

GREEN SEAL, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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SEPTEMBER 30, 2008 AND 2007

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

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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, 2008 and 2007, 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, 2008 and 2007, 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
February 25, 2009

GREEN SEAL, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 841,791	\$ 1,002,247
Accounts Receivable, Less Allowance for Doubtful Accounts of \$72,000 and \$36,250 in 2008 and 2007	305,148	144,920
Prepaid Expenses	<u>32,742</u>	<u>24,858</u>
Total Current Assets:	1,179,681	1,172,025
Fixed Assets:		
Property and Equipment, Less Accumulated Depreciation of \$43,279 and \$30,108 in 2008 and 2007	<u>23,548</u>	<u>20,555</u>
Total Fixed Assets	<u>23,548</u>	<u>20,555</u>
Total Assets	<u>\$ 1,203,229</u>	<u>\$ 1,192,580</u>
<u>LIABILITIES AND NET DEFICIT</u>		
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 125,284	\$ 113,562
Deferred Revenues	372,526	383,987
Notes Payable - Current	<u>85,000</u>	<u>85,000</u>
Total Liabilities	582,810	582,549
Net Assets:		
Temporarily Restricted	30,000	-
Unrestricted	<u>590,419</u>	<u>610,031</u>
Total Net Assets	<u>620,419</u>	<u>610,031</u>
Total Liabilities and Net Assets	<u>\$ 1,203,229</u>	<u>\$ 1,192,580</u>

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

GREEN SEAL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:						
Grants, Awards, Contributions and Fees	\$ 1,952,067	\$ 30,000	\$ 1,982,067	\$ 1,799,450	\$ -	\$ 1,799,450
Investment Income	36,223	-	36,223	28,018	-	28,018
Other Income	1,100	-	1,100	320	-	320
Total Revenue	1,989,390	30,000	2,019,390	1,827,788	-	1,827,788
Expenses:						
Program Services:						
Marketing	594,754	-	594,754	285,102	-	285,102
Education	-	-	-	172,214	-	172,214
Special Projects	109,823	-	109,823	-	-	-
Certification	984,554	-	984,554	625,062	-	625,062
Total Program Services	1,689,131	-	1,689,131	1,082,378	-	1,082,378
Supporting Services:						
Management and General	222,109	-	222,109	172,687	-	172,687
Fundraising	97,762	-	97,762	4,359	-	4,359
Total Supporting Services	319,871	-	319,871	177,046	-	177,046
Total Expenses	2,009,002	-	2,009,002	1,259,424	-	1,259,424
Changes in Net Assets	(19,612)	30,000	10,388	568,364	-	568,364
Net Assets at Beginning of Year	610,031	-	610,031	41,667	-	41,667
Net Assets at End of Year	\$ 590,419	\$ 30,000	\$ 620,419	\$ 610,031	\$ -	\$ 610,031

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

GREEN SEAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Program Services			Total Program Services	Supporting Services		Total
	Marketing	Special Projects	Certification		Management and General	Fundraising	
Salaries and Fringe Benefits	\$ 111,687	\$ 25,481	\$ 310,004	\$ 447,172	\$ 710,148	\$ 7,468	\$ 1,164,788
Total Salaries and Fringe Benefits	111,687	25,481	310,004	447,172	710,148	7,468	1,164,788
Commissions	-	-	7,142	7,142	-	-	7,142
Depreciation	-	-	-	-	13,171	-	13,171
Insurance	-	-	-	-	6,121	-	6,121
Interest Expense	-	-	-	-	2,250	-	2,250
Legal and Accounting	-	-	-	-	6,978	-	6,978
Licenses and Permits	-	-	-	-	607	-	607
Loss on Settlement - Bad Debt	-	-	-	-	35,750	-	35,750
Meetings	2,500	-	1,380	3,880	3,290	19,313	26,483
Miscellaneous and Other Expenses	995	-	8,797	9,792	21,262	-	31,054
Moving Expenses	-	-	-	-	16,946	-	16,946
Office Repairs and Maintenance	-	-	-	-	4,540	-	4,540
Office Supplies	112	-	3,765	3,877	6,153	-	10,030
Outreach	195,171	-	-	195,171	57	-	195,228
Postage and Delivery	3,005	-	326	3,331	3,217	-	6,548
Printing	3,341	-	-	3,341	1,750	-	5,091
Professional Services	10,550	28,295	170,960	209,805	32,656	28,000	270,461
Recruitment	-	-	-	-	2,082	-	2,082
Rent and Utilities	-	-	-	-	88,854	-	88,854
Software and Computer	-	-	16,907	16,907	29,591	-	46,498
Telephone	-	36	1,845	1,881	8,741	-	10,622
Travel	5,909	7,727	30,568	44,204	13,554	-	57,758
Total Expenses Before Allocation	333,270	61,539	551,694	946,503	1,007,718	54,781	2,009,002
Allocation of Program-Related Management and General Expense	261,484	48,284	432,860	742,628	(785,609)	42,981	-
Total Expenses	\$ 594,754	\$ 109,823	\$ 984,554	\$ 1,689,131	\$ 222,109	\$ 97,762	\$ 2,009,002

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

GREEN SEAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Program Services			Total Program Services	Supporting Services		Total
	Marketing	Education	Certification		Management and General	Fundraising	
Salaries and Fringe Benefits	\$ 84,736	\$ 29,043	\$ 197,381	311,160	\$ 446,465	\$ 2,458	\$ 760,083
Total Salaries and Fringe Benefits	84,736	29,043	197,381	311,160	446,465	2,458	760,083
Depreciation	-	-	-	-	6,941	-	6,941
Insurance	-	-	-	-	5,419	-	5,419
Interest Expense	-	-	-	-	2,574	-	2,574
Legal and Accounting	-	-	-	-	6,793	-	6,793
Licenses and Permits	-	-	-	-	1,940	-	1,940
Loss on Settlement - Bad Debt	-	-	-	-	15,000	-	15,000
Meetings	-	-	-	-	1,071	-	1,071
Miscellaneous and Other Expenses	600	-	4,497	5,097	4,688	-	9,785
Moving Expenses	-	-	-	-	10,184	-	10,184
Office Repairs and Maintenance	-	-	-	-	2,478	-	2,478
Office Supplies	-	-	-	-	5,007	-	5,007
Outreach	69,211	-	-	69,211	100	-	69,311
Postage and Delivery	316	-	167	483	2,590	-	3,073
Printing	-	2,660	-	2,660	1,732	-	4,392
Professional Services	5,500	56,398	126,716	188,614	6,990	-	195,604
Recruitment	-	-	-	-	1,483	-	1,483
Rent and Utilities	-	-	-	-	80,819	-	80,819
Software and Computer	-	-	-	-	19,749	-	19,749
Telephone	-	-	1,885	1,885	8,439	-	10,324
Travel	421	9,020	21,860	31,301	16,093	-	47,394
Total Expenses Before Allocation	160,784	97,121	352,506	610,411	646,555	2,458	1,259,424
Allocation of Program-Related Management and General Expense	124,318	75,093	272,556	471,967	(473,868)	1,901	-
Total Expenses	\$ 285,102	\$ 172,214	\$ 625,062	1,082,378	\$ 172,687	\$ 4,359	\$ 1,259,424

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

GREEN SEAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 10,388	\$ 568,364
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	13,171	6,942
Decrease (Increase) in:		
Accounts Receivable	(160,228)	(56,118)
Prepaid Expenses	(7,884)	(6,569)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	11,722	(333,393)
Deferred Revenues	<u>(11,461)</u>	<u>342,550</u>
Net Cash Provided (Used) by Operating Activities	(144,292)	521,776
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(16,164)</u>	<u>(8,351)</u>
Net Cash Used for Investing Activities	(16,164)	(8,351)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Used for Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(160,456)	513,425
Cash and Cash Equivalents at Beginning of Year	<u>1,002,247</u>	<u>488,822</u>
Cash and Cash Equivalents at End of Year	<u>\$ 841,791</u>	<u>\$ 1,002,247</u>
Supplemental Cash Flow Information:		
Interest Paid	<u>\$ 2,250</u>	<u>\$ 2,574</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, 2008 AND 2007

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 from contributions and grants solicited from foundations and individuals and fees from certification and monitoring and other environmental related services.

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	-	5 years
Furniture and Fixtures	-	7 years

Deferred Revenue

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

Revenue Recognition

The Organization's financial reporting is in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Made", and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations". SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and purposes into three net asset categories according to externally (donor) imposed restrictions. SFAS No. 116 requires that

GREEN SEAL, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

unconditional promises to give (pledges) be recorded as receivables and revenues and requires that organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three net asset categories follows.

- 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 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.

GREEN SEAL, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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 does not record donated services as contributions other than those services donated as allowable costs under grants or contracts. The Organization also placed donated public service announcements in various media throughout the year for which no expense has been recorded.

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.

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, 2008, the Organization had approximately \$1,150,000 of uninsured cash balances.

NOTE 3 - PROPERTY & EQUIPMENT

Property and equipment is comprised of the following:

	<u>2008</u>	<u>2007</u>
Computer and Office Equipment	\$ 60,463	\$ 45,542
Office Furniture and Fixtures	<u>6,364</u>	<u>5,122</u>
Total Cost	66,827	50,664
Less Accumulated Depreciation to Date	<u>43,279</u>	<u>30,108</u>
Cost Less Accumulated Depreciation	\$ <u>23,548</u>	\$ <u>20,556</u>

Total depreciation expense amounted to \$13,171 and \$6,941 for the years ended September 30, 2008 and 2007, respectively.

GREEN SEAL, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

NOTE 4 - NOTES PAYABLE

Notes payable as of September 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</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	<u>10,000</u>	<u>10,000</u>
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:

2009 \$ 85,000

Interest expense was \$2,250 and \$2,574 for the years ended September 30, 2008 and 2007, 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 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, 2008 AND 2007

NOTE 5 - LEASE OBLIGATION (CONTINUED)

On August 1, 2008, Green Seal, Inc. leased space from River Alliance of Wisconsin, Inc. This agreement expires on March 31, 2009. The lease requires base monthly rent of \$375 and a proportional share of utility expenses.

Rent expense for the years ended September 30, 2008 and 2007 was \$88,854 and \$80,819, respectively.

A summary of base rent is as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2009	\$ 161,889
2010	164,029
2011	183,862
2012	188,918
2013	<u>194,113</u>
Total	\$ 892,811

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. Contributions to the plan are discretionary. During 2008 and 2007, no employer contribution was made to the plan.

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
<u>Board of Directors</u>	Gary Davis Joanne Fox-Przeworski Michele Perrault Riva Krut Gary Petersen Arthur Weissman Chad Dobson Hal Conklin Eugene Tseng Paul Walitsky
<u>Chief Executive Officer</u>	Arthur Weissman