

Citizens for Pennsylvania's Future

Financial Statements

Years Ended June 30, 2016 and 2015 with
Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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CITIZENS FOR PENNSYLVANIA’S FUTURE

YEARS ENDED JUNE 30, 2016 AND 2015

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Independent Auditor's Report

Board of Directors
Citizens for Pennsylvania's Future

We have audited the accompanying financial statements of Citizens for Pennsylvania's Future (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Citizens for Pennsylvania's Future as of June 30, 2015 were audited by other auditors whose report, dated November 9, 2015, expressed an unmodified opinion on those statements.

Maher Duessel

Harrisburg, Pennsylvania
December 12, 2016

CITIZENS FOR PENNSYLVANIA'S FUTURE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 1,342,649	\$ 456,997
Grants receivable	320,990	15,838
Other receivables	16,360	19,023
Prepaid expenses	49,024	52,674
	<hr/>	<hr/>
Total current assets	1,729,023	544,532
	<hr/>	<hr/>
Investments	1,561,836	1,713,679
Property and equipment, net	485,287	481,031
Other assets:		
Security deposits	13,945	9,491
	<hr/>	<hr/>
Total Assets	\$ 3,790,091	\$ 2,748,733
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
<hr/>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 184,348	\$ 238,237
Deferred revenue	10,326	12,669
	<hr/>	<hr/>
Total Current Liabilities	194,674	250,906
	<hr/>	<hr/>
Net Assets:		
Unrestricted	1,628,235	1,982,166
Temporarily restricted	1,967,182	515,661
	<hr/>	<hr/>
Total Net Assets	3,595,417	2,497,827
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 3,790,091	\$ 2,748,733
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

CITIZENS FOR PENNSYLVANIA'S FUTURE

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Grants	\$ 683,676	\$ 2,915,590	\$ 3,599,266
Contributions	92,520	5,505	98,025
Membership fees	23,079	-	23,079
Fundraising income	-	-	-
Rental income	34,268	-	34,268
Investment income (loss)	(30,242)	-	(30,242)
Other income	22,396	-	22,396
Net assets released from restriction	1,469,574	(1,469,574)	-
Total revenues and other support	2,295,271	1,451,521	3,746,792
Expenses:			
Program services	1,749,929	-	1,749,929
Supporting services:			
Management and general	489,208	-	489,208
Lobbying	15,074	-	15,074
Fundraising	394,991	-	394,991
Total expenses	2,649,202	-	2,649,202
Change in Net Assets	(353,931)	1,451,521	1,097,590
Net Assets:			
Beginning of year	1,982,166	515,661	2,497,827
End of year	\$ 1,628,235	\$ 1,967,182	\$ 3,595,417

The accompanying notes are an integral part of these financial statements.

2015

Unrestricted	Temporarily Restricted	Total
\$ 322,265	\$ 2,005,145	\$ 2,327,410
139,660	-	139,660
25,464	-	25,464
9,734	-	9,734
34,068	-	34,068
50,859	-	50,859
40,036	-	40,036
<u>2,308,168</u>	<u>(2,308,168)</u>	<u>-</u>
2,930,254	(303,023)	2,627,231
2,181,544	-	2,181,544
624,194	-	624,194
21,567	-	21,567
261,461	-	261,461
<u>3,088,766</u>	<u>-</u>	<u>3,088,766</u>
(158,512)	(303,023)	(461,535)
<u>2,140,678</u>	<u>818,684</u>	<u>2,959,362</u>
<u>\$ 1,982,166</u>	<u>\$ 515,661</u>	<u>\$ 2,497,827</u>

The accompanying notes are an integral part of these financial statements.

CITIZENS FOR PENNSYLVANIA'S FUTURE

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016				Total
	Program Services	Management and General	Management and General - Lobbying	Fundraising	
Payroll	\$ 984,490	\$ 199,791	\$ 9,383	\$ 225,966	\$ 1,419,630
Payroll taxes and other fringe benefits	215,589	47,245	2,135	51,241	316,210
Advertising and communications	11,583	944	-	-	12,527
Bank and credit card charges	323	351	-	1,743	2,417
Blitzes	-	-	-	-	-
Consultants and contract labor	242,047	7,131	-	12,617	261,795
Conferences and meetings	18,373	306	-	1,179	19,858
Depreciation	12,641	3,340	62	4,632	20,675
Dues, subscriptions, and membership fees	11,636	2,885	-	5,199	19,720
Insurance	20,447	10,137	27	271	30,882
Internet and computer expenses	45,415	5,970	87	31,576	83,048
Investment expenses	-	13,553	-	-	13,553
Occupancy costs	94,972	46,716	1,084	21,617	164,389
Office equipment leases and maintenance	-	6,007	-	-	6,007
Postage	566	680	-	11,500	12,746
Printing and publications	1,927	-	-	13,703	15,630
Professional fees	-	124,597	10	-	124,607
Research and other	9,477	-	-	251	9,728
Supplies	1,859	11,120	-	437	13,416
Telephone	18,607	3,402	119	3,559	25,687
Travel and entertainment	59,977	5,033	2,167	9,500	76,677
	<u>\$ 1,749,929</u>	<u>\$ 489,208</u>	<u>\$ 15,074</u>	<u>\$ 394,991</u>	<u>\$ 2,649,202</u>

The accompanying notes are an integral part of these financial statements.

2015

Program Services	Management and General	Management and General - Lobbying	Fundraising	Total
\$ 1,053,683	\$ 211,500	\$ 13,794	\$ 143,535	\$ 1,422,512
256,265	49,720	3,245	38,829	348,059
142,731	130	-	-	142,861
399	404	-	2,040	2,843
2,128	-	-	-	2,128
408,660	26,664	325	1,203	436,852
25,493	1,051	24	3,605	30,173
9,390	11,060	88	1,505	22,043
12,781	1,127	900	5,176	19,984
22,787	4,559	151	2,887	30,384
48,677	18,604	16	33,100	100,397
-	13,861	-	-	13,861
93,573	80,742	742	12,037	187,094
2,189	4,129	23	289	6,630
1,564	1,492	132	2,121	5,309
7,974	328	170	5,709	14,181
180	179,917	-	-	180,097
11,001	99	-	827	11,927
4,872	9,858	-	1,158	15,888
25,123	5,818	184	4,290	35,415
52,074	3,131	1,773	3,150	60,128
<u>\$ 2,181,544</u>	<u>\$ 624,194</u>	<u>\$ 21,567</u>	<u>\$ 261,461</u>	<u>\$ 3,088,766</u>

The accompanying notes are an integral part of these financial statements.

CITIZENS FOR PENNSYLVANIA'S FUTURE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,097,590	\$ (461,535)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	20,675	22,043
Realized gain on sale of investments	(56,934)	(128,923)
Realized loss on sale of equipment	-	444
Unrealized loss on investments	123,090	112,834
Non-cash contributions	(1,011)	(15,624)
(Increase) decrease in assets:		
Grants receivable	(305,152)	229,579
Other receivables	2,663	(14,223)
Prepaid expenses	3,650	(1,546)
Security deposits paid	(4,454)	(425)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(53,889)	(3,151)
Deferred revenue	(2,343)	(1,348)
Net cash and cash equivalents provided by (used in) operating activities	823,885	(261,875)
Cash Flows From Investing Activities:		
Proceeds from sale of investments	779,977	1,153,277
Purchase of investments	(693,279)	(1,162,098)
Proceeds from sale of equipment	-	350
Acquisition of property and equipment	(24,931)	(2,257)
Net cash and cash equivalents provided by (used in) investing activities	61,767	(10,728)
Net Increase (Decrease) in Cash and Cash Equivalents	885,652	(272,603)
Cash and Cash Equivalents:		
Beginning of year	456,997	729,600
End of year	\$ 1,342,649	\$ 456,997

The accompanying notes are an integral part of these financial statements.

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Citizens for Pennsylvania's Future (PennFuture) is presented to assist in understanding the organization's financial statements. The financial statements and notes are the representations of the organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these statements.

Nature of Activities

PennFuture is a non-profit organization that engages in multi-faceted activities designed to help Pennsylvanians protect their natural resources while preserving their economic security. PennFuture advances its mission by providing citizens, organizations, and members with education, technical assistance, and legal representation. PennFuture is committed to furnish leadership, information, and technical assistance to enable government, businesses, nonprofit organizations, community groups, and individuals to develop an environmentally sensitive and prosperous economy. PennFuture's revenue comes primarily from grants and contributions.

Basis of Accounting

Assets, liabilities, revenue, and expenses are recognized on the accrual basis of accounting.

Financial Statement Presentation

The financial position and activities of PennFuture are included in three separate categories of net assets. Unrestricted net assets are net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets when not donor restricted. Expiration of temporary restriction on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed), are reported as net assets

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

released from restrictions. Temporarily restricted revenues received and released in the same year are reported as increases in temporarily restricted net assets.

Use of Estimates

The preparation of financial statements in accordance 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, PennFuture considers all checking, savings, money market accounts, and certificates of deposits held in financial institutions to be cash and cash equivalents.

Grants Receivable

At June 30, 2016 and 2015, grants receivable amounted to \$320,990 and \$15,838, respectively. All amounts are receivables due in less than one year.

PennFuture provides for uncollectible grants using the allowance method, which is based on management's judgement concerning historical collectability and analysis of individual grants. Past due grants are individually analyzed for collectability and written off when all efforts at collection have been exhausted. At June 30, 2016 and 2015, no allowance for uncollectible grants receivable was deemed necessary.

Investments

Investments are stated at fair value. Quoted market prices in active markets for identical assets were used as fair value when available. Investments held in common stocks, equity mutual funds, and bond mutual funds are valued at the daily closing price as reported by the asset. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities could

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

occur in the near term and that such changes could materially affect the amounts reported in the Statements of Financial Position.

Fair Value Measurements

PennFuture has categorized its investments based on the fair value hierarchy. Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Level 1 investments held by PennFuture include common stocks, equity mutual funds, and bond mutual funds.

Investments whose values are based on quoted prices in markets that are not active, or model inputs that are observable either directly or indirectly for substantially the full term of the asset, are classified within Level 2. PennFuture has no Level 2 investments.

Investments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement are classified within Level 3. PennFuture has no Level 3 investments.

Property and Equipment

Property and equipment are 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. PennFuture capitalizes all assets in excess of \$1,000 with a useful life extending beyond one year.

Compensated Absences

Full-time employees earn paid leave based on length of service. Employees may carry over no more than 160 hours of paid leave forward from one anniversary date to the next. An employee separated from employment will be paid for earned unused leave. As of June 30, 2016 and 2015, PennFuture accrued \$72,762 and \$63,005, respectively, in compensated absences.

Deferred Revenue

PennFuture receives membership fees from various sources that are not deemed to be contributions. Members receive the organization's e-publications, action alerts, and invitations to events, as well as the annual report and newsletter. The membership fees revenue received for future periods has been recorded as deferred revenue.

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

Grants and Contributions

Grant revenue is recognized based on the terms of the grant agreement.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions.

Functional Expenses

Expenses are allocated to the various programs based upon the 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 Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

PennFuture qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal or state income taxes. In addition, PennFuture qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation.

PennFuture files a Form 990 annually. PennFuture is not aware of any activities that would jeopardize its tax-exempt status.

Pending Standards Update

Accounting Standards Update (ASU) 2014-09, "*Revenue from Contracts with Customers*," is effective for PennFuture's financial statements for the year ending June 30, 2020 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures. Management has not yet determined the impact of this amendment on PennFuture's financial statements.

CITIZENS FOR PENNSYLVANIA’S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

ASU 2016-02, “*Leases (Topic 842)*,” is effective for PennFuture’s financial statements for the year ending June 30, 2021. This amendment will require lessees to recognize assets and liabilities on the Statement of Financial Position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Management has not yet determined the impact of this amendment on PennFuture’s financial statements.

ASU 2016-14, “*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*,” is effective for PennFuture’s financial statements for the year ending June 30, 2019. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowment. Management has not yet determined the impact of this amendment on the PennFuture’s financial statements.

Reclassification

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Subsequent Events

PennFuture has evaluated events and transactions for potential recognition or disclosure through the Independent Auditor’s Report date, which is the date the financial statements were available to be issued.

2. CASH CONCENTRATIONS

Cash and cash equivalents potentially subject PennFuture to a concentration credit risk. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in bank deposit accounts may exceed FDIC insurable limits.

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

3. INVESTMENTS AND INTEREST IN OTHER ORGANIZATION

The following table sets forth by level, within the fair value hierarchy, the investments at fair value and cost as of June 30, 2016 and 2015:

	Level	2016		2015	
		Fair Value	Cost	Fair Value	Cost
Common stocks:					
Materials	1	\$ 22,905	\$ 23,708	\$ 5,586	\$ 5,563
Energy	1	-	-	17,437	8,159
Information technology	1	180,760	139,231	185,412	137,136
Consumer discretionary	1	144,201	133,030	151,482	126,217
Consumer staples	1	52,089	49,416	68,329	69,772
Industrials	1	85,005	79,366	102,686	85,525
Financials	1	127,837	124,280	150,379	126,903
Healthcare	1	136,716	116,230	171,384	126,454
Utilities	1	4,393	3,983	19,228	20,068
Telecom service	1	21,176	19,546	6,992	7,402
Equity mutual funds:					
Large cap	1	233,652	231,700	159,315	159,005
Small/mid cap	1	180,526	172,825	284,451	226,241
Bond mutual funds:					
Mortgages/asset backed	1	30,193	30,000	-	-
Corporates	1	-	-	20,185	17,951
Multi-sector	1	342,383	344,748	370,813	378,798
Total investments		<u>\$ 1,561,836</u>	<u>\$ 1,468,063</u>	<u>\$ 1,713,679</u>	<u>\$ 1,495,194</u>

Investment income (loss) consisted of the following for the years ended June 30, 2016 and 2015:

	2016	2015
Dividends and interest	\$ 35,914	\$ 34,770
Realized gain on sale of investments	56,934	128,923
Unrealized loss on investments	(123,090)	(112,834)
	<u>\$ (30,242)</u>	<u>\$ 50,859</u>

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

PennFuture has a 39.8625% equity interest in PaceControls, LLC. The investment in PaceControls, LLC is accounted for under the equity method of accounting. The investment was carried at a zero value at June 30, 2016 and 2015.

A member of PennFuture's management is on the Board of Directors at PaceControls, LLC.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 70,000	\$ 70,000
Buildings and improvements	627,519	597,156
Furniture and fixtures	141,617	168,985
Computer equipment	56,443	55,437
Telephone system	-	28,410
Website	<u>20,930</u>	<u>-</u>
	916,509	919,988
Less: accumulated depreciation	<u>431,222</u>	<u>438,957</u>
Net property and equipment	<u>\$ 485,287</u>	<u>\$ 481,031</u>

Depreciation expense amounted to \$20,675 and \$22,043 for the years ended June 30, 2016 and 2015, respectively.

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2016 and 2015 include the following:

	2016	2015
Concerning Marcellus Drilling	\$ -	\$ 367
Electric Vehicle Outreach in Philadelphia	1,943	722
Support for Air Quality Improvement for Western Pennsylvania	-	41,494
Build Support for Comprehensive Regulation of Methane Emissions from Natural Gas Activities	28,478	20,000
Coal-Tar Based Sealcoat Reduction Campaign	7,444	7,444
Advancing Clean Energy in Pennsylvania	23,980	20,632
Advancing Energy Efficiency Measures and Renewable Energy in Pennsylvania	-	30,522
Protecting Pennsylvania's Public Lands from the Adverse Impacts of Natural Gas Development	-	71,531
Promote Implementation of Protective Land and Water Policies Related to Key Environmental Stressors in the Delaware River Watershed	391,322	235,916
Defending the Loyalsock State Forest from Gas Development	-	948
Work under the Choose Clean Water Campaign	4,011	5,990
Delaware River Watershed Federal Funding Workgroup Facilitation	518	1,513
Save the Loyalsock Coalition	8,000	16,684
Next Great City Campaign	4,617	21,898
Protect and Restore Water Quality to a Portion of the Youghiogheny River near Ohiopyle State Park	1,415	40,000
From Stormwater to Oil Trains - Building the Environmental Voice	1,417	-
Support Philadelphia Energy Hub and Delaware Watershed Protection Projects	4,224	-
Provide Legal Support for Citizens Seeking to Protect Public Health and Safety and the Environment in their Communities	927,885	-
Administrative Support for the CEO	5,005	-
Work Under the Climate Action Campaign	11,385	-
Support for Strategic Planning and Institutional Advancement	5,990	-
Support for the Protection of the Loyalsock State Forest	2,344	-
Protecting Pennsylvania's Open Spaces and High Quality Streams	125,754	-
Work for the Coalition for the Delaware River Watershed	9,464	-
Clean Energy Pittsburgh Project	125,000	-
Support Improved Environmental Quality in the Region	269,025	-
Reduce Impact of Natural Gas Development on Public Health and Environment	7,961	-
Total	<u>\$ 1,967,182</u>	<u>\$ 515,661</u>

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

During the years ended June 30, 2016 and 2015, temporarily restricted net assets of \$1,469,574 and \$2,308,168, respectively, were released from restriction due to fulfilling donor-stipulated purposes.

6. COMMITMENTS

PennFuture leases its Philadelphia, Pittsburgh, and Wilkes-Barre facilities under non-cancelable operating leases. PennFuture also leases a piece of office equipment under a non-cancelable operating lease expiring in April, 2020.

The minimum annual rentals with a term greater than one year are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 108,102
2018	106,965
2019	109,811
2020	112,701
2021	82,643
Thereafter	<u>54,989</u>
Total	<u>\$ 575,211</u>

Total rent expense, exclusive of operating cost of facilities and office equipment, amounted to \$107,144 and \$101,432 for the years ended June 30, 2016 and 2015, respectively.

7. ECONOMIC DEPENDENCY

PennFuture is dependent upon grants from various foundations to fund program expenses. For the years ended June 30, 2016 and 2015, PennFuture received 74% and 69%, respectively, from three granting agencies. Discontinuation of, or reductions of such grants would force the curtailment of many program services.

8. CONTINGENCY

Under the terms of an agreement between PaceControls, LLC and two individuals, PennFuture has a right to receive a licensing fee of \$150,000 and a consulting fee of \$30,000 plus simple interest from May, 2007 at 8% per annum. Payment is contingent

CITIZENS FOR PENNSYLVANIA'S FUTURE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

upon PaceControls, LLC achieving certain levels of capital funding as outlined in the terms of the agreement, such as full funding of a working capital reserve equal to six months of operating expenses and payment of principal and interest on outstanding notes. PaceControls, LLC did not achieve those levels of capital funding for the year ended June 30, 2016.