

**CITIZENS FOR PENNSYLVANIA'S FUTURE**

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**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2003 and 2002**

**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, 2003 and 2002, 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, 2003 and 2002, 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 6, 2003

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,	
	2003	2002*
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Notes 2 and 3)	\$ 329,794	\$ 193,828
Investments (Notes 2 and 4)	1,911,223	343,697
Accounts receivable, net of allowance for doubtful accounts of \$34,000 for 2003	51,075	276,207
Prepaid expenses and other current assets	18,979	20,898
Total Current Assets	<u>2,311,071</u>	<u>834,630</u>
<b>PROPERTY AND EQUIPMENT (Notes 2 and 6)</b>		
Land	70,000	70,000
Building	514,973	487,605
Furniture and fixtures	99,938	87,513
Computer equipment	99,347	86,349
Telephone system	14,712	11,925
	<u>798,970</u>	<u>743,392</u>
Less: Accumulated depreciation	130,310	82,202
	<u>668,660</u>	<u>661,190</u>
<b>OTHER ASSETS</b>		
Security deposits	5,407	8,811
Loan acquisition fees (Note 2)	-	2,177
Investment (Notes 2 and 5)	50	-
	<u>5,457</u>	<u>10,988</u>
	<u>\$ 2,985,188</u>	<u>\$ 1,506,808</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt (Note 6)	\$ 13,689	\$ 8,294
Accounts payable and accrued expenses	140,206	159,261
Deferred revenue (Note 7)	20,777	10,076
Total Current Liabilities	<u>174,672</u>	<u>177,631</u>
Long-term debt, net of current portion (Note 6)	340,647	340,613
	<u>515,319</u>	<u>518,244</u>
<b>NET ASSETS (Notes 2 and 8)</b>		
Unrestricted		
Undesignated	1,943,795	873,026
Designated	88,607	-
	<u>2,032,402</u>	<u>873,026</u>
Temporarily restricted	437,467	115,538
	<u>2,469,869</u>	<u>988,564</u>
	<u>\$ 2,985,188</u>	<u>\$ 1,506,808</u>

\* Restated and reclassified to conform with current presentation

See Accompanying Notes to Financial Statements

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

	Years Ended June 30,					
	2003			2002*		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>						
Grants and contributions (Note 2)	\$ 2,398,030	\$ 682,700	\$ 3,080,730	\$ 1,478,549	\$ 1,018,679	\$ 2,497,228
Technical assistance	196,531	-	196,531	22,431	-	22,431
Meeting income	65,616	-	65,616	215,619	-	215,619
Membership fee	21,755	-	21,755	19,913	-	19,913
Rental income	31,676	-	31,676	-	-	-
Investment and other income (Note 4)	29,140	-	29,140	92,921	-	92,921
	<u>2,742,748</u>	<u>682,700</u>	<u>3,425,448</u>	<u>1,829,433</u>	<u>1,018,679</u>	<u>2,848,112</u>
Net assets released from restrictions (Note 8)	<u>360,771</u>	<u>(360,771)</u>	<u>-</u>	<u>906,225</u>	<u>(906,225)</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>3,103,519</u>	<u>321,929</u>	<u>3,425,448</u>	<u>2,735,658</u>	<u>112,454</u>	<u>2,848,112</u>
<b>EXPENSES</b>						
Program services (Note 2)	<u>1,661,386</u>	<u>-</u>	<u>1,661,386</u>	<u>2,341,845</u>	<u>-</u>	<u>2,341,845</u>
Support services						
Management and general	160,482	-	160,482	120,168	-	120,168
Lobbying	34,649	-	34,649	26,537	-	26,537
Fund Raising	87,626	-	87,626	111,032	-	111,032
Total Support Services	<u>282,757</u>	<u>-</u>	<u>282,757</u>	<u>257,737</u>	<u>-</u>	<u>257,737</u>
<b>TOTAL EXPENSES</b>	<u>1,944,143</u>	<u>-</u>	<u>1,944,143</u>	<u>2,599,582</u>	<u>-</u>	<u>2,599,582</u>
<b>INCREASE IN NET ASSETS</b>	1,159,376	321,929	1,481,305	136,076	112,454	248,530
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>873,026</u>	<u>115,538</u>	<u>988,564</u>	<u>736,950</u>	<u>3,084</u>	<u>740,034</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,032,402</u>	<u>\$ 437,467</u>	<u>\$ 2,469,869</u>	<u>\$ 873,026</u>	<u>\$ 115,538</u>	<u>\$ 988,564</u>

\* Restated and reclassified to conform with current presentation

See Accompanying Notes to Financial Statements

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

Years Ended June 30,

	2003					2002				
	Support Services					Support Services				
	Program Services	Management and General	Lobbying	Fund Raising	Total	Program Services	Management and General	Lobbying	Fund Raising	Total
Payroll	\$ 863,650	\$ 91,270	\$ 15,480	\$ 70,757	\$ 1,041,157	\$ 828,451	\$ 61,619	\$ 12,140	\$ 91,406	\$ 993,616
Payroll taxes and other fringe benefits	133,151	14,072	2,387	10,909	160,519	116,331	8,650	1,702	12,836	139,519
	<u>996,801</u>	<u>105,342</u>	<u>17,867</u>	<u>81,666</u>	<u>1,201,676</u>	<u>944,782</u>	<u>70,269</u>	<u>13,842</u>	<u>104,242</u>	<u>1,133,135</u>
Advertising	43,760	4,862	-	-	48,622	64,312	7,146	-	-	71,458
Awards and sub-grants	2,100	-	-	-	2,100	-	-	-	-	-
Bad Debt	34,000	-	-	-	34,000	-	-	-	-	-
Computer expenses	-	-	-	-	-	79	6	2	3	90
Consultants and contract labor	120,343	-	1,216	-	121,559	914,404	-	9,236	-	923,640
Conferences and meetings	11,621	-	-	-	11,621	17,658	-	-	-	17,658
Depreciation and amortization (Note 2)	38,486	9,141	481	-	48,108	23,701	5,629	296	-	29,626
Dues, subscriptions, and membership fees	1,530	-	-	-	1,530	1,386	-	-	-	1,386
Education fees	-	-	-	-	-	2,250	-	-	-	2,250
Insurance	16,731	5,577	-	-	22,308	13,133	4,203	175	-	17,511
Interest expense	947	96	21	-	1,064	1,539	156	35	-	1,730
Internet expenses	22,372	1,177	-	-	23,549	13,843	729	-	-	14,572
Investment expenses	-	-	-	-	-	3,440	860	-	-	4,300
Lobbying	-	-	11,336	-	11,336	-	-	-	-	-
Occupancy costs	85,423	8,638	1,920	-	95,981	4,721	477	106	-	5,304
Office equipment leases and maintenance (Note 9)	4,583	809	-	-	5,392	9,776	1,725	-	-	11,501
Postage	8,737	1,092	-	1,092	10,921	12,822	1,603	-	1,603	16,028
Printing and publications	31,957	3,995	-	3,995	39,947	32,893	4,112	-	4,112	41,117
Professional fees	51,321	7,043	-	-	58,364	43,613	4,846	-	-	48,459
Rent (Note 9)	41,612	4,208	935	-	46,755	78,904	7,979	1,773	-	88,656
Research and other	29,202	-	-	-	29,202	18,394	-	-	-	18,394
Supplies	28,388	3,154	-	-	31,542	26,796	2,977	-	-	29,773
Telephone	31,414	1,745	873	873	34,905	38,597	2,144	1,072	1,072	42,885
Travel	52,509	2,764	-	-	55,273	51,362	2,703	-	-	54,065
Video Project	7,549	839	-	-	8,388	23,440	2,604	-	-	26,044
<b>TOTAL EXPENSES</b>	<u>\$ 1,661,386</u>	<u>\$ 160,482</u>	<u>\$ 34,649</u>	<u>\$ 87,626</u>	<u>\$ 1,944,143</u>	<u>\$ 2,341,845</u>	<u>\$ 120,168</u>	<u>\$ 26,537</u>	<u>\$ 111,032</u>	<u>\$ 2,599,582</u>

See Accompanying Notes to Financial Statements

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

	Years Ended June 30,	
	2003	2002*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 1,481,305	\$ 248,530
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Increase in allowance for doubtful accounts	34,000	-
Depreciation and amortization	48,108	29,626
Realized (gain) on sale of investments	-	(60,648)
Unrealized (gain) loss on investments	(1,684)	50
Non cash contributions	(3,555)	(180,840)
(Increase) decrease in assets		
Accounts receivable	191,132	(270,123)
Prepaid expenses and other current assets	1,919	32,477
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(19,055)	62,715
Deferred revenue	10,701	10,076
Net cash provided by (used in) operating activities	<u>1,742,871</u>	<u>(128,137)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from of investments	-	64,448
Purchase of investments	(1,562,287)	(333,110)
Purchase of long term investments	(50)	-
Acquisition of property and equipment	(43,703)	(435,163)
Net cash (used in) investing activities	<u>(1,606,040)</u>	<u>(703,825)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease (increase) in security deposits	3,404	(1,130)
Decrease (increase) in loan acquisition fees	7,665	(2,243)
Proceeds from long-term debt	-	350,000
Repayment of long-term debt	(11,934)	(1,092)
Net cash provided by (used in) financing activities	<u>(865)</u>	<u>345,535</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>135,966</u>	<u>(486,427)</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>193,828</u>	<u>680,255</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 329,794</u>	<u>\$ 193,828</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 33,524</u>	<u>\$ 6,108</u>
Supplemental Disclosure of Non Cash Financing and Investing Activities of acquisition of equipment through capital lease obligations	<u>\$ 11,875</u>	<u>\$ -</u>

\* Restated and 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 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 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,			
	2003		2002	
	Market Value	Cost	Market Value	Cost
Money market	\$ 584,073	\$ 584,073	\$ 332,871	\$ 332,871
Obligations of U.S. Gov't. and its agencies	1,310,697	1,309,234	-	-
Common stocks	16,453	14,505	10,826	10,562
	\$ 1,911,223	\$ 1,907,812	\$ 343,697	\$ 343,433

Marketable securities restricted for board designated permanent endowments at June 30, 2003 were \$88,670.

Investment income consisted of:

	Years Ending June 30,	
	2003	2002
Dividends and interest	\$ 23,240	\$ 32,323
Realized gains	-	60,648
Unrealized gains (losses)	1,684	(50)
	\$ 24,924	\$ 92,921

**5. INVESTMENTS LONG-TERM**

At June 30, 2003, 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 this year ended June 30, 2003 PennFuture received management fees of \$4,217 and administrative fees of \$1,800 from Clean Power Markets, Inc.

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.

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

**6. LONG-TERM DEBT**

Long-term debt at June 30, 2003 and 2002 consisted of the following:

	June 30,	
	2003	2002
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.	\$ 346,105	\$ -
Loan payable equipment leasing company payable in monthly installments of \$386 including interest at 11.6% due June 2005, secured by equipment	8,231	-
Repaid in current period	-	348,907
	354,336	348,907
Less: Current portion	13,689	8,294
	\$ 340,647	\$ 340,613

Scheduled maturities of long-term debt at June 30, 2003 are as follows:

Years Ending June 30,	
2004	\$ 13,689
2005	14,863
2006	11,197
2007	11,928
2008	12,654
Thereafter	290,005
	\$ 354,336

**7. DEFERRED REVENUE AND RESTATEMENT**

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.

It was determined during the year ended June 30, 2003 that the deferral of membership dues had become material to the total dues received. Accordingly, the amount of the deferral at June 30, 2002 was recorded at that date in the restated financial statements, resulting in a reduction of unrestricted and undesignated net assets of \$10,076.

**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,	
	2003	2002
Factory farm project	\$ 266,047	\$ 80,038
Penn street project	14,887	28,000
Environmental clearing house	-	7,500
Howard Heinz Endowments	156,533	-
	\$ 437,467	\$ 115,538

During the years ended June 30, 2003 and 2002, temporarily restricted net assets of \$360,771 and \$906,225, respectively, were released from donor restrictions by incurring expenses in support of general program activities.

**9. 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 \$47,800 and \$94,300 for the years ended June 30, 2003 and 2002, respectively.

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

Years Ending June 30,	
2004	\$ 27,800
2005	2,300
	\$ 30,100

The Organization leases a portion of its Harrisburg facility to under non-cancelable operating leases expiring October 2006.

Years Ending June 30,	
2004	\$ 16,900
2005	16,900
2006	5,600
	\$ 39,400

**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 78% and 56% of program expenses for the years ended June 30, 2003 and 2002, respectively. Therefore, the discontinuation of such grants would force the curtailment of many program services.