

CITIZENS FOR PENNSYLVANIA'S FUTURE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 and 2004

CITIZENS FOR PENNSYLVANIA'S FUTURE

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11

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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, 2005 and 2004, 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, 2005 and 2004, 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 22, 2005

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2005	2004 *
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Notes 2 and 3)	\$ 776,197	\$ 170,610
Investments (Notes 2 and 4)	1,568,797	2,509,807
Accounts receivable, net of allowance for doubtful accounts of \$27,000 for 2005 and \$58,000 for 2004	49,301	131,270
Prepaid expenses and other current assets	26,984	30,416
Total Current Assets	2,421,279	2,842,103
PROPERTY AND EQUIPMENT (Notes 2 and 6)		
Land	70,000	70,000
Building and improvements	537,637	528,836
Furniture and fixtures	103,255	103,255
Computer equipment	119,902	116,890
Automobile	21,401	21,401
Telephone system	15,841	15,841
	868,036	856,223
Less: Accumulated depreciation	242,280	186,635
	625,756	669,588
OTHER ASSETS		
Security deposits	2,585	5,407
Investment (Notes 2 and 5)	50	50
	2,635	5,457
	\$ 3,049,670	\$ 3,517,148
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt (Note 6)	\$ 10,277	\$ 14,864
Accounts payable and accrued expenses	183,809	213,292
Deferred revenue (Note 7)	27,744	22,135
Total Current Liabilities	221,830	250,291
Long-term debt, net of current portion (Note 6)	314,586	325,784
	536,416	576,075
NET ASSETS (Notes 2, 4, and 8)		
Unrestricted		
Undesignated	851,601	1,423,517
Designated for property and equipment	625,756	669,588
Designated	242,267	167,225
	1,719,624	2,260,330
Temporarily restricted	750,322	651,743
Permanently restricted	43,308	29,000
	2,513,254	2,941,073
	\$ 3,049,670	\$ 3,517,148

* Restated to conform with current presentation

See Accompanying Notes to Financial Statements

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF ACTIVITIES

Years Ended June 30,

	2005				2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Grants and contributions (Note 2)	\$ 736,192	\$ 836,608	\$ 14,308	\$ 1,587,108	\$ 1,634,791	\$ 815,279	\$ 29,000	\$ 2,479,070
Technical assistance	90,811	-	-	90,811	122,403	-	-	122,403
Meeting income	29,597	-	-	29,597	77,847	-	-	77,847
Membership fee	54,371	-	-	54,371	41,943	-	-	41,943
Rental income	46,876	-	-	46,876	45,373	-	-	45,373
Investment and other income (Notes 4 and 5)	85,764	-	-	85,764	30,257	-	-	30,257
	<u>1,043,611</u>	<u>836,608</u>	<u>14,308</u>	<u>1,894,527</u>	<u>1,952,614</u>	<u>815,279</u>	<u>29,000</u>	<u>2,796,893</u>
Net assets released from restrictions (Note 8)	738,029	(738,029)	-	-	601,003	(601,003)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>1,781,640</u>	<u>98,579</u>	<u>14,308</u>	<u>1,894,527</u>	<u>2,553,617</u>	<u>214,276</u>	<u>29,000</u>	<u>2,796,893</u>
EXPENSES								
Program services (Note 2)	1,894,009	-	-	1,894,009	1,977,839	-	-	1,977,839
Support services								
Management and general	177,727	-	-	177,727	234,681	-	-	234,681
Lobbying	185,511	-	-	185,511	35,857	-	-	35,857
Fund raising	65,099	-	-	65,099	77,312	-	-	77,312
Total Support Services	<u>428,337</u>	<u>-</u>	<u>-</u>	<u>428,337</u>	<u>347,850</u>	<u>-</u>	<u>-</u>	<u>347,850</u>
	<u>2,322,346</u>	<u>-</u>	<u>-</u>	<u>2,322,346</u>	<u>2,325,689</u>	<u>-</u>	<u>-</u>	<u>2,325,689</u>
TOTAL EXPENSES	<u>2,322,346</u>	<u>-</u>	<u>-</u>	<u>2,322,346</u>	<u>2,325,689</u>	<u>-</u>	<u>-</u>	<u>2,325,689</u>
INCREASE (DECREASE) IN NET ASSETS	(540,706)	98,579	14,308	(427,819)	227,928	214,276	29,000	471,204
NET ASSETS - BEGINNING OF YEAR	2,260,330	651,743	29,000	2,941,073	2,032,402	437,467	-	2,469,869
NET ASSETS - END OF YEAR	<u>\$ 1,719,624</u>	<u>\$ 750,322</u>	<u>\$ 43,308</u>	<u>\$ 2,513,254</u>	<u>\$ 2,260,330</u>	<u>\$ 651,743</u>	<u>\$ 29,000</u>	<u>\$ 2,941,073</u>

See Accompanying Notes to Financial Statements

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF FUNCTIONAL EXPENSES

	Years Ended June 30,									
	2005					2004				
	Program Services	Support Services			Total	Program Services	Support Services			Total
Management and General		Lobbying	Fund Raising	Management and General			Lobbying	Fund Raising		
Payroll	\$ 850,340	\$ 93,441	\$ 29,614	\$ 37,069	\$ 1,010,464	\$ 895,024	\$ 137,412	\$ 10,076	\$ 39,355	\$ 1,081,867
Payroll taxes and other fringe benefits	189,204	20,791	6,589	8,248	224,832	137,741	21,147	1,551	6,057	166,496
	<u>1,039,544</u>	<u>114,232</u>	<u>36,203</u>	<u>45,317</u>	<u>1,235,296</u>	<u>1,032,765</u>	<u>158,559</u>	<u>11,627</u>	<u>45,412</u>	<u>1,248,363</u>
Advertising	57,632	7,684	7,684	3,842	76,842	148,519	16,502	-	-	165,021
Awards and sub-grants	395	-	-	-	395	1,058	-	-	-	1,058
Bad debt	19,128	-	-	-	19,128	43,460	-	-	-	43,460
Consultants and contract labor	280,162	-	120,069	-	400,231	258,287	-	20,352	17,743	296,382
Conferences and meetings	2,190	-	-	-	2,190	3,530	-	-	-	3,530
Depreciation and amortization (Note 2)	46,742	5,008	1,669	2,226	55,645	46,750	7,322	563	1,690	56,325
Dues, subscriptions, and membership fees	2,751	-	-	-	2,751	2,991	-	-	-	2,991
Insurance	25,818	8,606	-	-	34,424	22,522	7,507	-	-	30,029
Interest expense	251	17	3	8	279	678	45	8	23	754
Internet expenses	65,151	3,465	693	-	69,309	30,229	1,591	-	-	31,820
Lobbying	-	-	7,730	-	7,730	-	-	250	-	250
Occupancy costs	62,239	6,668	2,223	2,964	74,094	75,552	11,833	910	2,731	91,026
Office equipment leases and maintenance (Note 9)	6,574	1,160	-	-	7,734	7,907	1,366	3	9	9,285
Postage	22,004	1,448	1,158	4,343	28,953	11,655	1,457	-	1,457	14,569
Printing and publications	25,398	3,628	3,628	3,628	36,282	38,773	4,847	-	4,847	48,467
Professional fees	41,921	13,974	-	-	55,895	41,904	6,564	505	1,515	50,488
Rent (Note 9)	43,066	4,614	1,538	2,051	51,269	41,659	6,525	502	1,506	50,192
Research and other	26,977	-	-	-	26,977	23,783	-	-	-	23,783
Supplies	33,604	1,888	1,888	378	37,758	40,351	4,483	-	-	44,834
Telephone	30,764	2,051	1,025	342	34,182	34,122	2,275	1,137	379	37,913
Travel	61,076	3,215	-	-	64,291	70,480	3,709	-	-	74,189
Video project	622	69	-	-	691	864	96	-	-	960
TOTAL EXPENSES	<u>\$ 1,894,009</u>	<u>\$ 177,727</u>	<u>\$ 185,511</u>	<u>\$ 65,099</u>	<u>\$ 2,322,346</u>	<u>\$ 1,977,839</u>	<u>\$ 234,681</u>	<u>\$ 35,857</u>	<u>\$ 77,312</u>	<u>\$ 2,325,689</u>

See Accompanying Notes to Financial Statements

CITIZENS FOR PENNSYLVANIA'S FUTURE
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (427,819)	\$ 471,204
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Increase (decrease) in allowance for doubtful accounts	(31,000)	24,000
Depreciation and amortization	55,645	56,325
Realized loss on sale of investments	37,681	8,232
Unrealized (gain) loss on investments	(35,043)	31,152
Non-cash contributions	(10,786)	(4,912)
(Increase) decrease in assets		
Accounts receivable	112,969	(104,195)
Prepaid expenses and other current assets	3,432	(11,437)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(29,483)	73,086
Deferred revenue	5,609	1,358
	(318,795)	544,813
Net cash provided by (used in) operating activities	(318,795)	544,813
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	3,338,935	1,100,000
Purchase of investments	(2,389,777)	(1,733,056)
Acquisition of property and equipment	(11,813)	(57,253)
Net cash provided by (used in) investing activities	937,345	(690,309)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in security deposits	2,822	-
Repayment of long-term debt	(15,785)	(13,688)
Net cash (used in) financing activities	(12,963)	(13,688)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	605,587	(159,184)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	170,610	329,794
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 776,197	\$ 170,610
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 21,298	\$ 22,465

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,			
	2005		2004	
	Market Value	Cost	Market Value	Cost
Money market	\$ 16,275	\$ 16,275	\$ 463,366	\$ 463,366
Obligations of U.S. Gov't. and its agencies	1,275,564	1,302,389	1,838,694	1,871,682
Common stocks and mutual funds	276,958	244,769	207,747	205,911
	<u>\$ 1,568,797</u>	<u>\$ 1,563,433</u>	<u>\$ 2,509,807</u>	<u>\$ 2,540,959</u>

Marketable securities restricted for board designated endowments and permanent endowments at June 30, 2005 and 2004 were \$285,575 and \$196,225, respectively.

Investment income consisted of:

	Years Ending June 30,	
	2005	2004
Dividends and interest	\$ 81,702	\$ 57,141
Realized (loss)	(37,681)	(8,232)
Unrealized gain (loss)	35,043	(31,152)
	<u>\$ 79,064</u>	<u>\$ 17,757</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, 2005 and 2004 PennFuture received management fees of \$6,700 and \$12,500 and administrative fees of \$0 and \$5,175 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, 2005 and 2004 consisted of the following:

	June 30,	
	2005	2004
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.	\$ 324,863	\$ 336,295
Repaid in current period		4,353
	324,863	340,648
Less: Current portion	10,277	14,864
	\$ 314,586	\$ 325,784

Scheduled maturities of long-term debt at June 30, 2005 are as follows:

	Years Ending June 30,
2006	\$ 10,277
2007	11,928
2008	12,654
2009	13,531
2010	14,413
Thereafter	262,060
	\$ 324,863

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,	
	2005	2004
Factory farm project	\$ 262,902	\$ 220,000
Penn Street project	-	13,957
Howard Heinz Endowments	136,265	242,033
MAREC	-	45,346
PV systems	-	14,431
Energy Foundation	-	22,143
Climate change	49,082	25,100
Emily Hall Tramiane	101,763	37,500
Sundra Foundation	-	31,233
Energy promotional activities	159,500	-
Education and outreach initiative	40,810	-
	\$ 750,322	\$ 651,743

During the years ended June 30, 2005 and 2004, temporarily restricted net assets of \$738,029 and \$601,003, 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, 2005 are as follows:

Years Ending June 30,	
2006	\$ 43,700
2007	32,700
2008	16,900
2009	17,400
2010	2,900
	\$ 113,600

Total rent expense exclusive of operating costs of facilities and office equipment was approximately \$54,900 and \$54,300 for the years ended June 30, 2005 and 2004, respectively.

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

Years Ending June 30, 2006	\$ 6,200
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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 27% and 59% of program expenses for the years ended June 30, 2005 and 2004, respectively. Therefore, the discontinuation of such grants would force the curtailment of many program services.