

**CITIZENS FOR PENNSYLVANIA'S FUTURE**

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**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2004 and 2003**

# 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, 2004 and 2003, 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, 2004 and 2003, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Robin Kramer & Green, LLP*

July 29, 2004

**CITIZENS FOR PENNSYLVANIA'S FUTURE**  
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2004	2003
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Notes 2 and 3)	\$ 170,610	\$ 329,794
Investments (Notes 2 and 4)	2,509,807	1,911,223
Accounts receivable, net of allowance for doubtful accounts of \$58,000 for 2004 and \$34,000 for 2003	131,270	51,075
Prepaid expenses and other current assets	30,416	18,979
Total Current Assets	2,842,103	2,311,071
<b>PROPERTY AND EQUIPMENT (Notes 2 and 6)</b>		
Land	70,000	70,000
Building and improvements	528,836	514,973
Furniture and fixtures	103,255	99,938
Computer equipment	116,890	99,347
Automobile	21,401	-
Telephone system	15,841	14,712
	856,223	798,970
Less: Accumulated depreciation	186,635	130,310
	669,588	668,660
<b>OTHER ASSETS</b>		
Security deposits	5,407	5,407
Investment (Notes 2 and 5)	50	50
	5,457	5,457
	\$ 3,517,148	\$ 2,985,188
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt (Note 6)	\$ 14,864	\$ 13,689
Accounts payable and accrued expenses	213,292	140,206
Deferred revenue (Note 7)	22,135	20,777
Total Current Liabilities	250,291	174,672
Long-term debt, net of current portion (Note 6)	325,784	340,647
	576,075	515,319
<b>NET ASSETS (Notes 2, 4, and 8)</b>		
Unrestricted		
Undesignated	2,093,105	1,943,795
Designated	167,225	88,607
	2,260,330	2,032,402
Temporarily restricted	651,743	437,467
Permanently restricted	29,000	-
	2,941,073	2,469,869
	\$ 3,517,148	\$ 2,985,188

See Accompanying Notes to Financial Statements

**CITIZENS FOR PENNSYLVANIA'S FUTURE**  
STATEMENTS OF ACTIVITIES

Years Ended June 30,

	2004				2003		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>							
Grants and contributions (Note 2)	\$ 1,634,791	\$ 815,279	\$ 29,000	\$ 2,479,070	\$ 2,398,030	\$ 682,700	\$ 3,080,730
Technical assistance	122,403	-	-	122,403	196,531	-	196,531
Meeting income	77,847	-	-	77,847	65,616	-	65,616
Membership fee	41,943	-	-	41,943	21,755	-	21,755
Rental income	45,373	-	-	45,373	31,676	-	31,676
Investment and other income (Notes 4 and 5)	30,257	-	-	30,257	29,140	-	29,140
	<u>1,952,614</u>	<u>815,279</u>	<u>29,000</u>	<u>2,796,893</u>	<u>2,742,748</u>	<u>682,700</u>	<u>3,425,448</u>
Net assets released from restrictions (Note 8)	<u>601,003</u>	<u>(601,003)</u>		<u>-</u>	<u>360,771</u>	<u>(360,771)</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>2,553,617</u>	<u>214,276</u>	<u>29,000</u>	<u>2,796,893</u>	<u>3,103,519</u>	<u>321,929</u>	<u>3,425,448</u>
<b>EXPENSES</b>							
Program services (Note 2)	<u>1,977,839</u>	<u>-</u>	<u>-</u>	<u>1,977,839</u>	<u>1,661,386</u>	<u>-</u>	<u>1,661,386</u>
Support services							
Management and general	234,681	-	-	234,681	160,482	-	160,482
Lobbying	35,857	-	-	35,857	34,649	-	34,649
Fund Raising	77,312	-	-	77,312	87,626	-	87,626
Total Support Services	<u>347,850</u>	<u>-</u>	<u>-</u>	<u>347,850</u>	<u>282,757</u>	<u>-</u>	<u>282,757</u>
<b>TOTAL EXPENSES</b>	<u>2,325,689</u>	<u>-</u>	<u>-</u>	<u>2,325,689</u>	<u>1,944,143</u>	<u>-</u>	<u>1,944,143</u>
<b>INCREASE IN NET ASSETS</b>	227,928	214,276	29,000	471,204	1,159,376	321,929	1,481,305
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>2,032,402</u>	<u>437,467</u>	<u>-</u>	<u>2,469,869</u>	<u>873,026</u>	<u>115,538</u>	<u>988,564</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,260,330</u>	<u>\$ 651,743</u>	<u>\$ 29,000</u>	<u>\$ 2,941,073</u>	<u>\$ 2,032,402</u>	<u>\$ 437,467</u>	<u>\$ 2,469,869</u>

See Accompanying Notes to Financial Statements

**CITIZENS FOR PENNSYLVANIA'S FUTURE**  
STATEMENTS OF FUNCTIONAL EXPENSES

	Years Ended June 30,									
	2004					2003				
	Program Services	Support Services			Total	Program Services	Support Services			Total
Management and General		Lobbying	Fund Raising	Management and General			Lobbying	Fund Raising		
Payroll	\$ 895,024	\$ 137,412	\$ 10,076	\$ 39,355	\$ 1,081,867	\$ 863,650	\$ 91,270	\$ 15,480	\$ 70,757	\$ 1,041,157
Payroll taxes and other fringe benefits	137,741	21,147	1,551	6,057	166,496	133,151	14,072	2,387	10,909	160,519
	<u>1,032,765</u>	<u>158,559</u>	<u>11,627</u>	<u>45,412</u>	<u>1,248,363</u>	<u>996,801</u>	<u>105,342</u>	<u>17,867</u>	<u>81,666</u>	<u>1,201,676</u>
Advertising	148,519	16,502	-	-	165,021	43,760	4,862	-	-	48,622
Awards and sub-grants	1,058	-	-	-	1,058	2,100	-	-	-	2,100
Bad Debt	43,460	-	-	-	43,460	34,000	-	-	-	34,000
Computer expenses	269	18	3	9	299	-	-	-	-	-
Consultants and contract labor	258,287	-	20,352	17,743	296,382	120,343	-	1,216	-	121,559
Conferences and meetings	3,530	-	-	-	3,530	11,621	-	-	-	11,621
Depreciation and amortization (Note 2)	46,750	7,322	563	1,690	56,325	38,486	9,141	481	-	48,108
Dues, subscriptions, and membership fees	2,991	-	-	-	2,991	1,530	-	-	-	1,530
Insurance	22,522	7,507	-	-	30,029	16,731	5,577	-	-	22,308
Interest expense	678	45	8	23	754	947	96	21	-	1,064
Internet expenses	30,229	1,591	-	-	31,820	22,372	1,177	-	-	23,549
Lobbying	-	-	250	-	250	-	-	11,336	-	11,336
Occupancy costs	75,552	11,833	910	2,731	91,026	85,423	8,638	1,920	-	95,981
Office equipment leases and maintenance (Note 9)	7,638	1,348	-	-	8,986	4,583	809	-	-	5,392
Postage	11,655	1,457	-	1,457	14,569	8,737	1,092	-	1,092	10,921
Printing and publications	38,773	4,847	-	4,847	48,467	31,957	3,995	-	3,995	39,947
Professional fees	41,904	6,564	505	1,515	50,488	51,321	7,043	-	-	58,364
Rent (Note 9)	41,659	6,525	502	1,506	50,192	41,612	4,208	935	-	46,755
Research and other	23,783	-	-	-	23,783	29,202	-	-	-	29,202
Supplies	40,351	4,483	-	-	44,834	28,388	3,154	-	-	31,542
Telephone	34,122	2,275	1,137	379	37,913	31,414	1,745	873	873	34,905
Travel	70,480	3,709	-	-	74,189	52,509	2,764	-	-	55,273
Video Project	864	96	-	-	960	7,549	839	-	-	8,388
<b>TOTAL EXPENSES</b>	<u>\$ 1,977,839</u>	<u>\$ 234,681</u>	<u>\$ 35,857</u>	<u>\$ 77,312</u>	<u>\$ 2,325,689</u>	<u>\$ 1,661,386</u>	<u>\$ 160,482</u>	<u>\$ 34,649</u>	<u>\$ 87,626</u>	<u>\$ 1,944,143</u>

See Accompanying Notes to Financial Statements

**CITIZENS FOR PENNSYLVANIA'S FUTURE**  
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 471,204	\$ 1,481,305
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Increase in allowance for doubtful accounts	24,000	34,000
Depreciation and amortization	56,325	48,108
Realized loss on sale of investments	8,232	-
Unrealized (gain) loss on investments	31,152	(1,684)
Non cash contributions	(4,912)	(3,555)
(Increase) decrease in assets		
Accounts receivable	(104,195)	191,132
Prepaid expenses and other current assets	(11,437)	1,919
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	73,086	(19,055)
Deferred revenue	1,358	10,701
Net cash provided by operating activities	544,813	1,742,871
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	1,100,000	-
Purchase of investments	(1,733,056)	(1,562,287)
Purchase of long term investments	-	(50)
Acquisition of property and equipment	(57,253)	(43,703)
Net cash (used in) investing activities	(690,309)	(1,606,040)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in security deposits	-	3,404
Decrease in loan acquisition fees	-	7,665
Repayment of long-term debt	(13,688)	(11,934)
Net cash (used in) financing activities	(13,688)	(865)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(159,184)	135,966
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	329,794	193,828
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 170,610	\$ 329,794
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 22,465	\$ 33,524
Supplemental Disclosure of Non Cash Financing and Investing Activities of acquisition of equipment through capital lease obligations	\$ -	\$ 11,875

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 (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 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 (SFAS) No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. In accordance with SFAS No. 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 (SFAS) No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 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 SFAS No. 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.

**3. CREDIT RISK ARISING FROM CASH DEPOSITS**

The Organization maintains their cash balances in a Harrisburg, Pennsylvania financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At certain times, the Organization's cash deposits exceed the insured amount.

**4. INVESTMENTS – SHORT-TERM**

The Institute 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 investments rather than cash equivalents and are 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,			
	2004		2003	
	Market Value	Cost	Market Value	Cost
Money market	\$ 463,366	\$ 463,366	\$ 584,073	\$ 584,073
Obligations of U.S. Gov't. and its agencies	1,838,694	1,871,682	1,310,697	1,309,234
Common stocks and mutual funds	207,747	205,911	16,453	14,505
	<u>\$ 2,509,807</u>	<u>\$ 2,540,959</u>	<u>\$ 1,911,223</u>	<u>\$ 1,907,812</u>

Marketable securities restricted for board designated endowments and permanent endowments at June 30, 2004 and 2003 were \$196,225 and \$88,607, respectively.

Investment income consisted of:

	Years Ending June 30,	
	2004	2003
Dividends and interest	\$ 57,141	\$ 23,239
Realized (loss)	( 8,232 )	-
Unrealized gain (loss)	( 31,152 )	1,684
	<u>\$ 17,757</u>	<u>\$ 24,923</u>

**5. INVESTMENTS – LONG-TERM**

PennFuture had invested in 50% of the shares in Clean Power Markets, Inc. Clean Power Markets, Inc. provides information systems that facilitate the growth and integrity of the renewable energy market by tracking and verifying ownership of renewable energy to support state compliance with state requirements and market transactions. The investment was made in conjunction with PennFuture's mission of providing alternative power sources. During the years ended June 30, 2004 and 2003 PennFuture received management fees of \$12,500 and \$4,217 and administrative fees of \$5,175 and \$1,800 from Clean Power Markets, Inc, respectively.

**CITIZENS FOR PENNSYLVANIA'S FUTURE**  
NOTES TO FINANCIAL STATEMENTS

**6. LONG-TERM DEBT**

Long-term debt at June 30, 2004 and 2003 consisted of the following:

	June 30,	
	2004	2003
Mortgage payable in monthly installments of \$2,627 including interest at 6.25% with a balloon payment of \$230,390 due May 2012, secured by Organization property located in Harrisburg, Pennsylvania.	\$ 336,295	\$ 346,105
Loan payable equipment leasing company payable in monthly installments of \$386 including interest at 11.6% due June 2005, secured by equipment	4,353	8,231
	340,648	354,336
Less: Current portion	14,864	13,689
	\$ 325,784	\$ 340,647

Scheduled maturities of long-term debt at June 30, 2004 are as follows:

	Years Ending June 30,	
2005	\$	14,864
2006		11,197
2007		11,928
2008		12,654
2009		13,531
Thereafter		276,474
	\$	340,648

**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,	
	2004	2003
Factory farm project	\$ 220,000	\$ 266,047
Penn Street project	13,957	14,887
Howard Heinz Endowments	242,033	156,533
MAREC	45,346	-
PV systems	14,431	-
Energy Foundation	22,143	-
Climate change	25,100	-
Emily Hall Tramiane	37,500	-
Sundra Foundation	31,233	-
	\$ 651,743	\$ 437,467

During the years ended June 30, 2004 and 2003, temporarily restricted net assets of \$601,003 and \$360,771, respectively, were released from donor restrictions by incurring expenses in support of general program activities.

**9. COMMITMENTS**

The Organization leases its Philadelphia facility under non-cancelable operating leases expiring July 2004.

Total rent expense exclusive of operating costs of facilities and office equipment was approximately \$54,300 and \$47,800 for the years ended June 30, 2004 and 2003, respectively.

The Organization leases a portion of its Harrisburg facility to under non-cancelable operating leases expiring October 2005.

Years Ending June 30,	
2005	\$ 16,900
2006	5,700
	\$ 22,600

**CITIZENS FOR PENNSYLVANIA'S FUTURE**  
NOTES TO FINANCIAL STATEMENTS

**10. FEDERAL TAX STATUS**

The Internal Revenue Service has classified the Organization as exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code; 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.

**11. ECONOMIC DEPENDENCY**

PennFuture is dependent upon grants from various foundations to fund 59% and 78% of program expenses for the years ended June 30, 2004 and 2003, respectively. Therefore, the discontinuation of such grants would force the curtailment of many program services.