

GROUNDSWELL INTERNATIONAL, INC.

REPORT OF INDEPENDENT AUDITOR
AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

CORLISS & SOLOMON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

GROUNDSWELL INTERNATIONAL, INC.

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REPORT OF INDEPENDENT AUDITOR

To the Board of Directors
Groundswell International, Inc.
Washington, District of Columbia

We have audited the accompanying statement of financial position of Groundswell International, Inc. as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of Groundswell International, Inc. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated May 4, 2011, we expressed an unqualified opinion on those financial statements.

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 misstatement. 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Groundswell International, Inc. as of December 31, 2011, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Corliss & Solomon, PLLC
Corliss & Solomon, PLLC
March 27, 2012

Groundswell International, Inc.

Statement of Financial Position

As of December 31, 2011

(With summarized comparative totals as of December 31, 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Equivalents	\$ 343,666	\$ 359,511
Grants Receivable	24,871	109,920
Contributions Receivable	3,000	4,000
Other Assets	2,230	-
Total Current Assets	<u>373,767</u>	<u>473,431</u>
Total Assets	<u>373,767</u>	<u>473,431</u>
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	351	1,234
Partner Disbursements Payable	2,322	-
Total Current Liabilities	<u>2,673</u>	<u>1,234</u>
<u>Net Assets</u>		
Unrestricted	60,707	148,015
Temporarily Restricted	310,387	324,182
Total Net Assets	<u>371,094</u>	<u>472,197</u>
Total Liabilities and Net Assets	<u>\$ 373,767</u>	<u>\$ 473,431</u>

The accompanying notes are an integral part of these financial statements.

Groundswell International, Inc.
Statement of Activities
For the Year Ended December 31, 2011
(With summarized comparative totals for the prior year)

	Unrestricted	Temporarily Restricted	2011 Total	2010 Total
<u>Support</u>				
Grants	\$ 102,000	\$ 521,204	\$ 623,204	\$ 743,647
Contributions	66,312	113,609	179,921	156,742
Contributed Services	20,000	-	20,000	152,952
Program Income	1,800	-	1,800	400
Other Income	2,290	-	2,290	-
Net Assets Released from Restriction				
By Expenditure	573,608	(573,608)	-	-
By Other Net Asset Changes	75,000	(75,000)	-	-
Total Support	<u>841,010</u>	<u>(13,795)</u>	<u>827,215</u>	<u>1,053,741</u>
<u>Expenses</u>				
Program Services	745,161	-	745,161	659,914
Management and General	49,871	-	49,871	71,399
Fundraising	58,286	-	58,286	35,786
Total Expenses	<u>853,318</u>	<u>-</u>	<u>853,318</u>	<u>767,099</u>
Change in Net Assets before Other Net Asset Changes	<u>(12,308)</u>	<u>(13,795)</u>	<u>(26,103)</u>	<u>286,642</u>
Grant Funds Not Requested Due to Reduced Cost for Program Implementation	<u>(75,000)</u>	<u>-</u>	<u>(75,000)</u>	<u>-</u>
Total Change in Net Assets	<u>(87,308)</u>	<u>(13,795)</u>	<u>(101,103)</u>	<u>286,642</u>
Net Assets, Beginning of Year	<u>148,015</u>	<u>324,182</u>	<u>472,197</u>	<u>185,555</u>
Net Assets, End of Year	<u>\$ 60,707</u>	<u>\$ 310,387</u>	<u>\$ 371,094</u>	<u>\$ 472,197</u>

The accompanying notes are an integral part of these financial statements.

Groundswell International, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2011

(With summarized comparative totals for the prior year)

	Program	Management and General	Fundraising	2011 Total	2010 Total
Salaries	\$ 98,953	\$ 10,550	\$ 36,501	\$ 146,004	\$ 64,500
Payroll Taxes	7,556	840	2,798	11,194	5,432
Employee Benefits	8,100	900	3,000	12,000	1,200
Total Personnel	<u>114,609</u>	<u>12,290</u>	<u>42,299</u>	<u>169,198</u>	<u>71,132</u>
Program Grants to Partners	430,166	-	-	430,166	400,760
Program Service Contracts	148,384	-	-	148,384	100,004
Total Direct Program	<u>578,550</u>	<u>-</u>	<u>-</u>	<u>578,550</u>	<u>500,764</u>
Advertising	-	-	1,963	1,963	309
Bank Charges and Fees	36	2,207	50	2,293	2,876
Conference Meetings	781	-	330	1,111	683
Contract Services	5,061	9,805	4,765	19,631	7,258
Equipment	1,671	277	-	1,948	8,015
Food and Lodging	9,034	152	941	10,127	1,788
Fundraising Fees	299	59	725	1,083	502
Insurance	-	571	225	796	-
Postage and Shipping	269	100	838	1,207	1,738
Printing and Copying	236	28	680	944	2,932
Rent	1,963	1,542	701	4,206	-
Supplies	625	1,056	2,067	3,748	2,054
Travel	31,677	523	1,855	34,055	12,349
Utilities	252	1,261	796	2,309	1,747
Other Expenses	98	-	51	149	-
Subtotal Expenses	<u>745,161</u>	<u>29,871</u>	<u>58,286</u>	<u>833,318</u>	<u>614,147</u>
Contributed Services Utilized	-	20,000	-	20,000	152,952
Total Expenses	<u>\$ 745,161</u>	<u>\$ 49,871</u>	<u>\$ 58,286</u>	<u>\$ 853,318</u>	<u>\$ 767,099</u>

The accompanying notes are an integral part of these financial statements.

Groundswell International, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2011
(With summarized comparative totals for the prior year)

<u>Cash Flows from Operating Activities</u>	<u>2011</u>	<u>2010</u>
Change in Net Assets	\$ (101,103)	\$ 286,642
Adjustments to reconcile change in net assets to net cash provided/or (used) by operating activities:		
(Increase)/Decrease in Operating Activities		
Grants Receivable	85,049	(109,920)
Contributions Receivable	1,000	(4,000)
Funds Held by Fiscal Sponsor	-	189,594
Other Assets	(2,230)	-
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	(883)	(6,853)
Partner Disbursements Payable	2,322	-
Net Cash Provided/(Used) by Operating Activities	<u>(15,845)</u>	<u>355,463</u>
Net Change in Cash and Equivalents	<u>(15,845)</u>	<u>355,463</u>
Cash and Equivalents, Beginning of Year	<u>359,511</u>	<u>4,048</u>
Cash and Equivalents, End of Year	<u><u>\$ 343,666</u></u>	<u><u>\$ 359,511</u></u>

The accompanying notes are an integral part of these financial statements.

Groundswell International, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2011

1. Description of Organization and Summary of Significant Accounting Policies

Description of the Organization

Groundswell International, Inc. (Groundswell) is a global partnership of local non-governmental organizations (NGO) and resource people working together to strengthen rural communities to build healthy farming and food systems from the bottom up. Since 2009, Groundswell has established program partnerships in Burkina Faso, Ecuador, Haiti, Honduras, Ghana, Guatemala, and Mali that are improving the lives of over 300,000 rural people:

Burkina Faso -- Groundswell is working with local organizations in the eastern part of the country to scale out proven agroecological practices in order to address the soil fertility crisis and improve the food security of over 29,500 rural families. In 2011, after the first full year of program implementation, 1,042 farmers in 19 villages adopted agroecological practices.

Ecuador -- Groundswell supports EkoRural's work to spread agroecological farming and strengthen local seed and food systems in six Andean communities. Groundswell and EkoRural are also collaborating and seeking resources to expand this work throughout the Central and Northern highlands, to scale the Community Food Baskets movement, and to strengthen Ecuador's groundbreaking Food Sovereignty movement.

Ghana -- With Groundswell's support, our partner, the Center for Indigenous Knowledge and Organizational Development (CIKOD), initiated a program combining agroecology and women's savings and credit in the impoverished Upper West Region. In November 2011 an exchange visit was organized between women leaders in the region and others in Burkina Faso that are experienced in the "savings for change" methodology and agroecological farming.

Haiti -- Groundswell worked closely with *Partenariat pour le Développement Local* to strengthen the capacity of 12 peasant organizations, representing 210,000 people, to sustainably improve their lives. In 2011, among other significant accomplishments, 2,532 farmers adopted agroecological practices; six community-run seed banks were created in benefit of 2,054 farmers; six community-run savings and credit cooperatives provided small loans to 1,093 families; and 54 village health committees were created to prevent the spread of cholera.

Mali -- Groundswell continued collaborating with Oxfam America to overcome a collapse of soil fertility and improve the agricultural production of 26,000 women involved in savings and credit groups in 200 villages. The Program Coordinator trained project promoters, set up the distribution of short cycle seeds and nitrogen fixing tree seedlings, and supported soil fertility experiments with women's groups in 20 communities.

U.S. -- Groundswell worked to raise awareness about sustainable local food systems and agro ecology as effective strategies to improve the lives of rural communities, and to foster a global network to facilitate the spread of best practices and people-centered development approaches.

Developing Programs -- At its third annual conference in July 2011, Groundswell accepted three new partner organizations: the Center for Indigenous Knowledge and Organizational Development (CIKOD), *Vecinos Honduras*, and the Foundation for Northern Development AQ'AB'AL (FUNDENOR, in Guatemala). Program work has commenced with CIKOD in Ghana, and program planning processes are underway with *Vecinos Honduras* and FUNDENOR.

Corporate and Tax-Exempt Status

The organization was established as a not-for-profit corporation under the laws of the District of Columbia in October 2009 and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The accompanying basic financial statements have been prepared according to U.S. generally accepted accounting principles (U.S. GAAP).

Financial Statement Presentation

U.S. GAAP establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally imposed restrictions. Descriptions of the three net asset classes are as follows:

Unrestricted Net Assets--Net assets that are not subject to donor-imposed restrictions and that are available for general operating expenses of the organization.

Temporarily Restricted Net Assets--Net assets subject to donor-imposed restrictions as to the purpose and/or time of use.

Permanently Restricted Net Assets--Net assets subject to donor-imposed restrictions that they be maintained permanently by the organization. (The organization had no permanently restricted net assets as of December 31, 2011).

Contributions and Grants

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. As restrictions expire, net assets are reclassified to unrestricted net assets and are reported on the statement of activities as "Net Assets Released from Restrictions."

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, the organization considers all unrestricted, highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment purchases are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The capitalization threshold is \$500 per item. As of December 31, 2011, Groundswell had not purchased any capitalizable assets.

Fair Value Measurements

Groundswell follows FASB ASC 820-10 (Formerly SFAS No. 157) "Fair Value Measurements." This standard establishes a single definition of fair value and a framework for measuring fair value in U.S. GAAP, and it expands disclosures about fair value measurements. Fair Value is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market." Groundswell has no financial assets carried at fair value on a recurring basis.

Uncertain Tax Positions

Groundswell is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Under the Code, however, income from certain activities not related to an organization's tax-exempt purpose may be subject to taxation as unrelated business income. The organization had no income from unrelated business activities in 2011 and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). The organization believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The organization's Forms 990 for 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after being filed.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Contributed Services

Contributed services are recognized if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The services are recognized at estimated fair market value.

Functional Allocation of Expenses

The organization reports its expenses in the functional areas of Program, Management and General and Fundraising. Expenses that can be identified with a specific area are assigned directly to that area. Other expenses that are common to two or more functions are allocated by management estimate.

2. Cash and Equivalents

Cash and equivalents consisted of the following as of December 31:

	2011	2010
Checking Account	\$ 279,302	\$ 344,097
Undeposited Funds	62,770	11,667
On-line Donation Accounts	1,594	1,085
Peaks Over Poverty	-	2,662
Total Cash and Equivalents	<u>\$ 343,666</u>	<u>\$ 359,511</u>

3. Grants Receivable

Grants receivable consisted of the following as of December 31:

	2011	2010
Lutheran World Relief Fund	\$ 20,510	\$ -
Mary Tidlund Foundation	4,361	9,920
Oxfam America	-	100,000
Total Grants Receivable	<u>\$ 24,871</u>	<u>\$ 109,920</u>

4. Other Changes in Net Assets

Other Changes in Net Assets as reflected on the statement of activities includes a \$75,000 decrease in net assets. In December 2011, Groundswell determined that part of an Oxfam America grant it had been awarded in 2010 (represented by \$75,000 remaining in grants receivable) was not required due to lower than anticipated costs in implementing the program in 2011. Accordingly, Groundswell did not request these funds from Oxfam America and removed the \$75,000 from its receivables.

5. Grants to Partners

As indicated in Note 1, Groundswell provides grants to partner organizations in the countries in which it carries out programs. Groundswell incurred partner grant expenses for 2011 and 2010 as follows:

	2011	2010
Partnership for Local Development (Haiti)	\$ 369,480	\$ 393,260
Center for Indigenous Knowledge and Organizational Development (Ghana)	9,500	-
Prometra Uganda (Uganda)	3,000	-
Eko Rural (Ecuador)	39,859	-
Peaks Over Poverty	8,327	7,500
Total Grants to Partners	<u>\$ 430,166</u>	<u>\$ 400,760</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes as of December 31:

	2011	2010
Haiti Program	\$ 164,775	\$ 128,489
Burkina Faso Program	89,958	22,798
Mali Program	7,000	159,914
Ecuador Program	24,674	9,920
Ghana Program	23,980	-
Peaks Over Poverty	-	3,061
Total Temporarily Restricted Net Assets	<u>\$ 310,387</u>	<u>\$ 324,182</u>

7. Related Party Transactions

Groundswell's Country Coordinator for Burkina Faso also serves on Groundswell's board of directors, representing the international council of global partners. During 2011, the Coordinator received and disbursed funds of \$67,316 while implementing a program in Burkina Faso. The Coordinator also received \$8,500 in compensation for work related to this program. The organization observed all provisions of its conflict of interest policy in approving and managing the relationship and payments.

8. Comparative Data

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2010, from which the summarized information was derived. In addition, certain reclassifications have been made to the prior year data for consistency with the current year presentation.

9. Subsequent Events

Subsequent events have been evaluated through March 27, 2012, which is the date the financial statements were available to be issued.