

PENNSYLVANIA ECONOMY LEAGUE, INC.  
Philadelphia, Pennsylvania

Combined Financial Statements  
and  
Supplementary Financial Information  
For the years ended December 31, 2010 and 2009  
and Independent Auditors' Report Thereon

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Pennsylvania Economy League, Inc.  
Philadelphia, Pennsylvania

We have audited the accompanying combined statements of financial position of Pennsylvania Economy League, Inc. (Economy League) as of December 31, 2010 and 2009, and the related combined statements of activities and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Economy League's management. Our responsibility is to express an opinion on these combined 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. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Economy League's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Economy League as of December 31, 2010 and 2009, and the combined statements of activities and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
July 6, 2011

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PENNSYLVANIA ECONOMY LEAGUE, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2010	2009
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 1,218,715	\$ 1,137,716
INVESTMENT	41,499	36,109
ACCOUNTS RECEIVABLE:		
Related-party receivable	183,844	427,830
Contracts and grants	166,736	278,756
Other	-	46,325
	350,580	752,911
PREPAID EXPENSES	36,903	34,775
FURNITURE AND EQUIPMENT	227,994	416,489
Less - Accumulated depreciation	(190,432)	(362,837)
	37,562	53,652
OTHER	16,104	16,104
	16,104	16,104
Total Assets	\$ 1,701,363	\$ 2,031,267
LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE:		
Trade	\$ 55,471	\$ 50,188
Related-party payable	140,396	39,861
	195,867	90,049
ACCRUED LIABILITIES	91,969	87,259
PENSION OBLIGATION (See Note 4)	1,589,000	1,722,635
DEFERRED REVENUES	206,640	435,176
	206,640	435,176
Total Liabilities	2,083,476	2,335,119
NET ASSETS		
Unrestricted (See Note 2)	(392,113)	(476,189)
Temporarily restricted	10,000	172,337
	(382,113)	(303,852)
Total Net Assets	(382,113)	(303,852)
Total Liabilities And Net Assets	\$ 1,701,363	\$ 2,031,267

See notes to combined financial statements.

PENNSYLVANIA ECONOMY LEAGUE, INC.

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
<b>UNRESTRICTED NET ASSETS</b>		
<b>OPERATING</b>		
<b>PUBLIC SUPPORT AND REVENUE</b>		
Contributions	\$ 1,655,585	\$1,276,668
Project, program and activities revenue	1,184,234	1,155,215
Membership dues	694,705	671,258
Contracts and grants	-	35,156
Investment income	8,842	14,988
Miscellaneous and other	3,629	1,569
Net assets released from restrictions	192,337	285,758
Total Public Support And Revenue	3,739,332	3,440,612
<b>EXPENSES</b>		
Salaries, wages and employee benefits	2,221,093	2,297,300
Professional services	590,558	526,085
Meetings, programs and activities	239,567	127,424
Facilities	264,491	260,961
Travel	28,135	42,129
Public relations, advertising and marketing	21,104	16,581
Other expenses	202,479	207,787
Defined benefit pension expense (See Note 4)	119,742	229,778
Total Expenses	3,687,169	3,708,045
Changes In Unrestricted Net Assets From Operating Activities	52,163	(267,433)
<b>NON-OPERATING</b>		
Changes in pension obligation (See Note 4)	31,913	617,951
Changes In Unrestricted Net Assets	84,076	350,518
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
<b>PUBLIC SUPPORT AND REVENUE</b>		
Contracts and grants	30,000	330,000
Net assets released from restrictions	(192,337)	(285,758)
Changes In Temporarily Restricted Net Assets	(162,337)	44,242
Changes In Net Assets	(78,261)	394,760
<b>NET ASSETS</b>		
Beginning of year	(303,852)	(698,612)
End of year	\$ (382,113)	\$ (303,852)

See notes to combined financial statements.

PENNSYLVANIA ECONOMY LEAGUE, INC.

COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (78,261)	\$ 394,760
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	16,090	16,769
Pension obligation (See Note 4)	(133,635)	(617,951)
Changes in assets and liabilities:		
Related-party receivable	243,986	(205,062)
Contracts and grants receivable	112,020	132,921
Other accounts receivable	46,325	(29,025)
Prepaid expenses	(2,128)	4,782
Other assets	(5,390)	(24,648)
Trade accounts payable	5,283	(246,287)
Related-party payable	100,535	(129,708)
Accrued liabilities	4,710	(104,528)
Deferred revenues	(228,536)	4,577
Net Cash Provided By (Used In) Operating Activities	<u>80,999</u>	<u>(803,400)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	<u>-</u>	<u>(2,569)</u>
Net Increase (Decrease) In Cash And Cash Equivalents	80,999	(805,969)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,137,716</u>	<u>1,943,685</u>
End of year	<u>\$ 1,218,715</u>	<u>\$ 1,137,716</u>

See notes to combined financial statements.

PENNSYLVANIA ECONOMY LEAGUE, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 1 - ORGANIZATION

The Pennsylvania Economy League, Inc. (Corporation or Organization) is a nonprofit organization incorporated in June 1936 to provide independent research on emerging issues in order to stimulate public and private action and to make Pennsylvania a better place to live, work and do business. The Organization's goal is to create a knowledgeable corporate and civic audience to help ensure the economic competitiveness of the Commonwealth and its regions.

The Corporation is composed of three limited liability companies (each herein referred to as a "Company" or "Division") covering the central, eastern and western geographic regions of the Commonwealth. In addition to the three Divisions, the Corporation had a fourth location in Harrisburg, Pennsylvania that handled various administrative duties, provided research expertise and served as the Corporation's headquarters (State office). Under Pennsylvania law, the Companies are single-member limited liability companies with the Corporation serving as the sole member. The single-member limited liability companies are disregarded entities as defined in Section 7701 of the Internal Revenue Code of 1986, as amended. Although bound by an Operating Agreement with the Corporation, the three Divisions often operate independently of one another. Each Division, in accordance with the Operating Agreement, establishes a Board of Directors (Board), and each Division's Board of Directors has the right to appoint five (5) Directors to serve on the Corporation's Board, which manages and directs the Corporation as a whole.

The main purpose of the State office is to serve as the administrative arm of the Corporation to facilitate the sharing of common expenses among the Divisions or, in the case of revenues, provide coordination on multi-divisional projects and represent the Corporation as a statewide organization. Each year, the Corporation's Board determines the level of support needed by each Division to cover such administrative operating costs. In 2010 and 2009, each Division contributed \$25,000 to the State office to cover such costs. For budgetary reasons, as of December 31, 2009, the Corporation's Board transitioned the administrative responsibilities of the Organization to management of ELGP, and the Harrisburg location was vacated upon expiration of its lease agreement.

The Pennsylvania Economy League, Central PA, LLC (Central) Division of the Corporation (located in Wilkes-Barre) has a program emphasis on local government policy issues and the economic development impact through local policy decisions. The Division also assists local governmental units in the formulation and implementation of financial standards by conducting research projects on a fee basis. Central receives funding from individuals and firms in the form of membership payments. The Division maintains eight regional membership committees, and its activities cover over 40 counties, including Berks, Blair, Cambria, Clinton, Cumberland, Dauphin, Lackawanna, Lancaster, Lehigh, Luzerne, Lycoming, Northampton and York.

The Pennsylvania Economy League, Southeastern PA, LLC, d/b/a Economy League of Greater Philadelphia (ELGP), is 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's geographical region covers the counties of Bucks, Chester, Delaware, Montgomery and Philadelphia, and portions of Southern New Jersey and northern Delaware. ELGP is the current registered office of the Corporation and is responsible for fulfilling the administrative duties for the remaining assets of the State office.

The Pennsylvania Economy League, Southwestern PA, LLC (Southwest) conducts research and analysis on the critical issues facing southwestern Pennsylvania and the Commonwealth, and to effect the public policy goals and the objectives of the Corporation. Southwest's geographical jurisdiction is the counties of Allegheny, Armstrong, Beaver, Butler, Clarion, Fayette, Greene, Indiana, Lawrence, Mercer, Venango, Washington and Westmoreland.

PENNSYLVANIA ECONOMY LEAGUE, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 1 - ORGANIZATION (Continued)

Southwest has an affiliation with the Allegheny Conference on Community Development and its affiliates, the Pittsburgh Regional Alliance and the Greater Pittsburgh Chamber of Commerce (collectively, the Conference), and relies on the Conference for a portion of its revenues. The affiliation is bound by the Conference's three-year strategic plan focused on five priorities: 1) increase the fiscal accountability and effectiveness of our government entities; 2) improve the climate for business growth; 3) target transportation and infrastructure investments to trigger regional transformation; 4) position the region as an attractive workplace and enhance access to jobs for a youthful and diverse workforce; and 5) stimulate new business investments in sectors with the greatest return to our region's economy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying combined financial statements follows:

**Use of Estimates** - The preparation of combined 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Principles of Combination** - The combined financial statements include the accounts of Central, ELGP, Southwest and the State office. Consistent with generally accepted accounting principles for not-for-profit organizations, the financial position and results of operations and cash flows are presented on a combined basis for 2010 and 2009. All intercompany balances and transactions have been eliminated in combination.

**Net Assets** - The Corporation classifies resources for accounting and reporting purposes into separate net asset classes based on the absence or existence of donor-imposed restrictions. In the accompanying combined financial statements, net assets that have similar characteristics have been combined into similar categories. A description of the net asset categories of the Corporation is as follows:

**Unrestricted Net Assets** - Net assets not subject to donor-imposed restrictions or stipulations as to purpose or use. Donor-restricted contributions expensed in the year of receipt for a restricted purpose are reported as unrestricted.

**Temporarily Restricted Net Assets** - Net assets that are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of the Organization or the passage of time.

The Corporation reported a negative net asset position as of December 31, 2010 and 2009 resulting from the accounting for the Corporation's defined benefit pension plan. In consideration of this matter, management ensures that a balanced budget is adopted each year, which includes allocating sufficient resources to cover the annual minimum funding obligations of the pension plan and management's close monitoring of the annual cash flow requirements. At December 31, 2010, the defined benefit plan's current asset position is sufficient to cover the near-term obligations of the plan.

PENNSYLVANIA ECONOMY LEAGUE, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization reports gifts of cash and other assets as restricted support if they are received with donor-imposed restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents - The Corporation maintains, at several financial institutions, cash that may exceed federally insured amounts at times. The Corporation considers all investments with a purchased maturity of three months or less to be cash equivalents.

Investment - The Corporation has 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 combined statement of activities.

Accounts Receivable - Receivables are carried at the amounts owed by clients and affiliates. Management periodically reviews these receivables for credit risks. When an account is determined to be not collectible, the remaining balance is written-off.

Furniture and Equipment - Furniture, fixtures and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Deferred Revenues - A portion of the Corporation's initiatives consist of projects that are executed over a period of time. Project revenues related to these initiatives are recorded in the same period as the related expenses are incurred to complete the initiative. Deferred revenue also includes prepaid membership fees for memberships in a future fiscal period.

Deferred Rent - Deferred rent includes the excess of rent expense incurred over annual cash payments. Rental expense on office leases 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.

Income Taxes - The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also classified as an entity that is not a private foundation.

The Financial Accounting Standards Board (FASB) issued the Accounting for Income Taxes topic of the Accounting Standards Codification (Codification), which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This topic prescribes a recognition threshold and measurement principles for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The Corporation has adopted this topic effective January 1, 2009. The adoption did not have a significant impact on the Corporation's combined financial statements.

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 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.

PENNSYLVANIA ECONOMY LEAGUE, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements - The Fair Value Measurements and Disclosures topic of the Codification defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurements. The Organization adopted changes issued by the FASB to fair value disclosure of financial and nonfinancial instruments.

Generally accepted accounting principles (GAAP) established a hierarchy by which these assets and liabilities must be grouped, based on significant levels of inputs as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or

Level 3 - Unobservable inputs for the asset or liability, such as discounted cash flow models or valuations.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Organization's financial instruments consist primarily of cash and cash equivalents, investments, accounts receivable and accounts payable, which approximate fair value due to the short-term nature of such instruments.

Reclassifications - Certain reclassifications have been made to the accompanying combined financial statements for the year ended December 31, 2009 to conform to the current year's presentation.

NOTE 3 - LEASES

ELGP leases office space and equipment under noncancelable operating leases that expire in 2015. The State office entered into an operating lease agreement for space that terminated on September 30, 2010. Central has a lease agreement for office space that continues on a month-to-month basis and is thus excluded from totals below.

The approximate aggregate annual amount of rental payments due subsequent to December 31, 2010 is as follows:

Year Ending December 31	Amount
2011	\$ 104,605
2012	107,456
2013	110,180
2014	111,471
2015	<u>64,268</u>
	<u>\$ 497,980</u>

PENNSYLVANIA ECONOMY LEAGUE, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 4 - EMPLOYEE BENEFIT PLANS

The Corporation sponsors a defined benefit pension plan covering substantially all of its employees beginning employment on or prior to December 31, 1999. The Corporation uses a measurement date of December 31 for the plan.

Effective December 31, 2008, the Company approved an amendment to cease accruing benefits under the plan. Prior to the amendment, benefits were determined based on years of service and the employee's highest average rate of earnings for the five consecutive years during the last ten full years before retirement. The amendment resulted in an elimination of any compensation earned or performed after December 31, 2008 when determining the participant's average annual compensation. The Corporation funds 100% of the cost of the plan, allocated annually among the State office and the three Divisions based upon the accrued liability of active, vested former and retiree plan members.

Reconciliation of changes in projected benefit obligation and changes in plan assets as of December 31 are as follows:

	<u>2010</u>	<u>2009</u>
Accumulated benefit obligation as of end of year	\$ 5,977,348	\$ 5,755,715
Projected benefit obligation as of beginning of year	5,755,715	5,628,225
Service cost	27,498	14,860
Interest cost	312,480	325,645
Actuarial losses and changes in assumptions	186,571	101,865
Benefits paid	<u>(304,916)</u>	<u>(314,880)</u>
Projected benefit obligation as of end of year	<u>\$ 5,977,348</u>	<u>\$ 5,755,715</u>
Fair value of plan assets as of beginning of year	\$ 4,033,078	\$ 3,236,849
Actual return on plan assets	438,720	636,896
Employer contribution	221,466	474,213
Benefits paid	<u>(304,916)</u>	<u>(314,880)</u>
Fair value of plan assets as of end of year	<u>\$ 4,388,348</u>	<u>\$ 4,033,078</u>
Funded status as of end of year	<u>\$ (1,589,000)</u>	<u>\$ (1,722,637)</u>

The overall long-term objective of the Corporation's plan is to achieve a rate of return that can support, with a high degree of probability, the goal that most or all inactive members will be able to have the present value of their future benefit payments met by current assets and future employer contributions. A Prudential Retirement Insurance and Annuity Company (PRIAC) group annuity contract (GAC) is the primary vehicle for the investment of funds and payment of benefits. Funds invested through the GAC earn investment returns that reflect the returns for PRIAC's General Account. The General Account is invested primarily in publicly traded and privately placed debt securities and mortgage loans, but it also includes, to a lesser extent, real estate and other equity investments. The Corporation also invests in a Standard & Poors 500 Index mutual fund (S&P). The S&P 500 Index Mutual Fund is a domestic equity portfolio consisting of the aggregate performance of 500 of the top U.S. companies and some non-U.S. companies.

PENNSYLVANIA ECONOMY LEAGUE, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 4 - EMPLOYEE BENEFIT PLANS (Continued)

The weighted average asset allocation of pension plan assets at December 31 by asset category is as follows:

	2010	2009
Prudential GAC Contract	86%	87%
S&P 500 Index Mutual Fund	14%	13%
	100%	100%

The fair value of the pension plan assets by asset category that represent Level 2 measurements as of December 31 are as follows:

	2010	2009
Prudential GAC Contract	\$ 3,782,326	\$ 3,505,153
S&P 500 Index Mutual Fund	606,022	527,925
	\$ 4,388,348	\$ 4,033,078

The fair value of investments categorized as Level 2 includes investments in interest rate-based funds. The funds' value is determined by multiplying client contributions by an established interest rate. The fair value method may not be indicative of net realizable value or reflective of future fair values. Additionally, while the Corporation believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

The aggregate amount expected to be recognized in net periodic benefit cost during the period ending December 31, 2011 is \$192,934. In 2011, the Corporation expects to contribute \$274,300 to the pension plan. On an annual basis, the actuary determines the percent allocation for each Division. Each Division is responsible for funding its share of the minimum funding requirement through operating revenues as determined by the Divisions' annual budget.

The following table presents estimated future pension benefit payments as of December 31, 2010:

Year Ending December 31	Amount
2011	\$ 326,797
2012	348,803
2013	351,624
2014	363,977
2015	364,237
2016-2020	1,889,686
	\$ 3,645,124

PENNSYLVANIA ECONOMY LEAGUE, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 4 - EMPLOYEE BENEFIT PLANS (Continued)

Components of net periodic benefit costs as of December 31 are as follows:

	<u>2010</u>	<u>2009</u>
Net periodic benefit costs consist of:		
Service cost	\$ 27,498	\$ 14,860
Interest cost	312,480	325,645
Expected return on plan assets	(254,941)	(212,117)
Amortization of net actuarial loss	<u>34,705</u>	<u>101,390</u>
Net periodic benefit cost as of December 31	<u>\$ 119,742</u>	<u>\$ 229,778</u>
Other changes in plan assets and benefit obligations:		
Amortization of net loss	\$ 34,705	\$ 101,390
Change in actuarial assumptions at December 31	(351,056)	(251,479)
Experience gain at January 1	164,485	149,614
Asset gain	183,779	424,779
Other cumulative actuarial changes impacting the pension obligation	<u>-</u>	<u>193,647</u>
Total changes in plan assets other than net periodic benefit costs	<u>\$ 31,913</u>	<u>\$ 617,951</u>

Items not yet recognized as a component of net periodic benefit cost at December 31, 2010 and 2009 include \$1,559,328 and \$1,591,241 of net actuarial losses, respectively.

Assumptions used to determine net periodic benefit cost for the plan at December 31 were as follows:

	<u>2010</u>	<u>2009</u>
Weighted average assumptions as of December 31:		
Discount rate	5.25%	5.75%
Expected long-term rate of return on plan assets	6.50%	6.50%

The Organization also maintains a defined contribution money purchase plan for individuals hired after December 31, 1999. The Organization is required to make contributions of 3% of annual salaries up to an additional 3% match on employees' contribution for a maximum employer contribution of 6%, following the first year of employment. Effective January 1, 2007, the Organization amended its defined contribution plan to allow participants to become 100% vested after three years of service. Participants terminating employment prior to full vesting forfeit the entire unvested balance of their accounts. The Organization contributed approximately \$73,000 and \$98,000 during the years ended December 31, 2010 and 2009, respectively.

Employees of the Organization can also participate in a Company-sponsored 403(b) tax-deferred retirement plan. The Organization does not match any employee contributions to this plan.

PENNSYLVANIA ECONOMY LEAGUE, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 5 - UNEMPLOYMENT COMPENSATION INSURANCE

In 2010 and 2009, Corporation is self-insured against claims for Pennsylvania Unemployment Compensation. To obtain and maintain this status, the Corporation has assigned a certificate of deposit in the amount of \$3,500 to the Commonwealth of Pennsylvania - Pennsylvania Unemployment Compensation Fund as a collateral deposit. The Corporation is liable for reimbursement of benefit payments made by the state on behalf of the Corporation. The \$3,500 certificate of deposit is included in cash and cash equivalents. Effective January 1, 2011, the Corporation formally requested a change to its State of Pennsylvania Unemployment Compensation financing method from the "Reimbursable Method" to the "Contributory Method".

NOTE 6 - RELATED-PARTY TRANSACTIONS

The Divisions provide annual financial support to the State office to help fund the State office's administrative expenses. In 2010 and 2009, the Organization's Board determined that the annual financial support from each Division would be \$25,000. Amounts are eliminated in combination.

A service agreement was entered into in 2005 between the Conference and Southwest whereby the Conference serves as the managerial entity of Southwest and manages its affairs. The Conference allocates operating expenses to its affiliates and to Southwest, which is determined annually, based on the percentage of employees allocated to each of the organizations. The total cost to Southwest was approximately \$650,000 and \$577,000 for the years ended December 31, 2010 and 2009, respectively. Included in related-party payables are amounts that Southwest owed the Conference totaling \$139,000 and \$39,000 as of December 31, 2010 and 2009, respectively.

The Conference contracts with Southwest to assist it in carrying out its agenda. Southwest recognized approximately \$1,590,000 and \$1,309,000 in 2010 and 2009, respectively, in project revenues relating to these services. Included in related-party receivables are amounts the Conference owed Southwest totaling \$148,000 and \$419,000 as of December 31, 2010 and 2009, respectively.

Southwest periodically engages in transactions with businesses whose executives are members of the Conference and Affiliate Boards.

NOTE 7 - RESTRICTIONS ON ASSETS

Temporarily restricted net assets at December 31 are composed of the following:

	<u>2010</u>	<u>2009</u>
William Penn Foundation 96-09: Greater Philadelphia Leadership Exchange and Projects of Regional Significance	\$ -	\$ 172,337
Dolfinger-McMahon Foundation - Greater Philadelphia Civic Consulting Alliance Demo Project	5,000	-
Lenfest Foundation Grant - ExOffenders Project	2,500	-
Wells Fargo Foundation Grant - ExOffenders Project	2,500	-
	<u>\$ 10,000</u>	<u>\$ 172,337</u>

PENNSYLVANIA ECONOMY LEAGUE, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 8 - RELEASE OF RESTRICTED ASSETS

Net assets were released from donor restrictions during the years ended December 31 by incurring expenses satisfying the restricted purposes, passage of time, or by occurrence of other events specified by donors and grantors. These amounts are summarized as follows:

	<u>2010</u>	<u>2009</u>
William Penn Foundation 79-07: World Class Greater Philadelphia	\$ -	\$ 98,095
William Penn Foundation 96-09: Greater Philadelphia Leadership Exchange and Projects of Regional Significance	172,337	157,663
Lenfest Foundation Grant - Budget Game	-	30,000
Lenfest Foundation Grant - ExOffenders Project	10,000	-
WellsFargo Foundations Grant - ExOffenders Project	<u>10,000</u>	<u>-</u>
	<u>\$ 192,337</u>	<u>\$ 285,758</u>

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the statement of financial position date, but before the statement is issued or is available to be issued. The Corporation has evaluated subsequent events through July 6, 2011, the date on which the statement was available to be issued.

On May 16, 2011, Central entered into a working capital line-of-credit agreement with a bank, providing for borrowings of up to a maximum of \$20,000, bearing interest at the bank's prime lending rate (3.25% at December 31, 2010), plus 5.00%.

NOTE 10 - FUNCTIONAL EXPENSES

Functional expenses of the Corporation at December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Program services	\$ 2,283,948	\$ 2,457,124
Fundraising	267,719	311,058
Management and general	<u>1,103,589</u>	<u>945,734</u>
	<u>\$ 3,655,256</u>	<u>\$ 3,713,916</u>

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SUPPLEMENTARY COMBINING FINANCIAL INFORMATION





INSIGHT ■ INNOVATION ■ EXPERIENCE

INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY COMBINING FINANCIAL INFORMATION

Board of Directors  
Pennsylvania Economy League, Inc.  
Harrisburg, Pennsylvania

We have audited the combined financial statements of Pennsylvania Economy League, Inc. as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 6, 2011, which contained an unqualified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on Pages 16-22 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
July 6, 2011

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PENNSYLVANIA ECONOMY LEAGUE, INC.

COMBINING STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2010

	<u>Pennsylvania Economy League Inc.</u>	<u>Economy League of Greater Philadelphia</u>	<u>Pennsylvania Economy League Central Division</u>	<u>Pennsylvania Economy League SWPA, LLC</u>	<u>Eliminations</u>	<u>Total Combined</u>
<b>ASSETS</b>						
CASH AND CASH EQUIVALENTS	\$ 163,122	\$ 333,595	\$ 64,826	\$ 657,172	-	\$ 1,218,715
INVESTMENT	-	41,499	-	-	-	41,499
ACCOUNTS RECEIVABLE:						
Related-party receivable	45,868	9,405	-	147,509	(18,938)	183,844
Contracts and grants	-	85,750	80,986	-	-	166,736
Other	-	-	-	-	-	-
	<u>45,868</u>	<u>95,155</u>	<u>80,986</u>	<u>147,509</u>	<u>(18,938)</u>	<u>350,580</u>
PREPAID EXPENSES	7,780	27,137	1,986	-	-	36,903
FURNITURE AND EQUIPMENT	13,379	112,769	101,846	-	-	227,994
Less - Accumulated depreciation	<u>(12,178)</u>	<u>(78,908)</u>	<u>(99,346)</u>	<u>-</u>	<u>-</u>	<u>(190,432)</u>
	1,201	33,861	2,500	-	-	37,562
OTHER	<u>6,058</u>	<u>7,546</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>16,104</u>
Total Assets	<u>\$ 224,029</u>	<u>\$ 538,793</u>	<u>\$ 150,298</u>	<u>\$ 807,181</u>	<u>\$ (18,938)</u>	<u>\$ 1,701,363</u>

	Pennsylvania Economy League Inc.	Economy League of Greater Philadelphia	Pennsylvania Economy League Central Division	Pennsylvania Economy League SWPA, LLC	Eliminations	Total Combined
<b>LIABILITIES</b>						
<b>ACCOUNTS PAYABLE:</b>						
Trade	\$ 15,554	\$ 3,753	\$ 35,017	\$ 1,147	\$ -	\$ 55,471
Related-party payable	3,000	447	17,385	138,502	(18,938)	140,396
	<u>18,554</u>	<u>4,200</u>	<u>52,402</u>	<u>139,649</u>	<u>(18,938)</u>	<u>195,867</u>
ACCRUED LIABILITIES	6,785	38,296	52	46,836	-	91,969
PENSION OBLIGATION	180,193	378,023	412,346	618,438	-	1,589,000
DEFERRED REVENUES	-	58,500	81,290	66,850	-	206,640
Total Liabilities	<u>205,532</u>	<u>479,019</u>	<u>546,090</u>	<u>871,773</u>	<u>(18,938)</u>	<u>2,083,476</u>
<b>NET ASSETS</b>						
<b>UNRESTRICTED</b>						
Unrestricted	18,497	49,774	(395,792)	(64,592)	-	(392,113)
<b>TEMPORARILY RESTRICTED</b>						
	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total Net Assets	<u>18,497</u>	<u>59,774</u>	<u>(395,792)</u>	<u>(64,592)</u>	<u>-</u>	<u>(382,113)</u>
Total Liabilities And Net Assets	<u>\$ 224,029</u>	<u>\$ 538,793</u>	<u>\$ 150,298</u>	<u>\$ 807,181</u>	<u>\$ (18,938)</u>	<u>\$ 1,701,363</u>

The independent auditors' report on supplementary combining financial information should be read with this combining statement.

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PENNSYLVANIA ECONOMY LEAGUE, INC.

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Pennsylvania Economy League Inc.	Economy League of Greater Philadelphia	Pennsylvania Economy League Central Division	Pennsylvania Economy League SWPA, LLC	Eliminations	Total Combined
<b>UNRESTRICTED NET ASSETS</b>						
<b>OPERATING</b>						
<b>PUBLIC SUPPORT AND REVENUE</b>						
Contributions	\$ -	\$ 289,358	\$ -	\$ 1,366,227	\$ -	\$ 1,655,585
Project, program and activities revenue	-	476,750	448,248	259,236	-	1,184,234
Membership dues	-	575,600	119,105	-	-	694,705
Contracts and grants	-	-	-	-	-	-
Investment income	1,109	6,258	111	1,560	(196)	8,842
Miscellaneous and other	1	21	3,590	17	-	3,629
State office allocation	75,000	(25,000)	(25,000)	(25,000)	-	-
Net assets released from restrictions	-	192,337	-	-	-	192,337
<b>Total Public Support And Revenue</b>	<b>76,110</b>	<b>1,515,324</b>	<b>546,054</b>	<b>1,602,040</b>	<b>(196)</b>	<b>3,739,332</b>
<b>EXPENSES</b>						
Salaries, wages and employee benefits	9,173	789,885	272,235	1,149,800	-	2,221,093
Professional services	21,261	276,861	168,021	124,415	-	590,558
Meetings, programs and activities	9,716	208,057	2,504	19,290	-	239,567
Facilities	11,921	104,817	27,225	120,528	-	264,491
Travel	138	4,114	10,335	13,548	-	28,135
Public relations, advertising and marketing	-	8,864	2,690	9,550	-	21,104
Other expenses	13,267	78,803	35,341	75,264	(196)	202,479
Defined benefit pension expense	12,620	27,087	29,981	50,054	-	119,742
<b>Total Expenses</b>	<b>78,096</b>	<b>1,498,488</b>	<b>548,332</b>	<b>1,562,449</b>	<b>(196)</b>	<b>3,687,169</b>
Changes In Unrestricted Net Assets From Operating Activities	(1,986)	16,836	(2,278)	39,591	-	52,163
<b>NON-OPERATING</b>						
Change in pension obligation	(3,874)	(3,278)	(212)	39,277	-	31,913
Changes In Unrestricted Net Assets	(5,860)	13,558	(2,490)	78,868	-	84,076
<b>TEMPORARILY RESTRICTED NET ASSETS</b>						
<b>PUBLIC SUPPORT AND REVENUE</b>						
Contracts and grants	-	30,000	-	-	-	30,000
Net assets released from restrictions	-	(192,337)	-	-	-	(192,337)
Changes In Temporarily Restricted Net Assets	-	(162,337)	-	-	-	(162,337)
Changes In Net Assets	(5,860)	(148,779)	(2,490)	78,868	-	(78,261)
<b>NET ASSETS</b>						
Beginning of year	24,357	208,553	(393,302)	(143,460)	-	(303,852)
End of year	\$ 18,497	\$ 59,774	\$ (395,792)	\$ (64,592)	\$ -	\$ (382,113)

The independent auditors' report on supplementary combining financial information should be read with this combining statement.

PENNSYLVANIA ECONOMY LEAGUE, INC.

COMBINING STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2009

	<u>Pennsylvania Economy League Inc.</u>	<u>Economy League of Greater Philadelphia</u>	<u>Pennsylvania Economy League Central Division</u>	<u>Pennsylvania Economy League SWPA, LLC</u>	<u>Eliminations</u>	<u>Total Combined</u>
<b>ASSETS</b>						
CASH AND CASH EQUIVALENTS	\$ 171,419	\$ 363,029	\$ 66,203	\$ 537,065	\$ -	\$ 1,137,716
INVESTMENT	-	36,109	-	-	-	36,109
ACCOUNTS RECEIVABLE:						
Related-party receivable	30,418	1,000	24,859	420,176	(48,623)	427,830
Contracts and grants	44,051	165,000	45,547	24,158	-	278,756
Other	7,912	38,413	-	-	-	46,325
	<u>82,381</u>	<u>204,413</u>	<u>70,406</u>	<u>444,334</u>	<u>(48,623)</u>	<u>752,911</u>
PREPAID EXPENSES	-	31,496	3,279	-	-	34,775
FURNITURE AND EQUIPMENT	13,379	255,518	101,846	45,746	-	416,489
Less - Accumulated depreciation	<u>(11,245)</u>	<u>(208,295)</u>	<u>(97,891)</u>	<u>(45,406)</u>	<u>-</u>	<u>(362,837)</u>
	2,134	47,223	3,955	340	-	53,652
OTHER	<u>6,058</u>	<u>7,546</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>16,104</u>
Total Assets	<u>\$ 261,992</u>	<u>\$ 689,816</u>	<u>\$ 143,843</u>	<u>\$ 984,239</u>	<u>\$ (48,623)</u>	<u>\$ 2,031,267</u>

	Pennsylvania Economy League Inc.	Economy League of Greater Philadelphia	Pennsylvania Economy League Central Division	Pennsylvania Economy League SWPA, LLC	Eliminations	Total Combined
<b>LIABILITIES</b>						
<b>ACCOUNTS PAYABLE:</b>						
Trade	\$ 20,925	\$ 2,253	\$ 22,742	\$ 4,268	\$ -	\$ 50,188
Related-party payable	28,859	-	20,764	38,861	(48,623)	39,861
	<u>49,784</u>	<u>2,253</u>	<u>43,506</u>	<u>43,129</u>	<u>(48,623)</u>	<u>90,049</u>
ACCRUED LIABILITIES	-	29,464	-	57,795	-	87,259
PENSION OBLIGATION	187,851	398,946	438,532	697,306	-	1,722,635
DEFERRED REVENUES	-	50,600	55,107	329,469	-	435,176
	<u>-</u>	<u>50,600</u>	<u>55,107</u>	<u>329,469</u>	<u>-</u>	<u>435,176</u>
Total Liabilities	237,635	481,263	537,145	1,127,699	(48,623)	2,335,119
<b>NET ASSETS</b>						
<b>UNRESTRICTED</b>						
Unrestricted	24,357	36,216	(393,302)	(143,460)	-	(476,189)
<b>TEMPORARILY RESTRICTED</b>						
	<u>-</u>	<u>172,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,337</u>
Total Net Assets	<u>24,357</u>	<u>208,553</u>	<u>(393,302)</u>	<u>(143,460)</u>	<u>-</u>	<u>(303,852)</u>
Total Liabilities And Net Assets	<u>\$ 261,992</u>	<u>\$ 689,816</u>	<u>\$ 143,843</u>	<u>\$ 984,239</u>	<u>\$ (48,623)</u>	<u>\$ 2,031,267</u>

The independent auditors' report on supplementary combining financial information should be read with this combining statement.

PENNSYLVANIA ECONOMY LEAGUE, INC.

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Pennsylvania Economy League Inc.	Economy League of Greater Philadelphia	Pennsylvania Economy League Central Division	Pennsylvania Economy League SWPA, LLC	Eliminations	Total Combined
<b>UNRESTRICTED NET ASSETS</b>						
<b>OPERATING</b>						
<b>PUBLIC SUPPORT AND REVENUE</b>						
Contributions	\$ -	\$ 67,336	\$ -	\$ 1,209,332	\$ -	\$ 1,276,668
Project, program and activities revenue	-	213,000	410,444	531,771	-	1,155,215
Membership dues	-	543,525	127,733	-	-	671,258
Contracts and grants	35,156	-	-	-	-	35,156
Investment income	1,253	10,688	-	3,047	-	14,988
Miscellaneous and other	90	666	494	319	-	1,569
State office allocation	75,000	(25,000)	(25,000)	(25,000)	-	-
Net assets released from restrictions	-	285,758	-	-	-	285,758
<b>Total Public Support And Revenue</b>	<b>111,499</b>	<b>1,095,973</b>	<b>513,671</b>	<b>1,719,469</b>	<b>-</b>	<b>3,440,612</b>
<b>EXPENSES</b>						
Salaries, wages and employee benefits	76,826	763,870	290,370	1,166,234	-	2,297,300
Professional services	27,006	67,160	116,055	315,864	-	526,085
Meetings, programs and activities	2,819	95,849	2,659	26,097	-	127,424
Facilities	30,052	103,260	31,278	96,371	-	260,961
Travel	829	6,734	16,167	18,399	-	42,129
Public relations, advertising and marketing	-	5,085	288	11,208	-	16,581
Other expenses	11,631	74,497	39,014	82,645	-	207,787
Defined benefit pension expense	25,057	53,214	58,495	93,012	-	229,778
<b>Total Expenses</b>	<b>174,220</b>	<b>1,169,669</b>	<b>554,326</b>	<b>1,809,830</b>	<b>-</b>	<b>3,708,045</b>
<b>Changes In Unrestricted Net Assets</b>						
From Operating Activities	(62,721)	(73,696)	(40,655)	(90,361)	-	(267,433)
<b>NON-OPERATING</b>						
Change in pension obligation	67,389	143,111	157,311	250,140	-	617,951
<b>Changes In Unrestricted Net Assets</b>	<b>4,668</b>	<b>69,415</b>	<b>116,656</b>	<b>159,779</b>	<b>-</b>	<b>350,518</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>						
<b>PUBLIC SUPPORT AND REVENUE</b>						
Contracts and grants	-	330,000	-	-	-	330,000
Net assets released from restrictions	-	(285,758)	-	-	-	(285,758)
<b>Changes In Temporarily</b>						
<b>Restricted Net Assets</b>	<b>-</b>	<b>44,242</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,242</b>
<b>Changes In Net Assets</b>	<b>4,668</b>	<b>113,657</b>	<b>116,656</b>	<b>159,779</b>	<b>-</b>	<b>394,760</b>
<b>NET ASSETS</b>						
Beginning of year	19,689	94,896	(509,958)	(303,239)	-	(698,612)
End of year	\$ 24,357	\$ 208,553	\$ (393,302)	\$ (143,460)	\$ -	\$ (303,852)

The independent auditors' report on supplementary combining financial information should be read with this combining statement.