

GROUNDSWELL INTERNATIONAL, INC.

REPORT OF INDEPENDENT AUDITOR
AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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, 2010, 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.

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, 2010, 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
May 4, 2011

Groundswell International, Inc.

Statement of Financial Position

As of December 31, 2010

Assets

Current Assets

Cash and Equivalents	\$	359,511
Grants Receivable		109,920
Contributions Receivable		<u>4,000</u>
Total Current Assets		<u>473,431</u>
Total Assets		<u>473,431</u>

Liabilities and Net Assets

Current Liabilities

Accounts Payable		<u>1,234</u>
Total Current Liabilities		<u>1,234</u>

Net Assets

Unrestricted		148,015
Temporarily Restricted		<u>324,182</u>
Total Net Assets		<u>472,197</u>

Total Liabilities and Net Assets	\$	<u>473,431</u>
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The accompanying notes are an integral part of these financial statements.

Groundswell International, Inc.

Statement of Activities

For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support</u>			
Foundation Grants	\$ 99,871	\$ 643,776	\$ 743,647
Contributions	107,164	49,578	156,742
Contributed Services	152,952	-	152,952
Other Income	400	-	400
Net Assets Released from Restriction	<u>535,187</u>	<u>(535,187)</u>	<u>-</u>
Total Support	<u>895,574</u>	<u>158,167</u>	<u>1,053,741</u>
<u>Expenses</u>			
Program Services	659,914	-	659,914
Management and General	71,399	-	71,399
Fundraising	<u>35,786</u>	<u>-</u>	<u>35,786</u>
Total Expenses	<u>767,099</u>	<u>-</u>	<u>767,099</u>
Change in Net Assets	<u>128,475</u>	<u>158,167</u>	<u>286,642</u>
Net Assets, Beginning of Year	<u>19,540</u>	<u>166,015</u>	<u>185,555</u>
Net Assets, End of Year	<u>\$ 148,015</u>	<u>\$ 324,182</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, 2010

	Program	Management and General	Fundraising	Total
Salaries	\$ 30,765	\$ 11,951	\$ 21,784	\$ 64,500
Payroll Taxes	2,531	1,069	1,832	5,432
Employee Benefits	-	1,200	-	1,200
Total Personnel	33,296	14,220	23,616	71,132
Program Grants to Partners	400,760	-	-	400,760
Program Service Contracts	100,004	-	-	100,004
Advertising	-	-	309	309
Bank Charges and Fees	538	2,273	65	2,876
Conference Meetings	-	-	683	683
Contract Services	-	6,558	700	7,258
Equipment	6,321	701	993	8,015
Food and Lodging	565	143	1,080	1,788
Fundraising Fees	-	-	502	502
Postage and Shipping	366	271	1,101	1,738
Printing and Copying	12	1,420	1,500	2,932
Supplies	1,060	705	289	2,054
Travel	7,646	2,781	1,922	12,349
Utilities	54	667	1,026	1,747
Subtotal Expenses	550,622	29,739	33,786	614,147
Contributed Services Utilized	109,292	41,660	2,000	152,952
Total Expenses	\$ 659,914	\$ 71,399	\$ 35,786	\$ 767,099

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

Groundswell International, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2010

<u>Cash Flows from Operating Activities</u>	
Change in Net Assets	\$ 286,642
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase)/Decrease in Operating Activities	
Grants Receivable	(109,920)
Contributions Receivable	(4,000)
Funds Held by Fiscal Sponsor	189,594
Increase/(Decrease) in Operating Liabilities	
Accounts Payable	<u>(6,853)</u>
Net Cash Provided by Operating Activities	<u>355,463</u>
Net Change in Cash and Equivalents	<u>355,463</u>
Cash and Equivalents, Beginning of Year	<u>4,048</u>
Cash and Equivalents, End of Year	<u>\$ 359,511</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, 2010

1. Description of Organization and Summary of Significant Accounting Policies

Description of the Organization

Groundswell International, Inc. (Groundswell) was founded in 2009 as a partnership of local non-governmental organizations (NGO) and resource people in Latin America, Africa and Asia, coordinated by a global office based in the U.S. Its mission is to contribute to the global movement to overcome poverty, inequality, and ecological destruction by supporting community-based organizations (CBO) to work together to improve wellbeing, spread lasting solutions, and engage in wider coalitions for change. During 2010 Groundswell's work focused on the following countries:

Haiti -- Groundswell worked closely with *Partenariat pour le Développement Local* (Partnership for Local Development) to strengthen the capacity of nine peasant organizations, representing 148,000 people, to sustainably improve their lives, increase food production, plant trees, establish savings and credit cooperatives, organize seed banks, and create health committees. When the earthquake struck on January 12, 2010, Groundswell and PDL quickly responded by supporting rural communities to host 10,000 displaced people, obtain seeds for the planting season, and provide short term work and income so people could meet basic needs.

Mali -- Groundswell began collaborating with Oxfam America to work with 26,000 women involved in savings and credit groups in 200 villages to overcome a collapse of soil fertility and improve their agricultural production by introducing simple technologies to improve soil fertility (cover crops and green manures), seed quality, and water management.

Burkina Faso -- Groundswell launched a three-year program (2010-2012) to strengthen a nascent network of local CBOs and NGOs in the eastern part of the country to scale out proven agroecological practices in order to improve the food security of over 29,500 rural families.

Ecuador -- Groundswell helped the local NGO EkoRural to support some 10,000 family farmers in the Andean highlands to improve water management, local seed systems, food production and local food systems. Groundswell also worked with Peaks Over Poverty to raise awareness about issues affecting mountain communities in Ecuador and to raise funds to support EkoRural programs in this area.

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 -- Groundswell actively worked with potential partners to develop new programs in Ghana, Guatemala and Honduras.

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. It was recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code in August 2010. Groundswell operated through a fiscal sponsorship relationship with Beyond Borders, a 501(c)(3) organization, from its beginning in October 2009 until August 2010, when it received its tax-exempt status. The accompanying financial statements include all of Groundswell's 2010 activities.

Basis of Accounting

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

FASB Codification

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. SFAS 168 replaces all previously issued accounting standards and establishes the FASB Accounting Standards Codification (FASB ASC) and provides a single source of authoritative accounting principles to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. SFAS 168 is effective for all interim and annual periods ending after September 15, 2009. The FASB ASC is not intended to change existing U.S. GAAP, but merely results in changes to the Organization's financial statement disclosure references. As such, the adoption of this pronouncement has no effect on the Organization's financial position, activities, or cash flows.

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, 2010).

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, 2010, 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 the organization’s tax-exempt purpose may be subject to taxation as unrelated business income. The organization had less than \$1,000 of income from unrelated business activities in 2010 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 and 2010 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.

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, 2010:

Checking Account	\$ 344,097
Undeposited Funds	11,667
Pay Pal Account and Petty Cash	1,085
Peaks Over Poverty	2,662
Total Cash and Equivalents	<u><u>\$ 359,511</u></u>

3. Grants Receivable

Grants receivable consisted of the following as of December 31, 2010:

Oxfam America	\$ 100,000
Mary Tidlund Foundation	9,920
Grants Receivable	<u><u>\$ 109,920</u></u>

4. Grants to Partners

As indicated in Note 1, Groundswell provides grants to partner organizations in the countries in which it carries out programs. During 2010, Groundswell paid out grants to the following partner organizations:

Partnership for Local Development	\$ 393,260
Peaks Over Poverty	7,500
Total Grants to Partners	<u>\$ 400,760</u>

5. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes as of December 31, 2010:

Haiti Program	\$ 128,489
Burkina Faso Program	22,798
Mali Program	159,914
Ecuador Program	9,920
Peaks Over Poverty	3,061
Total Temporarily Restricted Net Assets	<u>\$ 324,182</u>

6. Contributed Services

During 2010, while still in the early stages of its development, Groundswell benefitted from significant amounts of contributed services. The total estimated value of \$152,952, as reflected on the statement of activities, includes \$87,792 contributed by Groundswell's International Director and International Program Officer, \$41,660 of legal services received pro bono, \$21,500 of contributed program services and \$ 2,000 of marketing/communication services.

7. Concentration of Credit Risk

The organization maintains its cash with one financial institution. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the fiscal year the organization's account balance exceeded the FDIC limit. As of December 31, 2010, the organization's cash balance exceeded the FDIC limit by \$101,170. Management believes that the organization is not vulnerable to excessive credit risk on its cash balances.

8. Related Party Transactions

During 2010 Groundswell made program service contract payments totaling \$40,004 to an in-country consultant working in Burkina Faso to implement and pay costs associated with its work in Burkina Faso. This individual also provided contributed services to Groundswell with an estimated value of \$21,500, and serves on Groundswell's board of directors. The organization observed all of the provisions of its conflict of interest policy in approving and managing the relationship.

9. Subsequent Events

Subsequent events have been evaluated through May 4, 2011, which is the date the financial statements were available to be issued.