

**CITIZENS FOR PENNSYLVANIA'S FUTURE**

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**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2006 and 2005**

# CITIZENS FOR PENNSYLVANIA'S FUTURE

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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, 2006 and 2005, 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, 2006 and 2005, 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 21, 2006

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

	June 30,	
	2006	2005
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Notes 2 and 3)	\$ 195,548	\$ 776,197
Investments (Notes 2 and 4)	1,658,290	1,568,797
Accounts receivable, net of allowance for doubtful accounts of \$5,000 for 2006 and \$27,000 for 2005	51,359	49,301
Prepaid expenses and other current assets	19,722	26,984
Total Current Assets	1,924,919	2,421,279
<b>PROPERTY AND EQUIPMENT (Notes 2 and 6)</b>		
Land	70,000	70,000
Building and improvements	546,671	537,637
Furniture and fixtures	114,517	103,255
Computer equipment	58,338	119,902
Automobile	21,401	21,401
Telephone system	15,841	15,841
	826,768	868,036
Less: Accumulated depreciation	228,846	242,280
	597,922	625,756
<b>OTHER ASSETS</b>		
Security deposits	4,235	2,585
Investment (Notes 2 and 5)	50	50
	4,285	2,635
	\$ 2,527,126	\$ 3,049,670
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt (Note 6)	\$ 11,928	\$ 10,277
Accounts payable and accrued expenses	208,407	183,809
Deferred revenue (Note 7)	11,797	27,744
Total Current Liabilities	232,132	221,830
Long-term debt, net of current portion (Note 6)	302,659	314,586
	534,791	536,416
<b>NET ASSETS (Notes 2, 4, and 8)</b>		
Unrestricted		
Undesignated	271,196	851,601
Designated for property and equipment	597,922	625,756
Designated	387,802	242,267
	1,256,920	1,719,624
Temporarily restricted	653,104	750,322
Permanently restricted	82,311	43,308
	1,992,335	2,513,254
	\$ 2,527,126	\$ 3,049,670

See Accompanying Notes to Financial Statements

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

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>								
Grants and contributions (Note 2)	\$ 498,733	\$ 1,267,231	\$ 39,003	\$ 1,804,967	\$ 736,192	\$ 836,608	\$ 14,308	\$ 1,587,108
Technical assistance	35,056	-	-	35,056	90,811	-	-	90,811
Meeting income	25,138	-	-	25,138	29,597	-	-	29,597
Membership fee	19,361	-	-	19,361	54,371	-	-	54,371
Rental income	49,592	-	-	49,592	46,876	-	-	46,876
Investment and other income (Notes 4 and 5)	98,668	-	-	98,668	85,764	-	-	85,764
	726,548	1,267,231	39,003	2,032,782	1,043,611	836,608	14,308	1,894,527
Net assets released from restrictions (Note 8)	1,364,449	(1,364,449)	-	-	738,029	(738,029)	-	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	2,090,997	(97,218)	39,003	2,032,782	1,781,640	98,579	14,308	1,894,527
<b>EXPENSES</b>								
Program services (Note 2)	2,127,418	-	-	2,127,418	1,894,009	-	-	1,894,009
Support services								
Management and general	243,652	-	-	243,652	177,727	-	-	177,727
Lobbying	44,396	-	-	44,396	185,511	-	-	185,511
Fund raising	138,235	-	-	138,235	65,099	-	-	65,099
Total Support Services	426,283	-	-	426,283	428,337	-	-	428,337
<b>TOTAL EXPENSES</b>	2,553,701	-	-	2,553,701	2,322,346	-	-	2,322,346
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(462,704)	(97,218)	39,003	(520,919)	(540,706)	98,579	14,308	(427,819)
<b>NET ASSETS - BEGINNING OF YEAR</b>	1,719,624	750,322	43,308	2,513,254	2,260,330	651,743	29,000	2,941,073
<b>NET ASSETS - END OF YEAR</b>	\$ 1,256,920	\$ 653,104	\$ 82,311	\$ 1,992,335	\$ 1,719,624	\$ 750,322	\$ 43,308	\$ 2,513,254

See Accompanying Notes to Financial Statements



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

	Years Ended June 30,	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Decrease) in net assets	\$ (520,919)	\$ (427,819)
Adjustments to reconcile (decrease) in net assets to net cash (used in) operating activities		
(Decrease) in allowance for doubtful accounts	(22,000)	(31,000)
Depreciation and amortization	50,199	55,645
Realized loss on sale of investments	21,508	37,681
Unrealized (gain) on investments	(33,758)	(35,043)
Non-cash contributions	(5,683)	(10,786)
Decrease in assets		
Accounts receivable	19,942	112,969
Prepaid expenses and other current assets	7,262	3,432
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	24,598	(29,483)
Deferred revenue	(15,947)	5,609
	(474,798)	(318,795)
Net cash (used in) operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	1,596,574	3,338,935
Purchase of investments	(1,668,134)	(2,389,777)
Acquisition of property and equipment	(22,365)	(11,813)
	(93,925)	937,345
Net cash provided by (used in) investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Increase) decrease in security deposits	(1,650)	2,822
Repayment of long-term debt	(10,276)	(15,785)
	(11,926)	(12,963)
Net cash (used in) financing activities		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(580,649)	605,587
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	776,197	170,610
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 195,548	\$ 776,197
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 20,316	\$ 21,298

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,			
	2006		2005	
	Market Value	Cost	Market Value	Cost
Money market	\$ 32,926	\$ 32,926	\$ 16,275	\$ 16,275
Obligations of U.S. Gov't. and its agencies	1,186,767	1,186,767	1,275,564	1,302,389
Common stocks and mutual funds	438,597	399,172	276,958	244,769
	<u>\$ 1,658,290</u>	<u>\$ 1,618,865</u>	<u>\$ 1,568,797</u>	<u>\$ 1,563,433</u>

Marketable securities restricted for board designated endowments and permanent endowments at June 30, 2006 and 2005 were \$470,113 and \$285,575, respectively.

Investment income consisted of:

	Years Ending June 30,	
	2006	2005
Dividends and interest	\$ 78,201	\$ 81,702
Realized (loss)	(21,508)	(37,681)
Unrealized gain	33,758	35,043
	<u>\$ 90,451</u>	<u>\$ 79,064</u>

**5. INVESTMENTS – LONG-TERM**

PennFuture had invested in 20% 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, 2005 PennFuture received management fees of \$6,700 from Clean Power Markets, Inc.

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

**6. LONG-TERM DEBT**

Long-term debt at June 30, 2006 and 2005 consisted of the following:

	June 30,	
	2006	2005
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.	\$ 314,587	\$ 324,863
Less: Current portion	11,928	10,277
	\$ 302,659	\$ 314,586

Scheduled maturities of long-term debt at June 30, 2006 are as follows:

Years Ending June 30,	
2007	11,928
2008	12,654
2009	13,531
2010	14,414
2011	15,354
Thereafter	246,706
	\$ 314,587

**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,	
	2006	2005
Factory farm project	\$ -	\$ 262,902
Howard Heinz Endowments	373,500	136,265
MAREC	12,000	-
Climate change	5,834	49,082
Emily Hall Tramiane	27,500	101,763
Energy promotional activities	124,270	159,500
Education and outreach initiative	110,000	40,810
	\$ 653,104	\$ 750,322

During the years ended June 30, 2006 and 2005, temporarily restricted net assets of \$1,364,449 and \$738,029, respectively, were released from donor restrictions by incurring expenses in support of general program activities.

**9. COMMITMENTS**

The Organization leases its Philadelphia and Pittsburgh facilities under non-cancelable operating leases, which expire through 2007 to 2009.

The minimum annual rentals as of June 30, 2006 are as follows:

Years Ending June 30,	
2007	54,400
2008	25,900
2009	17,400
2010	2,900
	\$100,600

Total rent expense exclusive of operating costs of facilities and office equipment was approximately \$61,700 and \$54,900 for the years ended June 30, 2006 and 2005, respectively.

The Organization leases a portion of its Harrisburg facility to under non-cancelable operating leases expiring October 2008.

Years Ending June 30,	
2007	23,900
2008	23,900
2009	8,000
	\$55,800

**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 48% and 27% of program expenses for the years ended June 30, 2006 and 2005, respectively. Therefore, the discontinuation of such grants would force the curtailment of many program services.