

GREEN SEAL, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

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TOAL, GRIFFITH, AYERS & KULLMAN, LLC
CERTIFIED PUBLIC ACCOUNTANTS

200 HARRY S. TRUMAN PARKWAY, STE. 300
ANNAPOLIS, MARYLAND 21401
Voice (410) 224-0343, Facsimile (410) 224-0043

Independent Auditor's Report

Board of Directors
Green Seal, Inc.

We have audited the accompanying statements of financial position of Green Seal, Inc. (a nonprofit organization) as of September 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Green Seal, Inc. as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Toal, Griffith, Ayers & Kullman, LLC
March 4, 2011

GREEN SEAL, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2010 AND 2009

	2010	2009
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,003,521	\$ 1,121,498
Accounts Receivable, Less Allowance for Doubtful Accounts of \$32,689 and \$122,000 in 2010 and 2009	119,081	440,684
Prepaid Expenses	43,245	39,357
Total Current Assets	1,165,847	1,601,539
Fixed Assets:		
Property and Equipment, Less Accumulated Depreciation of \$88,581 and \$60,634 in 2010 and 2009	34,480	33,177
Total Fixed Assets	34,480	33,177
Total Assets	\$ 1,200,327	\$ 1,634,716
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 204,138	\$ 294,938
Deferred Revenues	438,255	638,615
Notes Payable - Current	85,000	85,000
Total Current Liabilities	727,393	1,018,553
Net Assets:		
Unrestricted	472,934	616,163
Total Net Assets	472,934	616,163
Total Liabilities and Net Assets	\$ 1,200,327	\$ 1,634,716

See auditor's report and accompanying notes to financial statements.

GREEN SEAL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:						
Grants, Awards, Contributions and Fees	\$ 2,735,877	\$ -	\$ 2,735,877	\$ 2,412,462	\$ -	\$ 2,412,462
Investment Income	10,365	-	10,365	8,658	-	8,658
Other Income	61,112	-	61,112	7,338	-	7,338
Total Revenue	2,807,354	-	2,807,354	2,428,458	-	2,428,458
Net Assets Released from Restrictions	-	-	-	30,000	(30,000)	-
Total Revenues and Other Support	2,807,354	-	2,807,354	2,458,458	(30,000)	2,428,458
Expenses:						
Program Services:						
Marketing	629,687	-	629,687	622,090	-	622,090
Special Projects	279,729	-	279,729	318,122	-	318,122
Certification	1,761,926	-	1,761,926	1,211,829	-	1,211,829
Total Program Services	2,671,342	-	2,671,342	2,152,041	-	2,152,041
Supporting Services:						
Management and General	271,985	-	271,985	268,528	-	268,528
Fundraising	7,256	-	7,256	12,145	-	12,145
Total Supporting Services	279,241	-	279,241	280,673	-	280,673
Total Expenses	2,950,583	-	2,950,583	2,432,714	-	2,432,714
Changes in Net Assets	(143,229)	-	(143,229)	25,744	(30,000)	(4,256)
Net Assets at Beginning of Year	616,163	-	616,163	590,419	30,000	620,419
Net Assets at End of Year	\$ 472,934	\$ -	\$ 472,934	\$ 616,163	\$ -	\$ 616,163

See auditor's report and accompanying notes to financial statements.

GREEN SEAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Program Services			Total Program Services	Supporting Services		Total
	Marketing	Special Projects	Certification		Management and General	Fundraising	
Salaries and Fringe Benefits	\$ 182,398	\$ 48,605	\$ 567,223	\$ 798,226	\$ 848,544	\$ 3,755	\$ 1,650,525
Total Salaries and Fringe Benefits	182,398	48,605	567,223	798,226	848,544	3,755	1,650,525
Depreciation	-	-	-	-	27,947	-	27,947
Insurance	-	-	-	-	10,947	-	10,947
Interest Expense	-	-	-	-	2,250	-	2,250
Legal and Accounting	-	-	-	-	61,746	-	61,746
Licenses and Permits	-	-	490	490	488	-	978
Meetings	6,918	1,865	2,093	10,876	9,082	150	20,108
Miscellaneous and Other Expenses	9,102	690	14,177	23,969	23,445	-	47,414
Office Repairs and Maintenance	-	-	-	-	470	-	470
Office Supplies	80	-	2,776	2,856	5,879	-	8,735
Outreach	84,165	-	565	84,730	2,442	-	87,172
Postage and Delivery	1,118	-	712	1,830	2,093	-	3,923
Printing	6,281	82	-	6,363	2,250	-	8,613
Professional Services	37,081	89,461	325,264	451,806	169,169	-	620,975
Public Relations	-	-	-	-	25,601	-	25,601
Recruitment	145	-	496	641	1,123	-	1,764
Rent and Utilities	-	-	-	-	188,796	-	188,796
Software and Computer	495	6,312	5,266	12,073	70,171	-	82,244
Telephone	467	-	3,374	3,841	16,306	-	20,147
Travel	10,618	3,522	25,750	39,890	40,338	-	80,228
Total Expenses Before Allocation	338,868	150,537	948,186	1,437,591	1,509,087	3,905	2,950,583
Allocation of Program-Related Management and General Expense	290,819	129,192	813,740	1,233,751	(1,237,102)	3,351	-
Total Expenses	\$ 629,687	\$ 279,729	\$ 1,761,926	\$ 2,671,342	\$ 271,985	\$ 7,256	\$ 2,950,583

See auditor's report and accompanying notes to financial statements.

GREEN SEAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Program Services			Total Program Services	Supporting Services		Total
	Marketing	Special Projects	Certification		Management and General	Fundraising	
Salaries and Fringe Benefits	\$ 143,575	\$ 35,512	\$ 375,137	\$ 554,224	\$ 772,339	\$ 7,068	\$ 1,333,631
Total Salaries and Fringe Benefits	143,575	35,512	375,137	554,224	772,339	7,068	1,333,631
Depreciation	-	-	-	-	17,355	-	17,355
Insurance	-	-	-	-	10,149	-	10,149
Interest Expense	-	-	-	-	2,187	-	2,187
Legal and Accounting	-	-	-	-	25,464	-	25,464
Licenses and Permits	-	-	-	-	100	-	100
Loss on Settlement - Bad Debt	-	-	-	-	50,397	-	50,397
Meetings	5,709	-	1,440	7,149	2,855	-	10,004
Miscellaneous and Other Expenses	7,619	264	12,515	20,398	13,843	-	34,241
Office Repairs and Maintenance	-	-	-	-	686	-	686
Office Supplies	27	-	871	898	5,146	-	6,044
Outreach	124,864	900	2,560	128,324	76	-	128,400
Postage and Delivery	1,183	-	843	2,026	3,196	-	5,222
Printing	6,613	-	-	6,613	2,128	-	8,741
Professional Services	66,950	70,575	294,306	431,831	2,362	-	434,193
Recruitment	85	-	-	85	841	-	926
Rent and Utilities	-	-	-	-	171,436	-	171,436
Software and Computer	-	73,117	5,728	78,845	41,732	-	120,577
Telephone	-	-	2,302	2,302	10,530	-	12,832
Travel	10,579	7,411	19,610	37,600	22,428	101	60,129
Total Expenses Before Allocation	367,204	187,779	715,312	1,270,295	1,155,250	7,169	2,432,714
Allocation of Program-Related Management and General Expense	254,886	130,343	496,517	881,746	(886,722)	4,976	-
Total Expenses	\$ 622,090	\$ 318,122	\$ 1,211,829	\$ 2,152,041	\$ 268,528	\$ 12,145	\$ 2,432,714

See auditor's report and accompanying notes to financial statements.

GREEN SEAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (143,229)	\$ (4,256)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	27,947	17,355
Decrease (Increase) in:		
Accounts Receivable	321,603	(135,535)
Prepaid Expenses	(3,888)	(6,615)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(90,800)	169,653
Deferred Revenues	<u>(200,360)</u>	<u>266,089</u>
Net Cash Provided (Used) by Operating Activities	(88,727)	306,691
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(29,250)</u>	<u>(26,984)</u>
Net Cash Used for Investing Activities	(29,250)	(26,984)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(117,977)	279,707
Cash and Cash Equivalents at Beginning of Year	<u>1,121,498</u>	<u>841,791</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,003,521</u>	<u>\$ 1,121,498</u>
Supplemental Cash Flow Information:		
Interest Paid	<u>\$ 2,250</u>	<u>\$ 2,187</u>
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>

See auditor's report and accompanying notes to financial statements.

GREEN SEAL, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Green Seal, Inc. is a non-profit organization incorporated in Delaware in 1989. The Organization was established to set standards and criteria of social responsibility for companies and their products to encourage consumers to purchase products determined to be socially conscious, and to encourage companies to meet the standards and criteria established. Its major sources of revenue are fees from certification, monitoring, and other environmental related services and contributions and grants solicited from foundations and individuals.

Accounting Method

The Organization presents its financial statements on the accrual basis in accordance with generally accepted accounting principles.

Accounts Receivable

The allowance for uncollectible accounts is based on prior years' experience and management's analysis of possible bad debts. All unconditional promises to give are due within one year and are considered fully collectible.

Property and Equipment

Property and equipment purchased by the Organization is stated at cost or, if donated, at fair market value at the time of donation. Depreciation expense is computed using the straight-line or double-declining-balance method over estimated useful lives of property and equipment as follows:

Computers and Office Equipment	- 3 years
Furniture and Fixtures	- 7 years

Deferred Revenue

Service and monitoring fees are recognized as revenue ratably over the life of the underlying contract, most of which are for a term of one year.

Basis of Presentation

The Organization classifies resources for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The Organization records unconditional promises to give (pledges) as receivables and revenues and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three net asset categories follows.

GREEN SEAL, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

- Permanently Restricted - the portion of the net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those stipulations.
- Unrestricted - Revenues from unrestricted grants, awards, and contributions are recognized when an unconditional promise to give is received. Revenues from fixed-price contracts from services are recognized under the percentage-of-completion method as determined by management estimate. Revenues from cost-type federal government contracts are recognized to the extent of allowable costs which are subject to audit by the United States Government.
- Temporarily Restricted - Temporarily restricted net assets result from grants and awards received, which have donor-imposed restrictions. Revenues from net assets released from restrictions are recognized as unrestricted revenues only to the extent that the donor-imposed stipulations have expired by passage of time or have been removed by the actions of the Organization pursuant to those stipulations.

Conditional Promises to Give

Conditional promises to give are not recognized as revenues when received but rather when the conditions on which they depend are substantially met.

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain program-related costs have been allocated among the programs and supporting services which benefited.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Green Seal, Inc. is exempt from income taxes under Section 501(c)(3) of Internal Revenue Code, except for income taxes on unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Internal Revenue Code and has been classified as an organization other than a private foundation.

GREEN SEAL, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010 AND 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assists the Organization in its endeavors. The Organization records donated services which meet the requirement for recognition under generally accepted accounting principles. The Organization also placed donated public service announcements in various media throughout the year for which no expense has been recorded.

Cash and Cash Equivalents

Green Seal, Inc. considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization maintains several cash accounts at one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of September 30, 2010, the Organization had approximately \$440,000 of uninsured cash balances.

NOTE 3 - PROPERTY & EQUIPMENT

Property and equipment is comprised of the following:

	<u>2010</u>	<u>2009</u>
Computer and Office Equipment	\$ 114,351	\$ 87,447
Office Furniture and Fixtures	<u>8,710</u>	<u>6,364</u>
Total Cost	123,061	93,811
Less Accumulated Depreciation to Date	<u>88,581</u>	<u>60,634</u>
Cost Less Accumulated Depreciation	\$ <u>34,480</u>	\$ <u>33,177</u>

Total depreciation expense amounted to \$27,947 and \$17,355 for the years ended September 30, 2010 and 2009, respectively.

GREEN SEAL, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 4 - NOTES PAYABLE

Notes payable as of September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Secured:		
Donald McCluskey, interest only payable annually at 80% of prime rate, secured by office equipment, due on demand	\$ <u>10,000</u>	\$ <u>10,000</u>
Total Secured Notes	10,000	10,000
Unsecured and Subordinated:		
Karuna Trust, interest only payable quarterly at 3%, due July 1, 2006	<u>75,000</u>	<u>75,000</u>
Total Unsecured and Subordinated	<u>75,000</u>	<u>75,000</u>
Total Notes Payable	85,000	85,000
Less Current Portion	<u>(85,000)</u>	<u>(85,000)</u>
Long Term Debt	\$ <u>---</u>	\$ <u>---</u>

The principal maturities of notes payable are as follows:

2011 \$ 85,000

Interest expense was \$2,250 and \$2,187 for the years ended September 30, 2010 and 2009, respectively.

NOTE 5 - LEASE OBLIGATION

On July 1, 2002, Green Seal, Inc. leased space from Midcity Investment Company. This agreement expired July 2, 2007. On July 1, 2007, the lease term was extended. This agreement expired on June 30, 2008. On June 26, 2008 the lease agreement was amended to increase the square footage of the space leased and to extend the term of the lease. This agreement expires on July 31, 2013. The lease requires base monthly rent of \$14,513 and payment of a proportionate share of building expenses. Terms of the lease include an annual increase in the base monthly rent of 2.75 percent and the abatement of 100 percent of the base rent for the first month of year one and year two.

GREEN SEAL, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 5 - LEASE OBLIGATION (CONTINUED)

On August 1, 2008, Green Seal, Inc. leased space from River Alliance of Wisconsin, Inc. The lease requires base monthly rent of \$375 and a proportional share of utility expenses. This agreement expired on March 31, 2009. The Organization has continued to lease the space on a month-to-month basis since the expiration of the original lease.

Rent expense for the years ended September 30, 2010 and 2009 was \$188,796 and \$171,436, respectively.

A summary of base rent is as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2011	\$ 184,705
2012	189,784
2013	<u>161,762</u>
Total	\$ <u>536,251</u>

NOTE 6 - RETIREMENT PLAN

Green Seal, Inc. sponsors a defined contribution tax-deferred annuity retirement plan that covers substantially all of its employees. The plan allows participants to contribute tax-deferred amounts through salary reductions. The Organization made contributions to the plan in 2010 and 2009 of \$27,157 and \$23,708 respectively.

NOTE 7 - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through the date the financial statements were available for issuance. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to March 4, 2011 that would have a material impact on the financial statements.

SUPPLEMENTARY INFORMATION

GREEN SEAL, INC.
ORGANIZATION DATA

<u>Date of Incorporation</u>	October 4, 1989
<u>State of Incorporation</u>	Delaware
<u>Purpose</u>	The Organization was established to set standards and criteria of social responsibility for companies and their products acceptable to customers, to inform the general public through the use of seal of approval of those companies and their products which satisfy the standards and criteria set, to encourage consumers to purchase products determined to be socially conscious, and to encourage companies to meet the standards and criteria established.
<u>Officers</u>	Gary Petersen, Chair Arthur Weissman, President Joanne Fox-Przeworski, Secretary Paul Walitsky, Treasurer
<u>Board of Directors</u>	Gary Davis Michele Perrault Gary Petersen Chad Dobson Eugene Tseng Rena Shulsky David Joanne Fox-Przeworski Riva Krut Arthur Weissman Hal Conklin Paul Walitsky Nancy Katz
<u>Chief Executive Officer</u>	Arthur Weissman