	15,220	22,298	1,199	240	240	23,977
Travel and entertainment	32,968	1,390	278	278	34,914	29,737	1,599	320	320	31,976
Video project	150,169	5,325	6,602	30,443	192,539	120,989	6,874	2,750	12,474	143,087
	7,089	-	-	-	7,089	2,749	305	-	-	3,054
TOTAL EXPENSES	\$ 2,459,993	\$ 240,970	\$ 94,716	\$ 184,119	\$ 2,979,798	\$ 2,142,184	\$ 258,222	\$ 130,782	\$ 104,516	\$ 2,635,704

See Accompanying Notes to Financial Statements

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 715,354	\$ (541,447)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	38,711	38,847
Realized (gain) loss on sale of investments	(6,349)	32,990
Unrealized (gain) loss on investments	(59,679)	235,699
Equity loss from investment	1,353	3,839
Non-cash contributions	-	(1,018)
(Increase) decrease in assets		
Accounts receivable	4,850	389,137
Prepaid expenses and other current assets	502	(25,442)
Increase in liabilities		
Accounts payable and accrued expenses	41,169	19,258
Deferred revenue	2,211	1,347
	<u>738,122</u>	<u>153,210</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	89,795	196,107
Purchase of investments	(138,319)	(281,748)
Acquisition of property and equipment	(21,094)	(55,353)
Security deposits	(4,062)	(150)
	<u>(73,680)</u>	<u>(141,144)</u>
Net cash (used in) investing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	664,442	12,066
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,272,199</u>	<u>2,260,133</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,936,641</u>	<u>\$ 2,272,199</u>

See Accompanying Notes to Financial Statements

CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

CITIZENS FOR PENNSYLVANIA'S FUTURE, (PennFuture) is a non-profit organization. PennFuture was incorporated as a Pennsylvania non-profit corporation. PennFuture engages in multi-faceted activities designed to help Pennsylvanians protect their natural resources while preserving their economic security. PennFuture will also provide citizens, organizations and members with education, technical assistance and legal representation. PennFuture will provide leadership, information and technical assistance to enable government, businesses, nonprofit organizations, community groups, and individuals to develop an environmentally sensitive and prosperous economy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements of PennFuture have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Organization has adopted the Statement of Financial Accounting Standards FASB ASC 958-205 (formerly SFAS 117), Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-205 (formerly SFAS 117), the Organization reported 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.

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 public support and 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 six months or less to be cash equivalents.

Marketable Securities

The Organization has adopted the Statement of Financial Accounting Standards FASB ASC 958-320 (formerly SFAS 124), Accounting for Certain Investments Held by Not-for-Profit Organizations. In accordance with FASB ASC 958-320 (formerly SFAS 124), investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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.

Contributions

The Organization has adopted the Statement of Financial Accounting Standards FASB ASC 958-605 (formerly SFAS 116), Accounting for Contributions Received and Contributions Made. In accordance with FASB ASC 958-605 (formerly SFAS 116), contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence of and/or nature of donor restrictions, if any. Under FASB ASC 958-605 (formerly SFAS 116), contributions with donor restrictions other than permanent restriction are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction.

Program Services

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.

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

3. CREDIT RISK ARISING FROM CASH DEPOSITS

The Organization maintains its cash balances in a Harrisburg, Pennsylvania financial institution. The balances are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to \$250,000.

4. INVESTMENTS – SHORT-TERM

The Organization 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.

CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS – SHORT-TERM (Cont.d)

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

	June 30,			
	2010		2009	
	Market Value	Cost	Market Value	Cost
Bonds	\$ 32,262	\$ 27,837	\$ 30,198	\$ 27,837
Common stocks and mutual funds	839,347	888,008	726,860	887,894
	871,609	915,845	757,058	915,731
Money market funds	205,871	205,871	1,470,023	1,470,023
Total investments and money market accounts	\$ 1,077,480	\$ 1,121,716	\$2,227,081	\$2,385,754

Marketable securities and cash equivalents restricted for board designated endowments and permanent endowments at June 30, 2010 and 2009 were \$1,076,359 and \$979,993 respectively.

Investment income consisted of:

	Years Ending June 30,	
	2010	2009
Dividends and interest	\$ 28,061	\$ 46,719
Realized gain (loss) on sale of investments	6,349	(32,990)
Unrealized gain (loss) on investments	59,679	(235,699)
Equity (loss) from investment	(1,353)	(3,839)
	\$ 92,736	\$ (225,809)

5. FAIR VALUE MEASUREMENTS

As of July 1, 2009, the Organization adopted FASB ASC 820-10 (formerly SFAS 157) clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures for fair value measurement. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), quoted prices for similar assets and liabilities in active markets (Level 2 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The provisions of FASB ASC 820-10 (formerly SFAS 157) are effective prospectively for the year beginning July 1, 2009 for financial assets. The implementation of the provisions of FASB ASC 820-10 (formerly SFAS 157) for financial assets as of July 1, 2009 did not have a material impact on the Organization's financial statements.

CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS

5. FAIR VALUE MEASUREMENTS (Cont'd)

The valuation method used for asset measurement measured at fair value for investment securities is the last reported sales price on the last business day of the fiscal year reported by the active markets in which the individual securities are traded, which approximates fair value.

The fair value measurements by level within the fair value hierarchy as of June 30, 2010 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable Securities	\$ 871,609	\$ 871,609	\$ -	\$ -
Money market funds	205,871	-	205,871	-
Long-term investments	28,416	-	-	28,416
	<u>\$ 1,105,896</u>	<u>\$ 871,609</u>	<u>\$ 205,871</u>	<u>\$ 28,416</u>

6. INVESTMENTS – LONG-TERM

PennFuture has invested in shares in PaceControls, LLC. These shares were acquired through a Call Option exercised by PennFuture on two-thirds of the ownership by Blue Hill Partners, LLC in PaceControls, LLC. During the years ended June 30, 2010 and 2009, PennFuture received \$10,759 and \$2,986 in net royalty income, respectively, from PaceControls, LLC.

7. DEFERRED REVENUE

The Organization 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 deferred to those periods.

CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	June 30,	
	2010	2009
Biofuels	\$ -	\$ 38,929
Black and Gold City Goes Green project	4,000	-
Clean energy education plan	120,327	183,250
Clean up Chesapeake Bay	100,000	121,081
Clean water laws enforcement	238,150	238,120
Climate change	-	38,480
Energy center	7,500	7,500
Federal energy standards	83,333	37,250
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	50,000
Growing the clean energy industry in Southeastern Pennsylvania and West Virginia	37,250	-
Low Carbon Fuel Standard project	33,333	-
Protecting Southwestern Pennsylvania streams	-	12,448
Provide education on energy policy to decision-makers	2,204	-
	<u>\$ 1,045,681</u>	<u>\$ 727,058</u>

During the years ended June 30, 2010 and 2009, temporarily restricted net assets of \$2,109,606 and \$2,320,488, respectively, were released from donor restrictions by incurring expenses in support of general program activities.

CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS

9. COMMITMENTS

The Organization leases its Philadelphia, Pittsburgh, and West Chester facilities under non-cancelable operating leases, which expire through 2011 to 2016.

The minimum annual rentals as of June 30, 2010 are as follows:

<u>Years Ending June 30,</u>	
2011	\$ 55,700
2012	77,400
2013	72,000
2014	53,100
2015	54,700
Thereafter	<u>61,100</u>
	<u>\$ 374,000</u>

Total rent expense exclusive of operating costs of facilities and office equipment was approximately \$77,100 and \$72,200 for the years ended June 30, 2010 and 2009, respectively.

The Organization leases a portion of its Harrisburg facility to three tenants, under non-cancelable operating leases, which expire through 2014 to 2016.

<u>Years Ending June 30,</u>	
2011	\$ 8,200
2012	10,500
2013	10,800
2014	11,100
2015	<u>10,300</u>
	<u>\$ 50,900</u>

Total rental income was approximately \$27,400 and \$52,700 for the years ended June 30, 2010 and 2009, respectively.

10. FEDERAL TAX STATUS

The Organization is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and applicable state tax statutes; as an organization, contributions to which are deductible under Section 170(c) of the Code; and as an organization that is not a private foundation as defined in Section 509(a) of the Code. The Organization is also exempt from federal and state tax statutes. The Organization accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities would be recognized for the future tax consequences attributable to the estimated tax benefit of net operating loss carry forwards and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS

11. ECONOMIC DEPENDENCY

PennFuture is dependent upon grants from various foundations to fund program expenses. For the years ended June 30, 2010 and 2009, PennFuture received 70% and 60%, respectively, from three granting agencies. Therefore, the discontinuation of such grants would force the curtailment of many program services.