

GROUNDSWELL INTERNATIONAL, INC.

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

CORLISS & SOLOMON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

GROUNDSWELL INTERNATIONAL, INC.

TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2012

Independent Auditor's Report.....	1 - 2
Financial Statements:	
<i>Statement of Financial Position</i>	3
<i>Statement of Activities</i>	4
<i>Statement of Functional Expenses</i>	5
<i>Statement of Cash Flows</i>	6
Notes to Financial Statements	7 - 11

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Groundswell International, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and, in our report dated March 27, 2012, we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of Groundswell International, Inc. as of December 31, 2012, and the results of changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Carliss + Solomon, PLLC

Asheville, North Carolina

April 26, 2013

Groundswell International, Inc.
Statement of Financial Position

As of December 31, 2012

(With summarized comparative totals as of December 31, 2011)

	2012	2011
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Equivalents	\$ 457,700	\$ 343,666
Grants Receivable	67,637	24,871
Contributions Receivable	2,000	3,000
Other Assets	1,813	2,230
Total Current Assets	529,150	373,767
<u>Long-Term Assets</u>		
Property and Equipment, Net	2,630	-
Investments	500	-
Total Long-Term Assets	3,130	-
Total Assets	532,280	373,767
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	5,260	351
Partner Disbursements Payable	3,125	2,322
Total Current Liabilities	8,385	2,673
<u>Net Assets</u>		
Unrestricted	126,094	60,707
Temporarily Restricted	397,801	310,387
Total Net Assets	523,895	371,094
Total Liabilities and Net Assets	\$ 532,280	\$ 373,767

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

Groundswell International, Inc.

Statement of Activities

Year Ended December 31, 2012

(With summarized comparative totals for the prior year)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
<u>Support</u>				
Grants	\$ 82,340	\$ 615,112	\$ 697,452	\$ 623,204
Contributions	108,402	166,436	274,838	179,921
Contributed Services	20,000	-	20,000	20,000
Program Income	15,100	-	15,100	1,800
Other Income	1,382	-	1,382	2,290
Net Assets Released From Restriction	694,134	(694,134)	-	-
Total Support	921,358	87,414	1,008,772	827,215
<u>Expenses</u>				
Program Services	741,066	-	741,066	745,161
Management and General	46,098	-	46,098	49,871
Fundraising	68,807	-	68,807	58,286
Total Expenses	855,971	-	855,971	853,318
Other Net Asset Changes	-	-	-	(75,000)
Total Change in Net Assets	65,387	87,414	152,801	(101,103)
Net Assets, Beginning of Year	60,707	310,387	371,094	472,197
Net Assets, End of Year	\$ 126,094	\$ 397,801	\$ 523,895	\$ 371,094

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

Groundswell International, Inc.
Statement of Functional Expenses

Year Ended December 31, 2012

(With summarized comparative totals for the prior year)

	Program	Management and General	Fundraising	2012 Total	2011 Total
Salaries	\$ 103,076	\$ 15,974	\$ 30,312	\$ 149,362	\$ 146,004
Payroll Taxes	7,860	1,364	2,330	11,554	11,194
Employee Benefits	8,351	1,173	2,476	12,000	12,000
Total Personnel	119,287	18,511	35,118	172,916	169,198
Program Grants to Partners	483,783	-	-	483,783	430,166
Program Service Contracts	92,821	-	4,688	97,509	148,384
Total Direct Program	576,604	-	4,688	581,292	578,550
Advertising	-	70	240	310	1,963
Bank Charges and Fees	40	2,454	40	2,534	2,293
Conference and Meetings	510	-	905	1,415	1,111
Contract Services	6,295	7,889	15,022	29,206	19,631
Equipment	909	422	177	1,508	1,948
Food and Lodging	6,891	680	1,097	8,668	10,127
Fundraising Fees	-	-	1,225	1,225	1,083
Insurance	-	2,231	-	2,231	796
Postage and Shipping	20	94	511	625	1,207
Printing and Copying	14	-	3,928	3,942	944
Rent	3,421	2,298	591	6,310	4,206
Supplies	68	265	1,642	1,975	3,748
Travel	15,866	802	1,880	18,548	34,055
Utilities	673	1,143	362	2,178	2,309
Other Expenses	-	153	138	291	149
Subtotal Expenses	730,598	37,012	67,564	835,174	833,318
Depreciation	468	86	243	797	-
Contributed Services Utilized	10,000	9,000	1,000	20,000	20,000
Total Expenses	\$ 741,066	\$ 46,098	\$ 68,807	\$ 855,971	\$ 853,318

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

Groundswell International, Inc.

Statement of Cash Flows

Year Ended December 31, 2012

(With summarized comparative totals for the prior year)

<u>Cash Flows from Operating Activities</u>	<u>2012</u>	<u>2011</u>
Change in Net Assets	\$ 152,801	\$ (101,103)
Adjustments to reconcile change in net assets to net cash provided/or (used) by operating activities:		
Depreciation	797	-
(Increase)/Decrease in Operating Activities		
Grants Receivable	(42,766)	85,049
Contributions Receivable	1,000	1,000
Other Assets	417	(2,230)
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	4,909	(883)
Partner Disbursements Payable	803	2,322
Net Cash Provided/(Used) by Operating Activities	<u>117,961</u>	<u>(15,845)</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of Investments	(500)	-
Purchase of Equipment	(3,427)	-
Net Cash Used by Investing Activities	<u>(3,927)</u>	<u>-</u>
Net Change in Cash and Equivalents	<u>114,034</u>	<u>(15,845)</u>
Cash and Equivalents, Beginning of Year	<u>343,666</u>	<u>359,511</u>
Cash and Equivalents, End of Year	<u>\$ 457,700</u>	<u>\$ 343,666</u>

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

Groundswell International, Inc.

Notes to Financial Statements

Year Ended December 31, 2012

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 ground up. Since 2009, Groundswell has worked with local partner organizations in Burkina Faso, Ecuador, El Salvador, Ghana, Guatemala, Haiti, Honduras, and Mali. Our work is having a positive impact on the lives of over 300,000 rural people:

Burkina Faso - Groundswell is working with our partner in Burkina Faso, *Association Nourrir Sans Detruire* (ANSO), to overcome the food and climate crisis by strengthening a learning network of farmers' organizations and NGOs in the eastern part of the country to spread sustainable farming approaches throughout rural communities. More than 2,475 households in 19 villages, with 7,434 direct beneficiaries and 20,549 indirect beneficiaries, participated in this work in 2012.

Ghana - Groundswell is collaborating with the Centre for Indigenous Knowledge and Organizational Development (CIKOD) to spread sustainable farming practices and strengthen rural communities and women's associations, including the Rural Women Farmer's Association of Ghana (RUWFAG). Women participating in the program have organized themselves into 40 savings and credit groups with a total membership of 747 direct participants and another 2,255 indirect beneficiaries.

Mali - Groundswell and Oxfam America completed a joint pilot project (2010-2012) to work with a national network of women's Savings for Change groups to integrate fertilizing trees into their farms. It benefitted 2,000 women in 20 villages, and the lessons learned will help 26,000 women living in 200 rural villages. In 2012, Groundswell also began collaboration with the local NGO Sahel Eco to support the spread of Farmer Managed Natural Regeneration (FMNR) of trees and other agroecological practices.

Ecuador - Groundswell supports our partner EkoRural in strengthening local seed and food systems and spreading sustainable farming practices in Ecuador's central and northern Sierra regions. In 2012, this program helped establish four community seed banks to guarantee farmers' access to high quality, native, non-GMO seed. Farmers receive seeds under a "2 for 1" system of seed repayment that allows the seeds and their benefits to spread; for every pound of seeds a farm family receives, it commits to multiply and pass on two pounds of seed to two or more farm families.

El Salvador - El Salvador is one of the most vulnerable countries to climate change in the world, buffeted by changing weather patterns from both the Atlantic and Pacific Oceans. In response, the country's Ministry of Environment and Natural Resources developed the "Program for the Restoration of Ecosystems and Landscapes" (PREP). In 2012, the Ministry requested

Groundswell's support with PREP, in designing and facilitating multi-stakeholder planning meetings to develop strategies to scale sustainable agriculture practices in three pilot zones.

Haiti - In collaboration with our Haitian partner, *Partenariat pour le Développement Local*, Groundswell's program has expanded from working with three peasant organizations in 2009 to 12 peasant organizations, representing more than 210,000 people. A few of the accomplishments from 2012 include the establishment of six community-managed seed banks, seven community-run savings and credit coops, and 54 village health committees. Almost 5,000 farmers are engaged in learning soil and water conservation practices, and nearly 2,500 leaders have been trained to manage community-led development.

Honduras - Vecinos Honduras joined the Groundswell network in July 2011. Groundswell is supporting Vecinos Honduras' program in drought-stricken southern Honduras and another in the eastern part of the country to strengthen community-based organizations to spread sustainable farming practices, improve community health, and establish seed and grain banks. These programs benefit 686 families, representing 3,773 people living in 39 rural communities.

United States - Groundswell's US-based coordination team opened a satellite office in Asheville, NC, located in the heart of Appalachia. The coordination team supports Groundswell's global network of local partners in their efforts to implement people-centered development programs and works to raise awareness about sustainable local food systems and agroecology as effective strategies to improve the lives of people in rural communities around the world.

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 on the accrual basis of accounting in accordance with 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, 2012).

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.

Fair Value Measurements

Groundswell follows FASB ASC 820-10 “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 2012 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:

<u>As of December 31:</u>	<u>2012</u>	<u>2011</u>
Checking Account	\$ 455,322	\$ 279,302
Undeposited Funds	2,345	62,770
On-line Donation Accounts	33	1,594
Total Cash and Equivalents	<u>\$ 457,700</u>	<u>\$ 343,666</u>

3. Grants Receivable

Grants receivable consisted of the following:

<u>As of December 31:</u>	<u>2012</u>	<u>2011</u>
PDL - Lutheran World Relief	\$ 20,474	\$ 20,510
Mary Tidlund Foundation	44,163	4,361
PDL - American Jewish World Service	3,000	-
Total Grants Receivable	<u>\$ 67,637</u>	<u>\$ 24,871</u>

4. Property and Equipment

Property and equipment consisted of the following:

<u>As of December 31:</u>	<u>2012</u>	<u>2011</u>
Equipment and Furniture	\$ 3,427	\$ -
Less: Accumulated Depreciation	(797)	-
Property and Equipment, Net	<u>\$ 2,630</u>	<u>\$ -</u>

5. Temporarily Restricted Net Assets

At year end, temporarily restricted net assets were available for the following purposes:

<u>As of December 31:</u>	<u>2012</u>	<u>2011</u>
Haiti Program	\$ 218,413	\$ 164,775
Burkina Faso Program	109,176	89,958
Ecuador Program	39,712	24,674
Ghana Program	23,766	23,980
West Africa- Multi Country	6,734	-
Mali Program	-	7,000
Total Temporarily Restricted Net Assets	<u>\$ 397,801</u>	<u>\$ 310,387</u>

6. Grants to Partners

As indicated in Note 1, Groundswell provides grants to partners and allied organizations engaged in work that furthers its mission. In 2012, Groundswell made grants to: *Association Nourrir Sans Detruire* – ANSD (Burkina Faso), the Centre for Indigenous Knowledge and Organizational Development – CIKOD (Ghana), the Centre for Learning on Sustainable Agriculture – ILEIA (West Africa), EkoRural (Ecuador), the Institute for the Environment and Agricultural Research – INERA (Burkina Faso), the Institute for Food and Development Policy/Food First (West Africa), Minim Song Paanga Association – AMSP (Burkina Faso), *Partenariat pour le Développement Local* – PDL (Haiti), and Sahel Eco (Mali). Grants to partners totaled \$483,783 and \$430,166 for 2012 and 2011, respectively.

7. Conditional Grant

In 2012 Groundswell was awarded a two-year, \$200,000 grant. The \$100,000 received in the first grant year carried no conditions and is included in grant income on the accompanying statement of activities. The \$100,000 scheduled payment for the second year is conditional upon grantor approval of programmatic progress reports, and, in accordance with U.S. GAAP for conditional grants, will not be recognized in the financial statements until the conditions are met.

8. 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 2012, the Coordinator received and disbursed funds of \$20,780 while implementing a program in Burkina Faso. The Coordinator also received \$12,500 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.

9. Other Changes in Net Assets-Prior Year

Other Changes in Net Assets as reflected on the statement of activities for 2011 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 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.

10. 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, 2011, 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.

11. Subsequent Events

Subsequent events have been evaluated through April 26, 2013, which is the date the financial statements were available to be issued.