

*INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION*

**PENNSYLVANIA ECONOMY LEAGUE,
SOUTHEASTERN PA, LLC
D/B/A ECONOMY LEAGUE OF
GREATER PHILADELPHIA**

DECEMBER 31, 2008 AND 2007

**PENNSYLVANIA ECONOMY LEAGUE, SOUTHEASTERN PA, LLC
D/B/A ECONOMY LEAGUE OF GREATER PHILADELPHIA**

DECEMBER 31, 2008 AND 2007

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Independent Auditors' Report

The Board of Directors Pennsylvania Economy League, Southeastern PA, LLC d/b/a Economy League of Greater Philadelphia Philadelphia, Pennsylvania

We have audited the accompanying statements of financial position of **Pennsylvania Economy League, Southeastern PA, LLC, d/b/a Economy League of Greater Philadelphia, (ELGP)** as of December 31, 2008 and 2007 and the related statements of activities, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of ELGP'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 audits 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 **Pennsylvania Economy League, Southeastern PA, LLC, d/b/a Economy League of Greater Philadelphia**, as of December 31, 2008 and 2007 and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

ASHER & COMPANY, Ltd.

June 2, 2009

**PENNSYLVANIA ECONOMY LEAGUE, SOUTHEASTERN PA, LLC
D/B/A ECONOMY LEAGUE OF GREATER PHILADELPHIA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007**

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 540,608	\$ 466,198
Investment	27,565	45,328
Accounts receivable	144,350	116,343
Grant receivable	-	247,500
Prepaid expenses	<u>32,074</u>	<u>25,646</u>
Total current assets	744,597	901,015
OTHER ASSETS		
Furniture and equipment, net of accumulated depreciation of \$194,587 and \$185,574 in 2008 and 2007, respectively	<u>58,361</u>	<u>5,568</u>
Total other assets	58,361	5,568
Total Assets	\$ <u>802,958</u>	\$ <u>906,583</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 104,768	\$ 12,841
Deferred membership revenue	42,500	45,000
Deferred rent	18,737	-
Deferred project income	<u>-</u>	<u>10,000</u>
Total liabilities	166,005	67,841
COMMITMENTS		
NET ASSETS		
Unrestricted	508,858	487,770
Temporarily restricted	<u>128,095</u>	<u>350,972</u>
Total net assets	636,953	838,742
Total Liabilities and Net Assets	\$ <u>802,958</u>	\$ <u>906,583</u>

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

**PENNSYLVANIA ECONOMY LEAGUE, SOUTHEASTERN PA, LLC
D/B/A ECONOMY LEAGUE OF GREATER PHILADELPHIA
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Project income						
Contracts	\$ 369,850		\$ 369,850	\$ 213,900		\$ 213,900
Grants	8,000	\$ 100,000	108,000	24,000	\$ 495,000	\$ 519,000
Event - Fees	190,620	-	190,620	1,595	-	1,595
Event - Sponsorships	52,500	-	52,500	6,500	-	6,500
Board membership	592,978	-	592,978	566,950	-	566,950
Leadership council membership	1,394	-	1,394	50	-	50
Unrealized gain (loss) on investment	(18,610)	-	(18,610)	1,491	-	1,491
Interest and dividends	13,437	-	13,437	22,706	-	22,706
Other	13,070	-	13,070	1,552	-	1,552
Net assets released from restrictions						
satisfaction of project restrictions	322,877	(322,877)	-	407,503	(407,503)	-
Total revenue and support	1,546,116	(222,877)	1,323,239	1,246,247	87,497	1,333,744
EXPENSES						
Program services						
Project expenses	1,004,549	-	1,004,549	778,935	-	778,935
State Office project expense	83,160	-	83,160	83,160	-	83,160
Supporting services						
Management, general, and fundraising	428,079	-	428,079	365,224	-	365,224
State Office administrative expense	9,240	-	9,240	9,240	-	9,240
Total expenses	1,525,028	-	1,525,028	1,236,559	-	1,236,559
CHANGES IN NET ASSETS						
Net assets at beginning of year	487,770	350,972	838,742	478,082	263,475	741,557
Net assets at end of year	\$ 508,858	\$ 128,095	\$ 636,953	\$ 487,770	\$ 350,972	\$ 838,742

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

**PENNSYLVANIA ECONOMY LEAGUE, SOUTHEASTERN PA, LLC
D/B/A ECONOMY LEAGUE OF GREATER PHILADELPHIA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES		
Changes in net assets	\$ (201,789)	\$ 97,185
Adjustments to reconcile changes in net assets to net cash provided (utilized) by operating activities:		
Depreciation	9,013	2,485
Other	(10,895)	-
Unrealized (gain) loss on investment	18,610	(1,491)
Changes in:		
Accounts receivable	(28,007)	(73,563)
Grant receivable	247,500	(166,376)
Prepaid expenses	(6,428)	4,662
Accounts payable and accrued expenses	91,927	(15,134)
Deferred membership revenue	(2,500)	14,000
Deferred project income	(10,000)	10,000
Deferred rent	<u>18,737</u>	<u>-</u>
Net cash provided (utilized) by operating activities	126,168	(128,232)
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(50,911)	(5,001)
Purchase of investment	<u>(847)</u>	<u>(825)</u>
Net cash utilized by investing activities	<u>(51,758)</u>	<u>(5,826)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	74,410	(134,058)
Cash and cash equivalents, beginning of year	<u>466,198</u>	<u>600,256</u>
Cash and cash equivalents, end of year	<u>\$ 540,608</u>	<u>\$ 466,198</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:

During 2007, ELGP disposed of \$2,875 of fully-depreciated furniture and equipment.

During 2008, ELGP received a contribution of furniture and equipment in the amount of \$10,895.

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

**PENNSYLVANIA ECONOMY LEAGUE, SOUTHEASTERN PA, LLC
D/B/A ECONOMY LEAGUE OF GREATER PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Pennsylvania Economy League, Southeastern PA, LLC, d/b/a Economy League of Greater Philadelphia (ELGP), is a not-for-profit organization whose sole member is the Pennsylvania Economy League, Inc. (PEL, Inc.). PEL, Inc. is a not-for-profit organization that conducts research of and for governmental agencies and other civic organizations in order to achieve increased efficiency and economies in state and local governments.

On January 12, 2007, Pennsylvania Economy League, Southeastern PA, LLC filed an application to register the fictitious name "Economy League of Greater Philadelphia" with the Commonwealth of Pennsylvania. ELGP is an independent, nonpartisan, nonprofit organization dedicated to research and analysis of the region's resources and challenges with the goal of promoting sound public policy and increasing the region's prosperity. ELGP covers Bucks, Chester, Delaware, Montgomery and Philadelphia counties, as well as portions of Southern New Jersey and northern Delaware.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash held in commercial bank accounts and a short-term money market fund are considered cash and cash equivalents.

**PENNSYLVANIA ECONOMY LEAGUE, SOUTHEASTERN PA, LLC
D/B/A ECONOMY LEAGUE OF GREATER PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets

Net assets are categorized as follows:

- **Unrestricted** net assets are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.
- **Temporarily restricted** net assets are subject to donor-imposed restrictions that permit ELGP to use or expend the assets as specified. The restrictions will be met either by actions of ELGP or the passage of time.
- **Permanently restricted** net assets are subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by ELGP. ELGP did not have permanently restricted net assets at December 31, 2008 or 2007.

Revenue recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the existence and/or nature of donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Project income is recognized as earned. Board membership revenue is recognized over the corresponding membership period.

Investment

ELGP's investment consists of a mutual fund invested in equity securities and is recorded at fair value based on a quoted market price. Realized and unrealized gains and losses are included in changes in unrestricted net assets in the accompanying statements of activities.

**PENNSYLVANIA ECONOMY LEAGUE, SOUTHEASTERN PA, LLC
D/B/A ECONOMY LEAGUE OF GREATER PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Furniture and equipment

Furniture and equipment is stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets. The estimated useful lives of furniture and equipment range from three to ten years. Donated furniture and equipment is recorded at estimated fair value as of the date of receipt.

Deferred rent

Deferred rent represents the excess of rent expense incurred over annual cash payments. Rental expense on the office lease is recorded by amortizing the total minimum rental payment over the life of the lease on a straight-line basis. The deferred rent balance will be reduced in future years, as the rental payment exceeds the amount of recorded rent expense.

Deferred revenue

Deferred membership revenue represents prepaid membership fees for memberships in a future fiscal period. Deferred project income represents the proceeds received for services to be performed in a future fiscal period.

Group Annuity Pension Plan

ELGP participates in a noncontributory retirement income plan that has been established on a statewide basis with PEL, Inc. ELGP accounts for the plan as a multi-employer plan.

Income taxes

ELGP is considered a disregarded entity for Federal income tax purposes since it is owned by its sole member, PEL, Inc. This tax status was approved by the Commonwealth of Pennsylvania effective January 7, 2005, with the issuance of a Certificate of Organization, Domestic Limited Liability Company to ELGP.

PEL, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Reclassifications

Certain amounts have been reclassified in the 2007 financial statements to conform to the 2008 presentation.

**PENNSYLVANIA ECONOMY LEAGUE, SOUTHEASTERN PA, LLC
D/B/A ECONOMY LEAGUE OF GREATER PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE B - CONCENTRATION OF CREDIT RISK

ELGP maintains its cash accounts in a commercial bank and in a financial institution located in Pennsylvania. Cash accounts in the commercial bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. ELGP may exceed federally insured limits at times, but has not experienced any losses in such accounts. ELGP believes it is not exposed to any significant credit risk on uninsured cash.

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are donor restricted for the following purposes at December 31:

	<u>2008</u>	<u>2007</u>
World Class Greater Philadelphia	\$ 98,095	\$350,972
Budget Game	<u>30,000</u>	<u>-</u>
	<u>\$128,095</u>	<u>\$350,972</u>

NOTE D - FUNCTIONAL EXPENSES

Functional expenses for the years ended December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Program services	\$1,087,709	\$ 862,095
Supporting services	258,458	218,428
Fundraising	<u>178,861</u>	<u>156,036</u>
	<u>\$1,525,028</u>	<u>\$1,236,559</u>

NOTE E - RETIREMENT PLANS

Group Annuity Pension Plan

ELGP participates in a noncontributory retirement income plan that has been established on a statewide basis with PEL, Inc. The plan covers all eligible participants hired on or before December 31, 1999. By action of PEL, Inc.'s Board of Directors in September 2008, the retirement income plan was amended to cease benefit accruals as of December 31, 2008. All participants who are employed at that time will be eligible for coverage.

**PENNSYLVANIA ECONOMY LEAGUE, SOUTHEASTERN PA, LLC
D/B/A ECONOMY LEAGUE OF GREATER PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE E - RETIREMENT PLANS (Continued)

Group Annuity Pension Plan (Continued)

ELGP accounts for the plan as a multi-employer plan and recognizes pension expense when PEL, Inc. requests cash contributions. PEL, Inc. makes requests for contributions based on actuarial calculations of minimum and maximum funding requirements under the Employee Retirement Income Security Act (ERISA) of 1974. PEL, Inc.'s minimum required contribution for 2008 and 2007 was calculated as approximately \$336,000 and \$102,000, respectively. Of this amount, PEL, Inc. has determined ELGP's share to be approximately 25% of the required contribution. ELGP recognized approximately \$84,000 and \$30,100 in pension expense for the years ended December 31, 2008 and 2007, respectively. As of December 31, 2008, approximately \$52,000 of the 2008 contribution was recorded as a payable.

The actuarial valuation of PEL, Inc.'s noncontributory retirement income plan indicated an underfunded status of approximately \$2,130,000 and \$1,800,000 for the plan years ended December 31, 2008 and 2007, respectively. In addition, ELGP may be obligated to fund a portion of the retirement benefits covering participants from other participating LLCs in the event they cease operations. At December 31, 2008 and 2007, management was unable to determine ELGP's share of these contingent liabilities.

Money Purchase Pension Plan

PEL, Inc. adopted a defined contribution money purchase pension plan, effective January 1, 2001, to provide retirement benefits to employees (including employees of ELGP) hired on or after January 1, 2000. Contributions, by ELGP, equal 6% of the base compensation of eligible employees. For the years ended December 31, 2008 and 2007, contribution expense was approximately \$11,000 and \$8,300, respectively.

Effective January 1, 2008, PEL, Inc. amended the defined contribution plan to reduce the required contribution from 6% to 3%, with an additional 100% match of the employee's contribution up to 3% of base compensation.

**PENNSYLVANIA ECONOMY LEAGUE, SOUTHEASTERN PA, LLC
D/B/A ECONOMY LEAGUE OF GREATER PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE F - RELATED PARTY

State Office allocation

In conjunction with other PEL, Inc. owned LLCs located in Pittsburgh and Wilkes-Barre, ELGP provides funding for the operations of the PEL, Inc.'s State Office located in Harrisburg. At December 31, 2008 and 2007, the expenses related to funding the State Office were \$92,400 each year, and are included as program and supporting services expense on the statements of activities.

NOTE G - COMMITMENTS

Operating leases

ELGP leases office space and equipment under non-cancelable operating leases which expire through 2015. Rent expense was approximately \$104,600 and \$104,700 for 2008 and 2007, respectively. In April 2008, ELGP signed an agreement to lease new office space as of June 1, 2008. This non-cancelable operating lease expires July 31, 2015.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2008, inclusive of the new office space lease, are approximately as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2009	\$104,000
2010	104,000
2011	102,000
2012	99,000
2013	99,000
Thereafter	<u>153,000</u>
	<u>\$661,000</u>

SUPPLEMENTARY INFORMATION

**PENNSYLVANIA ECONOMY LEAGUE, SOUTHEASTERN PA, LLC
D/B/A ECONOMY LEAGUE OF GREATER PHILADELPHIA
SCHEDULES OF EXPENSES
YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
EXPENSES		
Depreciation	\$ 9,013	\$ 2,485
Dues and subscriptions	6,468	6,059
Employee development	9,576	6,667
Equipment lease	7,632	7,029
Insurance	9,242	9,143
Meetings	5,757	4,531
Miscellaneous	13,061	9,375
Office supplies and expense	28,155	6,601
Payroll taxes and benefits	101,898	88,678
Pension	84,134	33,486
Postage	3,884	3,291
Professional fees	87,858	80,227
Project expenses	292,911	201,162
Public relations	8,383	9,886
Rent, office space	96,969	97,715
Salaries	630,641	561,016
State Office allocation	92,400	92,400
Telecommunications	30,711	11,599
Temporary help	1,031	1,761
Travel and meals	1,867	3,448
Utilities	3,437	-
	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,525,028</u>	<u>\$ 1,236,559</u>