

**BLACKSMITH INSTITUTE, INC.
(A NONPROFIT CORPORATION)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007**

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P. BOYD CPA, PLLC

Certified Public Accountants & Consultants

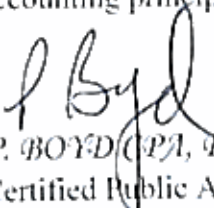
Independent Auditor's Report

To the Board of Directors
Blacksmith Institute, Inc.
New York, NY

We have audited the accompanying statement of financial condition of Blacksmith Institute Inc. (a not for profit corporation) as of December 31, 2007, and the related statement of activities and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blacksmith Institute Inc. as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


P. BOYD CPA, PLLC
Certified Public Accountants

May 28, 2008

BLACKSMITH INSTITUTE
(A NONPROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

Assets	
Current assets	
Cash and cash equivalents	\$ 509,934
Grants receivable	178,895
Prepaid insurance	940
Deferred asset	11,765
Total current assets	701,534
Fixed assets (net of accumulated depreciation of \$49,768) (Note 1)	194,871
Other assets	
Grants receivable- long term	0
Total other assets	0
Total assets	\$ 896,405
Liabilities and Fund Balances	
Current liabilities	
Accounts and accrued expenses payable	\$ 18,367
Deferred income	0
Grants payable	132,154
Total current liabilities	150,521
Long-term liabilities	
Total long-term liabilities	0
Total liabilities	0
Net assets	
Permanently restricted net assets	0
Temporarily restricted net assets	370,951
Unrestricted net assets	374,933
Total net assets	745,884
Total liabilities and fund balances	\$ 896,405

See auditor's report, the summary of significant accounting policies, and the notes to the financial statements.

BLACKSMITH INSTITUTE INC.
(A NONPROFIT CORPORATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Grants	\$ 151,143	\$ 599,117	0	\$ 750,260
Contributions	141,596	125,000		266,596
In-kind contributions	319,495			319,495
Other income	13,255			13,255
Interest income	4,419			4,419
Net assets released from Restrictions	375,166	(375,166)		
Total support and revenue	1,005,074	348,951	0	1,354,025
Functional expenses				
Administration	83,069			83,069
Programs	1,008,896			1,008,896
Fundraising	22,197			22,197
Total functional expenses	1,114,162		0	1,114,162
Excess (Deficiency) of support revenue over expenses	(109,088)	348,951	0	239,863
Net Assets – January 1, 2006	484,021	22,000		506,021
Other adjustments				
Net assets – December 31, 2007	\$ 374,933	\$ 370,951	\$ 0	\$ 745,884

See auditor's report, the summary of significant accounting policies, and the notes to the financial statements.

BLACKSMITH INSTITUTE INC.
(A NONPROFIT CORPORATION)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Fund			
	Administration	Programs	Raising	Total
Salaries	\$ 57,432	\$ 162,064	\$19,143	\$ 238,639
Pollution related program expense	0	810,316	0	810,316
Office expenses	8,596	9,829	339	18,764
Rent expense	4,000	4,000		8,000
Depreciation expense	7,817	15,054	2,541	25,412
Telephone	59	206	29	294
Bank charges	266	2,392		2,658
Insurance	663	1,546		2,209
Membership dues	287	572	95	954
Professional fees	3,949	2,917	50	6,916
	\$ 83,069	\$ 1,008,896	\$22,197	\$1,114,162

See auditor's report, the summary of significant accounting policies, and the notes to the financial statements.

BLACKSMITH INSTITUTE INC.
(A NONPROFIT CORPORATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

Cash flows from operating activities	
Reconciliation of net income to net cash provided by operating activities:	
Change in net assets	\$ 239,863
Other adjustments	
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Depreciation	25,412
(Increase)Decrease in operating assets	
Grants receivable	121,987
Prepaid insurance	56
Deferred asset	(11,765)
Increase (decrease) in operating liabilities	
Accounts and accrued expenses payable	16,519
Grant payable	18,231
Deferred revenue	(22,000)
Net cash provided by operating activities	388,303
Cash from investing activities	
Computers	8,092
Net cash used for investing activities	(8,092)
Cash used for financing activities	
Net cash for financing activities	0
Net decrease in cash	380,211
Cash, beginning of the year	129,723
Cash, end of the year	\$ 509,934

See auditor's report, the summary of significant accounting policies, and the notes to the financial statements.

**BLACKSMITH INSTITUTE
(A NONPROFIT CORPORATION)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Blacksmith Institute Inc. ("the Organization") was incorporated in the State of New York under the not for profit laws on July 29, 1999. The Organization's objective is to serve 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.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt status is subject to taxation as unrelated business income. In addition, the Corporation 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).

Revenue Recognition

The Organization's revenue relating to contributions received, including unconditional promises to give 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. Interest earned on loans is considered unrestricted and can be used for general operations.

See auditor's report and the notes to the financial statements

BLACKSMITH INSTITUTE INC.
(A NONPROFIT CORPORATION)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. In accordance with SFAS No. 117, fund balances are classified on the Statement of Financial Position as unrestricted, temporarily restricted, or permanently restricted net assets based on the absence or existence and type of donor-imposed restrictions.

Cash and cash equivalents

For the purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments represent certificates of deposit with maturity dates in excess of three months that are recorded at cost.

Fixed assets

The Organization records its acquisitions of fixed assets at cost. Depreciation is provided over the estimated useful lives of the respective fixed assets.

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 provide for the overall support and direction of the Organization.

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

BLACKSMITH INSTITUTE INC.
(A NONPROFIT CORPORATION)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions

Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Donated services

The Organization recorded a contribution and corresponding expense for donated space, salaries, pollution-related program expense, office expense and telephone. The amount recorded is the estimated fair value of the donated expenses. During 2007, the Organization recorded a contribution as follows:

Salaries	\$ 160,918
Pollution-related program expenses	124,160
Rent	8,000
Office expenses	<u>26,417</u>
Total	<u><u>\$ 319,495</u></u>

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

BLACKSMITH INSTITUTE INC.
(A NONPROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - FIXED ASSETS

Leasehold improvements	\$	234,794
Equipment		9,845
		244,639
Less: accumulated depreciation		49,768
TOTAL	\$	194,871

NOTE 2- RELATED PARTY TRANSACTIONS

The Organization received contributions by way of leasehold improvements to its space of \$234,794 and cash donations of \$31,000 during the year ended December 31, 2007 from Great Forest Inc. a company owned by the Organization's chairman. Additionally, the Organization received donated services as fully described in "SUMMARY OF SIGNIFICANT ACCOUNTING POLICES".

NOTE 3 - PUBLIC SUPPORT AND REVENUE

Contributions are generally available for unrestricted use, unless specifically restricted by the donor. Unconditional promises to give are recorded when the promise is received. The majority of promises to give are received from private foundations and corporations through fundraising organizations that the Company is registered with. The following contributions comprise a significant source of revenue for the Organization:

SIGRID RAUSING TRUST		\$ 151,142
GREEN CROSS SWITZERLAND		330,000
COCA COLA		163,685
RICHARD & RHODA GOLDMAN FUND		90,000
ASIA DEVELOPMENT BANK		14,811
WORLD BANK		60,000
MAILMAN FOUNDATION INC.		25,000
SHELDON KASOWITZ		30,000
OAK FOUNDATION		25,000
ARGONNE NATIONAL LABORATORY		21,000

See auditors' report and the summary of significant accounting policies

**BLACKSMITH INSTITUTE INC.
(A NONPROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 4 - FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 5 - CONCENTRATION OF CREDIT RISK

The Organization maintains several accounts at a financial institution. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC) up to \$100,000. Cash at this institution exceeded federally insured limits. The Organization's uninsured cash balance totaled \$405,730.

See auditors' report and the summary of significant accounting policies