

**CITIZENS FOR  
PENNSYLVANIA'S  
FUTURE**

Financial Statements

June 30, 2012 and 2011

Kreischer  
Miller

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# CITIZENS FOR PENNSYLVANIA'S FUTURE

June 30, 2012 and 2011

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### INDEPENDENT AUDITORS' REPORT

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## Independent Auditors' Report

The Board of Directors  
Citizens for Pennsylvania's Future  
Harrisburg, Pennsylvania

We have audited the accompanying statement of financial position of Citizens for Pennsylvania's Future as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Citizens for Pennsylvania's Future's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Citizens for Pennsylvania's Future as of June 30, 2011 were audited by other auditors whose report dated December 30, 2011, expressed an unqualified opinion on those statements.

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 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2012 financial statements referred to above present fairly, in all material respects, the financial position of Citizens for Pennsylvania's Future as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Kreischer Miller*

Horsham, Pennsylvania  
November 9, 2012

# CITIZENS FOR PENNSYLVANIA'S FUTURE

## Statements of Financial Position June 30, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,360,262	\$ 2,783,552
Grants receivable	142,269	138,000
Other receivables	7,419	-
Other current assets	51,342	25,683
Total current assets	1,561,292	2,947,235
Property and equipment, net	540,761	572,553
Other assets:		
Investments	1,231,743	1,218,616
Security deposits	8,447	8,447
Other asset	-	36,688
Total other assets	1,240,190	1,263,751
Total assets	\$ 3,342,243	\$ 4,783,539
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 368,741	\$ 402,217
Deferred revenue	20,000	13,500
	388,741	415,717
Net assets:		
Unrestricted	2,405,454	3,250,124
Temporarily restricted	548,048	1,117,698
Total net assets	2,953,502	4,367,822
Total liabilities and net assets	\$ 3,342,243	\$ 4,783,539

See accompanying notes to financial statements.

CITIZENS FOR PENNSYLVANIA'S FUTURE

Statements of Activities  
Years Ended June 30, 2012 and 2011

	2012		
	Unrestricted	Temporarily Restricted	Total
Public support and revenue:			
Grants and contributions	\$ 598,780	\$ 1,078,401	\$ 1,677,181
Technical assistance	64,137	-	64,137
Meeting income	24,407	-	24,407
Membership fee	36,534	-	36,534
Rental income	15,460	-	15,460
Investment and other income (loss)	(12,738)	-	(12,738)
	726,580	1,078,401	1,804,981
Net assets released from restriction	1,648,051	(1,648,051)	-
Reclassification of net assets	-	-	-
Total public support and revenue	2,374,631	(569,650)	1,804,981
Expenses:			
Program services	2,395,994	-	2,395,994
Support services:			
Management and general	495,714	-	495,714
Lobbying	146,751	-	146,751
Fundraising	180,842	-	180,842
Total support services	823,307	-	823,307
Total expenses	3,219,301	-	3,219,301
Change in net assets	(844,670)	(569,650)	(1,414,320)
Net assets - beginning of year	3,250,124	1,117,698	4,367,822
Net assets - end of year	\$ 2,405,454	\$ 548,048	\$ 2,953,502

See accompanying notes to financial statements.

2011			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,039,980	\$ 1,787,919	\$ -	\$ 2,827,899
14,559	-	-	14,559
37,624	-	-	37,624
32,484	-	-	32,484
11,303	-	-	11,303
279,861	-	-	279,861
1,415,811	1,787,919	-	3,203,730
1,715,902	(1,715,902)	-	-
152,514	-	(152,514)	-
3,284,227	72,017	(152,514)	3,203,730
2,341,161	-	-	2,341,161
260,982	-	-	260,982
242,395	-	-	242,395
185,407	-	-	185,407
688,784	-	-	688,784
3,029,945	-	-	3,029,945
254,282	72,017	(152,514)	173,785
2,995,842	1,045,681	152,514	4,194,037
\$ 3,250,124	\$ 1,117,698	\$ -	\$ 4,367,822

CITIZENS FOR PENNSYLVANIA'S FUTURE

Statements of Functional Expenses  
Years Ended June 30, 2012 and 2011

	2012				
	Program Services	Management and General	Lobbying	Fundraising	Total
Payroll	\$ 1,207,772	\$ 201,295	\$ 61,938	\$ 77,421	\$ 1,548,426
Payroll taxes and other fringe benefits	285,012	47,501	14,616	18,270	365,399
Total personnel expenses	1,492,784	248,796	76,554	95,691	1,913,825
Advertising and communications	23,177	2,454	756	944	27,331
Bank charges	689	2,068	-	690	3,447
Consultants and contract labor	458,883	36,963	43,390	3,325	542,561
Conferences and meetings	10,172	3,632	-	-	13,804
Depreciation	26,618	4,436	1,366	1,706	34,126
Dues, subscriptions and membership fees	1,957	9,251	85	-	11,293
Excise tax	-	22,544	-	-	22,544
Insurance	20,386	3,398	1,046	1,307	26,137
Internet and computer expenses	55,005	9,168	2,820	3,526	70,519
Investment expenses	-	12,037	-	-	12,037
Occupancy costs	124,366	20,377	6,270	7,837	158,850
Office equipment leases and maintenance	1,160	193	60	74	1,487
Postage	7,573	1,117	365	9,429	18,484
Printing and publications	23,540	5,626	4,296	29,821	63,283
Professional fees	-	99,513	-	-	99,513
Research and other	16,497	-	-	-	16,497
Supplies	23,947	2,723	1,006	1,311	28,987
Telephone	32,639	4,825	1,484	2,796	41,744
Travel and entertainment	75,641	6,593	7,253	22,385	111,872
Video project	960	-	-	-	960
Total expenses	\$ 2,395,994	\$ 495,714	\$ 146,751	\$ 180,842	\$ 3,219,301

See accompanying notes to financial statements.

2011

Program Services	Management and General	Lobbying	Fundraising	Total
\$ 1,163,759	\$ 121,747	\$ 59,209	\$ 87,607	\$ 1,432,322
311,378	32,575	15,842	23,440	383,235
1,475,137	154,322	75,051	111,047	1,815,557
1,992	437	14,563	12,133	29,125
563	1,690	-	563	2,816
401,068	25,010	37,197	4,000	467,275
8,575	1,513	-	-	10,088
24,850	4,740	1,449	2,820	33,859
-	-	-	-	-
5,174	-	-	225	5,399
27,725	3,234	1,384	-	32,343
25,636	4,273	42,728	12,818	85,455
-	9,627	-	-	9,627
119,119	11,958	5,789	14,169	151,035
2,676	41	-	27	2,744
3,235	379	5	1,051	4,670
11,067	1,661	24,722	9,993	47,443
20,421	31,493	-	-	51,914
14,161	-	633	-	14,794
21,355	1,217	1,042	730	24,344
15,126	3,428	20,167	1,612	40,333
160,796	5,959	17,665	14,219	198,639
2,485	-	-	-	2,485
\$ 2,341,161	\$ 260,982	\$ 242,395	\$ 185,407	\$ 3,029,945



# CITIZENS FOR PENNSYLVANIA'S FUTURE

## Statements of Cash Flows Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (1,414,320)	\$ 173,785
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Deprecation	34,126	33,859
Realized gain on sale of investments	(17,571)	(111,661)
Realized loss on sale of equipment	1,541	-
Unrealized (gain) loss on investments	34,406	(109,963)
Equity (income) loss from investment	36,688	(8,272)
Non-cash contributions	(10,383)	(9,258)
(Increase) decrease in assets:		
Grants receivable	(4,269)	(129,350)
Other receivables	(7,419)	-
Other current assets	(25,659)	21,813
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(33,476)	118,755
Deferred revenue	6,500	(521)
Net cash used in operating activities	<u>(1,399,836)</u>	<u>(20,813)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	175,207	1,035,623
Purchase of investments	(194,786)	(1,151,749)
Proceeds from sale of equipment	1,000	-
Acquisition of property and equipment	(4,875)	(16,150)
Net cash used in investing activities	<u>(23,454)</u>	<u>(132,276)</u>
Net decrease in cash and cash equivalents	(1,423,290)	(153,089)
Cash and cash equivalents, beginning of year	<u>2,783,552</u>	<u>2,936,641</u>
Cash and cash equivalents, end of year	<u>\$ 1,360,262</u>	<u>\$ 2,783,552</u>

See accompanying notes to financial statements.

# CITIZENS FOR PENNSYLVANIA'S FUTURE

Notes to Financial Statements  
June 30, 2012 and 2011

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## (1) Nature of Business

Citizens for Pennsylvania's Future (PennFuture) is a non-profit organization that engages in multi-faceted activities designated 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 contributions and grants, investment income and memberships.

## (2) Summary of Significant Accounting Policies

### *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. At June 30, 2012 and 2011, there are no permanently restricted assets.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets. Expirations 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 released from restrictions. Temporarily restricted revenues received and released in the same year are reported as increases in unrestricted net assets.

### *Cash and Cash Equivalents*

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

### *Grants Receivable*

PennFuture provides for uncollectable grants using the allowance method, which is based on management's judgment 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. As of June 30, 2012 and 2011, there is no allowance for uncollectible grant receivables.

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# CITIZENS FOR PENNSYLVANIA'S FUTURE

Notes to Financial Statements  
June 30, 2012 and 2011

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## (2) Summary of Significant Accounting Policies, Continued

### *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.

### *Investments*

Investments in marketable securities with readily determinable fair values and all investments in fixed income securities are reported in the statements of financial position at their fair values based on quoted market prices.

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 occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

### *Grants and Contributions*

Grant revenue is recognized based on the terms of the grant agreement. Grant agreements containing performance or reporting requirements are recognized as those requirements are fulfilled. Grant agreements which do not include the aforementioned requirements are treated as contributions.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires (i.e. the donor-stipulated propose has been fulfilled and/or the stipulated time period has elapsed) temporarily restricted net assets are reported as net assets released from restrictions.

### *Functional Expenses*

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 statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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# CITIZENS FOR PENNSYLVANIA'S FUTURE

Notes to Financial Statements  
June 30, 2012 and 2011

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## (2) Summary of Significant Accounting Policies, Continued

### *Income Taxes*

PennFuture qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, has no provisions for federal or state income taxes. PennFuture follows the income tax standard for uncertain tax positions. The application of the standard has no impact on PennFuture's financial statements. PennFuture's informational tax returns are subject to review and examination by federal, state, and local authorities. PennFuture is not aware of any activities that would jeopardize its tax exempt status. The tax returns for the fiscal years 2009 to 2011 are open to examination by federal and state authorities.

### *Fair Value Measurements*

PennFuture has categorized its financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

Financial assets recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

#### *Level 1*

Financial assets whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that PennFuture has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. government and agency securities).

#### *Level 2*

Financial assets 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 or liability. Level 2 inputs include the following quoted prices for similar assets or liabilities in active markets (examples include money market funds and certificates of deposit) and quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently).

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# CITIZENS FOR PENNSYLVANIA'S FUTURE

Notes to Financial Statements  
June 30, 2012 and 2011

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## (2) Summary of Significant Accounting Policies, Continued

### *Fair Value Measurements, Continued*

#### *Level 3*

Level 3 financial assets are those whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset (examples include certain private equity investments, long-term promises to give and split-interest agreements).

The following table presents PennFuture's fair value for those assets measured at fair value on a recurring basis as of June 30, 2012 and 2011:

	Assets at Fair Value as of June 30, 2012			
	Total	Level 1	Level 2	Level 3
Bonds	\$ 252,654	\$ 252,654	\$ -	\$ -
Common stocks	553,513	553,513	-	-
Mutual funds	425,576	425,576	-	-
Total assets at fair value	\$ 1,231,743	\$ 1,231,743	\$ -	\$ -

  

	Assets at Fair Value as of June 30, 2011			
	Total	Level 1	Level 2	Level 3
Bonds	\$ 245,699	\$ 245,699	\$ -	\$ -
Common stocks	510,547	510,547	-	-
Mutual funds	462,370	462,370	-	-
Total assets at fair value	\$ 1,218,616	\$ 1,218,616	\$ -	\$ -

### *Reclassifications*

Certain items in the fiscal year 2011 financial statements have been reclassified to conform to the presentation of fiscal year 2012. These reclassifications have no impact on previously reported change in net assets.

### *Use of Estimates*

The preparation of financial statements in conformity accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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.

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# CITIZENS FOR PENNSYLVANIA'S FUTURE

## Notes to Financial Statements June 30, 2012 and 2011

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### (2) Summary of Significant Accounting Policies, Continued

#### *Subsequent Events*

In preparing these financial statements, PennFuture has evaluated events and transactions for potential recognition or disclosure through November 9, 2012, which is the date the financial statements were available to be issued.

### (3) Concentrations of Credit Risk

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.

### (4) Property and Equipment

Property and equipment consists of the following at June 30:

	2012	2011
Land	\$ 70,000	\$ 70,000
Buildings and leasehold improvements	614,587	614,587
Furniture and fixtures	137,516	140,029
Computer equipment	124,815	120,661
Automobiles	21,401	21,401
Telephone system	28,410	28,410
	<hr/> 996,729	<hr/> 995,088
Accumulated depreciation and amortization	455,968	422,535
	<hr/> \$ 540,761	<hr/> \$ 572,553

Depreciation expense for the years ended June 30, 2012 and 2011 was \$34,126 and \$33,859, respectively.

### (5) Investments

PennFuture carries investments in common stocks and mutual funds with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Short-term highly liquid investments are treated as cash equivalents rather than investments and are not included in investments.

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# CITIZENS FOR PENNSYLVANIA'S FUTURE

## Notes to Financial Statements June 30, 2012 and 2011

### (5) Investments, Continued

The fair values and original cost of investments are as follows:

	2012		2011	
	Fair Value	Cost	Fair Value	Cost
Bonds	\$ 252,654	\$ 236,675	\$ 245,699	\$ 236,675
Common stocks	553,513	496,680	510,547	472,441
Mutual funds	425,576	480,726	462,370	457,329
Total investments	<u>\$ 1,231,743</u>	<u>\$ 1,214,081</u>	<u>\$ 1,218,616</u>	<u>\$ 1,166,445</u>

Investment income and other income consisted of the following at June 30:

	2012	2011
Dividends, interest, and royalties	\$ 41,522	\$ 33,335
Realized gain on sale of investments	17,571	111,661
Unrealized gain (loss) on investments	(34,406)	109,963
Loss on sale of equipment	(1,541)	-
Other income	804	16,630
Equity gain (loss) from other asset	(36,688)	8,272
Total investment and other income (loss)	<u>\$ (12,738)</u>	<u>\$ 279,861</u>

### (6) Other Assets

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 activity for the years ended June 30, is as follows:

	2012	2011
Beginning balance	\$ 36,688	\$ 28,416
Change in fair value	(36,688)	8,272
Ending balance	<u>\$ -</u>	<u>\$ 36,688</u>

### (7) Deferred Revenue

PennFuture receives membership revenue from various sources that are not deemed to be contributions. Members receive the PennFuture's 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 recorded as deferred revenue.

# CITIZENS FOR PENNSYLVANIA'S FUTURE

## Notes to Financial Statements June 30, 2012 and 2011

### (8) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2012	2011
Energy Center	\$ -	\$ 64,675
Regional Prosperity in the Greater Philadelphia Area (William Penn Foundation)	200,021	399,566
Municipal Energy Policy Education (Tremaine)	9,378	21,885
Clean Up Chesapeake Bay	27,895	102,307
Northeast Pennsylvania Clean Energy Standard (Mertz-Gilmore)	-	27,459
Energy Foundation - Power	10,267	26,445
Investigation of Marcellus Gas Drilling Permitting (Laurel Foundation)	-	10,600
Continued Growth of Renewables in Pennsylvania	7,793	-
Choose Clean Water Coalition	-	39,949
Growing the Clean Energy Industry in Southeastern Pennsylvania and West Virginia	-	6,310
Comprehensive Solar Energy Policy	89,034	69,900
Protection for Upper Susquehanna Watershed	28,614	38,148
Environmental Policy Education for Youth (Heinz Endowment)	-	5,281
Energy-related Economic & Workforce Development	-	20,000
Clean Water Laws Enforcement	83,012	156,959
Black and Gold City Goes Green Project 2011	-	16,076
Protecting Southwest Pennsylvania's Watersheds and State Forests (Colcom)	17,998	74,000
Pennsylvania CAMO Coalition Outreach	2,570	5,000
Strategic Policy Direction, Environmental Advocacy, and Advocacy Training	18,122	-
Concerning Marcellus Drilling	12,144	14,423
Black and Gold City Goes Green Project 2012	41,200	-
Other	-	18,715
Total temporary restricted net assets	<u>\$ 548,048</u>	<u>\$ 1,117,698</u>

During the years ended June 30, 2012 and 2011, temporarily restricted net assets of \$1,648,051 and \$1,715,902, respectively, were realized by incurring expenses pursuant to donor stipulations.



# CITIZENS FOR PENNSYLVANIA'S FUTURE

## Notes to Financial Statements June 30, 2012 and 2011

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### (9) Commitments

PennFuture leases its Philadelphia, Pittsburgh, and Wilkes-Barre facilities under non-cancelable operating leases which expire through 2012 and 2016. PennFuture also leases a piece of office equipment under a non-cancelable operating lease expiring in 2015.

The minimum annual rentals as of June 30, 2012 are as follows:

Year Ending	Amount
June 30	
2013	\$ 93,129
2014	73,167
2015	55,256
2016	42,252
	<u>\$ 263,804</u>

Total rent expense exclusive of operating costs of facilities and office equipment was approximately \$98,924 and \$102,792 for the years ended June 30, 2012 and 2011, respectively.

### (10) Economic Dependency

PennFuture is dependent upon grants from various foundations to fund program expense. For the years ended June 30, 2012 and 2011, PennFuture received 73% and 68%, respectively, from three granting agencies. Discontinuation of, or reduction of such grants would force the curtailment of many program services.

### (11) Royalty Income

PennFuture is the beneficiary of a sublicense donated to it in 2004 by two individuals. Under the terms of the sublicense, PennFuture is entitled to receive royalties from the licensee, PaceControls, LLC and for the term of the underlying licensed patents. The sublicense provides for PennFuture to remit 50% of all royalty payment received to the individuals who donated the sublicense to PennFuture.

Included in investments and other income are net royalties of \$712 and \$16,630 for the years ended June 30, 2012 and 2011, respectively.