

Product Stewardship Institute, Inc.
Financial Statements
and
Independent Auditor's Report
June 30, 2008

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Financial Statements
June 30, 2008

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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, 2008 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, 2008, 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 Okolo
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Company, LLC
November 17, 2008

Product Stewardship Institute, Inc.

Statement of Financial Position
June 30, 2008

Assets

<i>Current Assets</i>	
Cash and cash equivalents	\$ 155,574
Accounts receivable	152,066
Security deposit	<u>4,000</u>
Total current assets	<u>311,640</u>
<i>Fixed Assets</i>	
Equipment and furniture	26,053
Less: Accumulated depreciation	<u>(13,216)</u>
Net fixed assets	<u>12,837</u>
Total assets	<u><u>\$ 324,477</u></u>

Liabilities and Net Assets

<i>Current Liabilities</i>	
Accounts payable	\$ 62,071
Accrued expenses	7,076
Deferred revenue	<u>11,000</u>
Total current liabilities	<u>80,147</u>
Total liabilities	<u>80,147</u>
<i>Net Assets</i>	
Unrestricted	244,330
Temporarily restricted	<u>-</u>
Total liabilities and net assets	<u><u>\$ 324,477</u></u>

See accompanying notes to financial statements.

Product Stewardship Institute, Inc.

Statement of Activities
For the Year Ended June 30, 2008

Changes in unrestricted net assets:

Revenues and gains:	
State and local grants	\$ 115,145
Private grants and contributions	87,550
Membership dues	159,775
Sponsorships	6,500
Service fees	327,398
Interest income	3,977
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Total unrestricted revenues and gains	700,345
Net assets released from restrictions:	
Expiration of project restrictions	110,832
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Total unrestricted revenues, gains and other support	811,177
Expenses	
Program expenses	214,546
Management and general	405,776
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Total expenses	620,322
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Increase in unrestricted net asset	190,855
<i>Changes in temporarily restricted net assets</i>	
Net assets released from restrictions	(110,832)
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Decrease in temporarily restricted net assets	(110,832)
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Increase in net assets	80,023
Net assets at beginning of year	164,307
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Net assets at end of year	\$ 244,330
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See accompanying notes to financial statements.

Product Stewardship Institute, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2008

	<i>Program Services</i>	<i>Management And General</i>	<i>Total</i>
Salaries and wages	\$ 105,940	\$ 135,929	\$ 241,869
Payroll taxes	7,563	9,940	17,503
Health benefits	14,455	17,175	31,630
Workers compensation	329	506	835
Life and disability insurance	1,136	1,735	2,871
Temporary help	5,790	6,018	11,808
Consultants	47,737	2,471	50,208
Communications	-	2,500	2,500
Strategic planning	-	31,420	31,420
Intern	1,203	6,989	8,192
Accounting	8,730	32,643	41,373
Legal	-	1,181	1,181
Systems administration	-	14,750	14,750
Website	-	3,580	3,580
Depreciation	-	5,639	5,639
Dues and subscription	-	665	665
Fund raising	-	508	508
Payroll fees	-	2,448	2,448
Insurance	-	5,285	5,285
Meetings	9,428	1,088	10,516
Books and publications	39	2,360	2,399
Forum expenses	-	37,361	37,361
Miscellaneous	-	4,471	4,471
Office supplies and expenses	-	15,427	15,427
Postages and delivery	-	673	673
Printing	-	2,488	2,488
Rent	-	44,387	44,387
Repairs and maintenance	-	1,293	1,293
Telephone	5	9,250	9,255
Training	-	305	305
Travel	12,191	5,291	17,482
	<u>\$ 214,546</u>	<u>\$ 405,776</u>	<u>\$ 620,322</u>

See accompanying notes to financial statements.

Product Stewardship Institute, Inc.

Statement of Cash Flows
For the Year Ended June 30, 2008

<i>Cash flows from operating activities:</i>	
Change in net assets	\$ 80,023
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation	5,639
Increase in accounts receivable	(80,629)
Increase in accrued expenses	7,076
Decrease in deferred revenue	(10,998)
Increase in accounts payable	<u>43,329</u>
Net cash used in operating activities	<u>44,440</u>
<i>Cash flows from investing activities:</i>	
Acquisition of equipment	<u>(15,135)</u>
Net cash used in investing activities	<u>(15,135)</u>
Net decrease in cash and cash equivalents	29,305
Cash and cash equivalents, beginning of year	<u>126,269</u>
Cash and cash equivalents, end of year	<u><u>\$ 155,574</u></u>
<i>Supplemental disclosures:</i>	
None	

See accompanying notes to financial statements.

Product Stewardship Institute, Inc.

Notes to Financial Statements

June 30, 2008

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, 2008

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, 2008 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, 2008

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	\$ 26,053
Less accumulated depreciation	<u>(13,216)</u>
Net equipment	<u>\$ 12,837</u>

Depreciation expense for the period ended June 30, 2008 was \$5,639.

Product Stewardship Institute, Inc.
Notes to Financial Statements - *Continued*
June 30, 2008

3. *Cash and Cash Equivalents*

PSI maintains cash and short-term investment accounts with two financial institutions. At June 30, 2008, PSI's total balances at both institutions was \$157,561. The bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. As of June 30, 2008, PSI's deposit at one of the financial institutions exceeded the FDIC limit by \$37,168.

4. *Operating Leases*

PSI leases an office space at 137 Newbury Street in Boston as a subtenant for a four-year period. The lease agreement commenced on April 1, 2006 and calls for a monthly payment of \$2,000. In October 2006, the lease agreement was amended to include additional space and the monthly payment increased to \$3,950. The lease term expires on March 31, 2009 and negotiations are ongoing for extension of the lease.

Rental expenses for the year ended June 30, 2008 was \$44,387.

5. *Contributions*

As discussed in Note 1 above, although the Institute was officially incorporated on December 24, 2004, it had been operating for several years as an unincorporated association under the umbrella of the University of Massachusetts Lowell (UMass). During this period it had been supported in part by contributions from State and local memberships, government and private grants and contracts, and funding from the Massachusetts Executive Office of Environmental Affairs. The Board of Directors of PSI voted to accept the assets of the unincorporated association consisting of cash and equipment valued at \$51,898 and \$6,500, respectively as of the date of incorporation, as unrestricted contributions during fiscal year 2005. During the year ended June 30, 2006 UMass transferred as final payment the sum of \$32,201 arising from contributions to projects.