

CITIZENS FOR PENNSYLVANIA'S FUTURE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

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, 2008 and 2007, 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, 2008 and 2007, 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

November 26, 2008

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2008	2007*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 2,260,133	\$ 1,284,040
Investments (Notes 2 and 4)	939,088	1,833,791
Accounts receivable	402,637	88,266
Prepaid expenses and other current assets	22,556	24,090
Total Current Assets	3,624,414	3,230,187
PROPERTY AND EQUIPMENT (Note 2)		
Land	70,000	70,000
Building and improvements	599,532	582,589
Furniture and fixtures	119,460	114,517
Computer equipment	76,256	71,550
Automobile	21,401	21,401
Telephone system	15,841	15,841
	902,490	875,898
Less: Accumulated depreciation	311,119	270,932
	591,371	604,966
OTHER ASSETS		
Security deposits	4,235	4,235
Investment (Notes 2 and 5)	33,608	52,903
	37,843	57,138
	\$ 4,253,628	\$ 3,892,291
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 223,035	\$ 184,969
Deferred revenue (Note 6)	10,463	15,362
Total Current Liabilities	233,498	200,331
NET ASSETS (Notes 2, 4, and 7)		
Unrestricted		
Undesignated	1,426,150	874,309
Designated for property and equipment	591,371	604,966
Designated	920,681	604,699
	2,938,202	2,083,974
Temporarily restricted	948,222	1,485,197
Permanently restricted	133,706	122,789
	4,020,130	3,691,960
	\$ 4,253,628	\$ 3,892,291

* Reclassified to conform with current presentation.

See Accompanying Notes to Financial Statements

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF ACTIVITIES

	2008			2007				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Grants and contributions (Note 2)	\$ 893,481	\$ 1,520,563	\$ 10,917	\$ 2,424,961	\$ 145,513	\$ 3,345,654	\$ 40,478	\$ 3,531,645
Technical assistance	6,453	-	-	6,453	327,576	-	-	327,576
Meeting income	44,107	-	-	44,107	32,636	-	-	32,636
Membership fee	31,570	-	-	31,570	24,066	-	-	24,066
Rental income (Note 8)	48,857	-	-	48,857	50,641	-	-	50,641
Fund raising	245,750	-	-	245,750	-	-	-	-
Investment and other income (Notes 4 and 5)	85,376	-	-	85,376	278,112	-	-	278,112
	1,355,594	1,520,563	10,917	2,887,074	858,544	3,345,654	40,478	4,244,676
Net assets released from restrictions (Note 7)	2,057,538	(2,057,538)	-	-	2,513,561	(2,513,561)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	3,413,132	(536,975)	10,917	2,887,074	3,372,105	832,093	40,478	4,244,676
EXPENSES								
Program services (Note 2)	1,664,683	-	-	1,664,683	2,068,398	-	-	2,068,398
Support services								
Management and general	417,331	-	-	417,331	298,549	-	-	298,549
Lobbying	181,130	-	-	181,130	70,994	-	-	70,994
Fundraising	295,760	-	-	295,760	107,110	-	-	107,110
Total Support Services	894,221	-	-	894,221	476,653	-	-	476,653
TOTAL EXPENSES	2,558,904	-	-	2,558,904	2,545,051	-	-	2,545,051
INCREASE (DECREASE) IN NET ASSETS	854,228	(536,975)	10,917	328,170	827,054	832,093	40,478	1,699,625
NET ASSETS - BEGINNING OF YEAR	2,083,974	1,485,197	122,789	3,691,960	1,256,920	653,104	82,311	1,992,335
NET ASSETS - END OF YEAR	\$ 2,938,202	\$ 948,222	\$ 133,706	\$ 4,020,130	\$ 2,083,974	\$ 1,485,197	\$ 122,789	\$ 3,691,960

See Accompanying Notes to Financial Statements

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30,

	2008				2007			
	Support Services		Management and General		Support Services		Management and General	
	Program Services	Lobbying	Fund Raising	Total	Program Services	Lobbying	Fund Raising	Total
Payroll	\$ 759,225	\$ 62,275	\$ 155,640	\$ 1,255,714	\$ 877,725	\$ 25,392	\$ 64,920	\$ 1,162,661
Payroll taxes and other fringe benefits	112,048	9,191	22,970	185,322	144,269	4,174	10,671	191,104
Advertising	871,273	71,466	178,610	1,441,036	1,021,994	29,566	75,591	1,353,765
Awards and sub-grants	37,579	5,011	2,505	50,106	38,205	2,388	2,388	47,757
Bad debt (recoveries)	-	-	-	-	150	-	-	150
Consultants and contract labor	9,600	-	-	9,600	486,178	-	-	2,900
Conferees and meetings	233,082	90,643	-	323,725	3,606	9,922	-	496,100
Depreciation and amortization (Note 2)	5,010	-	-	5,010	31,564	842	2,525	3,606
Dues, subscriptions, and membership fees	24,515	2,009	4,824	40,189	2,420	-	-	42,086
Education	13,987	-	-	13,987	500	-	-	2,420
Fundraising	-	-	71,031	71,031	-	-	-	500
Insurance	32,718	-	-	32,718	33,988	-	-	-
Internet expenses	95,405	1,026	1,026	102,586	44,141	475	475	33,988
Investment expenses	-	-	-	12,794	-	-	-	47,464
Lobbying	-	-	5,944	5,944	-	19,116	-	11,836
Occupancy costs	39,170	3,211	7,706	64,214	50,337	1,342	4,027	19,116
Office equipment leases and maintenance (Note 8)	-	-	-	-	-	-	-	67,116
Postage	1,086	13	13	1,308	5,868	71	71	7,070
Printing and publications	18,662	215	2,145	21,451	18,917	217	2,174	21,743
Professional fees	52,638	3,509	7,018	70,183	75,536	5,036	10,071	100,714
Rent (Note 8)	-	-	-	19,863	33,680	-	-	33,680
Research and other	41,780	3,425	8,219	68,492	51,379	1,370	4,110	68,505
Supplies	21,702	-	-	21,702	19,065	-	-	19,065
Telephone	22,339	240	240	24,020	25,233	271	271	27,131
Travel	33,669	362	362	36,203	35,112	378	378	37,756
Video project	110,108	-	6,117	122,342	90,525	-	5,029	100,583
	360	-	-	400	-	-	-	-
TOTAL EXPENSES	\$ 1,664,683	\$ 181,130	\$ 295,760	\$ 2,558,904	\$ 2,068,398	\$ 70,994	\$ 107,110	\$ 2,545,051

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2008	2007*
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 328,170	\$ 1,699,625
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
(Decrease) in allowance for doubtful accounts	-	(5,000)
Depreciation and amortization	40,506	42,086
Realized (gain) loss on sale of investments	59,439	(81,948)
Unrealized (gain) on investments	(12,206)	(77,944)
Non-cash contributions	(10,917)	(3,200)
(Increase) decrease in assets		
Accounts receivable	314,371	(31,907)
Prepaid expenses and other current assets	1,534	(4,368)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	38,066	(23,438)
Deferred revenue	(4,899)	3,565
	<u>754,064</u>	<u>1,517,471</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,539,467	2,130,658
Purchase of investments	(1,290,846)	(2,228,846)
Acquisition of property and equipment	(26,592)	(49,130)
	<u>222,029</u>	<u>(147,318)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	-	(314,587)
	<u>-</u>	<u>(314,587)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	976,093	1,055,566
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,284,040</u>	<u>228,474</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,260,133</u>	<u>\$ 1,284,040</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 19,267</u>

* Reclassified to conform with current presentation.

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 \$250,000. 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,			
	2008		2007	
	Market Value	Cost	Market Value	Cost
Obligations of U.S. Gov't. and its agencies	\$ 157,518	\$ 156,000	\$ 1,276,500	\$ 1,278,479
Common stocks and mutual funds	781,570	723,852	557,291	461,133
	\$ 939,088	\$ 879,852	\$ 1,833,791	\$ 1,739,612

Marketable securities restricted for board designated endowments and permanent endowments at June 30, 2007 and 2006 were \$1,054,387 and \$727,488 respectively.

Investment income consisted of:

	Years Ending June 30,	
	2008	2007
Dividends and interest	\$ 124,100	\$ 115,273
Realized gain (loss)	(59,439)	81,948
Unrealized gain	12,206	77,944
	\$ 76,867	\$ 275,165

5. 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, 2008 and 2007, PennFuture received \$8,509 and \$ 2,947 in royalties income, respectively, from PaceControls, LLC.

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 year ended June 30, 2007, Clean Power Markets, Inc. was sold to Enerwise Global Technologies, Inc., which resulted in a realized gain of \$ 83,928.

CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS

6. 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.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	June 30,	
	2008	2007
General operating support	\$ 440,000	\$ 880,000
MAREC	89,332	39,516
Biofuels	-	9,571
Climate change	-	12,048
Energy independence strategy	-	32,250
Global warming education	-	32,500
Energy center	88,500	137,929
Education and outreach initiative	118,000	220,000
Outreach support	12,500	83,107
Power sector	-	38,276
Mon/Fayette Project	74,890	-
Cool Pennsylvania Campaign	50,000	-
Clean Water Laws Enforcement	75,000	-
	<u>\$ 948,222</u>	<u>\$ 1,485,197</u>

During the years ended June 30, 2008 and 2007, temporarily restricted net assets of \$2,057,538 and \$2,513,561, respectively, were released from donor restrictions by incurring expenses in support of general program activities.

CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS

8. COMMITMENTS

The Organization leases its Philadelphia, Pittsburgh, and West Chester facilities under non-cancelable operating leases, which expire through 2008 to 2010.

The minimum annual rentals as of June 30, 2008 are as follows:

<u>Years Ending June 30,</u>	
2009	\$ 56,500
2010	<u>20,600</u>
	<u>\$ 77,100</u>

Total rent expense exclusive of operating costs of facilities and office equipment was approximately \$68,500 and \$68,500 for the years ended June 30, 2008 and 2007, respectively.

The Organization leases a portion of its Harrisburg facility to three tenants, under non-cancelable operating leases, which expire through 2009 to 2013.

<u>Years Ending June 30,</u>	
2009	\$ 60,900
2010	11,000
2011	7,000
2012	7,200
2013	7,400
Thereafter	<u>600</u>
	<u>\$ 94,100</u>

Total rental income was approximately \$49,000 and \$51,000 for the years ended June 30, 2008 and 2007, respectively.

9. 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.

10. ECONOMIC DEPENDENCY

PennFuture is dependent upon grants from various foundations to fund program expenses. For the years ended June 30, 2008 and 2007, PennFuture received 47% and 55%, respectively, from three granting agencies. Therefore, the discontinuation of such grants would force the curtailment of many program services.