

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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 logo for UHY LLP is written in a stylized, cursive script. The letters 'UHY' are larger and more prominent, with 'LLP' in a smaller font to the right.

New York, New York
October 17, 2017

FINANCIAL STATEMENTS

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

	December 31,	
	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 174,765	\$ 109,547
Grants receivable	6,417,116	3,847,484
Pledges receivable	453,208	353,088
Prepaid expenses and other current assets	530,253	183,570
Total current assets	<u>7,575,342</u>	<u>4,493,689</u>
PROPERTY AND EQUIPMENT, NET	678,371	771,327
SECURITY DEPOSIT	25,000	25,000
	<u>\$ 8,278,713</u>	<u>\$ 5,290,016</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 947,909	\$ 642,603
Accrued expenses	105,379	95,229
Line of credit	100,000	50,000
Long term debt, current portion	157,869	149,798
Total current liabilities	<u>1,311,157</u>	<u>937,630</u>
LONG TERM DEBT, net of current portion	<u>384,414</u>	<u>541,563</u>
Total liabilities	<u>1,695,571</u>	<u>1,479,193</u>
NET ASSETS		
Unrestricted net assets	327,817	363,506
Temporarily restricted net assets	6,255,325	3,447,317
Total net assets	<u>6,583,142</u>	<u>3,810,823</u>
	<u>\$ 8,278,713</u>	<u>\$ 5,290,016</u>

See notes to consolidated financial statements.

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

	<u>Year Ended December 31, 2016</u>			<u>Year Ended December 31, 2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>		<u>Unrestricted</u>	<u>Temporarily Restricted</u>	
		<u>Total</u>			<u>Total</u>	
SUPPORT AND REVENUE						
Grants	\$ -	\$ 6,867,525	\$ 6,867,525	\$ -	\$ 1,532,697	\$ 1,532,697
Contributions	210,906	-	210,906	529,515	-	529,515
Fundraising income	724,769	-	724,769	464,090	-	464,090
In-kind contributions	82,502	-	82,502	196,226	-	196,226
Net assets released from restrictions	<u>4,036,214</u>	<u>(4,036,214)</u>	<u>-</u>	<u>3,426,266</u>	<u>(3,426,266)</u>	<u>-</u>
Total support and revenue	<u>5,054,391</u>	<u>2,831,311</u>	<u>7,885,702</u>	<u>4,616,097</u>	<u>(1,893,569)</u>	<u>2,722,528</u>
FUNCTIONAL EXPENSES						
Program	4,079,338	-	4,079,338	3,658,698	-	3,658,698
Administration	528,045	-	528,045	493,840	-	493,840
Fundraising	<u>416,526</u>	<u>-</u>	<u>416,526</u>	<u>318,904</u>	<u>-</u>	<u>318,904</u>
Total functional expenses	<u>5,023,909</u>	<u>-</u>	<u>5,023,909</u>	<u>4,471,442</u>	<u>-</u>	<u>4,471,442</u>
Excess (Deficiency) of support and revenue over functional expenses	<u>30,482</u>	<u>2,831,311</u>	<u>2,861,793</u>	144,655	(1,893,569)	(1,748,914)
Interest expense	(46,016)	-	(46,016)	(45,261)	-	(45,261)
Realized gain (loss) on investments	(931)	-	(931)	498	-	498
Foreign currency translation adjustment	<u>(19,224)</u>	<u>(23,303)</u>	<u>(42,527)</u>	<u>(184,701)</u>	<u>73,064</u>	<u>(111,637)</u>
CHANGE IN NET ASSETS	<u>(35,689)</u>	<u>2,808,008</u>	<u>2,772,319</u>	(84,809)	(1,820,505)	(1,905,314)
NET ASSETS, Beginning	<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>
NET ASSETS, End	<u>\$ 327,817</u>	<u>\$ 6,255,325</u>	<u>\$ 6,583,142</u>	<u>\$ 363,506</u>	<u>\$ 3,447,317</u>	<u>\$ 3,810,823</u>

See notes to consolidated financial statements.

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

	Years Ended December 31,	
	2016	2015
OPERATING ACTIVITIES		
Change in net assets	\$ 2,772,319	\$ (1,905,314)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	96,384	102,548
In-kind contribution of investments	(61,973)	(50,877)
Realized (gain) loss on investments	931	(499)
Changes in:		
Grants receivable	(2,569,632)	1,256,403
Pledges receivable	(100,120)	(178,844)
Prepaid expenses and other current assets	(346,683)	124,864
Accounts payable	305,306	135,149
Accrued expense	10,150	3,201
Net cash provided by (used in) operating activities	<u>106,682</u>	<u>(513,369)</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	61,042	51,376
Fixed asset purchases	(3,428)	(389,958)
Net cash provided by (used in) investing activities	<u>57,614</u>	<u>(338,582)</u>
FINANCING ACTIVITIES		
Proceeds from line of credit	125,000	50,000
Repayments on Line of credit	(75,000)	-
Proceeds from long term debt	-	315,957
Repayments of long term debt	(149,078)	(108,639)
Net cash (used in) provided by financing activities	<u>(99,078)</u>	<u>257,318</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,218	(594,633)
CASH AND CASH EQUIVALENTS, Beginning	109,547	704,180
CASH AND CASH EQUIVALENTS, Ending	\$ <u>174,765</u>	\$ <u>109,547</u>
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 46,016	\$ 45,261

See notes to consolidated financial statements.

**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016**

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, 2016

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, 2016.

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, 2016

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.

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.

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.

**BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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, 2016.

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.

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.

BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

For purposes of preparing this consolidated financial statement the Organization considered events through October 17, 2017, 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,	
	2016	2015
Leasehold improvements	756,996	753,568
Equipment	134,964	134,964
Furniture, fixtures and equipment	92,556	92,556
Software	21,428	21,428
	1,005,944	1,002,516
Less: accumulated depreciation	327,573	231,189
	<u>\$ 678,371</u>	<u>\$ 771,327</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$96,384 and \$102,548, respectively.

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 prime + 2.00%. As of December 31, 2016, the rate was 5.75%. The line is secured by all business assets of the Institute and is personally guaranteed by the Institute’s President. As of December 31, 2016, there was \$100,000 outstanding. Subsequent to year end, the line of credit was renewed and amended and has a maturity date of March 2018. The line of credit was fully repaid in August 2017.

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, 2016 and 2015 was \$464,832 and \$595,759, respectively.

BLACKSMITH INSTITUTE, INC. AND BLACKSMITH INITIATIVE (“UK”)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 — LONG TERM DEBT (Continued)

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, 2016 and 2015 was \$77,451 and \$95,602.

Maturities of long term debt are as follows:

<u>Years Ending December 31,</u>		
2017	\$	157,869
2018		166,375
2019		175,339
2020		42,700
	\$	<u>542,283</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 2016. The Institute did not comply with the covenant to provide timely financial statements to its lender. The Institute obtained a waiver for this as of December 31, 2016.

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 \$169,739 and \$192,033 for the years ended December 31, 2016 and 2015, respectively.

OTHER INFORMATION

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

	December 31, 2016				
	Blacksmith Institute, Inc.	Blacksmith Initiative ("UK")	Total	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 96,678	\$ 78,087	\$ 174,765	\$ -	\$ 174,765
Grants receivable	6,342,665	74,451	6,417,116	-	6,417,116
Pledges receivable, net	315,382	137,826	453,208	-	453,208
Due from affiliate	79,573	-	79,573	(79,573)	-
Prepaid expenses and other current assets	530,253	-	530,253	-	530,253
Total current assets	<u>7,364,551</u>	<u>290,364</u>	<u>7,654,915</u>	<u>(79,573)</u>	<u>7,575,342</u>
PROPERTY AND EQUIPMENT, NET	678,371	-	678,371	-	678,371
SECURITY DEPOSIT	25,000	-	25,000	-	25,000
	<u>\$ 8,067,922</u>	<u>\$ 290,364</u>	<u>\$ 8,358,286</u>	<u>\$ (79,573)</u>	<u>\$ 8,278,713</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 948,674	\$ (765)	\$ 947,909	\$ -	\$ 947,909
Accrued expenses	100,625	4,754	105,379	-	105,379
Line of credit	100,000	-	100,000	-	100,000
Due to affiliate	-	79,573	79,573	(79,573)	-
Long term debt, current portion	157,869	-	157,869	-	157,869
Total current liabilities	<u>1,307,168</u>	<u>83,562</u>	<u>1,390,730</u>	<u>(79,573)</u>	<u>1,311,157</u>
LONG TERM DEBT, net of current portion	384,414	-	384,414	-	384,414
Total liabilities	<u>1,691,582</u>	<u>83,562</u>	<u>1,775,144</u>	<u>(79,573)</u>	<u>1,695,571</u>
NET ASSETS					
Unrestricted net assets	243,040	84,777	327,817	-	327,817
Temporarily restricted net assets	6,133,300	122,025	6,255,325	-	6,255,325
Total net assets	<u>6,376,340</u>	<u>206,802</u>	<u>6,583,142</u>	<u>-</u>	<u>6,583,142</u>
	<u>\$ 8,067,922</u>	<u>\$ 290,364</u>	<u>\$ 8,358,286</u>	<u>\$ (79,573)</u>	<u>\$ 8,278,713</u>

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

	December 31, 2015				
	Blacksmith Institute, Inc.	Blacksmith Initiative ("UK")	Total	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
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	180,886	2,684	183,570	-	183,570
Total current assets	<u>4,094,967</u>	<u>398,722</u>	<u>4,493,689</u>	<u>-</u>	<u>4,493,689</u>
PROPERTY AND EQUIPMENT, NET	771,327	-	771,327	-	771,327
SECURITY DEPOSIT	25,000	-	25,000	-	25,000
	<u>\$ 4,891,294</u>	<u>\$ 398,722</u>	<u>\$ 5,290,016</u>	<u>\$ -</u>	<u>\$ 5,290,016</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
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	149,798	-	149,798	-	149,798.00
Total current liabilities	<u>933,321</u>	<u>4,309</u>	<u>937,630</u>	<u>-</u>	<u>937,630</u>
LONG TERM DEBT, net of current portion	541,563	-	541,563	-	541,563
Total liabilities	<u>1,474,884</u>	<u>4,309</u>	<u>1,479,193</u>	<u>-</u>	<u>1,479,193</u>
NET ASSETS					
Unrestricted net assets	275,861	87,645	363,506	-	363,506
Temporarily restricted net assets	3,140,549	306,768	3,447,317	-	3,447,317
Total net assets	<u>3,416,410</u>	<u>394,413</u>	<u>3,810,823</u>	<u>-</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 ACTIVITIES

	Year Ended December 31, 2016				
	Blacksmith Institute, Inc.	Blacksmith Initiative ("UK")	Total	Eliminations	Consolidated
SUPPORT AND REVENUE					
Grants	\$ 6,873,363	\$ (5,838)	\$ 6,867,525	\$ -	\$ 6,867,525
Contributions	210,906	-	210,906	-	210,906
Fundraising income	724,769	-	724,769	-	724,769
In-kind contributions	82,502	-	82,502	-	82,502
Total support and revenue	<u>7,891,540</u>	<u>(5,838)</u>	<u>7,885,702</u>	<u>-</u>	<u>7,885,702</u>
FUNCTIONAL EXPENSES					
Program	3,972,552	106,786	4,079,338	-	4,079,338
Administration	516,895	11,150	528,045	-	528,045
Fundraising	<u>416,526</u>	<u>-</u>	<u>416,526</u>	<u>-</u>	<u>416,526</u>
Total functional expenses	<u>4,905,973</u>	<u>117,936</u>	<u>5,023,909</u>	<u>-</u>	<u>5,023,909</u>
Excess (deficiency) of support and revenue over functional expenses	2,985,567	(123,774)	2,861,793	-	2,861,793
Interest expense	(46,016)	-	(46,016)	-	(46,016)
Realized loss on investments	(931)	-	(931)	-	(931)
Foreign currency translation adjustment	<u>21,310</u>	<u>(63,837)</u>	<u>(42,527)</u>	<u>-</u>	<u>(42,527)</u>
CHANGE IN NET ASSETS	2,959,930	(187,611)	2,772,319	-	2,772,319
NET ASSETS, Beginning	<u>3,416,410</u>	<u>394,413</u>	<u>3,810,823</u>	<u>-</u>	<u>3,810,823</u>
NET ASSETS, End	<u>\$ 6,376,340</u>	<u>\$ 206,802</u>	<u>\$ 6,583,142</u>	<u>\$ -</u>	<u>\$ 6,583,142</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
SUPPORT AND REVENUE					
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>
FUNCTIONAL EXPENSES					
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 income	(45,261)	-	(45,261)	-	(45,261)
Unrealized loss 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>
CHANGE IN NET ASSETS	(802,475)	(1,102,839)	(1,905,314)	-	(1,905,314)
NET ASSETS, Beginning	<u>4,218,885</u>	<u>1,497,252</u>	<u>5,716,137</u>	<u>-</u>	<u>5,716,137</u>
NET ASSETS, End	<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”)
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,748,242	\$ 123,508	\$ 132,874	\$ 2,004,624
Professional Fees	896,284	197,994	66,163	1,160,441
Travel	544,860	24,457	21,841	591,158
Events & Conferences	159,505	-	153,776	313,281
Equipment	287,598	6,257	2,004	295,859
Rent & Utilities	139,272	15,867	15,867	171,006
Depreciation Expense	-	96,384	-	96,384
In-Kind Professional Fees	58,302	24,200	-	82,502
Supplies	67,856	2,094	2,731	72,681
Communications	46,483	3,783	7,993	58,259
Lab Fees	52,545	-	-	52,545
Misc. Expense	25,733	5,003	2,130	32,866
Bank Fees	20,801	-	9,086	29,887
Printed Material	26,479	-	1,668	28,147
Insurance	634	24,329	-	24,963
Repair & Maintenance	2,909	3,776	-	6,685
Payroll Services Fees	1,835	393	393	2,621
	<u>\$ 4,079,338</u>	<u>\$ 528,045</u>	<u>\$ 416,526</u>	<u>\$ 5,023,909</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
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
In-Kind Professional Fees	165,671	22,815	1,140	189,626
Equipment	150,948	9,726	-	160,674
Depreciation Expense	-	102,548	-	102,548
Supplies	91,194	1,973	3,244	96,411
Communications	52,637	2,568	2,661	57,866
Lab Fees	46,893	-	-	46,893
Misc. Expense	28,925	2,090	454	31,469
Printed Material	27,235	353	307	27,895
Bank Fees	9,404	10,290	7,886	27,580
Insurance	5,588	18,388	-	23,976
Repair & Maintenance	715	9,178	-	9,893
Payroll Services Fees	2,955	633	633	4,221
	<u>\$ 3,658,698</u>	<u>\$ 493,840</u>	<u>\$ 318,904</u>	<u>\$ 4,471,442</u>

