SUSTAINABLE ENERGY FUND

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SECRETARY'S BUREAU

November 5, 2010

James McNulty
Secretary
PA Public Utilities Commission
400 North Street
Keystone Building
Harrisburg, PA 17105-3265

RE: Docket # M-00031715 F0003

Dear Mr. McNulty:

In accordance with the requirements of the PUC-PP&L Utilities/Joint Petitioners settlement agreement of the PP&L restructuring plan, and the subsequent PP&L Sustainable Energy Fund bylaws, as approved by the PUC, which established the Sustainable Energy Fund, enclosed please find:

The Annual Report to the PUC and to the Joint Petitioners, for the period of July 1, 2009 to June 30, 2010

Sincerely,

Jennifer Hopkins
President

Enclosure

FINANCIALS

SUSTAINABLE
ENERGY FUND

SUSTAINABLE ENERGY FUND
(A Not-for Profit Corporation)

Financial Statements and Auditors' Report

June 30, 2010

CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 SOUTH CEDAR CREST BOULEVARD
ALLENTOWN, PA 18103

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(A Not-for Profit Corporation)
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CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants

1033 SOUTH CEDAR CREST BOULEVARD ALLENTOWN, PA 18103-5443
PHONE (610) 435-7489 FAX (610) 435-8794 www.crycpas.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sustainable Energy Fund
Allentown, PA

We have audited the accompanying consolidated statement of financial position of the Sustainable Energy Fund (A Not-for-Profit Corporation) and Subsidiary as of June 30, 2010 and the related consolidated statements of activities, functional expense and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Fund's 2009 financial statements and in our report dated October 14, 2009, we expressed an unqualified opinion on them.

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 financial statements referred to above present fairly, in all material respects, the financial position of SUSTAINABLE ENERGY FUND as of June 30, 2010, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Campbell, Rappold & Yurasits LLP

Certified Public Accountants

October 21, 2010

SUSTAINABLE ENERGY FUND
(A Not-for Profit Corporation)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2010
With Comparative Totals for 2009

	June 30 2010	June 30 2009
ASSETS:		
Cash and Cash Equivalents	$ 622,180	$ 550,396
Accounts Receivable	(857)	125,392
Accrued Interest Income	-	6,384
Inventory	3,100	3,700
Investments (Note 4)	15,211,862	13,156,985
Program Related Investments (Note 5)	403,777	403,777
Program Related Loans Receivable, Net (Note 5)	5,880,869	4,126,674
Office Equipment, Net (Note 6)	44,932	51,182
Prepaid Expense and Deposits	20,421	28,275
Organizational Costs	3,131	6,263
Total Assets	$ 22,189,415	$ 18,459,028
LIABILITIES:		
Accounts Payable	$ 51,839	$ 42,999
Accrued Expense/Deferred Revenue	94,130	311,053
Accrued Salary/Benefits	72,536	67,887
Line of Credit	$ 2,962,579	$ -
Total Liabilities	3,181,084	421,939
NET ASSETS:		
Unrestricted Net Assets	19,008,331	18,037,089
Total Liabilities and Net Assets	$ 22,189,415	$ 18,459,028

See notes to financial statements.

SUSTAINABLE ENERGY FUND
(A Not-for Profit Corporation)
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010
With Comparative Totals for 2009

	June 30 2010	June 30 2009
Revenues and Gains		
Grant Revenue	$ 169,809	$ 345,321
Project Revenue	-	2,846
Interest Income - Operating and Money Market	4,084	13,929
Investment Return (Note 4):		
Interest and Dividend Income	350,033	403,635
Net Realized and Unrealized Gains (Losses)	1,980,723	(3,610,752)
Less Investment Advisory and Custodian Fees	(75,880)	(88,344)
Interest-Program Loans	195,589	173,701
Realized Gain-Program Related Investments	-	211,490
Education programs revenue	38,397	
Other	20,244	7,132
Total Revenue and Gains	2,683,000	(2,541,042)
Expenses		
Program Services		
Grants Awarded	164,346	313,036
Loss Reserve	220,430	73,029
Cost of Good Sold	-	7,252
Operating Expenses	918,062	666,257
	1,302,838	1,059,574
Management and General	408,920	441,304
Total Expenses	1,711,758	1,500,878
Increase (Decrease) in Unrestricted Net Assets	971,242	(4,041,920)
Unrestricted Net Assets, Beginning	18,037,089	22,079,009
Unrestricted Net Assets, Ending	$ 19,008,331	$ 18,037,089

See notes to financial statements.

SUSTAINABLE ENERGY FUND
(A Not-for Profit Corporation)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010
With Comparative Totals for 2009

	Program Services	Management & General	Total 2010	Total 2009
Grants Awarded	$ 164,346	$ -	$ 164,346	$ 313,036
Program Related Investments Loss Reserve	220,430	-	220,430	73,029
Cost of Goods Sold	-	-	-	7,252
Operating Expenses:				
Salaries and Wages	364,959	174,977	539,936	517,957
Fringe Benefits	51,498	24,691	76,189	62,550
Payroll Taxes/Fees	38,177	18,303	56,480	52,747
Contract Managers	1,188	-	1,188	10,493
Training	8,949	4,291	13,240	5,624
Recruiting	2,341	780	3,121	17,569
Subtotal Staff	467,112	223,042	690,154	666,940
Rent	26,119	12,482	38,601	37,329
Insurance	551	722	1,273	1,251
Office Move	2,622	1,253	3,875	-
Depreciation	9,892	4,727	14,619	14,212
Subtotal Occupancy	39,184	19,184	58,368	52,792
Board Stipends	13,425	9,875	23,300	43,700
Board Expense	5,766	3,190	8,956	14,710
Director Recruitment	-	2,475	2,475	11,452
Dues and Publications	1,516	727	2,243	1,892
Marketing	86,446	-	86,446	59,587
Office Supplies	10,436	4,987	15,423	11,718
Residential Program	27,775	-	27,775	-
Audit	-	14,300	14,300	13,650
Legal	72,233	91,389	163,622	109,354
Due Diligence	911	-	911	238
Organization Design	-	8,085	8,085	4,125
Financial System Support	646	3,658	4,304	2,509
Contractual Services	22,148	-	22,148	2,000
Printing and Postage	2,267	1,102	3,369	4,965
Telephone	4,603	2,200	6,803	7,553
Travel	22,377	7,459	29,836	16,577
MIS Support/Web Hosting	7,004	7,004	14,008	13,964
Director and Officer Insurance	459	4,130	4,589	5,138
Acquisition Fees	-	-	-	55,575
Amortization of Organ. Costs	-	3,132	3,132	3,132
Education programs	120,382	-	120,382	-
Interest expense	11,470	-	11,470	-
Miscellaneous	1,902	2,981	4,883	5,990
Subtotal Other	411,766	166,694	578,460	387,829
Total Expenses	918,062	408,920	1,326,982	1,107,561
Totals	$ 1,302,838	$ 408,920	$ 1,711,758	$ 1,500,878

See notes to financial statements.

SUSTAINABLE ENERGY FUND
(A Not-for Profit Corporation)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010
With Comparative Totals for 2009

	Years Ended June 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	$ 971,242	$ (4,041,920)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	14,619	14,212
Amortization	3,131	2,137
Loss Reserve	220,430	73,029
Net Realized and Unrealized (Gains) Losses on Investments	(1,980,723)	3,614,529
Realized Gain-Program Related Investment	-	(211,490)
Changes in Assets and Liabilities		
Decrease (Increase) in Accounts and Grants Receivables	126,249	65,734
Decrease (Increase) in Interest Receivables	6,384	(6,384)
Decrease (Increase) in Prepaid Expense and Deposits	7,854	6,497
Decrease (Increase) in Inventory	600	18,521
Increase (Decrease) in Accounts Payable	(208,083)	129,895
Increase (Decrease) in Accrued Salary/Benefits	4,649	21,573
Net Cash Provided (Used) by Operating Activities	(833,648)	(313,667)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment and Furniture	(8,635)	(19,578)
Loss on Early Disposition of Assets	266	2,928
Appreciation of PRI Investments	-	(3,777)
Net Purchase of Investments	(74,153)	(816,137)
Increase in Program Related Investments	(3,301,242)	(941,400)
Return of Program Related Investments	1,326,617	929,994
Proceeds-Sale Program Related Investments	-	211,490
Net Cash (Used) Provided in Investing Activities	(2,057,147)	(636,480)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase Line of Credit	2,962,579	-
Increase (Decrease) in Cash and Cash Equivalents	71,784	(950,147)
Cash and Cash Equivalents, Beginning of Year	550,396	1,500,543
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 622,180	$ 550,396

See notes to financial statements.

1. Nature of Organization

PP&L Sustainable Energy Fund, d/b/a Sustainable Energy Fund (the Fund) is a Pennsylvania non-profit corporation formed to promote, research and invest in clean and renewable energy technologies, energy conservation, energy efficiency and sustainable energy enterprises that provide opportunities and benefits for PPL ratepayers.

The Fund was formed pursuant to a joint settlement agreement arising from the Pennsylvania Utility Commission (PUC) electric utility deregulation proceedings in 1998. The agreement provides, in part, a rate surcharge on electric power consumers (ratepayers) which expired on December 31, 2006.

The Fund is managed by a president who reports to a Board of Directors. The PUC also maintains oversight of the Fund.

a. Principles of Consolidation

The consolidated financial statements include the accounts of Green Connexions, Inc., a for profit wholly owned subsidiary. All material intercompany balances and transactions have been eliminated. Green Connexions, Inc. was incorporated as a C Corporation in December, 2005.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Fund have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2010 and 2009, all net assets are unrestricted.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Fund considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

2. Summary of Significant Accounting Policies (Continued)

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, individuals volunteer their time and perform a variety of tasks that assist the Organization with specific investment programs, and various committee assignments.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Investments in Marketable Securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Program Related Investments

(a) Loans

Loans are stated at their outstanding unpaid principal balance. Interest income is recognized as revenue when received.

(b) Allowance for Loan Losses

The allowance for loan losses has been established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance is maintained at a level considered adequate to provide for potential loan losses. In making this determination, management takes into consideration the results of internal review procedures, prior loan loss experience, an assessment of the effect of current and anticipated future economic conditions, the financial condition of the borrower and such other factors that, in management's judgment, deserve consideration. The determination of the adequacy of the allowance is inherently subjective, as it requires material estimates including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change.

2. Summary of Significant Accounting Policies (Continued)

Program Related Investments (Continued)

(c) Nonmarketable Equity Securities

Nonmarketable equity investments are holdings of less than 20% of the stock of investees and are carried at fair market value. The shares carry various conditions or restrictions on transfers and redemptions. Investees are typically start-up developmental activities and as such are highly speculative. The determination of write-downs, if any or ultimate realization of the investment is inherently subjective and as such, it requires material estimates regarding their valuation that are susceptible to significant change. Royalty and dividend income is recognized as revenue when received.

Concentration of Credit and Market Risk

Financial instruments that potentially expose the Fund to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Fund places its cash at a high credit quality financial institution. From time to time, deposits at the institution exceed federal depository insurance limits. The Fund has significant investments in stocks and bonds. Though the market value of investments is subject to fluctuations, management believes the investment policy is prudent for the long-term welfare of the Fund. In addition, investments do not represent significant concentrations of market risk in as much as the Fund's investment portfolio is adequately diversified among issuers.

Concentrations of credit risk with respect to program related investments are subject to the individual credit worthiness of the borrowers and investees who are predominately located in Central Eastern Pennsylvania and dedicated to the use of renewable energy, clean energy technology, energy efficiency/conservation and education. Consequently, the ability to realize the amounts may be affected by economic and political fluctuations in the power industry in this geographic region. The Fund performs ongoing credit evaluations and reserves for estimated and known uncollectibles.

Office Equipment

Office equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets of three to five years and computed on straight-line and accelerated methods.

Additions and betterments of $500 or more are capitalized, while maintenance and repairs that do not improve or extend the original useful lives of the assets are expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred.

2. Summary of Significant Accounting Policies (Continued)

New Accounting Standards

The financial statements reflect the adoption of Statement on Financial Accounting Standards No. 157 (SFAS No. 157), *Fair Value Measurements*. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. SFAS No. 157 established a single authorative definition of fair value, and sets a framework for measuring fair value and requires additional disclosures about fair value measurement.

The fair value of financial instruments have been determined through quoted market prices or present value techniques to approximate the amounts recorded in the statement of financial position.

3. Fair Value of Financial Instruments

The Fund adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurement* ("SFAS No. 157"), as it pertains to its financial assets and liabilities. SFAS No. 157 defines fair market value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on assumptions that market participants would use, including a consideration of non-performance risk.
Management assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement

3. Fair Value of Financial Instruments

As required by SFAS No. 157, the Fund's financial instruments were classified as follows, based on fair values.

	Assets at Fair Value as of June 30, 2010			
	Level 1	Level 2	Level 3	Total
Cash Management Funds	$ 344,691	$ -	$ -	$ 344,691
U.S. Government Securities	3,095,428	-	-	3,095,428
Corporate Bonds	1,166,951	-	-	1,166,951
Equity Securities	10,604,792	-	-	10,604,792
Nonmarketable Equity Securities	-	403,777	-	403,777
Total Assets at Fair Value	$ 15,211,861	$ 403,777	$ -	$ 15,615,638

	Assets at Fair Value as of June 30, 2009			
	Level 1	Level 2	Level 3	Total
Cash Management Funds	$ 309,854	$ -	$ -	$ 309,854
U.S. Government Securities	1,023,794	-	-	1,023,794
Corporate Bonds	824,779	-	-	824,779
Equity Securities	10,998,558	-	-	10,998,558
Nonmarketable Equity Securities	-	403,777	-	403,777
Total Assets at Fair Value	$ 13,156,985	$ 403,777	$ -	$ 13,560,762

4. Investments

Investments are managed by professional investment managers. The investment managers are subject to the Fund's investment policies which contain objectives, guidelines and restrictions designed to complement the Fund's activities and mission. Investments at fair value at June 30, are comprised of the following:

	2010	2009
U.S. Government Obligations	$ 3,095,428	$ 1,023,794
Corporate Bonds	1,166,951	824,779
Equity Securities	10,604,792	10,998,558
Temporary Cash and Money Market	344,691	309,854
	$ 15,211,861	$ 13,156,985

Investment return is summarized as follows:

	2010	2009
Interest and Dividend Income	$ 350,033	$ 403,635
Net Realized and Unrealized Gains (Losses) on Investments	1,980,723	(3,610,752)
	2,330,757	(3,207,117)
Less Investment Advisory and Custodian Fees	(75,880)	(88,344)
Total Investment Return	$ 2,254,877	$ (3,295,461)

5. Program Related Investments/Loans Receivable

Program related investments consist of loans to and equity investments in entities to assist them in pursuing sustainable energy opportunities.

	2010	2009
Loans		
Powerweb Technologies, Inc. - wrote off loan after no payments and lack of asset to lien.	-	211,500
Londonderry School - due in monthly installments of $2,773 including interest at 3%,due in full May, 2011	360,657	382,752
Pine Hurst Acres - $1,000 a month plus interest at 2%, due December, 2012	86,000	98,000
Diocese of Scranton - refinanced in June 2008 - due in monthly installments of $3615, including interest of 2%, due June, 2013.	129,617	169,969
CEI - Wind Park Bear Creek, LLC Interest 4.5%, Principal payments subject to available cash, entire balance due December, 2013.	580,630	869,039

5. Program Related Investments/Loans Receivable (Continued)

	2010	2009
Kountry Kraft Kitchens - due in monthly installments of $2,760 including interest at 2%, due September, 2012.	162,471	192,025
Juniata County School District - due in monthly installments of $5,792 including interest at 2%, due 2021.	646,759	702,056
Forest City School District - due in monthly installments of $1,470 including interest at 2%, due May 2021.	174,022	188,026
Kauffman-Gamber - loan paid in full October, 2009.	-	566
Children's Wonderland Child Care Center - loan paid in full March 2010	-	2,000
Plextronics, Inc. - converted $100,000 from loan to equity. Loan balance due in monthly installments of $20,144, including 7.25% interest, due January 2011.	137,665	360,568
Wanner Farms - due in monthly installments of $3,676 including 6.5% interest, due January 2017.	235,772	263,574
Sinewave - Payments for first 6 months 10% interest only; thereafter monthly installments of principal and interest on balance.	122,529	138,958
Mount Joy Wire - committed $162,333; first draw $50,213. No payments due first 6 months; thereafter monthly installments of $4,865 includes 5% interest, due January 2012.	90,953	147,158
Town of Bloomsburg - due in monthly installments of $170 including interest at 5.5%, due Oct. 2011.	2,617	4,458
Borough of Hamburg - due in monthly installments of $213 including interest at 5.5%, due Dec. 2011.	3,667	5,949
Muhlenberg Township - due in monthly installments of $718 including interest at 5.5%, due Jan. 2012.	13,040	20,711

5. Program Related Investments/Loans Receivable *(Continued)*

	2010	2009
City of Pottsville - due in monthly installments of $991 including interest at 5.5%, due Jan. 2012.	17,999	28,588
Minersville Borough - due in monthly installments of $392 including interest at 6.5%, due Apr. 2012.	8,100	12,129
Shenandoah Borough - due in monthly installments of $405 including interest at 6.5%, due Apr. 2012.	8,385	12,555
Borough of Mount Carmel - due in monthly installments of $139 including interest at 6.5%, due May 2012.	2,997	4,418
Borough of Clarion - due in monthly installments of $503 including interest at 6.5%, due August 2012.	12,178	17,246
George F. Kempf Supply Co. - due in monthly installments of $3,357, includes 4.25% interest, due May 2013.	109,631	144,417
Jewish Home of Greater Harrisburg - Committed $224,000 Month 7 begins principal, 4.25% interest, plus accrued but unpaid interest, payments. Due October 2014.	192,747	203,950
Campus Square Solar LLC - Loan paid in full May 2010.	-	240,200
H & A Diner, Inc.- Due in monthly installments of $385, includes 7% interest. Due December 2011.	6,566	10,578
Diversified Information Technologies, Inc. - Principal and 4.25% interest payments of $1,588 begin month 7. Due December 2013.	61,868	68,500
Reading Electric - Monthly P&I payments of $437.89, includies 7.25% interest. Due Sept. 2012.	10,864	-
Companion Animal Hospital - Interest only payments of 6.25% for 9 months; monthly P&I to be determined after receipt of incentive rebates. Due Dec. 2015.	43,000	-
Callen-Kinback, Inc. - Interest only payments of 7.25% for 6 months. 5 yr. P&I payments based on 10 yr. amortization schedule; balloon July 2015.	179,960	-

5. Program Related Investments/Loans Receivable (Continued)

	2010	2009
Louis Tannen Fine Carpentry - 6 months 6.25% interest only payments. Monthly P&I to be determined after receipt of incentive rebates. Due Aug. 2015.	55,174	-
Spiral Path Farms - 9 months 6.25% interest only payments. Balloon payment due January 2011.	726,880	-
Lacey Electric - 6 months 6.25% interest only payments. Monthly P&I to be determined after receipt of incentive rebates. Due Sept. 2015.	225,000	-
Garrod Hydraulics - 9 months 6.75% interest only payments. Monthly P&I to be determined after receipt of incentive rebates. Due Jan. 2016.	868,000	-
217 Realty, LLC - Monthly P&I payments of $2,191.32 includes 6% interest. Due June 2014.	204,477	-
Community Energy Inc. - 6 months 6.25% interest only payments. 36 P&I payments of $14,586.95; balloon due Nov. 2013.	601,914	-
All American Recycling Corp. - 1 yr. monthly P&I payments of $3,752.05. A portion of the interest was paid down. Net interest is 4%. Due May 2011.	44,064	-
Kautz Construction, Inc. - 6 months 6.65% interest only payments. Monthly P&I payments of $2,897.26; balloon due Jan. 2016.	136,814	-
	6,263,015	4,499,890
Less Loss Reserve	(382,146)	(373,216)
Total Loans	*5,880,869*	*4,126,674*
	$ 5,880,869	$ 4,126,674

	2010	2009
Nonmarketable Equity Securities		
697,369 Shares Plextronics, Inc. Series B Preferred	$ 403,777	$ 403,777
Total Equity Investments	403,777	403,777
Total Program Related Investments	$ 6,284,646	$ 4,530,451

5. Program Related Investments/Loans Receivable (Continued)

In June 2006, Community Energy, Inc. was sold and the Fund received $1,070,694 for its equity securities. In addition, $376,125 was placed in escrow subject to adjustments based on the terms of the Merger Agreement; on July 16, 2007 $188,063 was received and the balance remained in escrow until the terms of the Agreement were resolved and consideration was issued or became issuable. On September 3, 2008, $211,440 was received, which included interest totaling $23,600.

6. Office Equipment

	2010	2009
Furniture	$ 32,357	$ 32,832
Computer and Phone Equipment	96,630	87,995
	128,987	120,827
Less: Accumulated Depreciation	(84,055)	(69,645)
	$ 44,932	$ 51,182

7. Lease

The Fund leases its office facilities. The lease was extended on a 2-year option that expires on September 14, 2010. The Organization also leases office equipment under a non-cancellable operating lease. Future minimum lease payments are:

Years ended June 30:	Office	Equipment
2010	$ 36,950	$ 5,400
2011	31,320	5,400

Total rents charged to expense under the leases were $44,001 and $42,293 for the years ended June 30, 2010 and 2009, respectively.

8. Retirement Plan

The Fund has a defined contribution retirement plan (the Plan) covering all full time employees having attained 21 years of age with three months of service. The Fund makes contribution to the Plan each year equal to 3% of all participants' compensation. In addition the Fund elected to make a discretionary contribution of up to 1 1/2 % of salaries, for the year ended June 30, 2010. Total expense was $20,139 and $17,634 for the years ended June 30, 2010 and 2009, respectively.

9. Line of Credit

The Fund has a $1,000,000 Line of Credit with a bank, which has an original expiration date of January 2010. A new $3,000,000 Line of Credit was established, effective July 1, 2010, which terminated the $1,000,000 Line of Credit, effective July 1, 2010. Interest on the borrowings is payable at LIBOR plus 1.35%. Total expense was $11,470 and $-NONE- for the years ended June 30, 2010 and 2009, respectively. Balance on the line of credit at June 30, 2010 was $2,962,579.

10. Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by a net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended June 30, 2009 from which the summarized information was derived.

11. Subsequent Event

Subsequent events have been evaluated through October 21, 2010, the date on which the financial statements were available to be issued.

SUSTAINABLE ENERGY FUND
1005 Brookside Road, Suite 210
Allentown, PA 18106

$2.07 0
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