

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-2
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-14
Supplementary Information	
Consolidating Statements of Financial Position	15-16
Consolidating Statements of Activities	17-18

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, 2020 and 2019, and the related consolidated statements of activities, functional expenses 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, 2020 and 2019, and the changes in their net assets and their functional expenses 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 15 through 18 are presented for purposes of additional analysis and are not a required part of 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.

UHY LLP

New York, New York
December 10, 2021

FINANCIAL STATEMENTS

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

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 899,878	\$ 75,049
Grants receivable	8,099,063	3,966,590
Pledges receivable	243,584	397,612
Prepaid expenses and other current assets	831,751	167,598
Total current assets	<u>10,074,276</u>	<u>4,606,849</u>
PROPERTY AND EQUIPMENT, NET	353,620	407,659
SECURITY DEPOSIT	25,000	25,000
	<u>\$ 10,452,896</u>	<u>\$ 5,039,508</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 777,519	\$ 647,968
Accrued expenses	150,978	111,167
Line of credit	-	170,924
Long term debt, current portion	-	43,508
Total liabilities	<u>928,497</u>	<u>973,567</u>
NET ASSETS		
Without donor restrictions	355,615	193,426
With donor restrictions	9,168,784	3,872,515
Total net assets	<u>9,524,399</u>	<u>4,065,941</u>
	<u>\$ 10,452,896</u>	<u>\$ 5,039,508</u>

See notes to consolidated financial statements.

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

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE						
Grants	\$ -	\$ 9,724,141	\$ 9,724,141	\$ -	\$ 2,966,452	\$ 2,966,452
Fundraising income	145,946	-	145,946	651,198	-	651,198
Contributions	287,757	-	287,757	373,023	-	373,023
In-kind contributions	55,856	-	55,856	325,575	-	325,575
Net assets released from restrictions	4,427,872	(4,427,872)	-	3,787,393	(3,787,393)	-
Total support and revenue	<u>4,917,431</u>	<u>5,296,269</u>	<u>10,213,700</u>	<u>5,137,189</u>	<u>(820,941)</u>	<u>4,316,248</u>
FUNCTIONAL EXPENSES						
Program	3,645,532	-	3,645,532	3,864,062	-	3,864,062
Administration	950,031	-	950,031	769,052	-	769,052
Fundraising	392,423	-	392,423	461,164	-	461,164
Total functional expenses	<u>4,987,986</u>	<u>-</u>	<u>4,987,986</u>	<u>5,094,278</u>	<u>-</u>	<u>5,094,278</u>
Excess (deficiency) excess of support and revenue over functional expenses	(70,555)	5,296,269	5,225,714	42,911	(820,941)	(778,030)
Interest expense	(5,013)	-	(5,013)	(24,341)	-	(24,341)
Forgiveness of loan	273,900	-	273,900	-	-	-
Realized (loss) on investments	(623)	-	(623)	-	-	-
Foreign currency translation adjustment	<u>(35,520)</u>	<u>-</u>	<u>(35,520)</u>	<u>1,756</u>	<u>-</u>	<u>1,756</u>
CHANGE IN NET ASSETS	162,189	5,296,269	5,458,458	20,326	(820,941)	(800,615)
NET ASSETS, Beginning	<u>193,426</u>	<u>3,872,515</u>	<u>4,065,941</u>	<u>173,100</u>	<u>4,693,456</u>	<u>4,866,556</u>
NET ASSETS, End	<u>\$ 355,615</u>	<u>\$ 9,168,784</u>	<u>\$ 9,524,399</u>	<u>\$ 193,426</u>	<u>\$ 3,872,515</u>	<u>\$ 4,065,941</u>

See notes to consolidated financial statements.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,584,941	\$ 408,700	\$ 184,190	\$ 2,177,831
Professional Fees	1,433,143	403,892	63,907	1,900,942
In-Kind Professional Fees	1,180	-	54,900	56,080
Travel	106,705	23,325	2,045	132,075
Events & Conferences	116,745	3,318	37,936	157,999
Rent & Utilities	150,366	25,723	25,723	201,812
Equipment	82,410	22,728	1,086	106,224
Depreciation Expense	-	58,255	-	58,255
Supplies	44,799	593	900	46,292
Lab Fees	33,719	-	-	33,719
Communications	36,606	2,673	6,440	45,719
Printed Material	6,349	-	7,740	14,089
Insurance	391	22,774	-	23,165
Bank Fees	10,171	16,057	7,556	33,784
	<u>\$ 3,645,532</u>	<u>\$ 950,031</u>	<u>\$ 392,423</u>	<u>\$ 4,987,986</u>

See notes to consolidated financial statements.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,734,909	\$ 302,314	\$ 148,726	\$ 2,185,949
Professional Fees	780,152	256,177	67,307	1,103,636
In-Kind Professional Fees	325,575	-	-	325,575
Travel	464,440	17,158	12,326	493,924
Events & Conferences	73,923	-	171,266	245,189
Rent & Utilities	128,551	26,082	26,082	180,715
Equipment	147,846	23,247	2,246	173,339
Depreciation Expense	-	87,261	-	87,261
Supplies	83,514	2,732	3,278	89,524
Lab Fees	55,794	-	-	55,794
Communications	35,523	2,542	8,512	46,577
Printed Material	11,937	298	8,100	20,335
Insurance	35	22,030	-	22,065
Bank Fees	-	28,893	12,618	41,511
Payroll Services Fees	1,701	318	318	2,337
Repair & Maintenance	10,941	-	-	10,941
Miscellaneous Expense	9,221	-	385	9,606
	<u>\$ 3,864,062</u>	<u>\$ 769,052</u>	<u>\$ 461,164</u>	<u>\$ 5,094,278</u>

See notes to consolidated financial statements.

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

	Years Ended December 31,	
	2020	2019
OPERATING ACTIVITIES		
Change in net assets	\$ 5,458,458	\$ (800,615)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	58,255	87,261
Forgiveness of Payroll Protection Program	(273,900)	
Realized (gain) loss on investments	623	-
Changes in:		
Grants receivable	(4,132,473)	433,313
Pledges receivable	154,028	(268,036)
Prepaid expenses and other current assets	(664,153)	(53,698)
Accounts payable	129,551	146,675
Accrued expense	39,811	(264)
Net cash provided by (used in) operating activities	<u>770,200</u>	<u>(455,364)</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	(623)	-
Fixed asset purchases	(4,216)	-
Fixed asset disposals	-	1,040
Net cash (used in) provided by investing activities	<u>(4,839)</u>	<u>1,040</u>
FINANCING ACTIVITIES		
Proceeds from line of credit	-	170,924
Repayments on Line of credit	(170,924)	(75,000)
Proceeds from Payroll Protection Program	273,900	
Repayments of long term debt	(43,508)	(175,166)
Net cash provided by (used in) financing activities	<u>59,468</u>	<u>(79,242)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	824,829	(533,566)
CASH AND CASH EQUIVALENTS, Beginning	75,049	608,615
CASH AND CASH EQUIVALENTS, Ending	\$ <u>899,878</u>	\$ <u>75,049</u>
SUPPLEMENTAL INFORMATION		
Interest paid	\$ <u>5,013</u>	\$ <u>24,341</u>

See notes to consolidated financial statements.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

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 Institute Environmental Non-Governmental Organization (“Armenia Initiative”) is a private, limited charity incorporated in Armenia and Blacksmith Civil Institute of 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 within different countries. At times such investments may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit or other foreign insurance limits. There were uninsured cash balances of \$398,317 and \$16,455 as of December 31, 2020 and 2019, respectively.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

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.

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.

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 CONSOLIDATING ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

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, 2020.

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, professional expense, 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.

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.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

For purposes of preparing this consolidated financial statement the Organization considered events through November 11, 2020, 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,	
	2020	2019
Leasehold improvements	\$ 753,966	\$ 753,966
Equipment	140,660	136,444
Furniture, fixtures and equipment	92,556	92,556
Software	31,603	31,603
	1,018,785	1,014,569
Less: accumulated depreciation	665,165	606,910
	<u>\$ 353,620</u>	<u>\$ 407,659</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$58,255 and \$87,261, 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, 2020, the rate was 7.25%. The line was secured by all business assets of the Institute and is personally guaranteed by the Institute's President. During 2019 this line of credit matured and payment was made in full by the Institute.

Related party line of credit

On September 1, 2019 the Institute obtained a line of credit from the Institute's CEO Richard Fuller in the amount of \$300,000 which bears interest at a rate of 4%. The Institute drew on the line of credit in October of 2019 for the amount of \$170,000. This line of credit matures on September 1, 2020 with all outstanding principal and unpaid interest due on this date. As of December 31, 2019, the balance and accrued interest on the line of credit was \$170,924. The balance and accrued interest was paid in full in April of 2020 and the line of credit was closed.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 5 — 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, 2019 was \$26,743 and was paid off during the year ended December 31, 2020.

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 Organization's President. The terms are payments of approximately \$1,900 per month for 60 months with an interest rate of 5.25%. The principal balance at December 31, 2019 was \$16,765 and paid off during the year ended December 31, 2020.

During March 2018, the Organization refinanced its debt with its existing lender and the covenants were removed. The principal balance of \$43,508 of the Organization's debt was paid off during the year ended December 31, 2020.

NOTE 6 — NOTES PAYABLE - PAYCHECK PROTECTION PROGRAM

On April 9, 2020, the Organization entered into the Paycheck Protection Plan ("PPP") loan with a financial institution pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The PPP Loan in the amount of \$273,900 matured on April 9, 2021 and bore interest at a rate of 1.0% per annum. Monthly amortized principle and interest payments are deferred for six months after the date of the loan. The PPP Loan funds were received on April 9, 2020. The Payroll Protection Program provides that (1) the use of PPP Loan amount shall be limited to certain qualifying expenses, (2) 100 per cent of the principal amount of the loan is guaranteed by the Small Business Administration and (3) an amount up to the full principal amount may qualify for loan forgiveness in accordance with the terms of the CARES Act. On November 18, 2020 the company applied for any loan forgiveness of the full amount of the loan plus interest. On January 6, 2021 the Organization received confirmation from the financial institution the full amount of the loan \$273,900 and all interest was forgiven. The Organization recorded the forgiveness of the loan on the statement of activities.

According to the rules of the SBA, the Company is required to retain PPP Loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Company's judgments pertaining to satisfying PPP Loan eligibility or forgiveness conditions, the Company may be required to adjust previously reported amounts and disclosures in the financial statements. The PPP loan contains customary borrower default provisions and lender remedies, including the right of FRB to require immediate repayment in full of the outstanding principal balance of the PPP loan with accrued interest.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 7 — 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 \$199,075 and \$180,644 for the years ended December 31, 2020 and 2019, respectively.

NOTE 8 — 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, 2020 and 2019, the Foundation received \$9,724,141 and \$2,966,452, respectively. Assets are released from restrictions as related program expenses are incurred by the Organization.

NOTE 9 — 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	\$	899,878
Grants receivable		8,099,063
Pledges receivable		243,584
Prepays and other current assets		831,751
Financial assets, at year end		<u>10,074,276</u>
Less those unavailable for general expenditures, due to contractual or donor imposed restrictions		<u>(9,168,784)</u>
Financial assets available to meet cash needs for general expenditures	\$	<u>905,492</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.

BLACKSMITH INSTITUTE, INC., AND CONSOLIDATING ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 10 — COVID 19

The Organization's operations have been affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, activities and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's customers and revenue, absenteeism in the Organization's labor workforce, and a potential decline in value of assets held by the Company.

SUPPLEMENTARY AND OTHER INFORMATION

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

	December 31, 2020						
	Blacksmith Institute, Inc.	Blacksmith Initiative UK	Blacksmith Initiative Armenia	Blacksmith Mexico	Total	Eliminations	Consolidated
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 855,134	\$ 9,665	\$ -	\$ 35,079	\$ 899,878	\$ -	\$ 899,878
Grants receivable	8,004,774	70,342	-	23,947	8,099,063	-	8,099,063
Pledges receivable, net	197,758	45,826	-	-	243,584	-	243,584
Due from affiliate	-	20,054	-	-	20,054	(20,054)	-
Prepaid expenses and other current assets	831,542	209	-	-	831,751	-	831,751
Total current assets	9,889,208	146,096	-	59,026	10,094,330	(20,054)	10,074,276
PROPERTY AND EQUIPMENT, NET	353,620	-	-	-	353,620	-	353,620
SECURITY DEPOSIT	25,000	-	-	-	25,000	-	25,000
Total assets	<u>\$ 10,267,828</u>	<u>\$ 146,096</u>	<u>\$ -</u>	<u>\$ 59,026</u>	<u>\$ 10,472,950</u>	<u>\$ (20,054)</u>	<u>\$ 10,452,896</u>
LIABILITIES AND NET ASSETS							
LIABILITIES							
Accounts payable	\$ 777,519	\$ -	\$ -	\$ -	\$ 777,519	\$ -	\$ 777,519
Accrued expenses	145,042	5,936	-	-	150,978	-	150,978
Due to affiliate	1,067	-	-	18,987	20,054	(20,054)	-
Total liabilities	923,628	5,936	-	18,987	948,551	(20,054)	928,497
NET ASSETS							
Without donor restrictions	215,455	140,160	-	-	355,615	-	355,615
With donor restrictions	9,128,745	-	-	40,039	9,168,784	-	9,168,784
Total net assets	9,344,200	140,160	-	40,039	9,524,399	-	9,524,399
	<u>\$ 10,267,828</u>	<u>\$ 146,096</u>	<u>\$ -</u>	<u>\$ 59,026</u>	<u>\$ 10,472,950</u>	<u>\$ (20,054)</u>	<u>\$ 10,452,896</u>

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

	December 31, 2019						
	Blacksmith Institute, Inc.	Blacksmith Initiative UK	Blacksmith Initiative Armenia	Blacksmith Mexico	Total	Eliminations	Consolidated
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 40,053	\$ 6,685	\$ 22	\$ 28,289	\$ 75,049	\$ -	\$ 75,049
Grants receivable	3,823,960	130,935	-	11,695	3,966,590	-	3,966,590
Pledges receivable, net	351,112	46,500	-	-	397,612	-	397,612
Due from affiliate		270,526	-	-	270,526	(270,526)	-
Prepaid expenses and other current assets	158,168	2,023	7,407	-	167,598	-	167,598
Total current assets	4,373,293	456,669	7,429	39,984	4,877,375	(270,526)	4,606,849
PROPERTY AND EQUIPMENT, NET	407,659	-	-	-	407,659	-	407,659
SECURITY DEPOSIT	25,000	-	-	-	25,000	-	25,000
	<u>\$ 4,805,952</u>	<u>\$ 456,669</u>	<u>\$ 7,429</u>	<u>\$ 39,984</u>	<u>\$ 5,310,034</u>	<u>\$ (270,526)</u>	<u>\$ 5,039,508</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable	\$ 647,968	\$ -	\$ -	\$ -	\$ 647,968	\$ -	\$ 647,968
Accrued expenses	107,260	3,907	-	-	111,167	-	111,167
Line of credit	170,924	-	-	-	170,924	-	170,924
Due to affiliate	211,583	40,575	-	18,368	270,526	(270,526)	-
Long term debt, current portion	43,508	-	-	-	43,508	-	43,508
Total current liabilities	1,181,243	44,482	-	18,368	1,244,093	(270,526)	973,567
LONG TERM DEBT, net of current portion	-	-	-	-	-	-	-
Total liabilities	1,181,243	44,482	-	18,368	1,244,093	(270,526)	973,567
NET ASSETS							
Without donor restrictions	115,598	70,399	7,429	-	193,426	-	193,426
With donor restrictions	3,509,111	341,788	-	21,616	3,872,515	-	3,872,515
Total net assets	3,624,709	412,187	7,429	21,616	4,065,941	-	4,065,941
	<u>\$ 4,805,952</u>	<u>\$ 456,669</u>	<u>\$ 7,429</u>	<u>\$ 39,984</u>	<u>\$ 5,310,034</u>	<u>\$ (270,526)</u>	<u>\$ 5,039,508</u>

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

	Year Ended December 31, 2020						
	Blacksmith Institute, Inc.	Blacksmith Initiative UK	Blacksmith Initiative Armenia	Blacksmith Initiative Mexico	Total	Eliminations	Consolidated
SUPPORT AND REVENUE							
Grants	\$ 9,692,116	\$ -	\$ -	\$ 32,025	\$ 9,724,141	\$ -	\$ 9,724,141
Contributions	287,303	-	-	454	287,757	-	287,757
Fundraising income	145,946	-	-	-	145,946	-	145,946
In-kind contributions	55,856	-	-	-	55,856	-	55,856
Total support and revenue	<u>10,181,221</u>	<u>-</u>	<u>-</u>	<u>32,479</u>	<u>10,213,700</u>	<u>-</u>	<u>10,213,700</u>
FUNCTIONAL EXPENSES							
Program	3,437,812	200,407	-	7,313	3,645,532	-	3,645,532
Administration	925,061	17,541	7,429	-	950,031	-	950,031
Fundraising	<u>383,323</u>	<u>-</u>	<u>-</u>	<u>9,100</u>	<u>392,423</u>	<u>-</u>	<u>392,423</u>
Total functional expenses	<u>4,746,196</u>	<u>217,948</u>	<u>7,429</u>	<u>16,413</u>	<u>4,987,986</u>	<u>-</u>	<u>4,987,986</u>
Excess (deficiency) of support and revenue over functional expenses	5,435,025	(217,948)	(7,429)	16,066	5,225,714	-	5,225,714
Interest expense	(5,013)	-	-	-	(5,013)	-	(5,013)
Forgiveness of loan	273,900	-	-	-	273,900	-	273,900
Realized loss on investments	(623)	-	-	-	(623)	-	(623)
Foreign currency translation adjustment	<u>16,202</u>	<u>(54,079)</u>	<u>-</u>	<u>2,357</u>	<u>(35,520)</u>	<u>-</u>	<u>(35,520)</u>
CHANGE IN NET ASSETS	5,719,491	(272,027)	(7,429)	18,423	5,458,458	-	5,458,458
NET ASSETS, Beginning	<u>3,624,709</u>	<u>412,187</u>	<u>7,429</u>	<u>21,616</u>	<u>4,065,941</u>	<u>-</u>	<u>4,065,941</u>
NET ASSETS, End	<u>\$ 9,344,200</u>	<u>\$ 140,160</u>	<u>\$ -</u>	<u>\$ 40,039</u>	<u>\$ 9,524,399</u>	<u>\$ -</u>	<u>\$ 9,524,399</u>

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

	Year Ended December 31, 2019						
	Blacksmith Institute, Inc.	Blacksmith Initiative UK	Blacksmith Initiative Armenia	Blacksmith Initiative Mexico	Total	Eliminations	Consolidated
SUPPORT AND REVENUE							
Grants	\$ 2,947,882	\$ -	\$ -	\$ 18,570	\$ 2,966,452	\$ -	\$ 2,966,452
Contributions	373,023	-	-	-	373,023	-	373,023
Fundraising income	651,198	-	-	-	651,198	-	651,198
In-kind contributions	325,575	-	-	-	325,575	-	325,575
Total support and revenue	<u>4,297,678</u>	<u>-</u>	<u>-</u>	<u>18,570</u>	<u>4,316,248</u>	<u>-</u>	<u>4,316,248</u>
FUNCTIONAL EXPENSES							
Program	3,596,625	214,237	-	53,200	3,864,062	-	3,864,062
Administration	746,811	22,241	-	-	769,052	-	769,052
Fundraising	446,630	-	-	14,534	461,164	-	461,164
Total functional expenses	<u>4,790,066</u>	<u>236,478</u>	<u>-</u>	<u>67,734</u>	<u>5,094,278</u>	<u>-</u>	<u>5,094,278</u>
Deficiency of support and revenue over functional expenses	(492,388)	(236,478)	-	(49,164)	(778,030)	-	(778,030)
Interest income	(24,341)	-	-	-	(24,341)	-	(24,341)
Unrealized loss on investments	-	-	-	-	-	-	-
Foreign currency translation adjustment	39,892	(37,059)	-	(1,077)	1,756	-	1,756
CHANGE IN NET ASSETS	(476,837)	(273,537)	-	(50,241)	(800,615)	-	(800,615)
NET ASSETS, Beginning	<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>
NET ASSETS, End	<u>\$ 3,624,709</u>	<u>\$ 412,187</u>	<u>\$ 7,429</u>	<u>\$ 21,616</u>	<u>\$ 4,065,941</u>	<u>\$ -</u>	<u>\$ 4,065,941</u>