

**BLACKSMITH INSTITUTE, INC.,
AND CONSOLIDATING ENTITIES
D/B/A PURE EARTH**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND
REPORTS REQUIRED UNDER THE SINGLE AUDIT ACT**

Years Ended December 31, 2018 and 2017

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES

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INDEPENDENT AUDITOR'S REPORT

To the Boards of Directors of
Blacksmith Institute, Inc., and Consolidating Entities d/b/a Pure Earth

We have audited the accompanying consolidated financial statements of Blacksmith Institute, Inc., and Consolidating Entities (collectively the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Consolidating Entities as of December 31, 2018 and 2017, 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 and Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, activities, and functional expenses on pages 12 through 19 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards on page 18, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also 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 information has been subjected to the auditing procedures applied in the audit 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, sans-serif font to the right.

New York, New York
December 11, 2019

FINANCIAL STATEMENTS

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 608,615	\$ 135,788
Grants receivable	4,399,903	4,186,639
Pledges receivable	129,576	285,708
Prepaid expenses and other current assets	113,900	267,063
Total current assets	<u>5,251,994</u>	<u>4,875,198</u>
PROPERTY AND EQUIPMENT, NET	495,960	593,851
SECURITY DEPOSIT	25,000	25,000
	<u>\$ 5,772,954</u>	<u>\$ 5,494,049</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 501,293	\$ 933,555
Accrued expenses	111,431	136,299
Line of credit	75,000	90,000
Long term debt, current portion	175,339	166,375
Total current liabilities	<u>863,063</u>	<u>1,326,229</u>
LONG TERM DEBT, net of current portion	43,335	218,395
Total liabilities	<u>906,398</u>	<u>1,544,624</u>
NET ASSETS		
Without donor restrictions	173,100	445,789
With donor restrictions	4,693,456	3,503,636
Total net assets	<u>4,866,556</u>	<u>3,949,425</u>
	<u>\$ 5,772,954</u>	<u>\$ 5,494,049</u>

See notes to consolidated financial statements

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE						
Grants	\$ -	\$ 4,806,068	\$ 4,806,068	\$ -	\$ 1,689,559	\$ 1,689,559
Fundraising income	371,955	-	371,955	357,619	-	357,619
Contributions	276,255	-	276,255	322,198	-	322,198
In-kind contributions	280,111	-	280,111	4,494	-	4,494
Net assets released from restrictions	<u>3,616,248</u>	<u>(3,616,248)</u>	<u>-</u>	<u>4,441,248</u>	<u>(4,441,248)</u>	<u>-</u>
Total support and revenue	<u>4,544,569</u>	<u>1,189,820</u>	<u>5,734,389</u>	<u>5,125,559</u>	<u>(2,751,689)</u>	<u>2,373,870</u>
FUNCTIONAL EXPENSES						
Program	3,592,365	-	3,592,365	4,161,000	-	4,161,000
Administration	727,325	-	727,325	666,197	-	666,197
Fundraising	<u>424,084</u>	<u>-</u>	<u>424,084</u>	<u>436,819</u>	<u>-</u>	<u>436,819</u>
Total functional expenses	<u>4,743,774</u>	<u>-</u>	<u>4,743,774</u>	<u>5,264,016</u>	<u>-</u>	<u>5,264,016</u>
(Deficiency) excess of support and revenue over functional expenses	(199,205)	1,189,820	990,615	(138,457)	(2,751,689)	(2,890,146)
Interest expense	(37,097)	-	(37,097)	(36,959)	-	(36,959)
Realized (loss) gain on investments	892	-	892	(334)	-	(334)
Foreign currency translation adjustment	<u>(37,279)</u>	<u>-</u>	<u>(37,279)</u>	<u>293,722</u>	<u>-</u>	<u>293,722</u>
CHANGE IN NET ASSETS	(272,689)	1,189,820	917,131	117,972	(2,751,689)	(2,633,717)
NET ASSETS, Beginning	<u>445,789</u>	<u>3,503,636</u>	<u>3,949,425</u>	<u>327,817</u>	<u>6,255,325</u>	<u>6,583,142</u>
NET ASSETS, End	<u>\$ 173,100</u>	<u>\$ 4,693,456</u>	<u>\$ 4,866,556</u>	<u>\$ 445,789</u>	<u>\$ 3,503,636</u>	<u>\$ 3,949,425</u>

See notes to consolidated financial statements.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,712,620	\$ 288,023	\$ 145,722	\$ 2,146,365
Professional Fees	577,318	244,703	71,026	893,047
In-Kind Professional Fees	280,112	-	-	280,112
Travel	458,300	19,310	5,879	483,489
Events & Conferences	98,794	890	150,092	249,776
Rent & Utilities	131,822	25,161	25,161	182,144
Equipment	107,489	10,071	-	117,560
Depreciation Expense	-	94,371	-	94,371
Supplies	127,590	2,365	6,873	136,828
Lab Fees	24,295	-	-	24,295
Communications	36,300	4,119	8,768	49,187
Printed Material	21,372	674	245	22,291
Insurance	-	21,716	-	21,716
Bank Fees	17,485	5,038	8,792	31,315
Payroll Services Fees	2,534	539	539	3,612
Repair & Maintenance	21	-	-	21
Misc. Expense	(3,687)	10,345	987	7,645
	<u>\$ 3,592,365</u>	<u>\$ 727,325</u>	<u>\$ 424,084</u>	<u>\$ 4,743,774</u>

See notes to consolidated financial statements.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,769,608	\$ 231,046	\$ 141,755	\$ 2,142,409
Professional Fees	984,086	244,175	81,465	1,309,726
Travel	534,275	13,364	22,317	569,956
Events & Conferences	288,410	900	146,194	435,504
Equipment	188,921	8,220	-	197,141
Rent & Utilities	122,261	24,510	24,510	171,281
Supplies	96,587	2,074	5,537	104,198
Depreciation Expense	-	97,705	-	97,705
Communications	45,241	4,626	7,386	57,253
Lab Fees	53,524	-	-	53,524
Printed Material	38,437	102	1,842	40,381
Bank Fees	15,930	8,633	6,059	30,622
Insurance	-	22,617	-	22,617
In-Kind Professional Fees	20,193	139	83	20,415
Misc. Expense	3,757	3,880	(844)	6,793
Payroll Services Fees	2,401	515	515	3,431
Repair & Maintenance	(2,631)	3,691	-	1,060
	<u>\$ 4,161,000</u>	<u>\$ 666,197</u>	<u>\$ 436,819</u>	<u>\$ 5,264,016</u>

See notes to consolidated financial statements.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Years Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 917,131	\$ (2,633,717)
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities:		
Depreciation	94,371	97,705
In-kind contribution of investments	(61,496)	(50,317)
Realized (gain) loss on investments	(892)	334
Changes in:		
Grants receivable	(213,264)	2,230,477
Pledges receivable	156,132	167,500
Prepaid expenses and other current assets	153,163	263,190
Accounts payable	(432,262)	(14,354)
Accrued expense	(24,868)	30,920
Net cash provided by operating activities	<u>588,015</u>	<u>91,738</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	62,388	49,983
Fixed asset purchases	(1,480)	(13,185)
Fixed asset disposals	5,000	-
Net cash provided by investing activities	<u>65,908</u>	<u>36,798</u>
FINANCING ACTIVITIES		
Proceeds from line of credit	85,000	90,000
Repayments on Line of credit	(100,000)	(100,000)
Repayments of long term debt	(166,096)	(157,513)
Net cash used in financing activities	<u>(181,096)</u>	<u>(167,513)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	472,827	(38,977)
CASH AND CASH EQUIVALENTS, Beginning	<u>135,788</u>	<u>174,765</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 608,615</u>	<u>\$ 135,788</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 37,097</u>	<u>\$ 36,959</u>

See notes to consolidated financial statements.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

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, Blacksmith Initiative (“UK”) (the “Initiative”), is a private, limited charity incorporated in the United Kingdom, Blacksmith Initiative Armenia (“Armenia Initiative”) is a private, limited charity incorporated in Armenia and Blacksmith Initiative Mexico (“Mexico Initiative”) is a private, limited charity incorporated in Mexico (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 Organization shares a common board of directors, their efforts in serving the global community are inextricably intertwined and funding is pursued on a collaborative basis. The Initiatives were 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, the Initiatives, the Armenia Initiative and the Mexico 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.

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.

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 were no uninsured cash balances at December 31, 2018.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

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.

Recently Adopted Accounting Standard

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization adopted ASU 2016-14 retroactively to the period beginning January 1, 2018. Adoption of this ASU did not have a material impact on the financial statements.

The main provisions of this ASU, which amends the requirements for financial statements and notes require the Organization to (1) present only two classes of net assets on the statements of financial position and statements of activities, including net assets with donor restrictions and net assets without donor restrictions, (2) provide enhanced disclosures about the composition of net assets with donor restrictions (Note 7) and disclose how the Organization manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date (Note 8).

Net Assets

In accordance with GAAP, the Organization's net assets are classified and reported as follows:

Net assets without donor restriction which include all net assets that are not subject to donor-imposed stipulations.

Net assets with donor restriction which are comprised of assets whose use has been restricted by the donor for a particular purpose.

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 CONSOLIDATING ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

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, 2018.

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.

Contributions and Grants

Contributions received are recorded as without donor restriction or with donor restriction depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in without donor restriction net assets. All other donor restricted support is reported as an increase in with donor restriction net assets. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), with donor restriction net assets are reclassified to without donor restriction 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.

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.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Translation

The Initiative’s functional currency is Great British Pounds (“GBP”). Armenia Initiative’s functional currency is the Armenian Dram. Mexico Initiative’s functional currency is the Mexican Peso. The financial statements of the Initiative, the Armenia Initiative and the Mexico 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 December 11, 2019, 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,	
	2018	2017
Leasehold improvements	\$ 755,006	\$ 760,006
Equipment	136,444	134,964
Furniture, fixtures and equipment	92,556	92,556
Software	31,603	31,603
	<u>1,015,609</u>	<u>1,019,129</u>
Less: accumulated depreciation	519,649	425,278
	<u>\$ 495,960</u>	<u>\$ 593,851</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$94,371 and \$97,705, 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, 2018, the rate was 7.25%. The line is secured by all business assets of the Institute and is personally guaranteed by the Institute’s President. As of December 31, 2018, there was \$75,000 outstanding.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

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, 2018 and 2017 was \$180,595 and \$326,483, 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, 2018 and 2017 was \$38,079 and \$58,287.

Maturities of long term debt are as follows:

<u>Years Ending December 31,</u>		
2019	\$	175,339
2020		43,335
	\$	<u>218,674</u>

During March 2018, the Organization refinanced its debt with its existing lender and the covenants were removed.

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 \$181,919 and \$171,136 for the years ended December 31, 2018 and 2017, respectively.

NOTE 7 — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of funds used to provide 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. During the years ended December 31, 2018 and 2017, the Foundation received \$4,806,068 and \$1,689,559, respectively. The contributions are offset by expenses incurred specifically for the Organization.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 — LIQUIDITY

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$	608,615
Grants receivable		4,399,903
Pledges receivable		<u>129,576</u>
Financial assets, at year end		5,138,094
Less those unavailable for general expenditures, due to contractual or donor imposed restrictions		<u>(4,693,456)</u>
Financial assets available to meet cash needs for general expenditures	\$	<u>444,638</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize its available funds. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

SUPPLEMENTARY AND OTHER INFORMATION

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

	December 31, 2018						
	Blacksmith Institute, Inc.	Blacksmith Initiative UK	Blacksmith Initiative Armenia	Blacksmith Mexico	Total	Eliminations	Consolidated
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 490,436	\$ 19,256	\$ 22	98,901	\$ 608,615	\$ -	\$ 608,615
Grants receivable	3,866,470	521,700	0	11,733	4,399,903	-	4,399,903
Pledges receivable, net	59,076	70,500	-	-	129,576	-	129,576
Due from affiliate		109,627	7,407	(38,777)	78,257	(78,257)	-
Prepaid expenses and other current assets	145,346	(31,446)	-	-	113,900	-	113,900
Total current assets	4,561,328	689,637	7,429	71,857	5,330,251	(78,257)	5,251,994
PROPERTY AND EQUIPMENT, NET	495,960	-	-	-	495,960	-	495,960
SECURITY DEPOSIT	25,000	-	-	-	25,000	-	25,000
	<u>\$ 5,082,288</u>	<u>\$ 689,637</u>	<u>\$ 7,429</u>	<u>\$ 71,857</u>	<u>\$ 5,851,211</u>	<u>\$ (78,257)</u>	<u>\$ 5,772,954</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable	\$ 500,243	\$ 1,050	\$ -	\$ -	\$ 501,293	\$ -	\$ 501,293
Accrued expenses	108,568	2,863	-	-	111,431	-	111,431
Line of credit	75,000	-	-	-	75,000	-	75,000
Due to affiliate	78,257	-	-	-	78,257	(78,257)	-
Long term debt, current portion	175,339	-	-	-	175,339	-	175,339
Total current liabilities	937,407	3,913	-	-	941,320	(78,257)	863,063
LONG TERM DEBT, net of current portion	43,335	-	-	-	43,335	-	43,335
Total liabilities	980,742	3,913	-	-	984,655	(78,257)	906,398
NET ASSETS							
Without donor restrictions	68,050	97,621	7,429	-	173,100	-	173,100
With donor restrictions	4,033,496	588,103	-	71,857	4,693,456	-	4,693,456
Total net assets	4,101,546	685,724	7,429	71,857	4,866,556	-	4,866,556
	<u>\$ 5,082,288</u>	<u>\$ 689,637</u>	<u>\$ 7,429</u>	<u>\$ 71,857</u>	<u>\$ 5,851,211</u>	<u>\$ (78,257)</u>	<u>\$ 5,772,954</u>

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

	December 31, 2017					
	Blacksmith Institute, Inc.	Blacksmith Initiative UK	Blacksmith Initiative Armenia	Total	Eliminations	Consolidated
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 120,778	\$ 2,294	\$ 12,716	\$ 135,788	\$ -	\$ 135,788
Grants receivable	3,606,634	530,005	50,000	4,186,639	-	4,186,639
Pledges receivable, net	191,208	94,500	-	285,708	-	285,708
Due from affiliate		369,689	-	369,689	(369,689)	-
Prepaid expenses and other current assets	305,766	(39,080)	377	267,063	-	267,063
Total current assets	<u>4,224,386</u>	<u>957,408</u>	<u>63,093</u>	<u>5,244,887</u>	<u>(369,689)</u>	<u>4,875,198</u>
PROPERTY AND EQUIPMENT, NET	593,851	-	-	593,851	-	593,851
SECURITY DEPOSIT	25,000	-	-	25,000	-	25,000
	<u>\$ 4,843,237</u>	<u>\$ 957,408</u>	<u>\$ 63,093</u>	<u>\$ 5,863,738</u>	<u>\$ (369,689)</u>	<u>\$ 5,494,049</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$ 932,225	\$ (2,824)	\$ 4,154	\$ 933,555	\$ -	\$ 933,555
Accrued expenses	130,835	5,464	-	136,299	-	136,299
Line of credit	90,000	-	-	90,000	-	90,000
Due to affiliate	362,786	-	6,903	369,689	(369,689)	-
Long term debt, current portion	166,375	-	-	166,375	-	166,375
Total current liabilities	<u>1,682,221</u>	<u>2,640</u>	<u>11,057</u>	<u>1,695,918</u>	<u>(369,689)</u>	<u>1,326,229</u>
LONG TERM DEBT, net of current portion	218,395	-	-	218,395	-	218,395
Total liabilities	<u>1,900,616</u>	<u>2,640</u>	<u>11,057</u>	<u>1,914,313</u>	<u>(369,689)</u>	<u>1,544,624</u>
NET ASSETS						
Without donor restrictions	290,540	159,026	(3,777)	445,789	-	445,789
With donor restrictions	2,652,081	795,742	55,813	3,503,636	-	3,503,636
Total net assets	<u>2,942,621</u>	<u>954,768</u>	<u>52,036</u>	<u>3,949,425</u>	<u>-</u>	<u>3,949,425</u>
	<u>\$ 4,843,237</u>	<u>\$ 957,408</u>	<u>\$ 63,093</u>	<u>\$ 5,863,738</u>	<u>\$ (369,689)</u>	<u>\$ 5,494,049</u>

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
CONSOLIDATING STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2018						
	Blacksmith Institute, Inc.	Blacksmith Initiative UK	Blacksmith Initiative Armenia	Blacksmith Initiative Mexico	Total	Eliminations	Consolidated
SUPPORT AND REVENUE							
Grants	\$ 4,659,938	\$ 25,000	\$ -	\$ 121,130	\$ 4,806,068	\$ -	\$ 4,806,068
Contributions	276,255	-	-	-	276,255	-	276,255
Fundraising income	371,955	-	-	-	371,955	-	371,955
In-kind contributions	280,111	-	-	-	280,111	-	280,111
Total support and revenue	<u>5,588,259</u>	<u>25,000</u>	<u>-</u>	<u>121,130</u>	<u>5,734,389</u>	<u>-</u>	<u>5,734,389</u>
FUNCTIONAL EXPENSES							
Program	3,289,874	220,673	41,637	40,181	3,592,365	-	3,592,365
Administration	665,368	54,397	7,498	62	727,325	-	727,325
Fundraising	424,084	-	-	-	424,084	-	424,084
Total functional expenses	<u>4,379,326</u>	<u>275,070</u>	<u>49,135</u>	<u>40,243</u>	<u>4,743,774</u>	<u>-</u>	<u>4,743,774</u>
Excess (deficiency) of support and revenue over functional expenses	1,208,933	(250,070)	(49,135)	80,887	990,615	-	990,615
Interest expense	(37,097)	-	-	-	(37,097)	-	(37,097)
Realized loss on investments	892	-	-	-	892	-	892
Foreign currency translation adjustment	<u>(13,803)</u>	<u>(18,974)</u>	<u>4,528</u>	<u>(9,030)</u>	<u>(37,279)</u>	<u>-</u>	<u>(37,279)</u>
CHANGE IN NET ASSETS	1,158,925	(269,044)	(44,607)	71,857	917,131	-	917,131
NET ASSETS , Beginning	<u>2,942,621</u>	<u>954,768</u>	<u>52,036</u>	<u>-</u>	<u>3,949,425</u>	<u>-</u>	<u>3,949,425</u>
NET ASSETS , End	<u>\$ 4,101,546</u>	<u>\$ 685,724</u>	<u>\$ 7,429</u>	<u>\$ 71,857</u>	<u>\$ 4,866,556</u>	<u>\$ -</u>	<u>\$ 4,866,556</u>

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
CONSOLIDATING STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2017					
	Blacksmith	Blacksmith	Blacksmith	Total	Eliminations	Consolidated
	Institute, Inc.	Initiative UK	Initiative Armenia			
SUPPORT AND REVENUE						
Grants	\$ 820,270	\$ 769,289	\$ 100,000	\$ 1,689,559	\$ -	\$ 1,689,559
Contributions	322,198	-	-	322,198	-	322,198
Fundraising income	357,619	-	-	357,619	-	357,619
In-kind contributions	4,494	-	-	4,494	-	4,494
Total support and revenue	<u>1,504,581</u>	<u>769,289</u>	<u>100,000</u>	<u>2,373,870</u>	<u>-</u>	<u>2,373,870</u>
FUNCTIONAL EXPENSES						
Program	4,101,349	20,198	39,453	4,161,000	-	4,161,000
Administration	653,451	5,248	7,498	666,197	-	666,197
Fundraising	436,819	-	-	436,819	-	436,819
Total functional expenses	<u>5,191,619</u>	<u>25,446</u>	<u>46,951</u>	<u>5,264,016</u>	<u>-</u>	<u>5,264,016</u>
Deficiency of support and revenue over functional expenses	(3,687,038)	743,843	53,049	(2,890,146)	-	(2,890,146)
Interest income	(36,959)	-	-	(36,959)	-	(36,959)
Unrealized loss on investments	(334)	-	-	(334)	-	(334)
Foreign currency translation adjustment	290,612	4,123	(1,013)	293,722	-	293,722
CHANGE IN NET ASSETS	(3,433,719)	747,966	52,036	(2,633,717)	-	(2,633,717)
NET ASSETS , Beginning	<u>6,376,340</u>	<u>206,802</u>	<u>-</u>	<u>6,583,142</u>	<u>-</u>	<u>6,583,142</u>
NET ASSETS , End	<u>\$ 2,942,621</u>	<u>\$ 954,768</u>	<u>\$ 52,036</u>	<u>\$ 3,949,425</u>	<u>\$ -</u>	<u>\$ 3,949,425</u>

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2018

Program	Federal CFDA Number	Grant/ Contract Number	Federal Expenditures
<u>U.S. AID</u>			
Cooperative Agreement			
Reducing the Threats of Toxic Chemical Pollution to Human Health in Low- and Middle-Income Countries	98.001	AID-OAA-A-16-00019	\$ 1,238,617
Total - U.S. AID			<u>1,238,617</u>
<u>U.S. DEPARTMENT OF STATE</u>			
Cooperative Agreement			
Community-driven Artisanal and Small-Scale Gold Mining (ASGM) Remediation Planning in Peru	17.278	S-LMAQM-14-CA-1154	167,854
Promoting Responsible Recovery and Handling of Mercury from Contaminated Artisanal Gold Mining Tailing in Colombia	19.017	S-LMAQM-18-CA-2077	26,620
Total - Department of State			<u>194,474</u>
Total Federal Assistance			<u>\$ 1,433,091</u>

The accompanying notes to the schedule of expenditures of federal awards should be read in conjunction with this schedule.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2018

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") was prepared on the accrual basis of accounting. Grant awards are recorded as revenue when the criteria for earning the revenue is met, generally when the expenditure of grant funds is made. Grant expenditures are recorded when the liability is incurred. The information in this schedule is presented in accordance with the requirements of the Code of Federal Regulations Title 2, *Grants and Agreements*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F, *Audit Requirements*, Section 200.502, *Basis for Determining Federal Awards Expended*.

Administrative costs are included in the reported expenditures to the extent such costs are not included in the federal financial reports used as the source for the data presented. The Organization has elected to utilize the 10% de minimis indirect cost rate in Part 200.514 of the Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Boards of Directors of
Blacksmith Institute, Inc., and Consolidating Entities d/b/a Pure Earth

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Blacksmith Institute, Inc., and Consolidating Entities (collectively the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated December 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

New York, New York
December 11, 2019

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Boards of Directors of
Blacksmith Institute, Inc., and Consolidating Entities d/b/a Pure Earth

Report on Compliance for Each Major Federal Program

We have audited Blacksmith Institute, Inc., and Consolidating Entities (collectively the “Organization”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization’s major federal programs for the year ended December 31, 2018. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Organization’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the Organization’s compliance.

Opinion on Each Major Federal Program

In our opinion, Blacksmith Institute, Inc., and Consolidating Entities complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material impact on its major federal programs for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

New York, New York
December 11, 2019

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

A. Type of auditor's report issued:	Unmodified
B. Internal Control Over Financial Reporting	
Material weakness(es) identified?	None Identified
Significant deficiency(ies) identified?	None Identified
C. Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

A. Internal Control Over Major Programs		
Material weakness(es) identified?		None Identified
Significant deficiency(ies) identified?		None Identified
B. Type of auditor's report issued on compliance for major programs:		Unmodified
C. Audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a):		Yes
D. Major programs	<u>CFDA Number</u>	
Reducing the Threats of Toxic Chemical Pollution to Human Health in Low- and Middle-Income Countries	98.001	
E. Dollar threshold used to determine between Type A and Type B programs:		\$750,000
F. Auditee qualified as low-risk auditee:		No

**BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018**

Section II - Findings - Financial Statement Audit

There are no findings to report in the current year.

Section III - Findings and Questioned Costs - Major Federal Award Program Audit

Finding 2018-001

CFDA Number: 98.001 Reducing the Threats of Toxic Chemical Pollution to Human Health in Low- and Middle-Income Countries

Criteria: Per 2 CFR section 200.514(d)(3), states that for those Federal programs not covered in the compliance supplement, the auditor must use the types of compliance requirements contained in the compliance supplement as guidance for identifying the types of compliance requirements to test, and determine the requirements governing the Federal program by reviewing the provisions of the Federal award, and the laws and regulations referred in such awards.

The Organization is required to file the Federal Financial Report, filed quarterly as well as at the time of grant ending. Quarterly reports are due 30 days after the reporting period end date and 90 days after the grant end date.

Condition: For 2 out of 4 quarters selected we noted the quarterly reporting requirement of 30 days were filed untimely.

Cause: The Organization did not implement the necessary procedures to properly aggregate and populate the information required to be filed in the reports.

Effect: The Organization risks being in noncompliance and receiving reimbursement by submitting its reports untimely.

Recommendation: The Organization should re-evaluate and enhance its procedures surrounding the aggregation and population of the information required to be filed in the reports.

Management Response: The Organization will continue to implement new policies and procedures to properly address this finding

Section IV - Summary Schedule of Prior Audit Findings

No matters were reported.