

Citizens for Pennsylvania's Future

Financial Statements

Years Ended June 30, 2023 and 2022
with Independent Auditor's Report

MaherDuessel

A horizontal bar is positioned below the company name. The left portion of the bar is black, and the right portion is blue, matching the color of the 'D' in the company name.

CITIZENS FOR PENNSYLVANIA'S FUTURE

YEARS ENDED JUNE 30, 2023 AND 2022

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Independent Auditor's Report

**Board of Directors
Citizens for Pennsylvania's Future**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Citizens for Pennsylvania's Future (PennFuture), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the PennFuture as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the PennFuture, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 1 to the financial statements, PennFuture adopted the accounting provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, "Leases." Our opinion is not modified with respect to this matter.

Correction of Error

As discussed in Note 13 to the financial statements, a certain error was discovered by the management of PennFuture during the year. Accordingly, the 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the PennFuture's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PennFuture's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PennFuture's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mahe Duessel

Harrisburg, Pennsylvania
January 2, 2024

CITIZENS FOR PENNSYLVANIA'S FUTURE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	(Restated) 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 998,236	\$ 533,004
Grants receivable	769,501	34,909
Other receivables	60,091	45,623
Prepaid expenses	49,764	67,837
Total current assets	1,877,592	681,373
Restricted cash	63,748	27,409
Investments	1,910,636	2,342,602
Property and equipment, net	509,684	480,654
Right-of-use asset (operating), net	321,363	-
Right-of-use asset (financing), net	4,451	-
Other assets:		
Security deposits	9,128	9,128
Total other assets	9,128	9,128
Total Assets	\$ 4,696,602	\$ 3,541,166
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 230,246	\$ 233,815
Deferred revenue	12,685	14,500
Health care settlement	18,272	27,409
Short-term lease liability (operating)	84,345	-
Short-term lease liability (financing)	996	-
Total current liabilities	346,544	275,724
Non-current liabilities:		
Long-term lease liability (operating)	229,891	-
Long-term lease liability (financing)	3,453	-
Total non-current liabilities	233,344	-
Total Liabilities	579,888	275,724
Net Assets:		
Without donor restrictions	1,374,501	830,240
With donor restrictions	2,742,213	2,435,202
Total Net Assets	4,116,714	3,265,442
Total Liabilities and Net Assets	\$ 4,696,602	\$ 3,541,166

The accompanying notes are an integral part of these financial statements.

CITIZENS FOR PENNSYLVANIA'S FUTURE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Grants	\$ 11,000	\$ 3,915,731	\$ 3,926,731
Contributions	286,067	-	286,067
Membership fees	30,375	-	30,375
Special events	12,745	-	12,745
Rental income	38,963	-	38,963
Investment income, net	220,174	-	220,174
Other income	64,369	-	64,369
Net assets released from restriction	3,608,720	(3,608,720)	-
Total revenues and other support	4,272,413	307,011	4,579,424
Expenses:			
Program services	3,253,724	-	3,253,724
Supporting services:			
Management and general	275,013	-	275,013
Management and general - lobbying	54,705	-	54,705
Fundraising	144,710	-	144,710
Total expenses	3,728,152	-	3,728,152
Change in Net Assets	544,261	307,011	851,272
Net Assets:			
Beginning of year, restated	830,240	2,435,202	3,265,442
End of year	\$ 1,374,501	\$ 2,742,213	\$ 4,116,714

The accompanying notes are an integral part of these financial statements.

CITIZENS FOR PENNSYLVANIA'S FUTURE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	(Restated) Total
Revenues and Other Support:			
Grants	\$ 2,800	\$ 1,861,144	\$ 1,863,944
Contributions	329,904	-	329,904
Membership fees	36,122	-	36,122
Special events	6,101	-	6,101
Rental income	52,838	-	52,838
Investment loss, net	(430,138)	-	(430,138)
Other income	82,713	-	82,713
Net assets released from restriction	2,870,010	(2,870,010)	-
Total revenues and other support	2,950,350	(1,008,866)	1,941,484
Expenses:			
Program services	2,882,673	-	2,882,673
Supporting services:			
Management and general	553,007	-	553,007
Management and general - lobbying	49,178	-	49,178
Fundraising	386,319	-	386,319
Total expenses	3,871,177	-	3,871,177
Change in Net Assets	(920,827)	(1,008,866)	(1,929,693)
Net Assets:			
Beginning of year, restated	1,751,067	3,444,068	5,195,135
End of year	\$ 830,240	\$ 2,435,202	\$ 3,265,442

The accompanying notes are an integral part of these financial statements.

CITIZENS FOR PENNSYLVANIA'S FUTURE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Management and General - Lobbying	Fundraising	Total
Payroll	\$ 1,682,431	\$ 18,672	\$ 36,707	\$ 36,884	\$ 1,774,694
Payroll taxes and other fringe benefits	374,182	3,127	8,871	18,384	404,564
Advertising and communications	4,001	1,544	-	2,468	8,013
Amortization (ROU asset)	-	786	-	-	786
Bank and credit card charges	(53)	4,223	-	69	4,239
Consultants and contract labor	794,155	16,227	456	7,965	818,803
Conferences and meetings	15,709	150	55	29,424	45,338
Depreciation	25,523	278	931	5,451	32,183
Dues, subscriptions, and membership fees	12,462	7,015	409	2,393	22,279
Insurance	15,400	15,516	-	-	30,916
Interest expense (lease liability)	-	111	-	-	111
Internet and computer expenses	39,029	27,147	106	360	66,642
Occupancy costs	138,099	7,218	828	1,615	147,760
Office equipment leases and maintenance	170	2,733	-	-	2,903
Postage	352	1,020	-	6,347	7,719
Printing and publications	6,594	6,327	-	28,402	41,323
Professional fees	30,655	150,473	-	-	181,128
Grants paid	35,000	-	-	-	35,000
Research and other	10,323	3,607	-	-	13,930
Supplies	6,555	4,206	-	467	11,228
Telephone	11,232	472	122	410	12,236
Travel and meals	51,905	4,161	6,220	4,071	66,357
Total expenses	<u>\$ 3,253,724</u>	<u>\$ 275,013</u>	<u>\$ 54,705</u>	<u>\$ 144,710</u>	<u>\$ 3,728,152</u>

The accompanying notes are an integral part of these financial statements.

CITIZENS FOR PENNSYLVANIA'S FUTURE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Management and General - Lobbying	Fundraising	Total
Payroll	\$ 1,427,033	\$ 176,891	\$ 36,656	\$ 280,108	\$ 1,920,688
Payroll taxes and other fringe benefits	296,418	42,983	8,590	46,819	394,810
Advertising and communications	9,129	3,203	-	1,811	14,143
Bank and credit card charges	1,164	4,693	-	-	5,857
Consultants and contract labor	768,779	49,445	376	4,210	822,810
Conferences and meetings	5,875	464	106	1,200	7,645
Depreciation	17,971	350	574	2,988	21,883
Dues, subscriptions, and membership fees	47,893	8,709	13	484	57,099
Grants paid	38,089	-	-	-	38,089
Insurance	15,672	15,021	-	-	30,693
Internet and computer expenses	27,369	55,133	127	1,952	84,581
Occupancy costs	142,582	18,309	694	12,744	174,329
Office equipment leases and maintenance	-	5,473	-	-	5,473
Postage	1,177	1,339	-	5,140	7,656
Printing and publications	11,650	2,091	-	27,030	40,771
Professional fees	9,390	149,707	-	-	159,097
Research and other	10,091	1,236	-	-	11,327
Supplies	3,342	7,995	-	83	11,420
Telephone	15,079	590	129	885	16,683
Travel and meals	33,970	9,375	1,913	865	46,123
	<u>\$ 2,882,673</u>	<u>\$ 553,007</u>	<u>\$ 49,178</u>	<u>\$ 386,319</u>	<u>\$ 3,871,177</u>
Total expenses					

The accompanying notes are an integral part of these financial statements.

CITIZENS FOR PENNSYLVANIA'S FUTURE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	(Restated) 2022
Cash Flows From Operating Activities:		
Change in net assets	\$ 851,272	\$ (1,929,693)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	32,183	21,883
Amortization of right-of-use asset	92,101	-
Realized (gain) loss on sale of investments	(96,584)	(74,367)
Unrealized (gain) loss on investments	(95,287)	568,209
Loss on disposal of assets	(2,246)	-
(Increase) decrease in assets:		
Grants receivable	(734,592)	853,823
Other receivables	(14,468)	(19,632)
Prepaid expenses	18,073	(28,939)
Lease liability (finance)	(111)	-
Lease liability (operating)	(98,442)	-
Security deposits	-	800
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(3,569)	(39,274)
Deferred revenue	(1,815)	(1,502)
Health Care Settlement	(9,137)	(1,845)
Net cash and cash equivalents provided by (used in) operating activities	(62,622)	(650,537)
Cash Flows From Investing Activities:		
Proceeds from sale of investments	633,012	382,916
Purchase of investments	(9,175)	(436,687)
Acquisition of property and equipment	(58,967)	(86,298)
Net cash and cash equivalents provided by (used in) investing activities	564,870	(140,069)
Cash Flows From Financing Activities:		
Payments on finance leases	(677)	-
Net cash and cash equivalents provided by (used in) financing activities	(677)	-
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	501,571	(790,606)
Cash, Cash Equivalents, and Restricted Cash:		
Beginning of year	560,413	1,351,019
End of year	\$ 1,061,984	\$ 560,413
Composition of Cash, Cash Equivalents, and Restricted Cash:		
Cash and cash equivalents	\$ 998,236	\$ 533,004
Restricted cash	63,748	27,409
Total cash, cash equivalents, and restricted cash	\$ 1,061,984	\$ 560,413

The accompanying notes are an integral part of these financial statements.

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Citizens for Pennsylvania's Future (PennFuture) is presented to assist in understanding the organization's financial statements. The financial statements and notes are the representations of the organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these financial statements.

Nature of Activities

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 grants and contributions.

Basis of Accounting

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting.

Financial Statement Presentation

Net assets, revenue, and releases from restriction are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of PennFuture and the changes therein are classified and reported in two categories of net assets. The two categories are differentiated as follows:

Without Donor Restrictions - Net assets without donor restrictions consist of assets that can be used at the discretion of PennFuture to support operations.

With Donor Restrictions – Net assets with donor restrictions consist of assets that are restricted by a donor to be used for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with donor's instructions, or when the stipulated time has passed. Other donor-imposed restrictions on net assets are permanent in

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

nature. These net assets have been restricted by donors to be maintained in perpetuity. As of June 30, 2023 and 2022, PennFuture did not have any net assets with donor restrictions that were permanent in nature.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions when not donor restricted. Expirations of net assets with donor restrictions that are temporary in nature (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 net assets with donor restrictions that are temporary in nature.

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 Statements of Cash Flows, PennFuture considers all checking, savings and money market accounts held in financial institutions to be cash and cash equivalents.

Grants Receivables

Grants receivables are due in less than one year.

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, 2023 and 2022, there was no allowance for uncollectible grant receivables.

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Investments

Investments are stated at fair value. Quoted market prices in active markets for identical assets were used as fair value when available. Investments held in common stocks, equity mutual funds, bond mutual funds, and exchange traded funds are valued at the daily closing price as reported by the asset. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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 Statements of Financial Position.

Fair Value Measurements

PennFuture has categorized its investments based on the fair value hierarchy. Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Level 1 investments held by PennFuture include common stocks, equity mutual funds, bond mutual funds, and exchange traded funds.

Investments 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, are classified within Level 2. PennFuture has no Level 2 investments.

Investments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement are classified within Level 3. PennFuture has no Level 3 investments.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using 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.

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Compensated Absences

Full-time employees earn paid leave based on length of service. For the year ended June 30, 2023 and 2022, employees may carry over no more than 40 hours of paid leave from one anniversary date to the next. An employee separated from employment will be paid for earned unused leave. As of June 30, 2023 and 2022, PennFuture accrued \$59,282 and \$65,891, respectively, in compensated absences.

Grants and Contributions

Grants and contributions received are evaluated using the decision tree in the Accounting Standards Codification (ASC) 958-605-55-1A to determine the applicable accounting model. Most of the grants and contributions received by PennFuture are considered to be non-exchange transactions.

A decision tree is also used to determine whether grants and contributions received are conditional or unconditional. Both barriers and right of return/release need to exist in order to designate a contribution as conditional. Once designated, the revenue is recognized when the conditions are met.

Unconditional grants and contributions are recorded as those with donor restrictions or without donor restrictions depending on the existence of donor-imposed restrictions, typically limiting purpose or timing of the grant or contribution.

At June 30, 2023 and 2022, \$75,000 and \$0, of conditional grants were awarded to PennFuture for which cash has not been received, and barriers have not been met at year end, respectively. Earning these funds are conditioned on hiring an additional employee.

Leases

PennFuture determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in ROU assets – financing and lease liability – financing in the balance sheet. ROU assets represent PennFuture's right to use an underlying asset for the lease term and lease liabilities represent PennFuture's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that PennFuture will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

PennFuture has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet. The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, PennFuture has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

PennFuture has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

Revenue and Revenue Recognition

Membership Dues and Deferred Revenue - PennFuture receives membership fees 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. PennFuture recognizes the membership dues ratably over the membership period. The membership fees revenue received for future periods has been recorded as deferred revenue.

Special Events – PennFuture records special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes place.

Rental Income – PennFuture recognizes rental income when the performance obligations of providing space for the tenants are satisfied.

Other Income – PennFuture receives revenue for payment of legal services and reimbursement of shared service expenses.

Legal Income

PennFuture's law staff serves as a watchdog over regulatory agencies, filing comments and action letters to guarantee that Pennsylvania's environment and public health are protected to the fullest extent of the law. PennFuture also files court actions to force polluters to comply with the law. Should PennFuture win the case, the organization will recognize legal fee income in the year the case was settled, which helps to cover the costs of the attorneys' fees related to the cases.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Functional Expenses

Directly identifiable expenses are charged to programs and supporting activities. Expenses related to more than one function are charged to programs and supporting services using an allocation based on employee time spent between program and supporting activities. Program expenses constitute those related to providing citizens, organizations, and members with education, technical assistance, and legal representation. Administrative expenses constitute fees and activities that are not identifiable with a single program, fundraising activity, or operational activity, but that are indispensable to the conduct of those activities and to PennFuture's existence. Fundraising expenses are those which are directly related to the development function at the organization.

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. In addition, PennFuture qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation. 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 generally for three years after they are filed. PennFuture is not aware of any activities that would jeopardize its tax-exempt status. Further, PennFuture annually files a Form 990.

Adopted Accounting Standards Update

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, "*Leases (ASC 842)*". The new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the Statement of Financial Position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

PennFuture adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 using the transition alternative. Periods

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

presented prior to the effective date are presented in accordance with ASC 840 (old lease standard).

On July 1, 2022, an operating lease liability and asset was recorded in the amount of \$412,678. A financing lease liability and asset was recorded in the amount of \$5,237. The adoption did not result in a significant effect on the amounts reported in the statements of activities.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

2. Liquidity and Availability

PennFuture considers all expenditures related to its ongoing program activities, as well as the administrative and general expenditures required to support these activities, to be general operating expenditures. Historically, PennFuture receives a majority of support for operating expenditures from grants and contributions without donor restrictions and grants and contributions with donor restrictions. PennFuture also receives rental income. PennFuture regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

In addition to financial assets available to meet general expenditures over the next 12 months, PennFuture strives to operate with a balanced budget and in typical years anticipates collecting sufficient revenue to cover general expenditures. PennFuture also maintains a \$200,000 line of credit with Fulton Bank to manage operating expenses.

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

The following represents PennFuture's financial assets at June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 998,236	\$ 533,004
Investments	1,910,636	2,342,602
Grants receivable	769,501	34,909
Other receivable	<u>60,091</u>	<u>45,623</u>
Total financial assets	3,738,464	2,956,138
Less: amounts with donor restrictions	<u>2,742,213</u>	<u>2,435,202</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 996,251</u>	<u>\$ 520,936</u>

3. Cash Concentrations

Cash and cash equivalents potentially subject PennFuture to a concentration credit risk. The balances in checking and savings accounts 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.

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

4. Investments and Interest in Other Organization

The following table sets forth by level, within the fair value hierarchy, the investments at fair value and cost as of June 30:

	Level	2023		2022	
		Fair Value	Cost	Fair Value	Cost
Common stocks:					
Materials	1	\$ 31,257	\$ 26,186	\$ 53,774	52,641
Energy	1	-	-	1,115	491
Information technology	1	107,232	52,879	98,271	58,787
Consumer discretionary	1	203,846	77,071	226,283	116,593
Consumer staples	1	14,996	13,891	22,562	20,980
Industrials	1	82,229	48,084	33,617	41,798
Financials	1	34,833	26,242	36,868	29,794
Healthcare	1	48,784	37,887	56,193	42,548
Utilities	1	3,445	3,324	4,205	3,324
Real estate	1	118,918	75,798	238,780	139,303
Telecom service	1	42,796	23,110	36,080	23,977
Equity mutual funds:					
Large cap	1	238,355	221,237	268,892	272,656
Small/mid cap	1	297,222	294,783	304,629	328,315
Foreign large blend	1	93,779	102,304	125,550	144,865
Bond mutual funds:					
U.S. Treasuries	1	-	-	-	-
Mortgages/asset backed	1	-	-	-	-
Multi-sector	1	133,525	151,596	201,305	221,398
Intermediate-term bond	1	179,587	198,790	161,122	174,796
Bank loan	1	-	-	23,523	25,120
Exchange traded funds:					
Large blend	1	106,995	83,059	146,897	127,174
Fixed income	1	-	-	45,600	52,982
Industrials	1	51,475	28,399	63,389	42,332
Technology	1	-	-	7,571	14,357
Miscellaneous sector	1	121,362	84,864	186,376	110,571
Total investments		<u>\$ 1,910,636</u>	<u>\$ 1,549,505</u>	<u>\$ 2,342,602</u>	<u>\$ 2,044,802</u>

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Investment income consisted of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 42,352	\$ 84,727
Realized gain (loss) on sale of investments	96,584	74,367
Unrealized gain (loss) on investments	95,287	(568,209)
Investment expense	<u>(14,049)</u>	<u>(21,023)</u>
Investment income (loss), net	<u>\$ 220,174</u>	<u>\$ (430,138)</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 at June 30, 2023 and 2022.

A member of PennFuture's management was on the Board of Directors at PaceControls, LLC. through October 2017.

5. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 70,000	\$ 70,000
Buildings and improvements	787,796	728,167
Furniture and fixtures	-	5,433
Computer equipment	11,259	14,397
Website	<u>49,741</u>	<u>49,741</u>
	918,796	867,738
Less: accumulated depreciation	<u>409,112</u>	<u>387,084</u>
Net property and equipment	<u>\$ 509,684</u>	<u>\$ 480,654</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$32,183 and \$21,883, respectively.

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

6. Line of Credit

During the year ended June 30, 2023, PennFuture obtained a line of credit with a local bank, providing credit in the amount of \$200,000 with interest at the bank's prime rate. The line of credit was secured by real estate and had no outstanding balance as of June 30, 2023.

7. Revenue from Contracts with Customers

The following table provides information about significant changes in the contract liabilities for the year ended June 30:

	<u>2023</u>	<u>2022</u>
Deferred membership dues, beginning of year	\$ 14,500	\$ 16,002
Revenue recognized that was included in deferred membership dues at the beginning of the year	(14,500)	(16,002)
Increase in deferred revenue due to cash received	<u>12,685</u>	<u>14,500</u>
Deferred membership dues, end of year	<u><u>\$ 12,685</u></u>	<u><u>\$ 14,500</u></u>

8. Health Care Settlement

In April 2020, PennFuture received a healthcare group financial settlement due to the overpayment of deductibles for the period of December 2018 through November 2019. The use of these funds is limited to future employee benefits. As of June 30, 2023 and 2022, the amount to be used was \$18,272 and \$27,409, respectively. This amount is shown as restricted cash on the statements of financial position.

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

9. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2023 and 2022 are available for the following purposes:

	2023	2022
Coal-Tar Based Sealcoat Reduction Campaign	\$ -	\$ 7,444
Mt. Pleasant Township Substantive Validity Challenge	-	28,746
Work Under the Climate Action Campaign	-	91,910
Outreach and Advocacy Work to Reform the Renewable Fuel Standard	10,000	10,390
Green in '18	-	10,000
Dietel Grant - Voter Engagement	-	55,000
Outreach and education in Philadelphia to elevate green stormwater infrastructure	-	564,805
Protect the critical headwaters of the Delaware River	-	449,597
Choose Clean Water Coalition	-	12,464
Bucks County Environmental Organizing Project	18,540	97,490
Legal Internships	27,942	17,610
To hire and equip an organizer in Chester County to expand the existing program to educate local officials through constituent engagement and continue building a sustainable volunteer advocacy program in strategic regions of the state	11,483	11,673
To advance sustainability, protect the environment, and foster community in Western PA	-	308
Clean energy issues at the state level	-	7,523
To help create a BMP Cost Share Program in PA	-	13,788
Provide support for NWF's Natural Climate Solutions Federal Policy Platform	3,490	3,725
Campbell 2020	-	11,558
Serve as the coalition for Delaware River Watershed's state lead in PA	-	596
Mott Foundation 2020	-	41,334
NRDC	2,669	2,669
NRDC Action Fund	-	2,000
Martin Legal intern Year 2	16,860	20,080
NWF Federal Climate	-	1,927
Foundation for PA Watershed	3	3
Democracy for All	-	20,817
Vote Solar	-	1,000
NWF CCC Funding	-	3,096
Kentfields	-	20,119
Campbell 2022	-	16,941
NWF State Lead CDRW	-	11,279
Pittsburgh Foundation	-	14,337
Spring Point Partners 2022	-	15,067
Rockefeller Wyalusing/LNG	-	31,446
Rockefeller Petchem	-	28,360
Campbell CVPA Civic Eng	45,763	67,311
NWF CCWC State Lead	-	20,000
Campbell CVPA DEIJ	5,000	5,000
LCV Workplan (CVPA)	-	25,000
Haas Gap Funding	-	15,000
Colcom 2022	-	2,782

(continued)

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Oak Hill 2022	-	39,968
LCV Bridge Funding	-	3,250
Community Foundation for Alleghenies (High Tide)	21,871	70,603
LCVEF NPVP	-	16,254
NWF CAC 2022	20,257	8,371
Heinz 2022	-	390,692
Energy Foundation '22-23	-	145,869
PA Voice 2023	10,406	-
Rockefeller Wyalusing 22-23	35,448	-
Campbell-CVPA Civic Eng.	47,326	-
Mott Foundation 22-24	101,496	-
NWF Farm Bill	107,457	-
LCVEF NPVP	25,817	-
NWF CCWC 2023	17,489	-
Kentfields	66,119	-
Nicholson for Erie	23,780	-
William Penn Clean Water	1,446,290	-
NWF CAC 2022	27,057	-
Campbell	5,000	-
Rockefeller	45,793	-
Alderfer - Bucks County	3,000	-
NWF Great Lakes	1,447	-
Heinz	355,039	-
Foundation for PA watershed	14,941	-
Energy Foundation 23-24	126,466	-
Oak Hill 23-24	59,257	-
DFAD	5,000	-
NRDC Lehigh Valley	8,707	-
LCVEF CEFA BSI	25,000	-
Total	<u>\$ 2,742,213</u>	<u>\$ 2,435,202</u> (concluded)

During the years ended June 30, 2023 and 2022, net assets with donor restrictions that are temporary in nature of \$3,608,720 and \$2,870,010, respectively, were released by incurring expenses pursuant to donor stipulations.

10. Leases

PennFuture leases its Philadelphia, Pittsburgh, and East Stroudsburg facilities under non-cancellable operating leases which expire from 2024 through 2028. PennFuture also leases several pieces of office equipment which are considered either operating or financing leases, expiring from 2026 through 2027.

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

The components of lease expense were as follows as of June 30:

	<u>2023</u>
Operating lease cost	\$ 95,501
Short term lease cost	9,909
Finance lease cost:	
Amortization of right to use assets	786
Interest on lease liabilities	<u>111</u>
Total finance lease costs	<u>\$ 897</u>

Other information related to leases was as follows as of June 30:

	<u>2023</u>
Supplemental Cash Flows information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 101,775
Operating cash flows from finance leases	111
Financing cash flows from finance leases	789
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	-
Finance leases	5,237
Weighted average remaining lease term:	
Operating leases	3.7 years
Finance leases	4.1 years
Weighted average discount rate:	
Operating leases	2.92%
Finance leases	3.04%

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Future maturities of lease liabilities are presented in the following table, for the fiscal years ending June 30:

	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2024	\$ 92,395	\$ 1,117	\$ 93,512
2025	93,325	1,117	94,442
2026	92,962	1,117	94,079
2027	45,491	1,117	46,608
2028	7,582	279	7,861
Thereafter	-	-	-
Total lease payments	<u>331,753</u>	<u>4,748</u>	<u>336,501</u>
Less present value discounts	<u>17,517</u>	<u>299</u>	<u>17,816</u>
Total lease obligations	<u>\$ 314,236</u>	<u>\$ 4,449</u>	<u>\$ 318,685</u>

As of June 30, 2022, office and equipment rental expense under FASB ASC 840 (pre-adoption of the new standards) for leases totaled \$108,083 for the year ended June 30, 2022.

11. Economic Dependency

PennFuture is dependent upon grants from various foundations to fund program expenses. For the years ended June 30, 2023 and 2022, PennFuture received 54% and 57%, respectively, from three granting agencies. Discontinuation of, or reductions of such grants would force the curtailment of many program services.

12. 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 as outlined in the terms of the agreement, such as full funding of a working capital reserve equal to six months of operating expenses and payment of principal and interest on outstanding notes. PaceControls, LLC did not achieve those levels of capital funding for the years ended June 30, 2023 and 2022.

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

13. Restatement of Net Assets

During the year ended June 30, 2023, PennFuture discovered an account that had been receiving donations since 2021, which was not accounted for on the financial statements. The amount discovered contained contributions related to prior years totaling \$32,037. This account was escheated to the Commonwealth of Pennsylvania and was disbursed to PennFuture subsequent to June 30, 2023. \$17,935 and \$14,102 of the total balance was related to contributions received during the years ended June 30, 2022 and 2021, respectively.

Net assets without donor restrictions at July 1, 2021 and June 30, 2022 were increased by \$14,102 and \$17,935, respectively. The change in net assets without donor restrictions at June 30, 2022 was increased by \$14,102. Accounts receivable was also increased by \$32,037 at June 30, 2022.