

CITIZENS FOR PENNSYLVANIA'S FUTURE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2007 and 2006

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, 2007 and 2006, 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, 2007 and 2006, 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

September 28, 2007

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Notes 2 and 3)	\$ 225,882	\$ 195,548
Investments (Notes 2 and 4)	2,891,949	1,658,290
Accounts receivable, net of allowance for doubtful accounts of \$0 for 2007 and \$5,000 for 2006	88,266	51,359
Prepaid expenses and other current assets	24,090	19,722
Total Current Assets	3,230,187	1,924,919
PROPERTY AND EQUIPMENT (Notes 2 and 6)		
Land	70,000	70,000
Building and improvements	582,589	546,671
Furniture and fixtures	114,517	114,517
Computer equipment	71,550	58,338
Automobile	21,401	21,401
Telephone system	15,841	15,841
	875,898	826,768
Less: Accumulated depreciation	270,932	228,846
	604,966	597,922
OTHER ASSETS		
Security deposits	4,235	4,235
Investment (Notes 2 and 5)	52,903	50
	57,138	4,285
	\$ 3,892,291	\$ 2,527,126
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt (Note 6)	\$ -	\$ 11,928
Accounts payable and accrued expenses	184,969	208,407
Deferred revenue (Note 7)	15,362	11,797
Total Current Liabilities	200,331	232,132
Long-term debt, net of current portion (Note 6)	-	302,659
	200,331	534,791
NET ASSETS (Notes 2, 4, and 8)		
Unrestricted		
Undesignated	874,309	271,196
Designated for property and equipment	604,966	597,922
Designated	604,699	387,802
	2,083,974	1,256,920
Temporarily restricted	1,485,197	653,104
Permanently restricted	122,789	82,311
	3,691,960	1,992,335
	\$ 3,892,291	\$ 2,527,126

See Accompanying Notes to Financial Statements

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF ACTIVITIES

Years Ended June 30,

2006

2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Grants and contributions (Note 2)	\$ 145,513	\$ 3,345,654	\$ 40,478	\$ 3,531,645	\$ 498,733	\$ 1,267,231	\$ 39,003	\$ 1,804,967
Technical assistance	327,576	-	-	327,576	35,056	-	-	35,056
Meeting income	32,636	-	-	32,636	25,138	-	-	25,138
Membership fee	24,066	-	-	24,066	19,361	-	-	19,361
Rental income	50,641	-	-	50,641	49,592	-	-	49,592
Investment and other income (Notes 4 and 5)	278,112	-	-	278,112	98,668	-	-	98,668
	858,544	3,345,654	40,478	4,244,676	726,548	1,267,231	39,003	2,032,782
Net assets released from restrictions (Note 8)	2,513,561	(2,513,561)	-	-	1,364,449	(1,364,449)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	3,372,105	832,093	40,478	4,244,676	2,090,997	(97,218)	39,003	2,032,782
EXPENSES								
Program services (Note 2)	2,068,398	-	-	2,068,398	2,127,418	-	-	2,127,418
Support services								
Management and general	298,549	-	-	298,549	243,652	-	-	243,652
Lobbying	70,994	-	-	70,994	44,396	-	-	44,396
Fundraising	107,110	-	-	107,110	138,235	-	-	138,235
Total Support Services	476,653	-	-	476,653	426,283	-	-	426,283
	2,545,051	-	-	2,545,051	2,553,701	-	-	2,553,701
TOTAL EXPENSES	2,545,051	-	-	2,545,051	2,553,701	-	-	2,553,701
INCREASE (DECREASE) IN NET ASSETS	827,054	832,093	40,478	1,699,625	(462,704)	(97,218)	39,003	(520,919)
NET ASSETS - BEGINNING OF YEAR	1,256,920	653,104	82,311	1,992,335	1,719,624	750,322	43,308	2,513,254
NET ASSETS - END OF YEAR	\$ 2,083,974	\$ 1,485,197	\$ 122,789	\$ 3,691,960	\$ 1,256,920	\$ 653,104	\$ 82,311	\$ 1,992,335

See Accompanying Notes to Financial Statements

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30,

	2007				2006			
	Support Services		Management and General		Support Services		Management and General	
	Program Services	Lobbying	Fund Raising	Total	Program Services	Lobbying	Fund Raising	Total
Payroll	\$ 877,725	\$ 25,392	\$ 64,920	\$ 1,162,661	\$ 846,256	\$ 127,535	\$ 69,383	\$ 1,060,035
Payroll taxes and other fringe benefits	144,269	4,174	10,671	191,104	210,129	31,667	17,228	263,211
Advertising	1,021,994	29,566	75,591	1,353,765	1,056,385	159,202	86,611	1,323,246
Awards and sub-grants	38,205	2,388	2,388	47,757	14,956	2,137	3,205	21,366
Bad debt (recoveries)	150	-	-	150	943	-	-	943
Consultants and contract labor	-	-	-	2,900	(7,600)	-	-	(7,600)
Conferences and meetings	486,178	9,922	-	496,100	487,804	-	-	497,759
Depreciation and amortization (Note 2)	3,606	-	-	3,606	1,230	-	-	1,230
Dues, subscriptions, and membership fees	31,564	842	2,525	42,086	40,074	6,039	3,288	50,199
Education	2,420	-	-	2,420	1,748	92	-	1,840
Insurance	500	-	-	500	-	-	-	-
Internet expenses	33,988	-	-	33,988	25,725	8,575	-	34,300
Investment expenses	44,141	475	475	47,464	80,737	4,806	9,612	96,116
Lobbying	-	-	-	11,836	-	10,896	-	10,896
Occupancy costs	-	19,116	-	19,116	-	-	-	-
Office equipment leases and maintenance (Note 9)	50,337	1,342	4,027	67,116	80,117	12,073	6,574	100,360
Postage	5,868	71	71	7,070	7,460	1,348	90	8,988
Printing and publications	18,917	217	2,174	21,743	43,625	1,003	5,014	50,143
Professional fees	75,536	5,036	10,071	100,714	52,206	6,961	6,961	69,608
Rent (Note 9)	33,680	-	-	33,680	21,569	14,380	-	35,949
Research and other	51,379	1,370	4,110	68,505	46,560	7,016	3,820	58,323
Supplies	19,065	-	-	19,065	17,859	-	-	17,859
Telephone	25,233	271	271	27,131	31,678	1,981	3,938	39,565
Travel	35,112	378	378	37,756	32,068	2,004	4,009	40,085
Video project	90,525	-	5,029	100,583	92,040	5,113	5,113	102,266
	-	-	-	-	234	26	-	260
TOTAL EXPENSES	\$ 2,068,398	\$ 70,994	\$ 107,110	\$ 2,545,051	\$ 2,127,418	\$ 243,652	\$ 138,235	\$ 2,553,701

See Accompanying Notes to Financial Statements

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 1,699,625	\$ (520,919)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
(Decrease) in allowance for doubtful accounts	(5,000)	(22,000)
Depreciation and amortization	42,086	50,199
Realized (gain) loss on sale of investments	(81,948)	21,508
Unrealized (gain) on investments	(77,944)	(33,758)
Non-cash contributions	(3,200)	(5,683)
(Increase) decrease in assets		
Accounts receivable	(31,907)	19,942
Prepaid expenses and other current assets	(4,368)	7,262
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(23,438)	24,598
Deferred revenue	3,565	(15,947)
	<u>1,517,471</u>	<u>(474,798)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	2,400,658	1,596,574
Purchase of investments	(3,524,078)	(1,668,134)
Acquisition of property and equipment	(49,130)	(22,365)
	<u>(1,172,550)</u>	<u>(93,925)</u>
Net cash (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
(Increase) in security deposits	-	(1,650)
Repayment of long-term debt	(314,587)	(10,276)
	<u>(314,587)</u>	<u>(11,926)</u>
Net cash (used in) financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,334	(580,649)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>195,548</u>	<u>776,197</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 225,882</u>	<u>\$ 195,548</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 19,267</u>	<u>\$ 20,316</u>

See Accompanying Notes to Financial Statements

CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Statement Presentation

The Organization has adopted the Statement of Financial Accounting Standards (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,			
	2007		2006	
	Market Value	Cost	Market Value	Cost
Money market	\$ 1,058,158	\$ 1,058,158	\$ 32,926	\$ 32,926
Obligations of U.S. Gov't. and its agencies	1,276,500	1,278,479	1,186,767	1,186,767
Common stocks and mutual funds	557,291	461,133	438,597	399,172
	<u>\$ 2,891,949</u>	<u>\$ 2,797,770</u>	<u>\$ 1,658,290</u>	<u>\$ 1,618,865</u>

Marketable securities restricted for board designated endowments and permanent endowments at June 30, 2007 and 2006 were \$727,488 and \$470,113 respectively.

Investment income consisted of:

	Years Ending June 30,	
	2007	2006
Dividends and interest	\$ 115,273	\$ 78,201
Realized gain (loss)	81,948	(21,508)
Unrealized gain	77,944	33,758
	<u>\$ 275,165</u>	<u>\$ 90,451</u>

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, 2007 and 2006, PennFuture received \$2,947 and \$ 8,217 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. LONG-TERM DEBT

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

	June 30, 2006
Mortgage – Repaid in current period	\$ 314,587
Less: Current portion	11,928
	\$ 302,659

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.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	June 30,	
	2007	2006
General operating support	\$ 880,000	\$ 373,500
MAREC	39,516	12,000
Biofuels	9,571	-
Climate change	12,048	5,834
Energy independence strategy	32,250	-
Global warming education	32,500	27,500
Energy center	137,929	124,270
Education and outreach initiative	220,000	110,000
Outreach support	83,107	-
Power sector	38,276	-
	\$1,485,197	\$653,104

During the years ended June 30, 2007 and 2006, temporarily restricted net assets of \$2,513,561 and \$1,364,449, respectively, were released from donor restrictions by incurring expenses in support of general program activities.

CITIZENS FOR PENNSYLVANIA'S FUTURE
NOTES TO FINANCIAL STATEMENTS

9. COMMITMENTS

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

The minimum annual rentals as of June 30, 2007 are as follows:

<u>Years Ending June 30,</u>	
2008	\$ 68,200
2009	56,500
2010	<u>20,600</u>
	<u>\$145,300</u>

Total rent expense exclusive of operating costs of facilities and office equipment was approximately \$68,500 and \$61,700 for the years ended June 30, 2007 and 2006, respectively.

The Organization leases a portion of its Harrisburg facility to three tenants, under non-cancelable operating leases all expiring in 2008.

<u>Years Ending June 30,</u>	
2008	\$50,600
2009	<u>6,400</u>
	<u>\$57,000</u>

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 program expenses. For the years ended June 30, 2007 and 2006, PennFuture received 55% and 48%, respectively, from three granting agencies. Therefore, the discontinuation of such grants would force the curtailment of many program services.