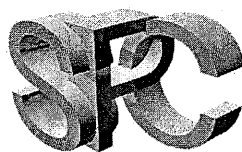


**Southwestern Pennsylvania
Commission**

Single Audit Report

June 30, 2010



Southwestern
Pennsylvania
Commission

MaherDuessel
Certified Public Accountants

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SOUTHWESTERN PENNSYLVANIA COMMISSION

YEAR ENDED JUNE 30, 2010

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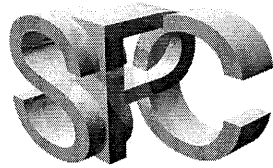
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**Southwestern Pennsylvania
Commission**

Financial Statements
and Required Supplementary and
Additional Information

Year Ended June 30, 2010
with Independent Auditor's Report



Southwestern
Pennsylvania
Commission

SOUTHWESTERN PENNSYLVANIA COMMISSION

YEAR ENDED JUNE 30, 2010

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SOUTHWESTERN PENNSYLVANIA COMMISSION

YEAR ENDED JUNE 30, 2010

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Independent Auditor's Report

Executive Committee and Commissioners
Southwestern Pennsylvania Commission

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Southwestern Pennsylvania Commission (Commission) as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Commission's 2009 financial statements and, in our report dated December 7, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Commission as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Commission will continue as a going concern. As described in Note 10 to the financial statements, the Commission's blended component unit is in default on the covenant of its loan agreements at June 30, 2010, primarily as a result of net losses. The lenders may demand repayment of the loans. No such demand has been made. In addition, Note 13 discusses potential sale of the component units capital assets. Negotiations are presently under way regarding the sale of the component unit's capital assets. The Commission cannot predict what the outcome of the negotiations will be. These conditions raise substantial doubt about the component unit's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis Section on pages i through iv is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis, and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 financial statements taken as a whole.

Maier Duessel

Pittsburgh, Pennsylvania
December 14, 2010

SOUTHWESTERN PENNSYLVANIA COMMISSION (SPC)

SINGLE AUDIT

MANAGEMENT'S DISCUSSION and ANALYSIS (MD&A)

This Management's Discussion and Analysis (MD&A) of the financial performance of the SPC governmental activities, including the business-type activities, is to provide a summary understanding and analysis of the basic financial statements for the fiscal year ending June 30, 2010. The following summary analysis should be used in conjunction with the included financial statements.

Overview:

- The Independent Auditor's Report expresses an unqualified opinion on the accompanying financial statements.
- There were no identified deficiencies in internal control over financial reporting that were considered to be material weaknesses.
- SPC has complied in all material respects with the compliance requirements under OMB Circular A-133 that could have a direct and material effect on each of SPC's major programs for the year ended June 30, 2010.
- There were no identified deficiencies in internal control over compliance as required under OMB Circular A-133.
- No matters were reported related to the financial statements which are required to be reported in accordance with GAGAS.
- No matters were reported relating to findings and questioned costs for federal awards.
- SPC's debt service coverage ratio of 0.85 at June 30, 2010 is below the required debt covenant ratio of 1.10, which places all debt maturities due in the next year.
- Total Net Assets for the fiscal ending ending June 30, 2010 were (\$463,628) vs. June 30, 2009 of \$470,145. A net decrease of \$933,773 due mainly to the business-type activities.
- Total government program activities expenses equal \$7,677,684 vs. \$8,141,572 as of June 30, 2009. A net decrease of \$463,888 due mainly to an increase in the highway and transit planning activities included in the 2009-10 Unified Planning Work Program and a decrease in economic development program activities.
- Total business-type activities expenses equal \$5,976,096 vs. \$6,319,142 as of June 30, 2009. A net decrease of \$343,046 due mainly to a decrease in utilities costs, amortization and depreciation expense, and an increase in mortgage interest expense of \$56,028 related to the second mortgage.
- Government Funds – Balance Sheet total assets decreased \$817,626.
- Government Funds – Statement of revenues, expenditures, and changes in fund balance report an increase in federal grant revenues and a decrease in state grant revenues vs. the prior year. The total net change in revenues from the prior year was a decrease of \$470,353.
- Proprietary Fund - Total Net Assets for the year equal (\$921,072) vs. \$9,074 as of June 30, 2009. A decrease in net assets of \$930,146 attributed mainly to the distribution of \$702,093 remaining of restricted cash relating to the Energy Savings Conservation Project and approximately \$211,186 change in operating income from the previous year.
- Total Proprietary Fund operating revenues for the year equal \$5,044,331. A net decrease of \$610,260 from the previous year attributed mainly to the decrease in rents and operating subsidy.
- Total Proprietary Fund operating expenses, after amortization/depreciation expense, for the year were \$5,121,991. A net decrease of \$399,074 from the previous year. Utilities expense decreased \$202,713 from the previous year as a result of the energy savings conservation measures that were in place during the year.
- Total Proprietary Fund amortization/depreciation expense for the year equal \$1,126,431 vs. \$1,256,431 as of June 30, 2009.
- Statement of Cash Flows - Proprietary Funds Net cash provided by (used in) operating activities for the year equal \$654,618 vs. \$1,767,073 for the previous year attributed mainly to a decrease in

receipts from customers and an increase in payments for goods and services from the previous fiscal year.

- **Liquidity:** in summary, the ability of the building operations to meet future obligations is in question.

Basic Financial Statements – SPC uses the accrual basis of accounting to record revenues when earned and to record expenses when incurred. The SPC accounts and financial position are presented in the Governmental Activities of the Southwestern Pennsylvania Commission. The Business-Type Activities include activities relating to the operations of the Regional Enterprise Tower (RET), of which the Southwestern Pennsylvania Corporation (Corporation) is the owner.

The following summary financial information serves as the basis for the analysis of SPC’s financial position.

- **Statement of Net Assets** – this financial statement summarizes the overall SPC capital structure as to whether company assets were financed by incurring debt or equity. Increases or decreases in net assets and/or liabilities can be a useful indicator as to whether the financial position of SPC is improving or deteriorating. This statement also reflects the overall financial strength of SPC including its Governmental and Business-type activities compared to the previous year. Total Net Assets decreased \$933,773 compared to the previous year, of which \$930,146 was attributed to the Business-type activities. This decrease resulted from the disbursement of \$702,093 of restricted cash during the year to complete the Energy Savings project.

SUMMARY

	<u>June 30, 2010</u>			<u>2009</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	
ASSETS				
Total cash and cash equivalents	\$ 3,534,234	\$ 843,108	\$ 4,377,342	\$ 4,986,002
Accounts receivable	1,141,893	126,023	1,267,916	1,648,585
Internal balances	(165,359)	165,359	-	-
Prepaid expenses	48,621	181,246	229,867	151,378
Loans receivable	13,510,993	-	13,510,993	14,311,769
Net fixed assets	-	11,728,331	11,728,331	12,275,554
Total Assets	<u>\$ 18,070,382</u>	<u>\$ 13,044,067</u>	<u>\$ 31,114,449</u>	<u>\$ 33,373,288</u>
LIABILITIES				
Total Liabilities	<u>\$ 17,612,938</u>	<u>\$ 13,965,139</u>	<u>\$ 31,578,077</u>	<u>\$ 32,903,143</u>
Total Net Assets	<u>\$ 457,444</u>	<u>\$ (921,072)</u>	<u>\$ (463,628)</u>	<u>\$ 470,145</u>

- **Statement of Activities** – this financial statement provides information on SPC’s programs by functions and the revenues generated or used to support program-related activities. This statement generally is a balanced statement for the Governmental Activities. As for the Business-type activities, there were insufficient charges for services of \$934,227 to support activities.

SUMMARY	<u>Program Revenues</u>			<u>Net (Expense) Revenues and Changes in Net Assets</u>	
	<u>Total Expenses</u>	<u>Charges for Services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>	<u>Business-type activities</u>
Total governmental activities	\$ 7,677,684	\$ -	\$ 6,491,172	\$ (1,186,512)	\$ -
Total business-type activities	<u>5,976,096</u>	<u>5,041,869</u>	<u>-</u>	<u>-</u>	<u>(934,227)</u>
Total primary government	<u>\$ 13,653,780</u>	<u>\$5,041,869</u>	<u>\$ 6,491,172</u>	(\$1,186,512)	(934,227)
Total general revenues and transfers				<u>1,182,885</u>	<u>4,081</u>
Change in net assets				(3,627)	(930,146)
Net assets - beginning of year				<u>\$ 461,071</u>	<u>\$ 9,074</u>
Net assets - end of year				<u>\$ 457,444</u>	<u>\$ (921,072)</u>

Balance Sheet – Governmental Funds - the Balance Sheet reports information about SPC Governmental Funds activities and details changes in the organization’s financial position. This report includes all assets, liabilities, and unreserved fund balance as of June 30, 2010 and reports financial information for the Southwestern Pennsylvania Corporation General Fund as the administrative arm of SPC and the Southwestern Pennsylvania Commission Special Revenue Fund, which receives federal and state grant funding to support its planning activities and which are transferred out to the corporation to pay expenditures. The Special Revenue Fund maintains the SPC program grant advances received and restricted for program expenses. Accounts receivable reflect program grant funds due relating to the various planning and economic development programs undertaken by SPC. The General Fund – Private Contribution Fund balance decreased \$3,627 from the previous year to cover fund expenses.

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds reports information on the accrual basis of accounting, which is most commonly found with a quasi-governmental entity. The overall financial health of SPC is a product of its ability to secure federal, state, local, and private financial assistance grants to move project studies forward. There was sufficient program funding to support program activities.

Statement of Net Assets – Proprietary Fund reports financial information relating to the business-type activities of the Corporation. That is, the operations of the RET. This is a separate fund of the Corporation. At June 30, 2010, total liabilities are greater than total assets which are cause for concern in the funds ability to meet current and future obligations. Without sufficient revenues to meet its future obligations, it is most likely that either a sale of the property or voluntary bankruptcy will be necessary to head off any threats of foreclosure from lenders or a filing of involuntary bankruptcy petition from creditors. See Note 13 – Liquidity.

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund reports financial information relating to the business-type activities of SPC. Revenues and expenses are recorded on the accrual basis. SPC’s intent is that the cost of services to the tenants of the RET be covered primarily through user charges and/or rents. Change in Net Assets for the year decreased \$930,146. Total amortization/depreciation expenses for the year were \$1,126,431.

Statement of Cash Flows – Proprietary Fund reports the cash flows from operating activities and from capital and related financing activities, which result in a net cash “provided by” or “used in” capital and related financing activities. The net cash provided by operating activities was \$654,618 and the net cash used in capital and related financing activities was (\$1,712,310) for the year ending June 30, 2010. The net decrease in cash for the year was \$1,057,692. A decrease of \$2,175,610 due to the outflow of cash for the payment for goods and services related to the Energy Savings Conservation Project during the year. Project funding was received during the previous fiscal year, but not disbursed until the current year.

* * * * *

Contacting SPC’s Director of Administration

If you have any questions about this report, please contact SPC’s Director of Administration, 425 Sixth Avenue #2500, Pittsburgh, PA 15219.

SOUTHWESTERN PENNSYLVANIA COMMISSION

STATEMENT OF NET ASSETS

JUNE 30, 2010

(With Comparative Totals at June 30, 2009)

Assets	Governmental Activities	Business-type Activities	Total	2009
Cash and cash equivalents:				
Operating	\$ 789,166	\$ 302,509	\$ 1,091,675	\$ 1,076,405
Restricted	1,256,747	540,599	1,797,346	2,548,025
Revolving loan funds:				
Uncommitted	1,488,321	-	1,488,321	1,288,117
Committed	-	-	-	73,455
Total cash and cash equivalents	3,534,234	843,108	4,377,342	4,986,002
Accounts receivable, net of allowance \$0	1,141,893	126,023	1,267,916	1,648,585
Internal balances	(165,359)	165,359	-	-
Prepaid expenses	48,621	181,246	229,867	151,378
Loans receivable:				
Appalachian Regional Commission - RLF	1,524,804	-	1,524,804	1,386,799
Economic Development Administration - RLF	561,804	-	561,804	697,822
First Industries Loan Fund	1,407,406	-	1,407,406	1,063,181
Small Business First Loan Fund	10,016,979	-	10,016,979	11,163,967
Fixed assets, net of depreciation and amortization	-	11,728,331	11,728,331	12,275,554
Total Assets	18,070,382	13,044,067	31,114,449	33,373,288
Liabilities				
Accounts payable	813,487	424,604	1,238,091	1,508,533
Accrued salaries and fringe benefits	205,196	-	205,196	199,090
Grant advances	1,117,787	-	1,117,787	1,413,384
Deferred revenue	488,927	181,891	670,818	419,235
Notes payable - SBF/FIF loan programs	11,424,385	-	11,424,385	12,300,603
Mortgage payable, current portion	-	13,322,508	13,322,508	371,442
Mortgage payable, long-term portion	-	-	-	13,230,063
Accrued interest payable	-	36,136	36,136	125,166
Deferred revenues of revolving loan funds	3,563,156	-	3,563,156	3,335,627
Total Liabilities	17,612,938	13,965,139	31,578,077	32,903,143
Net Assets				
Invested in capital assets, net of related debt	-	(1,307,830)	(1,307,830)	(1,057,847)
Restricted	-	250,000	250,000	250,000
Unrestricted	457,444	136,758	594,202	1,277,992
Total Net Assets	\$ 457,444	\$ (921,072)	\$ (463,628)	\$ 470,145

See accompanying notes to financial statements.

SOUTHWESTERN PENNSYLVANIA COMMISSION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010
(With Comparative Total for Year Ended June 30, 2009)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues		Primary Government		2009	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	2009
Governmental Activities:						
General	\$ 41,064	\$ -	\$ (41,064)	\$ -	\$ (41,064)	\$ (22,670)
Highway, transit planning	5,744,022	5,024,780	(719,242)	-	(719,242)	(677,750)
Local government and other programs	50,509	-	(50,509)	-	(50,509)	(347)
Economic development programs	1,733,271	1,466,392	(266,879)	-	(266,879)	(411,559)
Other	108,818	-	(108,818)	-	(108,818)	(101,227)
Total governmental activities	7,677,684	6,491,172	(1,186,512)	-	(1,186,512)	(1,213,553)
Business-Type Activities:						
Regional Enterprise Tower	5,976,096	5,041,869	-	(934,227)	(934,227)	(892,758)
Total business-type activities	5,976,096	5,041,869	-	(934,227)	(934,227)	-
Total primary government	\$ 13,653,780	\$ 6,491,172	(1,186,512)	(934,227)	(2,120,739)	(2,106,311)
General revenues:						
Commission member contributions			437,079	-	437,079	424,527
Loan program fees			56,523	-	56,523	43,071
Interest income and other			9,133	1,619	10,752	74,244
Contributions			140,630	-	140,630	254,799
In-kind contributions			492,637	-	492,637	574,742
Regional Enterprise Tower			46,883	-	46,883	75,230
Operating subsidy			-	2,462	2,462	-
Total general revenues, operating subsidy, and special item			1,182,885	4,081	1,186,966	1,446,613
Change in Net Assets			(3,627)	(930,146)	(933,773)	(659,698)
Net assets - beginning of year			461,071	9,074	470,145	1,129,843
Net assets - end of year	\$ 457,444		\$ (921,072)		\$ (463,628)	\$ 470,145

See accompanying notes to financial statements.

SOUTHWESTERN PENNSYLVANIA COMMISSION

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2010
(With Comparative Totals at June 30, 2009)

Assets	Southwestern Pennsylvania Corporation General Fund	Southwestern Pennsylvania Commission Special Revenue Fund	Total	2009
Cash and cash equivalents:				
Operating	\$ 789,166	\$ -	\$ 789,166	\$ 481,664
Restricted	296,039	960,708	1,256,747	1,241,966
Revolving loan funds:				
Uncommitted	1,488,321	-	1,488,321	1,288,117
Committed	-	-	-	73,455
Total cash and cash equivalents	2,573,526	960,708	3,534,234	3,085,202
Accounts receivable	1,742	1,140,151	1,141,893	1,605,271
Prepaid expenses	48,621	-	48,621	51,125
Loans receivable:				
Appalachian Regional Commission - RLF	1,524,804	-	1,524,804	1,386,799
Economic Development Administration - RLF	561,804	-	561,804	697,822
First Industries Loan Fund	1,407,406	-	1,407,406	1,063,181
Small Business First Loan Fund	10,016,979	-	10,016,979	11,163,967
Advance to Regional Enterprise Tower	250,000	-	250,000	250,000
Fixed assets:				
Equipment	41,829	-	41,829	41,829
Less accumulated depreciation	(41,829)	-	(41,829)	(41,829)
Total Assets	\$ 16,384,882	\$ 2,100,859	\$ 18,485,741	\$ 19,303,367
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 813,487	\$ -	\$ 813,487	\$ 917,052
Accrued salaries and fringe benefits	205,196	-	205,196	199,090
Due to Regional Enterprise Tower	64,313	351,046	415,359	442,881
Grant advances	215,100	902,687	1,117,787	1,413,384
Deferred revenue	96,591	392,336	488,927	233,659
Notes payable - SBF/FIF loan programs	11,424,385	-	11,424,385	12,300,603
Deferred revenues - Revolving loan funds	3,563,156	-	3,563,156	3,335,627
Total Liabilities	16,382,228	1,646,069	18,028,297	18,842,296
Fund Balance:				
Unreserved:				
Private Contribution Fund	2,654	-	2,654	6,281
General Fund - Commission	-	454,790	454,790	454,790
Total Fund Balance	2,654	454,790	457,444	461,071
Total Liabilities and Fund Balance	\$ 16,384,882	\$ 2,100,859	\$ 18,485,741	\$ 19,303,367

See accompanying notes to financial statements.

SOUTHWESTERN PENNSYLVANIA COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2010
(With Comparative Totals for Year Ended June 30, 2009)

	Southwestern Pennsylvania Corporation General Fund	Southwestern Pennsylvania Commission Special Revenue Fund	Total	2009
Revenues:				
Federal grants	\$ -	\$ 5,271,292	\$ 5,271,292	\$ 4,861,987
State grants	-	1,219,880	1,219,880	2,066,032
SPC member contributions	-	437,079	437,079	424,527
In-kind service contributions	-	492,637	492,637	574,742
Contributions	-	140,630	140,630	254,799
Loan program fees	56,523	-	56,523	43,071
Interest income and other	-	9,133	9,133	72,229
Reimb. from RET operations	46,883	-	46,883	75,230
Operating subsidy	-	-	-	(228,207)
Total revenues	103,406	7,570,651	7,674,057	8,144,410
Expenditures:				
Salaries and employee benefits	4,051,697	-	4,051,697	4,115,825
Consultants	2,098,226	-	2,098,226	2,075,233
Printing and publications	31,030	-	31,030	53,674
Telephone	18,634	-	18,634	19,615
Postage	8,708	-	8,708	13,075
Supplies	82,279	-	82,279	221,872
In-kind services - match	388,879	-	388,879	574,742
Travel	83,932	-	83,932	112,163
Promotion, PR, and Advertising	50	-	50	8,838
Equipment and computer services	106,681	-	106,681	106,004
Temporary personnel	16,529	-	16,529	21,473
Books, dues, and subscriptions	123,351	-	123,351	72,666
Legal/audit	111,081	-	111,081	128,725
Rent	407,941	-	407,941	410,134
Insurance	40,762	-	40,762	40,439
Meetings	99,562	-	99,562	142,647
Training and development	8,342	-	8,342	24,447
Total expenditures	7,677,684	-	7,677,684	8,141,572
Excess (Deficiency) of Revenues Over Expenditures	(7,574,278)	7,570,651	(3,627)	2,838
Other Financing Sources (Uses):				
Transfers in	7,920,151	349,500	8,269,651	8,681,146
Transfers out	(349,500)	(7,920,151)	(8,269,651)	(8,681,146)
Total other financing sources (uses)	7,570,651	(7,570,651)	-	-
Net Change in Fund Balance	(3,627)	-	(3,627)	2,838
Fund Balance:				
Beginning of year	6,281	454,790	461,071	458,233
End of year	\$ 2,654	\$ 454,790	\$ 457,444	\$ 461,071

See accompanying notes to financial statements.

SOUTHWESTERN PENNSYLVANIA COMMISSION

STATEMENT OF NET ASSETS PROPRIETARY FUND

JUNE 30, 2010
(With Comparative Totals at June 30, 2009)

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents:		
Operating	\$ 302,509	\$ 594,741
Restricted	540,599	1,306,059
Total cash and cash equivalents	<u>843,108</u>	<u>1,900,800</u>
Accounts receivable, net of allowance	126,023	43,314
Due from Southwestern Pennsylvania Corporation	415,359	442,881
Prepaid expenses	181,246	100,253
Fixed assets, net of depreciation and amortization	<u>11,728,331</u>	<u>12,275,554</u>
Total Assets	<u>13,294,067</u>	<u>14,762,802</u>
<u>Liabilities</u>		
Accounts payable	424,604	591,481
Deferred revenue - rents	152,654	159,308
Deferred revenue - interest	29,237	26,268
Advance from Southwestern Pennsylvania Corporation	250,000	250,000
Mortgage payable, current portion	13,322,508	371,442
Mortgage payable, long-term portion	-	13,230,063
Accrued interest payable	<u>36,136</u>	<u>125,166</u>
Total Liabilities	<u>14,215,139</u>	<u>14,753,728</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	(1,307,830)	(523,037)
Unrestricted	<u>386,758</u>	<u>532,111</u>
Total Net Assets	<u>\$ (921,072)</u>	<u>\$ 9,074</u>

See accompanying notes to financial statements.

SOUTHWESTERN PENNSYLVANIA COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2010
(With Comparative Totals for Year Ended June 30, 2009)

	2010	2009
Operating Revenues:		
Rents	\$ 4,958,383	\$ 5,364,840
Other income	83,486	61,544
Operating subsidy	2,462	228,207
Total operating revenues	5,044,331	5,654,591
Operating Expenses:		
Administrative salaries/benefits	181,933	178,311
Security/safety services	206,077	195,618
Building cleaning services	729,869	749,692
HVAC services	639,284	674,550
Administrative services	43,302	43,006
Building management fees	75,562	81,453
General building services	565,858	575,611
Utilities	1,013,819	1,216,532
Insurance	85,885	87,346
Real estate taxes	326,075	325,254
Non-escalating expenses	127,896	137,261
Amortization/depreciation expenses	1,126,431	1,256,431
Total operating expenses	5,121,991	5,521,065
Total Operating Income (Loss) Before Non-Operating Revenues (Expenses)	(77,660)	133,526
Non-Operating Revenues (Expenses):		
Interest income	1,619	2,015
Mortgage interest	(854,105)	(798,077)
Total non-operating revenues (expenses)	(852,486)	(796,062)
Change in Net Assets	(930,146)	(662,536)
Net Assets:		
Beginning of year	9,074	671,610
End of year	\$ (921,072)	\$ 9,074

See accompanying notes to financial statements.

SOUTHWESTERN PENNSYLVANIA COMMISSION

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2010
(With Comparative Totals for Year Ended June 30, 2009)

	2010	2009
Cash Flows From Operating Activities:		
Receipts from customers	\$ 4,985,459	\$ 5,654,002
Payments for goods and services	(3,582,091)	(3,148,883)
Interest income	1,619	2,015
Payments to employees	(750,369)	(740,061)
Net cash provided by (used in) operating activities	654,618	1,767,073
Cash Flows From Capital and Related Financing Activities:		
Payment of long-term debt	(278,997)	(281,865)
Proceeds of long-term debt	-	3,052,000
Payment of interest on long-term debt	(854,105)	(798,077)
Advance from related entity	-	250,000
Acquisition of property and equipment	(579,208)	(2,871,213)
Net cash provided by (used in) capital and related financing activities	(1,712,310)	(649,155)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,057,692)	1,117,918
Cash and Cash Equivalents:		
Beginning of year	1,900,800	782,882
End of year	\$ 843,108	\$ 1,900,800
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	\$ (930,146)	\$ (662,536)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,126,431	1,256,431
Mortgage interest	854,105	798,077
Change in operating assets and liabilities:		
Accounts receivable	(82,709)	(10,490)
Due from other funds	27,522	(3,276)
Prepaid assets	(80,993)	11,029
Accounts payable	(255,907)	364,661
Deferred rent	(3,685)	13,177
Total adjustments	1,584,764	2,429,609
Net cash provided by (used in) operating activities	\$ 654,618	\$ 1,767,073

See accompanying notes to financial statements.