

**BLACKSMITH INSTITUTE, INC.  
(A NONPROFIT CORPORATION)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2008**

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# ***P. BOYD CPA, PLLC***

*Certified Public Accountants & Consultants*

## **Independent Auditor's Report**

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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, 2008, 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, 2008, 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

April 21, 2010

**BLACKMITH INSTITUTE  
(A NONPROFIT CORPORATION)  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2008**

<b>Assets</b>		
	<b>2007</b>	<b>2008</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 509,934	\$ 708,706
Grants receivable	178,895	812,742
Prepaid insurance	940	827
Deferred asset	11,765	11,765
<b>Total current assets</b>	<b>701,534</b>	<b>1,534,040</b>
<b>Fixed assets (net of accumulated depreciation of \$75,364) (Note 1)</b>	<b>194,871</b>	<b>170,374</b>
<b>Other assets</b>		
Grants receivable- long term		0
<b>Total other assets</b>		<b>170,374</b>
<b>Total assets</b>	<b>\$ 896,405</b>	<b>\$ 1,704,414</b>
<b>Liabilities and Fund Balances</b>		
<b>Current liabilities</b>		
Accounts and accrued expenses payable	\$ 18,367	\$ 11,865
Deferred income	0	0
Grants payable	132,154	831,513
<b>Total current liabilities</b>	<b>150,521</b>	<b>843,378</b>
<b>Long-term liabilities</b>		
<b>Total long-term liabilities</b>	<b>0</b>	<b>0</b>
<b>Total liabilities</b>	<b>0</b>	<b>0</b>
<b>Net assets</b>		
Permanently restricted net assets	0	0
Temporarily restricted net assets	370,951	370,951
Unrestricted net assets	374,933	490,085
<b>Total net assets</b>	<b>745,884</b>	<b>861,036</b>
<b>Total liabilities and fund balances</b>	<b>\$ 896,405</b>	<b>\$ 1,704,414</b>

*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, 2008**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue</b>				
Grants	\$ 587,623	\$2,613,511	0	\$3,201,134
Contributions	280,406			280,406
Fundraising income (Schedule A)	21,380			21,380
In-kind contributions	423,251			423,251
Other income	7,263			7,263
Interest income	15,315			15,315
Net assets released from Restrictions	2,613,511	(2,613,511)		
<b>Total support and revenue</b>	<b>3,948,749</b>	<b>0</b>	<b>0</b>	<b>3,948,749</b>
<b>Functional expenses</b>				
Administration	115,074			115,074
Programs	3,689,751			3,689,751
Fundraising	28,772			28,772
<b>Total functional expenses</b>	<b>3,833,597</b>	<b>0</b>	<b>0</b>	<b>3,833,597</b>
<b>Excess (Deficiency) of support revenue over expenses</b>	<b>115,152</b>	<b>0</b>	<b>0</b>	<b>115,152</b>
<b>Net Assets – January 1, 2008</b>	<b>374,933</b>	<b>370,951</b>		<b>745,884</b>
<b>Other adjustments</b>				
<b>Net assets -December 31, 2008</b>	<b>\$ 490,085</b>	<b>\$ 370,951</b>	<b>\$0</b>	<b>\$ 861,036</b>

*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
<b>Support and revenue</b>				
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)		
<b>Total support and revenue</b>	<b>1,005,074</b>	<b>348,951</b>	<b>0</b>	<b>1,354,025</b>
<b>Functional expenses</b>				
Administration	83,069			83,069
Programs	1,008,896			1,008,896
Fundraising	22,197			22,197
<b>Total functional expenses</b>	<b>1,114,162</b>		<b>0</b>	<b>1,114,162</b>
<b>Excess (Deficiency) of support revenue over expenses</b>	<b>(109,088)</b>	<b>348,951</b>	<b>0</b>	<b>239,863</b>
<b>Net Assets – January 1, 2006</b>	<b>484,021</b>	<b>22,000</b>		<b>506,021</b>
<b>Other adjustments</b>				
<b>Net assets – December 31, 2007</b>	<b>\$ 374,933</b>	<b>\$ 370,951</b>	<b>\$ 0</b>	<b>\$ 745,884</b>

*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, 2008**

	<b>Administration</b>	<b>Programs</b>	<b>Fund Raising</b>	<b>Total</b>
Salaries	\$ 31,786	\$ 83,727	\$ 6,357	\$ 121,870
Pollution related program expense	0	3,192,569	0	3,192,569
Office expenses	19,729	30,795	5,599	56,123
Rent expense	16,000	16,000	0	32,000
Depreciation expense	7,678	15,357	2,560	25,595
Telephone	0	0	0	0
Bank charges	301	2,707	0	3,008
Insurance	3,172	7,401	0	10,573
Interest expense	1,831	2,747	0	4,578
Marketing expense	9,641	5,785	3,856	19,282
Donated equipment	0	6,500	0	6,500
In-kind payroll	20,800	72,800	10,400	104,000
In-kind program expense	0	237,800	0	237,800
Loss due to currency exchange	0	12,805	0	12,805
Professional fees	4,136	2,758	0	6,894
	<b>\$ 115,074</b>	<b>\$3,689,751</b>	<b>\$28,772</b>	<b>\$ 3,833,597</b>

*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**

	<b>Fund</b>			
	<b>Administration</b>	<b>Programs</b>	<b>Raising</b>	<b>Total</b>
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
	<b>\$ 83,069</b>	<b>\$ 1,008,896</b>	<b>\$22,197</b>	<b>\$1,114,162</b>

*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, 2008**

<b>Cash flows from operating activities</b>	
<b>Reconciliation of net income to net cash provided by operating activities:</b>	
Change in net assets	\$ 115,152
Other adjustments	
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Depreciation	25,595
(Increase)Decrease in operating assets	
Grants receivable	(633,846)
Prepaid insurance	113
Increase (decrease) in operating liabilities	
Accounts and accrued expenses payable	(6,502)
Grant payable	699,359
<b>Net cash provided by operating activities</b>	<b>199,871</b>
<b>Cash from investing activities</b>	
Computers	( 1,099)
<b>Net cash used for investing activities</b>	<b>( 1,099)</b>
<b>Cash used for financing activities</b>	
<b>Net cash for financing activities</b>	<b>0</b>
<b>Net decrease in cash</b>	<b>198,772</b>
Cash, beginning of the year	509,934
<b>Cash, end of the year</b>	<b>\$ 708,706</b>

*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**

<b>Cash flows from operating activities</b>	
<b>Reconciliation of net income to net cash provided by operating activities:</b>	
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)
<b>Net cash provided by operating activities</b>	<b>388,303</b>
<b>Cash from investing activities</b>	
Computers	8,092
<b>Net cash used for investing activities</b>	<b>( 8,092)</b>
<b>Cash used for financing activities</b>	
<b>Net cash for financing activities</b>	<b>0</b>
<b>Net decrease in cash</b>	<b>380,211</b>
Cash, beginning of the year	129,723
<b>Cash, end of the year</b>	<b>\$ 509,934</b>

*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  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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*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© 3 of the Internal Revenue Code. 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  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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*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**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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*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 and equipments, salaries, pollution-related program expense, office expense and telephone. The amount recorded is the estimated fair value of the donated expenses. During 2008, the Organization recorded a contribution as follows:

Salaries	\$ 104,000
Pollution-related program expenses	237,800
Rent	32,000
Donated equipments	6,500
Office expenses	<u>42,951</u>
<b>Total</b>	<b><u><u>\$ 423,251</u></u></b>

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

**BLACKSMITH INSTITUTE INC.  
(A NONPROFIT CORPORATION)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

*NOTE 1 - FIXED ASSETS*

Leasehold improvements	\$	234,794
Equipment		10,944
		245,738
Less: accumulated depreciation		75,364
		\$ 170,374

*NOTE 2- RELATED PARTY TRANSACTIONS*

The Organization received cash donations during the year ended December 31, 2008 from Great Forest Inc. a company owned by the Organization’s chairman. The Organization received donated services as fully described in “SUMMARY OF SIGNIFICANT ACCOUNTING POLICES” from Great Forest Inc.

*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:

GREEN CROSS SWITZERLAND		\$ 1,868,857
ASIA DEVELOPMENT BANK		90,202
GREAT FOREST INC.		85,000
ANNEBERG FOUNDATION		70,000
INDUS CAPITAL PARTNERS LLC		50,000
JOSH GINSBURG		50,000
ARGONNE NATIONAL LIBRARY		49,000
EASTERN ADVISORS CAPITAL GROUP LLC		46,500
VISTA HERMOSA FOUNDATION		25,000
KANDOORIE CHARITABLE FOUNDATION		21,000
BARBARA ZUCKERBERG		20,000
MURRAY PALMER		20,000
SOHN FOUNDATION		10,000

*See auditors’ report and the summary of significant accounting policies*

**BLACKSMITH INSTITUTE INC.  
(A NONPROFIT CORPORATION)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

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*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.

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*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 \$695,950.

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*See auditors' report and the summary of significant accounting policies*