

**GROUNDSWELL INTERNATIONAL, INC.**

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017



CERTIFIED PUBLIC ACCOUNTANTS

# Groundswell International, Inc.

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Groundswell International, Inc.  
Asheville, North Carolina

We have audited the accompanying financial statements of Groundswell International, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the 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 fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

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 audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Groundswell International, Inc. as of December 31, 2017, and the 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.

**Report on Summarized Comparative Information**

We have previously audited the 2016 financial statements of Groundswell International, Inc., and our report dated May 18, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Carliss & Salaman, PLLC*

Asheville, North Carolina  
April 24, 2018

**Groundswell International, Inc.**  
**Statement of Financial Position**

As of December 31, 2017

(With summarized comparative totals as of December 31, 2016)

	<b>2017</b>	<b>2016</b>
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash and Equivalents	\$ 598,936	\$ 669,058
Grants Receivable	189,089	68,403
Contributions Receivable	16,162	15,289
Prepaid Expenses	8,469	9,026
Deposits	1,725	2,375
<b>Total Current Assets</b>	<b>814,381</b>	<b>764,151</b>
<b><u>Long-Term Assets</u></b>		
Investments	2,243	25
Endowment	24,544	22,856
Property and Equipment, Net	821	2,865
<b>Total Long-Term Assets</b>	<b>27,608</b>	<b>25,746</b>
<b>Total Assets</b>	<b>\$ 841,989</b>	<b>\$ 789,897</b>
<b><u>Liabilities and Net Assets</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	\$ 41,485	\$ 1,093
Partner Grants Payable	43,675	83,540
Deferred Grant Revenue	14,384	-
Accrued Vacation	3,987	3,445
<b>Total Current Liabilities</b>	<b>103,531</b>	<b>88,078</b>
<b><u>Net Assets</u></b>		
<b>Unrestricted</b>		
Undesignated	136,491	109,673
Board Designated Endowment	24,194	22,506
<b>Total Unrestricted</b>	<b>160,685</b>	<b>132,179</b>
Temporarily Restricted	577,423	569,290
Permanently Restricted	350	350
<b>Total Net Assets</b>	<b>738,458</b>	<b>701,819</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 841,989</b>	<b>\$ 789,897</b>

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

# Groundswell International, Inc.

## Statement of Activities

Year Ended December 31, 2017

(With summarized comparative totals for the prior year)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b><u>Support</u></b>					
Grants	\$ 113,980	\$ 1,153,077	\$ -	\$ 1,267,057	\$ 1,538,720
Contributions	254,053	342,657	-	596,710	391,513
Program Income	826	-	-	826	-
Endowment Gains/(Losses)	2,907	-	-	2,907	1,342
In-Kind Contributions	18,550	-	-	18,550	-
Other Income	293	-	-	293	(871)
Net Assets Released					
From Restrictions	<u>1,487,601</u>	<u>(1,487,601)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Support</b>	<b><u>1,878,210</u></b>	<b><u>8,133</u></b>	<b><u>-</u></b>	<b><u>1,886,343</u></b>	<b><u>1,930,704</u></b>
<b><u>Expenses</u></b>					
Program Services	1,484,509	-	-	1,484,509	1,453,084
Management and General	132,823	-	-	132,823	113,792
Fundraising	<u>232,372</u>	<u>-</u>	<u>-</u>	<u>232,372</u>	<u>175,631</u>
<b>Total Expenses</b>	<b><u>1,849,704</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,849,704</u></b>	<b><u>1,742,507</u></b>
Change in Net Assets	<u>28,506</u>	<u>8,133</u>	<u>-</u>	<u>36,639</u>	<u>188,197</u>
Net Assets, Beginning of Year	<u>132,179</u>	<u>569,290</u>	<u>350</u>	<u>701,819</u>	<u>513,622</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 160,685</u></b>	<b><u>\$ 577,423</u></b>	<b><u>\$ 350</u></b>	<b><u>\$ 738,458</u></b>	<b><u>\$ 701,819</u></b>

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

**Groundswell International, Inc.**  
**Statement of Functional Expenses**

Year Ended December 31, 2017

(With summarized comparative totals for the prior year)

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2017 Total</b>	<b>2016 Total</b>
Salaries					
U.S. Staff	\$ 87,140	\$ 59,414	\$ 142,621	\$ 289,175	\$ 325,399
International Staff	159,396	-	-	159,396	133,542
Payroll Taxes	8,595	12,763	11,482	32,840	35,277
Employee Benefits	<u>23,650</u>	<u>9,131</u>	<u>16,129</u>	<u>48,910</u>	<u>42,054</u>
Total-Salaries & Related	<u>278,781</u>	<u>81,308</u>	<u>170,232</u>	<u>530,321</u>	<u>536,272</u>
Program Grants to Partners	1,066,246	-	-	1,066,246	997,734
Program Service Contracts	6,896	35	-	6,931	29,006
Facilitator Support	<u>1,652</u>	<u>-</u>	<u>-</u>	<u>1,652</u>	<u>3,960</u>
Total-Direct Program	<u>1,074,794</u>	<u>35</u>	<u>-</u>	<u>1,074,829</u>	<u>1,030,700</u>
Advertising	1,635	-	307	1,942	3,439
Bank Charges and Fees	1,091	1,046	251	2,388	2,330
Conference and Meetings	1,566	1,967	1,967	5,500	9,202
Contract Services	63,658	14,036	23,320	101,014	40,175
Depreciation	682	681	681	2,044	2,044
Equipment	1,269	2,397	6,312	9,978	2,451
Food and Lodging	25,271	5,510	4,422	35,203	20,528
Fundraising Fees	-	-	2,161	2,161	1,674
Insurance	2,830	2,946	671	6,447	2,873
Postage and Shipping	23	-	1,591	1,614	4,348
Printing and Copying	-	583	976	1,559	3,513
Rent	9,066	8,874	8,874	26,814	22,579
Supplies	694	904	1,419	3,017	4,182
Travel	19,928	7,908	8,995	36,831	38,098
Utilities	175	328	60	563	1,835
Other Expenses	<u>3,046</u>	<u>4,300</u>	<u>133</u>	<u>7,479</u>	<u>16,264</u>
Total-Other Expenses	<u>130,934</u>	<u>51,480</u>	<u>62,140</u>	<u>244,554</u>	<u>175,535</u>
<b>Total Expenses</b>	<b><u>\$ 1,484,509</u></b>	<b><u>\$ 132,823</u></b>	<b><u>\$ 232,372</u></b>	<b><u>\$ 1,849,704</u></b>	<b><u>\$ 1,742,507</u></b>

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

# Groundswell International, Inc.

## Statement of Cash Flows

Year Ended December 31, 2017

(With summarized comparative totals for the prior year)

<b>Cash Flows from Operating Activities</b>	<b>2017</b>	<b>2016</b>
Change in Net Assets	\$ 36,639	\$ 188,197
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	2,044	2,044
Stock Donation	(2,243)	-
Endowment (Gains)/Losses Reinvested, Net of Fees	(2,812)	(1,309)
(Increase)/Decrease in Operating Activities		
Grants Receivable	(120,686)	(63,297)
Contributions Receivable	(873)	(15,289)
Prepaid Expenses	557	1,384
Deposits	650	-
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	40,392	(9,056)
Partner Grants Payable	(39,865)	81,792
Deferred Grant Revenue	14,384	-
Accrued Vacation	542	(2,978)
Net Cash Provided/(Used) by Operating Activities	<u>(71,271)</u>	<u>181,488</u>
<b>Cash Flows from Investing Activities</b>		
Transfer from Endowment	1,124	1,094
Sale of Investments	25	2,385
Purchase of Equipment	-	(2,279)
Net Cash Provided by Investing Activities	<u>1,149</u>	<u>1,200</u>
Net Change in Cash and Equivalents	<u>(70,122)</u>	<u>182,688</u>
Cash and Equivalents, Beginning of Year	<u>669,058</u>	<u>486,370</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 598,936</u></b>	<b><u>\$ 669,058</u></b>

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



# Groundswell International, Inc.

## Notes to Financial Statements

Year Ended December 31, 2017

### 1. A. Description of Organization

#### Description of the Organization

Groundswell International strengthens rural communities to build healthy farming and food systems from the ground up. Groundswell's programs address the root causes of food insecurity, economic vulnerability, and social marginalization with a practical, "learning by doing" approach that builds participants' confidence while meeting their basic needs. When people see the changes they are bringing about, it empowers them, and soon they become the lead actors in improving their own lives.

We work closely with local partner organizations in Latin America and the Caribbean, South Asia, and West Africa. While each regional program design responds to its unique people and context, Groundswell's core program services focus on:

- Building the capacity of those who participate in our programs to analyze their situation, identify existing problems, examine the various alternatives to overcome these problems, and then choose, plan, and implement the best solutions.
- Improving food production using ecological farming techniques to increase yields, adapt to climate change and make small farmers more resilient to other external shocks, while also restoring the natural resource base upon which they depend.
- Generating better rural livelihood opportunities through: savings and credit groups that give marginalized people access to capital for their productive pursuits; micro-enterprises that diversify and increase incomes; strengthen local market linkages.

In 2017, Groundswell worked with more than 38,000 smallholder farmers to improve their production, resilience and wellbeing in Burkina Faso, Ecuador, Ghana, Guatemala, Haiti, Honduras, Mali, Nepal, and Senegal. Our work improved the lives of over 370,000 beneficiaries (over 80,000 people directly and 290,000 indirectly) in tangible (food production, income, nutrition) and intangible (organizational strengthening, esteem, voice) ways.

West Africa -- In 2017 we continued to work with our partners ANSD in Burkina Faso; CIKOD in Ghana; Sahel Eco in Mali; and Agrecol in Senegal. Across these four countries, we support programs with various sources of funding that focused on a common set of strategies. These include strengthen community-based farmers and women's organizations to experiment with and promote agroecological farming practices; strengthen women's savings and credit groups; and enabling citizens to engage more effectively in contributing to rural development plans and budgets of local municipalities and districts. A set of effective agroecological strategies are tested by farmers and spread through farmer to farmer teaching networks. These include: contour barriers and micro water catchments (zai and half-moons) to improve soil and water conservation; improve composting techniques; and farmer managed natural regeneration (FMNR) of trees for improved agroforestry farming systems. Our programs emphasize women's empowerment by increasing their access to productive resources, training opportunities, and voice in decision making. We support innovation to strengthen the linkages between improved agroecological production and family nutrition. Complementary activities included strengthening community-managed grain banks for improved food security, as well as

supporting 30 communities each in Ghana and Burkina Faso to improve access to water through construction of wells and bore holes. Across these four countries our programs are engaging over 25,000 smallholder farmers directly in improving their farming; benefitting over 215,000 people (52,000 directly and 163,000 indirectly); and regenerating over 18,000 hectares of land.

Latin America and the Caribbean -- In 2017 we worked with partners PDL in Haiti; Vecinos Honduras in Honduras; Qachuu Aloom in Guatemala; and EkoRural in Ecuador. We have supported these organizations in the context of our regional program to strengthen sustainable local food systems, improve agroecological production, strengthen local seed systems, and complementary organizational capacity building and livelihoods strategies. In Haiti this includes strengthening three peasant associations; strengthening farmer-to-farmer networks that expand agroecological production to over 9,000 model farmers; supporting community seed banks, grain banks and savings and credit cooperatives; and strengthening 13 new farmer managed microenterprises to process local agriculture produce for sale to local consumers. Likewise, in Guatemala, Honduras and Ecuador, we collaborate with partners to strengthen rural farmer and women's associations; agroecological experimentation and farmer-to-farmer extension; improved local seed systems; savings and credit schemes; and innovative strategies to strengthen local market linkages. Across these four countries our programs are engaging over 11,000 smallholder farmers directly in improving their farming; benefitting over 137,000 people (26,000 directly and 110,000 indirectly); and regenerating over 2,650 hectares of land.

#### 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 a Certificate of Authority to conduct affairs in North Carolina. Groundswell has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

### **B. Summary of Significant Accounting Policies**

#### 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 generally available for general operating expenses of the organization. This class also includes net assets designated by the board of directors for particular purposes.

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.

#### 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 of \$500 was increased to \$5,000 per item January 1, 2016.

#### 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’s endowment at the Oklahoma City Community Foundation is 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 2017 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.

#### Board Designated Endowment

In 2013, Groundswell established a board designated permanent endowment at the Oklahoma City Community Foundation (the Foundation). According to the Foundation’s endowment fund policy statement, the Foundation provides the following benefits and services for the Groundswell fund:

- a) A common fund to which many donors can make contributions to establish and build permanent charitable support for the organization.
- b) Management and investment policies which provide the best opportunity for enhancing long-term growth of the endowment as well as providing annual cash distributions to support the organization.
- c) An investment and distribution policy which emphasizes the preservation of capital, protection against inflation and a continuing source of income to ensure that it will always be available to support the organization.

#### 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.

**In-Kind Contributions**

The organization recognizes contributed goods and the use of facilities at estimated fair market value on the date of receipt. Contributed services are recognized in the financial statements if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When recognized, in-kind contributions are reported at fair value.

**2. Cash and Equivalents**

Cash and equivalents consists of the following:

<u>As of December 31:</u>	<u>2017</u>	<u>2016</u>
Operating Account	\$ 152,543	\$ 79,602
Restricted Funds		
Funds Restricted by Grantor/Donor	446,393	584,427
Money Market Account	-	5,029
Total Cash and Equivalents	<u>\$ 598,936</u>	<u>\$ 669,058</u>

**3. Contributions and Grants Receivable**

Contributions receivable balance of \$16,162 and \$15,289 as of December 31, 2017 and 2016, respectively. Management has evaluated the receivable balances and believes all amounts are fully collectible. Grants receivable consists of the following:

<u>As of December 31:</u>	<u>2017</u>	<u>2016</u>
Margaret A. Cargill Foundation/Helvatas	\$ 56,965	\$ -
SAIRLA	4,101	-
Sanders Foundation	75,000	-
TCP Honduras	7,215	-
Vista Hermosa	45,808	-
Global Reliance Partnership	-	59,569
United Methodist Committee on Relief	-	8,834
Total Grants Receivable	<u>\$ 189,089</u>	<u>\$ 68,403</u>

**4. Property and Equipment**

Property and equipment consists of the following:

<u>As of December 31:</u>	<u>2017</u>	<u>2016</u>
Equipment and Furniture	\$ 11,874	\$ 11,874
Less: Accumulated Depreciation	(11,053)	(9,009)
Property and Equipment, Net	<u>\$ 820</u>	<u>\$ 2,865</u>

### 5. Endowment

In August 2013, Groundswell used \$20,000 of its unrestricted funds to establish a board designated permanent endowment at the Oklahoma City Community Foundation. The name of the fund is "Groundswell International, Inc." The following is a summary of the fund activity, by net assets class, during 2017:

	Board Designated	Permanently Restricted	Total Endowment
Transfer from Groundswell	\$ 20,000	\$ 350	\$ 20,350
Prior Accumulated Income/Gains	2,506	-	2,506
2017 Activity:			
Investment Income	258	-	258
Investment Gains	2,907	-	2,907
Release to Groundswell Operating	(1,124)	-	(1,124)
Community Foundation Fees	(353)	-	(353)
Value as of December 31, 2017	<u>\$ 24,194</u>	<u>\$ 350</u>	<u>\$ 24,544</u>

### 6. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

<u>As of December 31:</u>	<u>GSI</u>	<u>Partners</u>	<u>2017 Total</u>
Burkina Faso Program	\$ 12,652	\$ 43,675	\$ 56,327
Ecuador Program	6,250	25,000	31,250
Guatemala Program	11,158	65,900	77,058
Haiti Program	6,300	98,660	104,960
Honduras Program	49,411	25,000	74,411
Nepal Program	24,533	51,550	76,083
Latin America Program	12,380	-	12,380
West Africa Program	62,380	82,574	144,954
Total Temporarily Restricted Net Assets	<u>\$ 185,064</u>	<u>\$ 392,359</u>	<u>\$ 577,423</u>

<u>As of December 31:</u>	<u>GSI</u>	<u>Partners</u>	<u>2016 Total</u>
Burkina Faso Program	\$ 25,414	\$ 41,870	\$ 67,284
Haiti Program	13,640	76,570	90,210
Honduras Program	-	31,791	31,791
West Africa Program	128,208	251,797	380,005
Total Temporarily Restricted Net Assets	<u>\$ 167,262</u>	<u>\$ 402,028</u>	<u>\$ 569,290</u>

### 7. Multi-Year Conditional Grants:

Groundswell receives several multi-year promises-to-fund grants that are conditional based upon satisfaction of specific programmatic milestones detailed out in work plans within each grant. As of December 31, 2017, Groundswell had the following multi-year grant funding promises pending specific program outcomes that are currently funded and in progress.

Funder	Total Grant	Recognized Revenue		Award
	Award	Prior Years	Current Year	Remaining
GRP	\$ 998,938	\$ 559,037	\$ 325,624	\$ 114,277
WV/MACF	925,000	489,063	153,328	282,609
Helevatas/MACF	569,812	227,925	113,929	227,958
SAIRLA	37,705	15,852	15,852	6,001
Schmidt Family Foundation	171,000	-	58,500	112,500
McKnight Foundation	324,000	112,000	111,500	100,500
Visa Hermosa - Haiti	534,941	177,517	182,424	175,000

### 8. *Grants to Partners*

Groundswell provides grants to partners and allied organizations engaged in work that furthers its mission. In 2017 and 2016, Groundswell made grants to partner organizations in the following regions:

<u>Year Ended December 31:</u>	<u>2017</u>	<u>2016</u>
Haitian Programs	\$ 224,492	\$ 171,739
Ghana Programs	298,916	-
West Africa Multi-Country	-	122,008
Ecuador Programs	50,000	53,305
West Africa Programs	-	349,130
Burkina Faso Programs	341,602	267,023
Mali Programs	66,229	-
Senegal Programs	50,718	-
Honduras Programs	34,290	31,530
Other	-	3,000
Total Grants to Partners	<u>\$ 1,066,246</u>	<u>\$ 997,734</u>

### 9. *Fund Benefiting Groundswell*

Groundswell is the income beneficiary of a permanent endowment fund held, and owned by, the Oklahoma City Community Foundation. The Groundswell International Milburn Legacy Fund for Africa was established in October 2015 by a private donor as an endowment to support Groundswell's work in Africa. The fund is not owned by Groundswell and is not reflected in organization's assets. There was a distribution of \$37,183 from the fund in 2017 and no distribution from the fund in 2016.

### 10. *Fair Value Measurements*

Fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices		
		In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Financial Assets</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Endowment Fund	\$ 24,544	\$ -	\$ -	\$ 24,544

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets.

Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets.

Financial assets valued using Level 3 inputs are based partially on unobservable inputs:

Endowment fund with community foundation -- fair values provided by the foundation are used without adjustment. The applicable unobservable estimates are developed by the foundation.

Financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>Endowment Fund</u>
Balance as of January 1, 2017	\$ 22,856
Change in Value, Net (Note 5)	1,688
Balance as of December 31, 2017	<u>\$ 24,544</u>

### **11. Concentration of Credit Risk**

The organization manages its cash deposit accounts to minimize exposure over the \$250,000 FDIC federally insured limit. The organization's funds were held at one bank and as of December 31, 2017 and 2016 funds exceeded the FDIC limit by \$348,936 and \$411,966 respectively. Management believes that it is not exposed to any significant credit risk on its cash balances.

### **12. Lease Agreements**

During 2016, Groundswell entered a one-year office lease agreement for its Asheville North Carolina office. The lease ended July 2016 and monthly payments were \$700. Groundswell also rents office space for its Washington DC office on a month-to-month lease. Rent expense for the years ended December 31, 2017 and 2016 was \$7,077 and \$22,579. Future lease obligations expected to be paid in 2018 total \$13,916.

The Organization recorded \$18,550 as in-kind support in 2017 for a rental discount received for the Washington DC office lease agreement. This amount reflected in the accompanying consolidated financial statements as in-kind support is offset by a like amount included in expenses.

**13. Related Party**

Groundswell contracts with an in-country consultant to lead program and administrative coordination with its partners and allies in West Africa. This consultant is also the President of the board of trustees for one of Groundswell's partners in West Africa. The Organization passed through \$306,815 to this partner during 2017.

In many developing countries, there is not a culture or pattern of board's functioning in the same manner that they function in the United States. However, Groundswell feels there are sufficient administrative and financial controls in place to ensure proper oversight and management of this related party relationship.

**14. Summarized 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, 2016, 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.

**15. Subsequent Events**

Subsequent events have been evaluated through April 24, 2018, which is the date the financial statements were available to be issued.