

**BLACKSMITH INSTITUTE, INC. AND  
BLACKSMITH INITIATIVE (“UK”)**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**Years Ended December 31, 2015 and 2014**

# BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)

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## **INDEPENDENT AUDITOR'S REPORT**

To the Boards of Directors of  
Blacksmith Institute, Inc. and Blacksmith Initiative ("UK")

We have audited the accompanying consolidated financial statements of Blacksmith Institute, Inc. and Blacksmith Initiative, ("UK") (collectively the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from 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 consolidated 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 consolidated 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 accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Blacksmith Institute, Inc. and Blacksmith Initiative, ("UK") as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the consolidating statements of financial position and consolidating statements of activities is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies and is not a required part of the consolidated financial statements. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The consolidating information and supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

The image shows a handwritten signature in black ink that reads "UHY LLP". The letters are stylized and cursive.

New York, NY  
November 2, 2016

**FINANCIAL STATEMENTS**

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**BLACKSMITH INSTITUTE, INC AND BLACKSMITH INITIATIVE (“UK”)  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 109,547	\$ 704,180
Grants receivable	3,847,484	5,103,887
Pledges receivable	353,088	174,244
Prepaid expenses and other current assets	183,570	308,434
Total current assets	<u>4,493,689</u>	<u>6,290,745</u>
PROPERTY AND EQUIPMENT, NET	771,327	483,917
SECURITY DEPOSIT	25,000	25,000
	<u>\$ 5,290,016</u>	<u>\$ 6,799,662</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 642,603	\$ 507,454
Accrued expenses	95,229	92,028
Line of credit	50,000	-
Long term debt, current portion	149,798	-
Total current liabilities	<u>937,630</u>	<u>599,482</u>
LONG TERM DEBT, net of current portion	541,563	484,043
Total liabilities	<u>1,479,193</u>	<u>1,083,525</u>
<b>NET ASSETS</b>		
Unrestricted net assets	363,506	448,315
Temporarily restricted net assets	3,447,317	5,267,822
Total net assets	<u>3,810,823</u>	<u>5,716,137</u>
	<u>\$ 5,290,016</u>	<u>\$ 6,799,662</u>

See notes to consolidated financial statements.

**BLACKSMITH INSTITUTE, INC AND BLACKSMITH INITIATIVE (“UK”)  
CONSOLIDATED STATEMENTS OF ACTIVITIES**

	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Grants	\$ -	\$ 1,532,697	\$ 1,532,697	\$ -	\$ 4,466,991	\$ 4,466,991
Contributions	529,515	-	529,515	95,672	-	95,672
Fundraising income	464,090	-	464,090	476,200	-	476,200
In-kind contributions	196,226	-	196,226	461,990	-	461,990
Net assets released from restrictions	<u>3,426,266</u>	<u>(3,426,266)</u>	-	<u>4,520,605</u>	<u>(4,520,605)</u>	-
Total support and revenue	<u>4,616,097</u>	<u>(1,893,569)</u>	<u>2,722,528</u>	<u>5,554,467</u>	<u>(53,614)</u>	<u>5,500,853</u>
<b>FUNCTIONAL EXPENSES</b>						
Program	3,658,698	-	3,658,698	4,541,930	-	4,541,930
Administration	493,840	-	493,840	390,225	-	390,225
Fundraising	<u>318,904</u>	-	<u>318,904</u>	<u>279,304</u>	-	<u>279,304</u>
Total functional expenses	<u>4,471,442</u>	-	<u>4,471,442</u>	<u>5,211,459</u>	-	<u>5,211,459</u>
Excess (Deficiency) of support and revenue over functional expenses	144,655	(1,893,569)	(1,748,914)	343,008	(53,614)	289,394
Interest expense	(45,261)	-	(45,261)	(2,423)	-	(2,423)
Realized gain (loss) on investments	498	-	498	(1,608)	-	(1,608)
Foreign currency translation adjustment	<u>(184,701)</u>	<u>73,064</u>	<u>(111,637)</u>	<u>(352,356)</u>	<u>68,951</u>	<u>(283,405)</u>
<b>CHANGE IN NET ASSETS</b>	(84,809)	(1,820,505)	(1,905,314)	(13,379)	15,337	1,958
<b>NET ASSETS, Beginning</b>	<u>448,315</u>	<u>5,267,822</u>	<u>5,716,137</u>	<u>461,694</u>	<u>5,252,485</u>	<u>5,714,179</u>
<b>NET ASSETS, End</b>	<u>\$ 363,506</u>	<u>\$ 3,447,317</u>	<u>\$ 3,810,823</u>	<u>\$ 448,315</u>	<u>\$ 5,267,822</u>	<u>\$ 5,716,137</u>

See notes to consolidated financial statements.

**BLACKSMITH INSTITUTE, INC AND BLACKSMITH INITIATIVE (“UK”)  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>Years Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,905,314)	\$ 1,958
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	102,548	27,646
In-kind contribution of investments	(50,877)	(63,443)
Realized (gain) loss on investments	(499)	1,608
Changes in:		
Grants receivable	1,256,403	120,082
Pledges receivable	(178,844)	76,445
Prepaid expenses and other current assets	124,864	10,125
Accounts payable	135,149	(117,435)
Accrued expense	3,201	(14,250)
Net cash (used in) provided by operating activities	<u>(513,369)</u>	<u>42,736</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	51,376	72,390
Security deposit	-	(25,000)
Fixed asset purchases	<u>(389,958)</u>	<u>(455,290)</u>
Net cash used in investing activities	<u>(338,582)</u>	<u>(407,900)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from line of credit	50,000	-
Proceeds from long term debt	315,957	484,043
Repayments of long term debt	<u>(108,639)</u>	<u>-</u>
Net cash provided by financing activities	<u>257,318</u>	<u>484,043</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(594,633)</b>	<b>118,879</b>
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<b><u>704,180</u></b>	<b><u>585,301</u></b>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<b><u>\$ 109,547</u></b>	<b><u>\$ 704,180</u></b>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 45,261</u>	<u>\$ 2,423</u>

See notes to consolidated financial statements.



**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE 1 — ORGANIZATION**

Blacksmith Institute, Inc. (the “Institute”) is a not-for-profit organization incorporated in the State of New York on July 29, 1999 under Section 501(c)(3) of the Internal Revenue Code and Blacksmith Initiative (“UK”) (the “Initiative”), is a private, limited charity incorporated in the United Kingdom, (collectively referred to as the “Organization”), which serves the global community by providing funding and services to support developing nations with pollution-related environmental issues in an attempt to ensure a clean and hospitable planet for future generations.

The Institute and the Initiative share a common board of directors, their efforts in serving the global community are inextricably intertwined and funding is pursued on a collaborative basis. The Initiative was established largely to expand the global footprint from which the Organization can pursue such funding. The operations have been consolidated because it is thought that such consolidation is meaningful.

Effective November 1, 2013, the Institute launched a new initiative – Pure Earth. Pure Earth is an outreach and awareness raising program for the general public. Blacksmith has registered Pure Earth as a trademark.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the Organization’s significant accounting policies is as follows:

**Financial Statement Presentation**

The consolidated financial statements include the accounts of the Institute and the Initiative. The consolidated financial statements include all adjustments and reclassifications necessary to eliminate the effects of significant intercompany accounts and transactions.

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

**Net Assets**

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There are currently no permanently restricted net assets.

**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. The Organization places its cash with high credit quality institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit. There was no uninsured cash balances at December 31, 2015.

**Use of Estimates**

The preparation of the consolidated 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 the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation. Maintenance and repairs of a routine nature are charged to expense while those that extend the life of existing properties are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets generally from 3 to 10 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the term of the lease. The cost of property and equipment purchased in excess of \$1,000 is capitalized.

**Pledge Receivable**

The Organization’s revenue related to pledges received is recognized as revenue in the period received at its fair value and the Organization distinguishes such contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on these amounts were computed using the prime rate applicable to the year in which contribution is made. Amortization of discount is included in contribution revenue.

**Fair Value of Financial Instruments**

Fair Value Measurements and Disclosures, provides the framework for measuring fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value of Financial Instruments (Continued)**

The Organization measures certain financial assets and liabilities at fair value on a recurring basis in the consolidated financial statements. The hierarchy ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

- Level 1 Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset or liability's anticipated life.
- Level 3 Inputs are unobservable and cannot be corroborated by observable market data. Inputs generally reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the inputs of the model.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly the degree of judgment exercised by the Organization in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value measurement in its entirety is based on the lowest level input that is significant to the fair value measurement in its entirety.

**Investments**

Investments are reported at fair value. Investment income, which consists of interest and dividend income earned, realized and unrealized gains or losses on those investments, is included in the statements of activities.

Investment securities consist of donated stocks of publicly traded companies valued at closing price reported on the active market on which the securities are traded. There were no investments held at December 31, 2015 and 2014.

**Income Taxes**

The Institute has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC). The Institute qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Initiative is a private charity that is limited and incorporated under the Companies Act 1985 of the Registrar of Companies for England and Wales.

**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes (Continued)**

The Organization follows guidance issued by the Financial Accounting Standards Board (“FASB”) regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement.

The income tax positions taken by the Organization for any years open under the various statutes of limitations are (1) that the Organization continues to be exempt from income taxes and (2) that the Organization does not have unrelated business income that would be subject to income taxes. Management believes these tax positions meet the more-likely-than-not threshold and, accordingly, the tax benefits of these income tax positions (no income tax expense or liability) have been recognized for the years ended on or before December 31, 2015.

The Organization believes that there are no tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within 12 months of the reporting date.

**Expense Allocation**

Directly identifiable expenses are charged to programs, supporting services and fundraising. Expenses related to more than one function are charged to programs, supporting services and fundraising on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provided for the overall support and direction of the Organization. The cost of providing program services and other activities have been summarized on a functional basis in the statement of activities.

**Contributions and Grants**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. 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 restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Donated Services**

The Organization records contributions and corresponding expense for donated space and equipment, salaries, pollution-related program expense, office expense and telephone. The amount recorded is the estimated fair value of the donated expense.

**Foreign Currency Translation**

The Initiative’s functional currency is Great British Pounds (“GBP”). The financial statements of the Initiative have been translated into U.S. dollars upon consolidation with the Institute. All statements of financial position accounts have been translated using the exchange rate in effect at the statements of financial position dates. Statements of activities amounts have been translated using the monthly average exchange rates during the year and have been reported separately in the consolidated statements of activities.

**Subsequent Events**

For purposes of preparing this consolidated financial statement the Organization considered events through November 2, 2016, the date these consolidated financial statements are available for issuance.

**NOTE 3— PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at:

	December 31,	
	2015	2014
Leasehold improvements	\$ 753,568	\$ 415,390
Equipment	134,964	128,522
Furniture, fixtures and equipment	92,556	63,561
Software	<u>21,428</u>	<u>5,085</u>
	1,002,516	612,558
Less: accumulated depreciation	<u>231,189</u>	<u>128,641</u>
	<u>\$ 771,327</u>	<u>\$ 483,917</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$102,548 and \$27,131, respectively.

**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015

**NOTE 4 — LINE OF CREDIT**

On June 25, 2015, the Institute obtained a line of credit from a bank in the amount of \$100,000 which bears interest at a rate of 5.25%. The line is secured by all business assets of the Institute and is personally guaranteed by the Institute’s President.

**NOTE 5 — LONG TERM DEBT**

On June 3, 2014, the Institute obtained a \$500,000 construction loan to finance the renovation of its office. This loan is collateralized by all of the Institute’s assets, and interest was payable monthly on the outstanding balance at an interest rate of 5.25%. On December 1, 2014, the available amount under the construction loan was increased to \$700,000. On February 20, 2015 the Institute’s construction loan was converted to a long-term note payable with principal and interest payments monthly. The terms are payments of approximately \$13,000 per month for 60 months with an interest rate of 5.25%. The balance at December 31, 2015 and 2014 was \$595,759 and \$484,043, respectively.

On September 1, 2015 the Institute obtained additional financing by way of a term loan from the same bank. The loan is personally guaranteed by the Institute’s President. The terms are payments of approximately \$1,900 per month for 60 months with an interest rate of 5.25%. The balance at December 31, 2015 was \$95,602.

Maturities of long term debt are as follows:

<u>Years Ending December 31,</u>		
2016	\$	149,798
2017		157,869
2018		166,375
2019		175,339
2020		41,980
	\$	<u>691,361</u>

The loan contains administrative and financial covenants and requires the Institute to maintain a debt service coverage ratio of not less than 1.20 to 1.00 to which the Institute was in compliance at 2014, and for which the Institute obtained a waiver at December 31, 2015.

**NOTE 6 — LEASE COMMITMENTS**

The Organization had a lease arrangement for an office facility. On September 22, 2014, the Organization amended the lease arrangement (with an original expiration date of October 2015) for a term of 10 years commencing on January 1, 2015. Annual rental for each year end will be an amount equal to the Organization’s proportionate share based on square footage of the landlord’s total costs of ownership.

Rent expense under the operating lease was \$192,033 and \$150,936 for the years ended December 31, 2015 and 2014, respectively.

**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015

**NOTE 7 — SUBSEQUENT EVENTS**

In 2016, the Organization secured two significant grants which will provide approximately \$6,500,000 in temporarily restricted support and revenue through 2018. The two grants are comprised of a grant from United Nations Industrial Development Organization (“UNIDO”) received in February 2016 for approximately \$4,500,000 and a grant from U.S. Agency for International Development (“USAid”) in April 2016 for approximately \$2,000,000.

**OTHER INFORMATION**

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**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)**  
**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**

	December 31, 2015				
	Blacksmith Institute, Inc.	Blacksmith Initiative (“UK”)	Total	Eliminations	Consolidated
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 99,180	\$ 10,367	\$ 109,547	\$ -	\$ 109,547
Grants receivable	3,634,800	212,684	3,847,484	-	3,847,484
Pledges receivable, net	180,101	172,987	353,088	-	353,088
Prepaid expenses and other current assets	<u>180,886</u>	<u>2,684</u>	<u>183,570</u>	-	<u>183,570</u>
Total current assets	4,094,967	398,722	4,493,689	-	4,493,689
PROPERTY AND EQUIPMENT, NET	771,327	-	771,327	-	771,327
SECURITY DEPOSIT	<u>25,000</u>	<u>-</u>	<u>25,000</u>	-	<u>25,000</u>
	<u>\$ 4,891,294</u>	<u>\$ 398,722</u>	<u>\$ 5,290,016</u>	<u>\$ -</u>	<u>\$ 5,290,016</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 643,924	(1,321)	\$ 642,603	\$ -	\$ 642,603
Accrued expenses	89,599	5,630	95,229	-	95,229
Line of credit	50,000	-	50,000	-	50,000
Long term debt, current portion	<u>149,798</u>	<u>-</u>	<u>149,798</u>	-	<u>149,798</u>
Total current liabilities	<u>933,321</u>	<u>4,309</u>	<u>937,630</u>	-	<u>937,630</u>
LONG TERM DEBT, net of current portion	<u>541,563</u>	<u>-</u>	<u>541,563</u>	-	<u>541,563</u>
Total liabilities	<u>1,474,884</u>	<u>4,309</u>	<u>1,479,193</u>	-	<u>1,479,193</u>
<b>NET ASSETS</b>					
Unrestricted net assets	275,861	87,645	363,506	-	363,506
Temporarily restricted net assets	<u>3,140,549</u>	<u>306,768</u>	<u>3,447,317</u>	-	<u>3,447,317</u>
Total net assets	<u>3,416,410</u>	<u>394,413</u>	<u>3,810,823</u>	-	<u>3,810,823</u>
	<u>\$ 4,891,294</u>	<u>\$ 398,722</u>	<u>\$ 5,290,016</u>	<u>\$ -</u>	<u>\$ 5,290,016</u>

**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)**  
**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**

	December 31, 2014				
	Blacksmith Institute, Inc.	Blacksmith Initiative (“UK”)	Total	Eliminations	Consolidated
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 620,262	\$ 83,918	\$ 704,180	\$ -	\$ 704,180
Grants receivable	3,704,671	1,399,216	5,103,887	-	5,103,887
Pledges receivable, net	95,757	78,487	174,244	-	174,244
Due from affiliate	37,978	-	37,978	(37,978)	-
Prepaid expenses and other current assets	306,925	1,509	308,434	-	308,434
Total current assets	<u>4,765,593</u>	<u>1,563,130</u>	<u>6,328,723</u>	<u>(37,978)</u>	<u>6,290,745</u>
PROPERTY AND EQUIPMENT, NET	483,917	-	483,917	-	483,917
SECURITY DEPOSIT	25,000	-	25,000	-	25,000
	<u>\$ 5,274,510</u>	<u>\$ 1,563,130</u>	<u>\$ 6,837,640</u>	<u>\$ (37,978)</u>	<u>\$ 6,799,662</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 483,701	\$ 23,753	\$ 507,454	\$ -	\$ 507,454
Accrued expenses	88,144	3,884	92,028	-	92,028
Due to affiliate	-	37,978	37,978	(37,978)	-
Total current liabilities	<u>571,845</u>	<u>65,615</u>	<u>637,460</u>	<u>(37,978)</u>	<u>599,482</u>
LONG TERM DEBT, net of current portion	484,043	-	484,043	-	484,043
Total liabilities	<u>1,055,888</u>	<u>65,615</u>	<u>1,121,503</u>	<u>(37,978)</u>	<u>1,083,525</u>
<b>NET ASSETS</b>					
Unrestricted net assets	359,366	88,949	448,315	-	448,315
Temporarily restricted net assets	3,859,256	1,408,566	5,267,822	-	5,267,822
Total net assets	<u>4,218,622</u>	<u>1,497,515</u>	<u>5,716,137</u>	<u>-</u>	<u>5,716,137</u>
	<u>\$ 5,274,510</u>	<u>\$ 1,563,130</u>	<u>\$ 6,837,640</u>	<u>\$ (37,978)</u>	<u>\$ 6,799,662</u>

**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)**  
**CONSOLIDATING STATEMENTS OF ACTIVITIES**

	Year Ended December 31, 2015				
	Blacksmith Institute, Inc.	Blacksmith Initiative ("UK")	Total	Eliminations	Consolidated
<b>SUPPORT AND REVENUE</b>					
Grants	\$ 1,550,326	\$ (17,629)	\$ 1,532,697	\$ -	\$ 1,532,697
Contributions	435,014	94,501	529,515	-	529,515
Fundraising income	464,090	-	464,090	-	464,090
In-kind contributions	196,226	-	196,226	-	196,226
Total support and revenue	<u>2,645,656</u>	<u>76,872</u>	<u>2,722,528</u>	<u>-</u>	<u>2,722,528</u>
<b>FUNCTIONAL EXPENSES</b>					
Program	2,675,917	982,781	3,658,698	-	3,658,698
Administration	389,523	104,317	493,840	-	493,840
Fundraising	<u>318,777</u>	<u>127</u>	<u>318,904</u>	<u>-</u>	<u>318,904</u>
Total functional expenses	<u>3,384,217</u>	<u>1,087,225</u>	<u>4,471,442</u>	<u>-</u>	<u>4,471,442</u>
Deficiency of support and revenue over functional expenses	(738,561)	(1,010,353)	(1,748,914)	-	(1,748,914)
Interest expense	(45,261)	-	(45,261)	-	(45,261)
Realized gain on investments	498	-	498	-	498
Foreign currency translation adjustment	<u>(19,151)</u>	<u>(92,486)</u>	<u>(111,637)</u>	<u>-</u>	<u>(111,637)</u>
<b>CHANGE IN NET ASSETS</b>	(802,475)	(1,102,839)	(1,905,314)	-	(1,905,314)
<b>NET ASSETS, Beginning</b>	<u>4,218,885</u>	<u>1,497,252</u>	<u>5,716,137</u>	<u>-</u>	<u>5,716,137</u>
<b>NET ASSETS, End</b>	<u>\$ 3,416,410</u>	<u>\$ 394,413</u>	<u>\$ 3,810,823</u>	<u>\$ -</u>	<u>\$ 3,810,823</u>

**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)**  
**CONSOLIDATING STATEMENTS OF ACTIVITIES**

	Year Ended December 31, 2014				
	Blacksmith Institute, Inc.	Blacksmith Initiative (UK)	Total	Eliminations	Consolidated
<b>SUPPORT AND REVENUE</b>					
Grants	\$ 4,424,063	\$ 42,928	\$ 4,466,991	\$ -	\$ 4,466,991
Contributions	95,672	-	95,672.00	-	95,672
Fundraising income	476,200	-	476,200.00	-	476,200
In-kind contributions	461,990	-	461,990.00	-	461,990
Total support and revenue	<u>5,457,925</u>	<u>42,928</u>	<u>5,500,853</u>	<u>-</u>	<u>5,500,853</u>
<b>FUNCTIONAL EXPENSES</b>					
Program	2,037,961	2,503,969	4,541,930	-	4,541,930
Administration	163,524	226,701	390,225	-	390,225
Fundraising	<u>279,036</u>	<u>268</u>	<u>279,304</u>	<u>-</u>	<u>279,304</u>
Total functional expenses	<u>2,480,521</u>	<u>2,730,938</u>	<u>5,211,459</u>	<u>-</u>	<u>5,211,459</u>
Excess (Deficiency) of support and revenue over functional expenses	2,977,404	(2,688,010)	289,394	-	289,394
Interest income	(2,423)	-	(2,423)	-	(2,423)
Unrealized loss on investments	(1,608)	-	(1,608)	-	(1,608)
Foreign currency translation adjustment	<u>(19,465)</u>	<u>(263,940)</u>	<u>(283,405)</u>	<u>-</u>	<u>(283,405)</u>
<b>CHANGE IN NET ASSETS</b>	2,953,908	(2,951,950)	1,958	-	1,958
<b>NET ASSETS, Beginning</b>	<u>1,264,977</u>	<u>4,449,202</u>	<u>5,714,179</u>	<u>-</u>	<u>5,714,179</u>
<b>NET ASSETS, End</b>	<u>\$ 4,218,885</u>	<u>\$ 1,497,252</u>	<u>\$ 5,716,137</u>	<u>\$ -</u>	<u>\$ 5,716,137</u>

**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2015**

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,475,354	\$ 101,690	\$ 91,785	\$ 1,668,829
Professional Fees	780,752	174,201	55,392	1,010,345
In-Kind Professional Fees	165,671	22,815	1,140	189,626
Travel	406,993	11,406	9,140	427,539
Events & Conferences	263,750	3,864	124,145	391,759
Rent & Utilities	149,684	22,117	22,117	193,918
Equipment	150,948	9,726	-	160,674
Depreciation Expense	-	102,548	-	102,548
Supplies	91,194	1,973	3,244	96,411
Lab Fees	46,893	-	-	46,893
Communications	52,637	2,568	2,661	57,866
Printed Material	27,235	353	307	27,895
Insurance	5,588	18,388	-	23,976
Bank Fees	9,404	10,290	7,886	27,580
Payroll Services Fees	2,955	633	633	4,221
Repair & Maintenance	715	9,178	-	9,893
Misc. Expense	28,925	2,090	454	31,469
	<u>\$ 3,658,698</u>	<u>\$ 493,840</u>	<u>\$ 318,904</u>	<u>\$ 4,471,442</u>

**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2014

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,450,422	\$ 175,577	\$ 4,959	\$ 1,630,958
Professional Fees	1,138,305	125,104	44,080	1,307,489
In-Kind Professional Fees	437,990	-	-	437,990
Travel	597,653	3,146	757	601,556
Events & Conferences	206,255	-	187,446	393,701
Rent & Utilities	151,586	24,061	24,061	199,708
Equipment	223,461	6,079	-	229,540
Depreciation Expense	-	27,646	-	27,646
Supplies	126,721	687	1,349	128,757
Lab Fees	83,333	-	-	83,333
Communications	64,699	682	1,017	66,398
Printed Material	18,914	-	-	18,914
Insurance	5,210	18,553	-	23,763
Bank Fees	14,081	6,165	12,388	32,634
Payroll Services Fees	1,694	363	363	2,420
Repair & Maintenance	971	382	-	1,353
Misc. Expense	20,635	1,780	2,884	25,299
	<u>\$ 4,541,930</u>	<u>\$ 390,225</u>	<u>\$ 279,304</u>	<u>\$ 5,211,459</u>