

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

Consolidated Financial Statements

December 31, 2021 and 2020

Independent Auditors' Report

Board of Directors of Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Opinion

We have audited the accompanying consolidated financial statements of Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2021, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adjustments to Prior Period Consolidated Financial Statements

The consolidated financial statements of the Organization as of December 31, 2020 were audited by other auditors whose report dated December 10, 2021 expressed an unmodified opinion on those statement.

As part of our audit of the 2021 consolidated financial statements, we also audited the adjustments described in Note 11 that were applied to restate the 2020 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 consolidated financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 consolidated financial statements as a whole.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2021 consolidating schedule of financial position and consolidating schedule of activities on pages 17 and 19 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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 2021 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The 2020 consolidating schedule of financial position and consolidating schedule of activities on pages 18 and 20 were subjected to the auditing procedures applied in the 2020 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2020 consolidated financial statements as a whole.

PKF O'Connor Davies, LLP

November 9, 2022

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Consolidated Statement of Financial Position

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,811,579	\$ 899,878
Grants receivable	5,632,350	7,417,198
Pledges receivable	153,167	243,584
Prepaid expenses and other current assets	577,947	831,751
Total Current Assets	13,175,043	9,392,411
Property and equipment, net	416,628	353,620
Security deposit	26,253	25,000
	\$ 13,617,924	\$ 9,771,031
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 255,333	\$ 777,519
Accrued expenses and other payables	228,148	150,978
Total Current Liabilities	483,481	928,497
Net Assets		
Without donor restrictions	494,326	222,927
With donor restrictions	12,640,117	8,619,607
Total Net Assets	13,134,443	8,842,534
	\$ 13,617,924	\$ 9,771,031

See notes to consolidated financial statements

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Consolidated Statement of Activities

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Grants	\$ -	\$ 9,697,573	\$ 9,697,573	\$ -	\$ 11,479,718	\$ 11,479,718
Contributions	415,327	19,060	434,387	287,757	-	287,757
Fundraising income	457,343	-	457,343	145,946	-	145,946
In-kind contributions	232,383	-	232,383	55,856	-	55,856
Net assets released from restrictions	5,696,123	(5,696,123)	-	3,796,914	(3,796,914)	-
Total Revenue and Support	<u>6,801,176</u>	<u>4,020,510</u>	<u>10,821,686</u>	<u>4,286,473</u>	<u>7,682,804</u>	<u>11,969,277</u>
OPERATING EXPENSES						
Program	4,845,063	-	4,845,063	3,607,525	-	3,607,525
Administration	1,039,563	-	1,039,563	988,038	-	988,038
Fundraising	646,006	-	646,006	392,423	-	392,423
Total Operating Expenses	<u>6,530,632</u>	<u>-</u>	<u>6,530,632</u>	<u>4,987,986</u>	<u>-</u>	<u>4,987,986</u>
Excess (Deficit) of Revenue and Support over Operating Expenses	270,544	4,020,510	4,291,054	(701,513)	7,682,804	6,981,291
NONOPERATING ACTIVITIES						
Interest expense	-	-	-	(5,013)	-	(5,013)
Other income	11,421	-	11,421	-	-	-
Forgiveness of PPP loan	-	-	-	273,900	-	273,900
Realized gain (loss) on investments	46	-	46	(623)	-	(623)
Foreign currency translation adjustment	(10,612)	-	(10,612)	(35,520)	-	(35,520)
Change in Net Assets	271,399	4,020,510	4,291,909	(468,769)	7,682,804	7,214,035
NET ASSETS						
Beginning of year	<u>222,927</u>	<u>8,619,607</u>	<u>8,842,534</u>	<u>691,696</u>	<u>936,803</u>	<u>1,628,499</u>
End of year	<u>\$ 494,326</u>	<u>\$ 12,640,117</u>	<u>\$ 13,134,443</u>	<u>\$ 222,927</u>	<u>\$ 8,619,607</u>	<u>\$ 8,842,534</u>

See notes to consolidated financial statements

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 2,017,733	\$ 162,995	\$ 262,520	\$ 2,443,248
Professional fees	1,904,177	318,699	17,615	2,240,491
In-kind communication fees	-	-	214,114	214,114
Travel	134,123	13,338	5,666	153,127
Events and conferences	67,369	1,595	129,320	198,284
Rent and utilities	68,787	172,970	-	241,757
Equipment	57,375	46,892	931	105,198
Depreciation expense	-	97,895	-	97,895
Supplies	173,359	2,770	761	176,890
Lab fees	65,138	-	-	65,138
Communications	44,607	23,840	1,194	69,641
Printed material	8,773	307	-	9,080
Insurance	829	28,615	-	29,444
Bank fees	8,074	9,051	13,885	31,010
Bad debts	38,412	160,596	-	199,008
Subgrant expenses	<u>256,307</u>	<u>-</u>	<u>-</u>	<u>256,307</u>
 Total Expenses	 <u>\$ 4,845,063</u>	 <u>\$ 1,039,563</u>	 <u>\$ 646,006</u>	 <u>\$ 6,530,632</u>

See notes to consolidated financial statements

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Consolidated 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 and conferences	116,745	3,318	37,936	157,999
Rent and 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> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 3,607,525</u>	<u>\$ 988,038</u>	<u>\$ 392,423</u>	<u>\$ 4,987,986</u>

See notes to consolidated financial statements

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Consolidated Statement of Cash Flows

	Year Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,291,909	\$ 7,214,035
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	97,895	58,255
Forgiveness of Paycheck Protection Program loan	-	(273,900)
Change in operating assets and liabilities		
Grants receivable	1,784,848	(5,888,050)
Pledges receivable	90,417	154,028
Prepaid expenses and other current assets	253,804	(664,153)
Security deposit	(1,253)	-
Accounts payable	(522,186)	129,551
Accrued expenses and other payables	77,170	39,811
Net Cash from Operating Activities	6,072,604	769,577
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(160,903)	(4,216)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on line of credit	-	(170,924)
Proceeds from Paycheck Protection Program loan	-	273,900
Repayments of long term debt	-	(43,508)
Net Cash from Investing Activities	-	59,468
Net Change in Cash	5,911,701	824,829
CASH AND CASH EQUIVALENTS		
Beginning of year	899,878	75,049
End of year	\$ 6,811,579	\$ 899,878
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ -	\$ 5,013
NON-CASH FINANCING ACTIVITY		
Forgiveness of paycheck protection program loan	-	273,900

See notes to consolidated financial statements

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

1. Organization and Tax Status

Blacksmith Institute, Inc. (the “Institute” or “Blacksmith”) 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 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. Blacksmith Initiative (Ireland) (the “Ireland Initiative”), is a company limited by guarantee incorporated in Ireland, was established as a secondary entity in the European region but had no operations during 2020 and 2021 and Blacksmith Institute Environmental Non-Governmental Organization (“Armenia Initiative”) is a private, limited charity incorporated in Armenia which was discontinued in 2020.

The Organization also maintains branches who use the Blacksmith Institute, Blacksmith Initiative or Pure Earth name and branding located in Ghana, Philippines and India that act to expand the Organization’s programs.

The Organization shares a common board of directors with the branch offices and 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.

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 and operates under that name.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Institute, Inc., the 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.

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding, after management has used reasonable collection efforts, are written off through a charge to the valuation allowance and a credit to receivables. At December 31, 2021 and 2020, the Organization had no allowance recognized in relation to grants receivable.

Pledges 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.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount of the asset is not recoverable, the value is written down to the asset's fair value. There were no asset impairments for the years ended December 31, 2021 and 2020.

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Net Asset Presentation

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the "Board") and/or management for program and general operating expenses.

Net assets with donor restrictions are subject to donor-imposed stipulations that will be met by actions of the Organization, or passage of time.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use or time of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported on the consolidated statement of activities as net assets released from restrictions.

Operating Measure

The operating measure in the consolidated statement of activities is identified as excess (deficit) of revenue and support over operating expenses. Changes in net assets which are excluded from the operating measure include foreign currency translation, short term investment gain or losses, other income and forgiveness of paycheck protection program loan.

Revenue Recognition

In the absence of donor restrictions, fundraising income is considered to be available for general use and is recognized in the period received. When revenue is earned over a period that spans the year end, it is recognized in the applicable period in which it is earned. Fees for service revenue is reported when services are provided. Deferred revenue are funds received in advance and not yet earned. Based on strong collection experience, the Organization has concluded that all revenue recognized is probable of collection. At January 1, 2020 there was no contract assets or liabilities.

Contributions and Grants

Contributions received are recorded as without donor restriction or with donor restriction depending on the existence 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 consolidated statement of activities as net assets released from restrictions.

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

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.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs, administration 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. Administration 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 consolidated statement of activities.

Foreign Currency Translation

The Initiative's functional currency is Great British Pounds ("GBP"). Mexico Initiative's functional currency is the Mexican Peso. The financial statements of the 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 consolidated statement 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 statement of activities.

Accounting for Uncertainty in Income Taxes

The Institute recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Institute had no uncertain tax positions that would require financial statement recognition or disclosure. The Institute is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2018.

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 Mexico Initiative is a not-for-profit in compliance with article 79 of the Income Tax Law and is listed on the Annex 14 of the Fiscal Miscellaneous Resolution in the Federation Official Diary authorizing status as a "donataria".

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which is November 9, 2022.

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and grants receivable. 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.

A concentration of credit risk existed with respect to grants since amounts received from one donor represented 74% of total revenue and support during 2021 and one donor represented 51% of total grants receivable balance at December 31, 2021. At December 31, 2020, one donor represented 83% of total grants receivable balance.

4. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the consolidated statement of financial position date, are comprised of the following at December 31:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 6,811,579	\$ 899,878
Grants receivable	5,632,350	7,417,198
Pledges receivables	<u>153,167</u>	<u>243,584</u>
Total Financial Assets	<u>12,597,096</u>	<u>8,560,660</u>
Less amounts unavailable for general expenditure:		
Donor imposed restrictions by purpose	12,640,117	8,619,607
Grant advances to satisfy donor imposed restrictions	<u>(228,183)</u>	<u>(646,137)</u>
	<u>12,411,934</u>	<u>7,973,470</u>
Financial Assets at Year-End Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 185,162</u>	<u>\$ 587,190</u>

As part of the Organization’s liquidity strategy, management structures its financial assets, consisting of cash and receivables to be available as its general expenditures, liabilities and obligations come due within one year. The Organization receives cash flow from grants and contributions made from donors through its fundraising efforts.

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Notes to Consolidated Financial Statements December 31, 2021 and 2020

5. Grants Receivable

The Organization has the following grants receivable at December 31:

	<u>2021</u>	<u>2020</u>
Grants receivable		
Foundations	\$ 5,013,686	\$ 6,856,550
United Nations	268,698	101,027
US Department of State	132,893	57,570
USAID	217,073	402,051
	<u>\$ 5,632,350</u>	<u>\$ 7,417,198</u>

Management believes the outstanding grants at December 31, 2021 are fully collectible and will be received in 2022.

6. Pledges Receivable

The Organization has the following pledges receivable at December 31:

	<u>2021</u>	<u>2020</u>
Due within		
Less than one year	\$ 73,167	\$ 228,584
One to five years	80,000	15,000
	<u>\$ 153,167</u>	<u>\$ 243,584</u>

Management believes that the receivables are fully collectible and no allowance for doubtful accounts has been established.

7. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 753,966	\$ 753,966
Equipment	284,805	140,660
Furniture, fixtures and equipment	92,556	92,556
Software	48,361	31,603
	1,179,688	1,018,785
Accumulated depreciation	(763,060)	(665,165)
	<u>\$ 416,628</u>	<u>\$ 353,620</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$97,895 and \$58,255, respectively.

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020, the Organization received donor restricted grants and contributions amounting to \$9,716,633 and \$11,479,718, respectively. Net assets were released from donors' restrictions as of December 31, 2021 and 2020 amounting to \$5,696,123 and \$3,796,914, respectively, as related program expenses are incurred by the Organization.

9. Lease Commitments

The Organization has a lease arrangement for an office facility for a term of 10 years that commenced 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 \$167,666 and \$199,075 for the years ended December 31, 2021 and 2020, respectively.

10. Related Party Transactions

The Organization initiated Global Alliance on Health and Pollution (GAHP) in 2012 and both entities share the same Board Chair. Both entities maintain various grants and agreements that allow for the exchange of finances in support of general operations, projects, activities, and personnel.

During the course of any year, the transfer of funds and donations between the entities may be exercised through these agreements, for the purposes of implementing the most efficient and effective work arrangements. The Organization accepts to undertake such activities only after careful examinations indicate that basing activities in the New York City office reflects the most prudent, efficient, and effective course to be taken.

Below is a summary of amounts funded to/by GAHP, and grant receivables and grant advances as part of the consolidated statements of activities and financial position, respectively, as of and for the years ended, December 31:

	2021	2020
Grant Expenses	\$ 318,658	\$ 252,944
Grant Revenue	-	659,432
Grant Receivables	136,903	471,002
Grant Advances	283,421	208,113

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Notes to Consolidated Financial Statements December 31, 2021 and 2020

11. Prior Period Adjustment and Reclassification of Net Assets

In preparing the consolidated financial statements for the year ended December 31, 2021, management discovered and reclassified and restated certain amounts reported in the December 31, 2020 consolidated financial statements and to correct the net assets as of January 1, 2020. Summarized below are the corresponding prior period adjustments and reclassification of net assets:

	Previously Reported	Prior Period Adjustments	Reclassifications	Restated Amount
<u>Consolidated Statement of Financial Position</u>				
Grant receivables (a)	\$ 8,099,063	\$ (681,865)	\$ -	\$ 7,417,198
Net Assets				
Without donor restrictions (b)	355,615	-	(132,688)	222,927
With donor restrictions (a) (b)	9,168,784	(681,865)	132,688	8,619,607
<u>Consolidated Statement of Activities</u>				
Grants (a) (c)	\$ 9,724,141	\$ 1,755,577	-	\$ 11,479,718
Net assets released from restrictions (b)	4,427,872	-	(630,958)	3,796,914
Beginning of year, net assets without donor restrictions (b)	193,426	-	498,270	691,696
Beginning of year, net assets with donor restrictions (a) (b) (c)	3,872,515	(2,483,452)	(452,260)	936,803

- a. The Organization had previously recorded cost-reimbursement government grants as lump grant revenue at the date of award. These amounts were adjusted to the corresponding grant revenue, receivable and related net assets.
- b. The Organization had previously classified certain amounts as net assets without donor restrictions in error. These are amounts which are restricted by the purposes stated by each grant award.
- c. The Organization had previously recorded grant revenue from periods prior to 2020 as part of Organization's December 31, 2020 revenue. These amounts are reclassified and properly presented as net assets as of January 1, 2020.

12. Coronavirus Pandemic

On March 11, 2020, the World Health Organization declared the Coronavirus outbreak a pandemic. While the duration of business interruption from this outbreak and related financial impact cannot be reasonably estimated at this time, financial results and foreign currency adjustments may be adversely affected in 2022. The extent to which the Coronavirus impacts operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of, and actions taken to contain, the Coronavirus or its impact, among others.

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**Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated
Entities**

Supplementary Information

December 31, 2021

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Consolidating Schedule of Financial Position
December 31, 2021

	Blacksmith Institute, Inc.	Blacksmith Initiative UK	Blacksmith Initiative Mexico	Total	Eliminations	Consolidated
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 6,755,127	\$ 8,356	\$ 48,096	\$ 6,811,579	\$ -	\$ 6,811,579
Grants receivable	5,554,885	77,465	-	5,632,350	-	5,632,350
Pledges receivable	153,167	-	-	153,167	-	153,167
Due from affiliate	38,756	20,054	-	58,810	(58,810)	-
Prepaid expenses and other current assets	<u>577,738</u>	<u>209</u>	<u>-</u>	<u>577,947</u>	<u>-</u>	<u>577,947</u>
Total Current Assets	13,079,673	106,084	48,096	13,233,853	(58,810)	13,175,043
Property and equipment, net	416,628	-	-	416,628	-	416,628
Security deposit	<u>26,253</u>	<u>-</u>	<u>-</u>	<u>26,253</u>	<u>-</u>	<u>26,253</u>
	<u>\$ 13,522,554</u>	<u>\$ 106,084</u>	<u>\$ 48,096</u>	<u>\$ 13,676,734</u>	<u>\$ (58,810)</u>	<u>\$ 13,617,924</u>
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts payable	\$ 255,333	\$ -	\$ -	\$ 255,333	\$ -	\$ 255,333
Accrued expenses and other payables	222,212	5,936	-	228,148	-	228,148
Due to affiliate	<u>-</u>	<u>-</u>	<u>58,810</u>	<u>58,810</u>	<u>(58,810)</u>	<u>-</u>
Total Current Liabilities	<u>477,545</u>	<u>5,936</u>	<u>58,810</u>	<u>542,291</u>	<u>(58,810)</u>	<u>483,481</u>
Net Assets						
Without donor restrictions	404,892	100,148	(10,714)	494,326	-	494,326
With donor restrictions	<u>12,640,117</u>	<u>-</u>	<u>-</u>	<u>12,640,117</u>	<u>-</u>	<u>12,640,117</u>
Total Net Assets	<u>13,045,009</u>	<u>100,148</u>	<u>(10,714)</u>	<u>13,134,443</u>	<u>-</u>	<u>13,134,443</u>
	<u>\$ 13,522,554</u>	<u>\$ 106,084</u>	<u>\$ 48,096</u>	<u>\$ 13,676,734</u>	<u>\$ (58,810)</u>	<u>\$ 13,617,924</u>

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Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Consolidating Schedule of Financial Position
December 31, 2020

	Blacksmith Institute, Inc.	Blacksmith Initiative UK	Blacksmith Initiative Mexico	Total	Eliminations	Consolidated
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 855,134	\$ 9,665	\$ 35,079	\$ 899,878	\$ -	\$ 899,878
Grants receivable	7,322,909	70,342	23,947	7,417,198	-	7,417,198
Pledges receivable	197,758	45,826	-	243,584	-	243,584
Due from affiliate	-	20,054	-	20,054	(20,054)	-
Prepaid expenses and other current assets	<u>831,542</u>	<u>209</u>	<u>-</u>	<u>831,751</u>	<u>-</u>	<u>831,751</u>
Total Current Assets	9,207,343	146,096	59,026	9,412,465	(20,054)	9,392,411
Property and equipment, net	353,620	-	-	353,620	-	353,620
Security deposit	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
	<u>\$ 9,585,963</u>	<u>\$ 146,096</u>	<u>\$ 59,026</u>	<u>\$ 9,791,085</u>	<u>\$ (20,054)</u>	<u>\$ 9,771,031</u>
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts payable	\$ 777,519	\$ -	\$ -	\$ 777,519	\$ -	\$ 777,519
Accrued expenses and other payables	145,042	5,936	-	150,978	-	150,978
Due to affiliate	<u>1,067</u>	<u>-</u>	<u>18,987</u>	<u>20,054</u>	<u>(20,054)</u>	<u>-</u>
Total Current Liabilities	<u>923,628</u>	<u>5,936</u>	<u>18,987</u>	<u>948,551</u>	<u>(20,054)</u>	<u>928,497</u>
Net Assets						
Without donor restrictions	82,767	140,160	-	222,927	-	222,927
With donor restrictions	<u>8,579,568</u>	<u>-</u>	<u>40,039</u>	<u>8,619,607</u>	<u>-</u>	<u>8,619,607</u>
Total Net Assets	<u>8,662,335</u>	<u>140,160</u>	<u>40,039</u>	<u>8,842,534</u>	<u>-</u>	<u>8,842,534</u>
	<u>\$ 9,585,963</u>	<u>\$ 146,096</u>	<u>\$ 59,026</u>	<u>\$ 9,791,085</u>	<u>\$ (20,054)</u>	<u>\$ 9,771,031</u>

See independent auditors' report

Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Consolidating Schedule of Activities
Year Ended December 31, 2021

	Blacksmith Institute, Inc.	Blacksmith Initiative UK	Blacksmith Initiative Mexico	Total	Eliminations	Consolidated
REVENUE AND SUPPORT						
Grants	\$ 9,697,573	\$ -	\$ -	\$ 9,697,573	\$ -	\$ 9,697,573
Contributions	433,643	-	744	434,387	-	434,387
Fundraising income	457,343	-	-	457,343	-	457,343
In-kind contributions	232,383	-	-	232,383	-	232,383
Total Revenue and Support	<u>10,820,942</u>	<u>-</u>	<u>744</u>	<u>10,821,686</u>	<u>-</u>	<u>10,821,686</u>
OPERATING EXPENSES						
Program	4,789,405	-	55,658	4,845,063	-	4,845,063
Administration	993,435	46,128	-	1,039,563	-	1,039,563
Fundraising	646,006	-	-	646,006	-	646,006
Total Operating Expenses	<u>6,428,846</u>	<u>46,128</u>	<u>55,658</u>	<u>6,530,632</u>	<u>-</u>	<u>6,530,632</u>
Excess (Deficit) of Revenue and Support over Operating Expenses	4,392,096	(46,128)	(54,914)	4,291,054	-	4,291,054
NONOPERATING ACTIVITIES						
Other income	752	6,257	4,412	11,421	-	11,421
Realized gain on investments	46	-	-	46	-	46
Foreign currency translation adjustment	<u>(10,220)</u>	<u>(141)</u>	<u>(251)</u>	<u>(10,612)</u>	<u>-</u>	<u>(10,612)</u>
Change in Net Assets	4,382,674	(40,012)	(50,753)	4,291,909	-	4,291,909
NET ASSETS						
Beginning of year	<u>8,662,335</u>	<u>140,160</u>	<u>40,039</u>	<u>8,842,534</u>	<u>-</u>	<u>8,842,534</u>
End of year	<u>\$ 13,045,009</u>	<u>\$ 100,148</u>	<u>\$ (10,714)</u>	<u>\$ 13,134,443</u>	<u>\$ -</u>	<u>\$ 13,134,443</u>

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Blacksmith Institute, Inc. d/b/a Pure Earth and Consolidated Entities

Consolidating Schedule of Activities
Year Ended December 31, 2020

	Blacksmith Institute, Inc.	Blacksmith Initiative UK	Blacksmith Initiative Mexico	Total	Eliminations	Consolidated
REVENUE AND SUPPORT						
Grants	\$ 11,447,693	\$ -	\$ 32,025	\$ 11,479,718	\$ -	\$ 11,479,718
Contributions	287,303	-	454	287,757	-	287,757
Fundraising income	145,946	-	-	145,946	-	145,946
In-kind contributions	<u>55,856</u>	<u>-</u>	<u>-</u>	<u>55,856</u>	<u>-</u>	<u>55,856</u>
Total Revenue and Support	<u>11,936,798</u>	<u>-</u>	<u>32,479</u>	<u>11,969,277</u>	<u>-</u>	<u>11,969,277</u>
OPERATING EXPENSES						
Program	3,399,805	200,407	7,313	3,607,525	-	3,607,525
Administration	970,497	17,541	-	988,038	-	988,038
Fundraising	<u>383,323</u>	<u>-</u>	<u>9,100</u>	<u>392,423</u>	<u>-</u>	<u>392,423</u>
Total Operating Expenses	<u>4,753,625</u>	<u>217,948</u>	<u>16,413</u>	<u>4,987,986</u>	<u>-</u>	<u>4,987,986</u>
Excess (Deficit) of Revenue and Support over Operating Expenses	7,183,173	(217,948)	16,066	6,981,291	-	6,981,291
NONOPERATING ACTIVITIES						
Interest expense	(5,013)	-	-	(5,013)	-	(5,013)
Forgiveness of PPP 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>2,357</u>	<u>(35,520)</u>	<u>-</u>	<u>(35,520)</u>
Change in Net Assets	7,467,639	(272,027)	18,423	7,214,035	-	7,214,035
NET ASSETS						
Beginning of year	<u>1,194,696</u>	<u>412,187</u>	<u>21,616</u>	<u>1,628,499</u>	<u>-</u>	<u>1,628,499</u>
End of year	<u>\$ 8,662,335</u>	<u>\$ 140,160</u>	<u>\$ 40,039</u>	<u>\$ 8,842,534</u>	<u>\$ -</u>	<u>\$ 8,842,534</u>

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