

**CITIZENS FOR PENNSYLVANIA'S FUTURE**

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**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2002 and 2001**

**CITIZENS FOR PENNSYLVANIA'S FUTURE**

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425 Commerce Drive · Suite 150  
Fort Washington, Pennsylvania 19034-2796  
(215) 641 -8300 · Fax (215) 641-8335  
E-mail: [info@rkgcpa.com](mailto:info@rkgcpa.com)

RKG

**Robin Kramer & Green, LLP**  
Certified Public Accountants

2727 West Chester Pike  
Broomall, Pennsylvania 19008-1589  
(610) 325-0635

## 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, 2002 and 2001, 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, 2002 and 2001, 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*

August 7, 2002

Members: American and Pennsylvania Institutes of Certified Public Accountants  
PCPS/ the AICPA Alliance for CPA Firms  
National Association of Certified Valuation Analysts

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

	June 30,	
	2002	2001
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Notes 2 and 3)	\$ 526,699	\$ 680,255
Investments (Notes 2 and 4)	10,826	5,228
Accounts receivable	276,207	6,084
Prepaid expenses and other current assets	20,898	53,375
	<b>834,630</b>	<b>744,942</b>
<b>PROPERTY AND EQUIPMENT (Notes 2 and 6)</b>		
Land	70,000	-
Building	487,605	-
Furniture and fixtures	87,513	51,967
Computer equipment	86,349	68,907
Telephone system	11,925	11,925
	<b>743,392</b>	<b>132,799</b>
Less: Accumulated depreciation	82,202	52,642
	<b>661,190</b>	<b>80,157</b>
<b>OTHER ASSETS</b>		
Security deposits	8,811	7,681
Loan acquisition fees (Note 2)	2,177	-
Investment (Notes 2 and 5)	-	3,800
	<b>10,988</b>	<b>11,481</b>
	<b>\$ 1,506,808</b>	<b>\$ 836,580</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt (Note 6)	\$ 8,294	\$ -
Accounts payable and accrued expenses	159,261	96,546
	<b>167,555</b>	<b>96,546</b>
Long-term debt, net of current portion (Note 6)	340,613	-
	<b>508,168</b>	<b>96,546</b>
<b>NET ASSETS (Notes 2 and 7)</b>		
Unrestricted	883,102	736,950
Temporarily restricted	115,538	3,084
	<b>998,640</b>	<b>740,034</b>
	<b>\$ 1,506,808</b>	<b>\$ 836,580</b>

See Accompanying Notes to Financial Statements

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

	Years Ended June 30,					
	2002			2001		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>						
Grants and contributions (Note 2)	\$ 1,488,625	\$ 1,018,679	\$ 2,507,304	\$ 634,000	\$ -	\$ 634,000
Technical assistance	22,431	-	22,431	59,026	-	59,026
Meeting income	215,619	-	215,619	40,121	-	40,121
Membership fee	19,913	-	19,913	7,875	-	7,875
Investment and other income (Note 4)	92,921	-	92,921	77,024	5,500	82,524
	<u>1,839,509</u>	<u>1,018,679</u>	<u>2,858,188</u>	<u>818,046</u>	<u>5,500</u>	<u>823,546</u>
Net assets released from restrictions (Note 7)	906,225	(906,225)	-	2,416	(2,416)	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>2,745,734</u>	<u>112,454</u>	<u>2,858,188</u>	<u>820,462</u>	<u>3,084</u>	<u>823,546</u>
<b>EXPENSES</b>						
Program services (Note 2)	<u>2,341,845</u>	<u>-</u>	<u>2,341,845</u>	<u>1,330,827</u>	<u>-</u>	<u>1,330,827</u>
Support services						
Management and general	120,168	-	120,168	87,234	-	87,234
Lobbying	26,537	-	26,537	19,814	-	19,814
Fund Raising	111,032	-	111,032	72,218	-	72,218
Total Support Services	<u>257,737</u>	<u>-</u>	<u>257,737</u>	<u>179,266</u>	<u>-</u>	<u>179,266</u>
<b>TOTAL EXPENSES</b>	<u>2,599,582</u>	<u>-</u>	<u>2,599,582</u>	<u>1,510,093</u>	<u>-</u>	<u>1,510,093</u>
<b>INCREASE ( DECREASE ) IN NET ASSETS</b>	146,152	112,454	258,606	(689,631)	3,084	(686,547)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>736,950</u>	<u>3,084</u>	<u>740,034</u>	<u>1,426,581</u>	<u>-</u>	<u>1,426,581</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 883,102</u>	<u>\$ 115,538</u>	<u>\$ 998,640</u>	<u>\$ 736,950</u>	<u>\$ 3,084</u>	<u>\$ 740,034</u>

See Accompanying Notes to Financial Statements

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

Years Ended June 30,

	2002					2001				
	Support Services				Total	Support Services				Total
	Program Services	Management and General	Lobbying	Fund Raising		Program Services	Management and General	Lobbying	Fund Raising	
Payroll	\$ 828,451	\$ 61,619	\$ 12,140	\$ 91,406	\$ 993,616	\$ 792,918	\$ 48,805	\$ 12,194	\$ 58,664	\$ 912,581
Payroll taxes and other fringe benefits	116,331	8,650	1,702	12,836	139,519	93,354	5,749	1,031	6,907	107,041
	944,782	70,269	13,842	104,242	1,133,135	886,272	54,554	13,225	65,571	1,019,622
Advertising	64,312	7,146	-	-	71,458	21,057	2,340	-	-	23,397
Computer expenses	79	6	2	3	90	1,158	92	26	39	1,315
Consultants and contract labor	914,404	-	9,236	-	923,640	90,087	-	5,493	-	95,580
Conferences and meetings	17,658	-	-	-	17,658	24,435	-	-	-	24,435
Depreciation and amortization (Note 2)	23,701	5,629	296	-	29,626	18,767	4,692	-	-	23,459
Dues, subscriptions, and membership fees	1,386	-	-	-	1,386	881	-	-	-	881
Education fees	2,250	-	-	-	2,250	209	-	-	-	209
Fund raising expenses	-	-	-	-	-	-	-	-	963	963
Insurance	13,133	4,203	175	-	17,511	10,558	3,519	-	-	14,077
Interest expense	1,539	156	35	-	1,730	-	-	-	-	-
Internet expenses	13,843	729	-	-	14,572	11,661	614	-	-	12,275
Investment expenses	3,440	860	-	-	4,300	2,866	716	-	-	3,582
Occupancy costs	4,721	477	106	-	5,304	-	-	-	-	-
Office equipment leases and maintenance (Note 7)	9,776	1,725	-	-	11,501	8,856	1,563	-	-	10,419
Postage	12,822	1,603	-	1,603	16,028	7,098	887	-	887	8,872
Printing and publications	32,893	4,112	-	4,112	41,117	29,506	3,688	-	3,688	36,882
Professional fees	43,613	4,846	-	-	48,459	24,198	-	-	-	24,198
Rent (Note 7)	78,904	7,979	1,773	-	88,656	62,887	6,987	-	-	69,874
Research and other	18,394	-	-	-	18,394	16,729	-	-	-	16,729
Supplies	26,796	2,977	-	-	29,773	24,027	2,670	-	-	26,697
Telephone	38,597	2,144	1,072	1,072	42,885	38,510	2,139	1,070	1,070	42,789
Travel	51,362	2,703	-	-	54,065	49,607	2,611	-	-	52,218
Video Project	23,440	2,604	-	-	26,044	1,458	162	-	-	1,620
<b>TOTAL EXPENSES</b>	<b>\$ 2,341,845</b>	<b>\$ 120,168</b>	<b>\$ 26,537</b>	<b>\$ 111,032</b>	<b>\$ 2,599,582</b>	<b>\$ 1,330,827</b>	<b>\$ 87,234</b>	<b>\$ 19,814</b>	<b>\$ 72,218</b>	<b>\$ 1,510,093</b>

See Accompanying Notes to Financial Statements

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

	Years Ended June 30,	
	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 258,606	\$ (686,547)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities		
Depreciation and amortization	29,626	23,459
Realized (gain) on sale of investments	(60,648)	-
Unrealized (gain) loss on investments	50	(314)
Non cash contributions	(180,840)	-
(Increase) decrease in assets		
Accounts receivable	(270,123)	20,718
Prepaid expenses and other current assets	32,477	4,105
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	62,715	(30,786)
Withheld payroll taxes	-	(103)
	<u>(128,137)</u>	<u>(669,468)</u>
Net cash (used in) operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from of investments	64,448	-
Purchase of investments	(239)	(4,914)
Acquisition of property and equipment	(435,163)	(38,971)
	<u>(370,954)</u>	<u>(43,885)</u>
Net cash (used in) investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in security deposits	(1,130)	(1,725)
Increase in loan acquisition fees	(2,243)	-
Proceeds from long-term debt	350,000	-
Repayment of long-term debt	(1,092)	-
	<u>345,535</u>	<u>(1,725)</u>
Net cash provided by (used in) financing activities		
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(153,556)</u>	<u>(715,078)</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>680,255</u>	<u>1,395,333</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 526,699</u>	<u>\$ 680,255</u>
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 1,730</u>	<u>\$ -</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 generally accepted accounting principles 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.

**Loan Acquisition Fee**

Costs related to obtaining financing for the Organization have been capitalized and are being amortized on the straight-line method over the term of the related debt.

**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 Organization 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.

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

**4. INVESTMENTS – SHORT-TERM (Cont'd.)**

The market values and cost of marketable securities available for sale are as follows:

	June 30, 2002		June 30, 2001	
	Market Value	Cost	Market Value	Cost
Corporate stocks	\$10,826	\$10,562	\$ 5,228	\$ 4,914

Investment income consisted of:

	Years Ending June 30,	
	2002	2001
Dividends and interest	\$ 32,323	\$ 60,317
Realized gain	60,648	-
Unrealized gains (losses)	(50)	314
	\$ 92,921	\$ 60,631

**5. INVESTMENT – LONG-TERM**

At June 30, 2001, PennFuture had invested in 12% of the shares in Community Energy, Inc. Community Energy is to sell electricity produced by independent wind power companies to electricity consumers in Pennsylvania. The investment was made in conjunction with PennFuture's "Green Power: Turn-It-On" campaign to promote renewable energy sources in the Commonwealth. During this year ended June 30, 2002 the investment was sold resulting in a gain of \$60,648.

**6. LONG-TERM DEBT**

Long-term debt at June 30, 2002, consisted of the following:

Mortgage payable in monthly installments of \$2,822 including interest at 7.41% with a balloon payment of \$300,548 due May 2007, secured by Organization property located in Harrisburg, Pennsylvania.	\$ 348,907
Less: Current portion	8,294
	\$ 340,613

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

**6. LONG-TERM DEBT (Cont'd.)**

Scheduled maturities of long-term debt at June 30, 2002 are as follows:

<u>Years Ending June 30,</u>	
2003	\$ 8,294
2004	8,929
2005	9,614
2006	10,351
2007	<u>311,719</u>
	<u>\$ 348,907</u>

**7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>June 30,</u>	
	<u>2002</u>	<u>2001</u>
Factory farm project	\$ 80,038	\$ -
Penn street project	28,000	-
Environmental clearing house	7,500	-
Higher visibility to renewable energy	<u>-</u>	<u>3,084</u>
	<u>\$ 115,538</u>	<u>\$ 3,084</u>

During the years ended June 30, 2002 and 2001, temporarily restricted net assets of \$906,225 and \$2,416, respectively, were released from donor restrictions by incurring expenses in support of general program activities.

**8. 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 \$94,300 and \$75,700 for the years ended June 30, 2002 and 2001, respectively.

Scheduled future minimum rentals under non-cancelable leases with a term in excess of one year are as follows:

<u>Years Ending June 30,</u>	
2003	\$ 27,000
2004	27,800
2005	<u>2,300</u>
	<u>\$ 57,100</u>

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

**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 56% and 77% of program expenses for the years ended June 30, 2002 and 2001, respectively. Therefore, the discontinuation of such grants would force the curtailment of many program services.