

Product Stewardship Institute, Inc.
Financial Statements
and
Independent Auditor's Report
June 30, 2012

Product Stewardship Institute, Inc
Financial Statements
June 30, 2012

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Independent Auditor's Report

To the Board of Directors
Product Stewardship Institute, Inc.
Boston, Massachusetts

We have audited the accompanying statement of financial position of the Product Stewardship Institute, Inc. (PSI) (a nonprofit organization) as of June 30, 2012 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Product Stewardship Institute, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sambo Olofin
CPA
Company, LLC
December 15, 2012

Product Stewardship Institute, Inc.
Statement of Financial Position
June 30, 2012

Assets

<i>Current Assets</i>	
Cash and cash equivalents	\$ 272,511
Accounts receivable	91,102
Security deposit	<u>2,059</u>
Total current assets	<u>365,672</u>
<i>Fixed Assets</i>	
Equipment and furniture	36,371
Less: Accumulated depreciation	<u>(33,776)</u>
Net fixed assets	<u>2,595</u>
Total assets	<u><u>\$ 368,267</u></u>

Liabilities and Net Assets

<i>Current Liabilities</i>	
Accounts payable	\$ 13,075
Accrued expenses	45,349
Deferred revenue	<u>180,845</u>
Total current liabilities	<u>239,269</u>
<i>Other Liabilities</i>	
Pass through - NY PSC	<u>41,384</u>
Total liabilities	<u>280,653</u>
<i>Net Assets</i>	
Unrestricted	87,614
Total liabilities and net assets	<u><u>\$ 368,267</u></u>

Product Stewardship Institute, Inc.

Statement of Activities
For the Year Ended June 30, 2012

<i>Changes in unrestricted net assets:</i>	
Revenues and gains:	
Private grants and contributions	\$ 80,400
Membership dues	338,693
Service fees and sponsorships	482,707
Other income	96
	<hr/>
Total unrestricted revenues and gains	901,896
	<hr/>
Total unrestricted revenues, gains and other support	901,896
	<hr/>
Expenses	
Program expenses	446,612
Management and general	495,168
	<hr/>
Total expenses	941,780
	<hr/>
Decrease in unrestricted net asset	(39,884)
	<hr/>
<i>Changes in Pass Through NY-PSC</i>	
Contributions	62,900
Expenses	(51,516)
	<hr/>
Increase in pass through - NY PSC	11,384
	<hr/>
Decrease in net assets	(39,884)
	<hr/>
Net assets at beginning of year	127,498
	<hr/>
Net assets at end of year	\$ 87,614
	<hr/> <hr/>

See accompanying notes to financial statements.

Product Stewardship Institute, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2012

	<i>Program Services</i>	<i>Management And General</i>	<i>Pass Through NY - PSC</i>	<i>Total</i>
Salaries and wages	\$ 314,830	\$ 209,335	\$ -	\$ 524,165
Payroll taxes	37,157	18,262	-	55,419
Fringe benefits	35,975	17,681	-	53,656
Total salaries and benefits	<u>387,962</u>	<u>245,278</u>	<u>-</u>	<u>633,240</u>
Professional services	19,939	108,671	51,516	180,126
Forum expenses	3,224	-	-	3,224
Dues and subscription	-	235	-	235
Bank and payroll fees	-	3,336	-	3,336
Insurance	-	5,684	-	5,684
Licenses and fees	-	497	-	497
Meetings	200	3,696	-	3,896
Office supplies and expenses	1,998	13,272	-	15,270
Postages and delivery	1,128	744	-	1,872
Project management system	-	3,706	-	3,706
Printing	2,253	1,490	-	3,743
Miscellaneous	-	2,443	-	2,443
Rent	-	73,489	-	73,489
Telephone	769	20,073	-	20,842
Training	-	465	-	465
Travel	29,139	8,765	-	37,904
Total expenses before depreciation and amortization	<u>58,650</u>	<u>246,566</u>	<u>51,516</u>	<u>356,732</u>
Depreciation	<u>-</u>	<u>3,324</u>	<u>-</u>	<u>3,324</u>
	<u>\$ 446,612</u>	<u>\$ 495,168</u>	<u>\$ 51,516</u>	<u>\$ 993,296</u>

Product Stewardship Institute, Inc.

Statement of Cash Flows
For the Year Ended June 30, 2012

Cash flows from operating activities:

Change in net assets \$ (39,884)

Adjustment to reconcile change in net assets
to net cash used in operating activities:

Depreciation	3,324
Decrease in accounts receivable	19,450
Decrease in prepaid expenses	5,071
Decrease in deferred revenue	(68,714)
Increase in accrued expenses	26,338
Increase in accounts payable	5,800

Net cash used in operating activities (48,615)

Net decrease in cash and cash equivalents (48,615)

Cash and cash equivalents, beginning of year 321,126

Cash and cash equivalents, end of year \$ 272,511

Supplemental disclosures:

None

See accompanying notes to financial statements.

Product Stewardship Institute, Inc.
Notes to Financial Statements
June 30, 2012

1. *Type of Organization*

Product Stewardship Institute, Inc. (PSI or the Institute) was incorporated on December 28, 2004 under the laws of the Commonwealth of Massachusetts as a nonprofit organization dedicated to protecting and improving the environment, health, and welfare of the general public by focusing on reducing the negative health and environmental impacts of consumer products. Activities and programs organized and promoted by PSI include discussion forums, background research, pilot projects for the removal of waste products, and evolving of strategies with manufacturers for the elimination of waste products. Although the Institute was officially incorporated on December 28, 2004, it had been providing these services as an unincorporated association since December 6, 2000 under the stewardship of the University of Massachusetts.

Summary of Significant Accounting Policies

Basis of Presentation

Financial statements presentation follows the recommendation 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, PSI 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.

PSI also adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received or pledged are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Revenue and Expenses

Contributions received or receivable are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Product Stewardship Institute, Inc.
Notes to Financial Statements - *Continued*
June 30, 2012

1. *Type of Organization - continued*

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Cash and Cash Equivalents

For purposes of the financial statement presentation, PSI considers all highly liquid investments with maturity of three months or less to be cash equivalents.

Functional Expenses

Functional expenses have been allocated between Program Services and Supporting Services based on direct charge, and analysis of personnel time and space utilized for the related activities.

Income Taxes

PSI is exempt from income taxes under Section 501(c) (3) of the United States Internal Revenue Code; in addition PSI has been determined to be an organization which is not a private foundation.

Bad Debt Expenses

Debts deemed uncollectible are written off by direct charge to accounts. No account has been written off for bad debts for the current year. Management believes receivable balances at June 30, 2012 will be fully collected.

Concentration of Credit

The Institute operates a significant part of its programs under contracts with the United States Environmental Protection Agency (USEPA), and other government and private agencies. Financial instruments which potentially subject the organization to concentration of credit risk consist principally of accounts receivable. Credit risk with receivables is concentrated among these government agencies and public companies.

Product Stewardship Institute, Inc.
Notes to Financial Statements - *Continued*
June 30, 2012

1. *Type of Organization - continued*

Estimates and Assumptions

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

Fixed Assets and Depreciation

Fixed assets are stated at cost when purchased. Donations of fixed assets are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, PSI reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation is calculated by straight line method over their estimated useful lives. Maintenance and repairs are charged to operations when incurred. Significant betterments and renewals are capitalized. It is PSI's policy to capitalize all furniture and equipment purchases, property betterments and property renewals valued over \$1,000.

2. *Fixed Assets*

Office equipment consists of the following:

Computer and other office equipment	\$ 36,371
Less accumulated depreciation	<u>(33,776)</u>
Net equipment	<u>\$ 2,595</u>

Depreciation expense for the period ended June 30, 2012 was \$3,324.

Product Stewardship Institute, Inc.
Notes to Financial Statements - *Continued*
June 30, 2012

3. Cash and Cash Equivalents

PSI maintains cash and short-term investment accounts with two financial institutions. At June 30, 2012, PSI's total confirmed balance at one of the institutions was \$269,270. The bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2012, PSI's deposits at one of the financial institutions exceeded the FDIC limit by \$19,270.

4. Operating Leases

PSI entered a lease agreement for the rental of the third floor portion of 21-23 Stanhope Street Boston. The three-year lease agreement commenced on June 22, 2009 and calls for a monthly payment of \$3,570.81. On May 27, 2012 the lease was extended for three years effective June 21, 2012 and additional 801 square feet was added to the leased space. Monthly rental for this added space is \$1,500 bringing the annual rent for the total leased space to \$60,850.

Minimum future rental payments under a non-cancellable lease having remaining term in excess of one year as of June 30, 2012 for the next three years and in the aggregate are:

June 30,	
2013	60,495
2014	<u>62,164</u>
Total	<u>\$ 122,659</u>

Rental expenses for the year ended June 30, 2012 was \$73,489.

5. Fiscal Pass-Through Activities

PSI serves as fiscal Pass-through agent for a certain nonprofit organization; New York Product Stewardship Council (NY PSC.) The current size of NY PSC and volume of transactions are considered inadequate for a 501(c) application at the moment hence the current arrangement. PSI receives compensation for this service as part of an overall yearly agreement. During the year ended June 30, 2012, \$62,900 and \$51,516 were received and expensed respectively on behalf of NY PSC. Administration fees received by PSI under this arrangement and included in the expenses amount was \$4,928. The transactions relating to this arrangement are reflected in these financial statements.

Product Stewardship Institute, Inc.
Notes to Financial Statements - *Continued*
June 30, 2012

6 *Subsequent Events*

PSI has evaluated the financial statement impact of subsequent events occurring through December 15, 2012 the date that the financial statements were authorized to be issued.