

Product Stewardship Institute, Inc.
Financial Statements
and
Independent Auditor's Report
June 30, 2018

Product Stewardship Institute, Inc
Financial Statements
June 30, 2018

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

We have audited the accompanying statement of financial position of **Product Stewardship Institute Inc.**, (a nonprofit organization) as of June 30, 2018 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Sambo O'Neil
R
Company, LLC

Randolph, Massachusetts

November 15, 2018.

Product Stewardship Institute, Inc.
Statement of Financial Position
June 30, 2018

Assets

Current Assets

Cash and cash equivalents	\$ 169,539
Accounts receivable	69,876
Other assets	5,298
Security deposit	1,559
	<hr/>
Total current assets	246,272

Fixed Assets

Equipment and furniture	26,260
Less: Accumulated depreciation	<u>(26,260)</u>
	<hr/>
Net fixed assets	-

Total assets	<u><u>\$ 246,272</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 6,228
Accrued expenses	28,775
Security deposit	1,720
Deferred revenue	131,287
	<hr/>
Total current liabilities	168,010

Other Liabilities

Pass through - NY PSC	<u>19,172</u>
	<hr/>
Total liabilities	187,182

Net Assets

Temporarily restricted	60,000
Unrestricted	<u>(910)</u>
	<hr/>
Total liabilities and net assets	<u><u>\$ 246,272</u></u>

Product Stewardship Institute, Inc.

Statement of Activities
For the Year Ended June 30, 2018

Changes in unrestricted net assets:

Revenues and gains:	
Membership dues	\$ 291,016
Service fees and sponsorships	507,124
Grants and contributions	124,567
Other income	24
	<hr/>
Total unrestricted revenues and gains	922,731
	<hr/>
Total unrestricted revenues, gains and other support	922,731
	<hr/>
Expenses	
Program expenses	450,077
Management and general	417,913
	<hr/>
Total expenses	867,990
	<hr/>
Decrease in unrestricted net asset	54,741
	<hr/>
<i>Changes in Pass Through NY-PSC</i>	
Contributions	45,306
Expenses	(47,131)
	<hr/>
Decrease in pass through - NY PSC	(1,825)
NY PSC Balance at beginning of year	20,997
	<hr/>
NY PSC Balance at end of year	19,172
	<hr/>
Decrease in net assets	54,741
	<hr/>
Net assets at beginning of year	4,349
	<hr/>
Net assets at end of year	\$ 59,090
	<hr/>

See accompanying notes to financial statements.

Product Stewardship Institute, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2018

	<i>Program Services</i>	<i>Management And General</i>	<i>Pass Through NY - PSC</i>	<i>Total</i>
Salaries and wages	\$ 271,151	\$ 178,820	\$ -	\$ 449,971
Payroll taxes	25,277	12,169	-	37,446
Fringe benefits	45,644	21,976	-	67,620
Total salaries and benefits	<u>342,072</u>	<u>212,965</u>	<u>-</u>	<u>555,037</u>
Professional services	22,020	65,178	42,600	129,798
Workers Comp.	498	240	-	738
Dues and subscription	58	730	-	788
Bank and payroll fees	94	6,102	-	6,196
Forum expenses	49,135	-	-	49,135
Insurance	-	6,537	-	6,537
Licenses and fees	-	877	-	877
Meetings	6,170	533	1,341	8,044
Miscellaneous	37	129	-	166
Office supplies and equipment	11,714	7,775	-	19,489
Postages and delivery	32	494	-	526
Printing and publications	4,132	1,020	-	5,152
Rent	-	83,794	-	83,794
Telephone	-	21,292	-	21,292
Office expenses	-	4,076	1,019	5,095
Sponsorship and promotion	2,500	-	-	2,500
Training	-	375	-	375
Service fees	-	-	2,171	2,171
Travel	11,615	331	-	11,946
Webinar system	-	4,702	-	4,702
Total expenses before depreciation and amortization	<u>108,005</u>	<u>204,185</u>	<u>47,131</u>	<u>359,321</u>
Depreciation	<u>-</u>	<u>763</u>	<u>-</u>	<u>763</u>
	<u>\$ 450,077</u>	<u>\$ 417,913</u>	<u>\$ 47,131</u>	<u>\$ 915,121</u>

See accompanying notes to financial statements.

Product Stewardship Institute, Inc.

Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities:

Change in net assets \$ 54,741

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

Depreciation	763
Decrease in accounts receivable	11,380
Decrease in deferred revenue	(99,150)
Decrease in accrued expenses	(1,448)
Decrease in pass-through balance	(1,825)
Increase in other assets	(5,298)
Increase in security deposit	1,720
Decrease in accounts payable	<u>(13,302)</u>

Net cash used in operating activities (52,419)

Net decrease in cash and cash equivalents (52,419)

Cash and cash equivalents, beginning of year 221,958

Cash and cash equivalents, end of year \$ 169,539

Supplemental disclosures:

None \$ -

See accompanying notes to financial statements.

Product Stewardship Institute, Inc.
Notes to Financial Statements
June 30, 2018

1. *Type of Organization*

Product Stewardship Institute, Inc. (PSI) 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 provided 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). Under *this standard*, 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.

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.

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.

Product Stewardship Institute, Inc.
Notes to Financial Statements - *Continued*
June 30, 2018

1. *Type of Organization - continued*

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, 2018 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 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.

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.

Product Stewardship Institute, Inc.
Notes to Financial Statements - *Continued*
June 30, 2018

1. *Type of Organization - continued*

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	\$ 26,260
Less accumulated depreciation	<u>(26,260)</u>
Net equipment	<u>\$ -0-</u>

Depreciation expense for the period ended June 30, 2018 was \$763.

Product Stewardship Institute, Inc.
Notes to Financial Statements - *Continued*
June 30, 2018

3. *Cash and Cash Equivalents*

PSI maintains cash and short-term investment accounts with two financial institutions. At June 30, 2018, PSI's total confirmed balance at one of the institutions was \$160,557. The bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2018, no PSI deposits in any of the financial institutions exceeded the FDIC limit.

4. *Operating Leases*

PSI entered a lease agreement for the rental of the third floor portion of 21-23 Stanhope Street Boston on June 22, 2009. During the year ended June 30, 2017, a two-year lease extension option was exercised, extending the lease period to June 22, 2019. The extended lease calls an escalation of \$0.40 per square feet of the rented space in each of the two remaining lease years for a fiscal year 2018 lease payment of \$5,347.05 per month and a fiscal year 2019 lease payment of \$5,429.95 per month.

Minimum future rental payments under a non-cancellable lease ending on June 22, 2019 are \$63,711.

Rental expenses for the year ended June 30, 2018 was \$82,847.

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)(3) application at the moment hence the current arrangement. PSI receives compensation for services as part of an overall yearly agreement. During the year ended June 30, 2018, \$45,306 and \$47,131 were received and expensed respectively on behalf of NY PSC. Services provided under this arrangement includes: Policy Technical Support, Communications and Facilitation. Fees charged for these services and included in the expense account for the year ended June 30, 2018, was \$2,061. All transactions relating to this arrangement are reflected in these financial statements.

Product Stewardship Institute, Inc.
Notes to Financial Statements - *Continued*
June 30, 2018

6. *Uncertain Tax Positions*

PSI accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable tax authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. PSI has identified its tax status as a tax exempt entity as a tax position; however, it has determined that such a tax position does not result in an uncertainty requiring recognition. PSI is not currently under examination by any taxing jurisdiction. Its Federal and State tax returns are generally open for examination for three years following the date filed.

7. *Subsequent Events*

PSI has evaluated the financial statement impact of subsequent events occurring through November 15, 2018 the date that the financial statements were authorized to be issued. There were no subsequent events that required adjustment to or disclosure in the financial statements.