

GROUNDWIRE
(formerly ONE/Northwest)

FINANCIAL REPORT

DECEMBER 31, 2009

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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Groundwire
Seattle, Washington

We have audited the accompanying statement of financial position of Groundwire ("the Organization") as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Organization as of December 31, 2008, were audited by other auditors whose report dated April 3, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Peterson Sullivan LLP.

May 5, 2010

GROUNDWIRE
(formerly ONE/Northwest)

STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and cash equivalents	\$ 784,498	\$ 721,610
Accounts receivable	57,897	78,616
Pledges receivable	68,109	65,568
Prepaid expenses	<u>177</u>	<u>20,691</u>
Total current assets	910,681	886,485
Property and equipment, net	5,124	10,465
Deposits	<u>9,938</u>	<u>3,872</u>
Total assets	<u><u>\$ 925,743</u></u>	<u><u>\$ 900,822</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 24,280	\$ 11,441
Accrued expenses	<u>24,727</u>	<u>25,864</u>
Total liabilities	49,007	37,305
Net Assets		
Unrestricted	537,821	703,977
Temporarily restricted	<u>338,915</u>	<u>159,540</u>
Total net assets	<u>876,736</u>	<u>863,517</u>
Total liabilities and net assets	<u><u>\$ 925,743</u></u>	<u><u>\$ 900,822</u></u>

See Notes to Financial Statements

GROUNDWIRE
(formerly ONE/Northwest)

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Foundation grants	\$ 136,891	\$ 481,109	\$ 618,000	\$ 182,243	\$ 209,000	\$ 391,243
Contributions	315,017		315,017	182,188	15,568	197,756
Fee for service	664,706		664,706	772,414		772,414
In-kind contributions	15,668		15,668	193,259		193,259
Interest income	888		888	11,014		11,014
Other income	25,436		25,436	25,121		25,121
Loss on disposal of assets	(1,030)		(1,030)			
Net assets released from restriction	301,734	(301,734)		346,468	(346,468)	
Total support and revenue	1,459,310	179,375	1,638,685	1,712,707	(121,900)	1,590,807
Expenses						
Program services	1,300,994		1,300,994	1,364,264		1,364,264
Management and general	236,778		236,778	133,503		133,503
Fundraising and development	87,694		87,694	136,476		136,476
Total expenses	1,625,466		1,625,466	1,634,243		1,634,243
Change in net assets	(166,156)	179,375	13,219	78,464	(121,900)	(43,436)
Net assets, beginning of year	703,977	159,540	863,517	625,513	281,440	906,953
Net assets, end of year	<u>\$ 537,821</u>	<u>\$ 338,915</u>	<u>\$ 876,736</u>	<u>\$ 703,977</u>	<u>\$ 159,540</u>	<u>\$ 863,517</u>

See Notes to Financial Statements

GROUNDWIRE
(formerly ONE/Northwest)

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2009 and 2008

	2009			2008				
	Program Services	Management and General	Fundraising and Development	Total Expenses	Program Services	Management and General	Fundraising and Development	Total Expenses
Salaries and benefits	\$ 1,052,638	\$ 97,285	\$ 75,373	\$ 1,225,296	\$ 1,036,062	\$ 72,824	\$ 114,859	\$ 1,223,745
Employee support	8,123	141	174	8,438	5,697		175	5,872
Professional services	99,096	105,674	248	205,018	182,898	29,601	4,489	216,988
Supplies	24,312	10,970	6,025	41,307	19,689	12,114	6,805	38,608
Travel and entertainment	10,289	161		10,450	11,694	714		12,408
Occupancy	94,196	16,561	5,874	116,631	91,933	12,719	8,968	113,620
Depreciation	2,649	4,699		7,348	8,455	825	1,170	10,450
Other	9,691	1,287		10,978	7,836	4,706	10	12,552
	<u>\$ 1,300,994</u>	<u>\$ 236,778</u>	<u>\$ 87,694</u>	<u>\$ 1,625,466</u>	<u>\$ 1,364,264</u>	<u>\$ 133,503</u>	<u>\$ 136,476</u>	<u>\$ 1,634,243</u>

See Notes to Financial Statements

GROUNDWIRE
(formerly ONE/Northwest)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Change in net assets	\$ 13,219	\$ (43,436)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	7,348	10,450
Loss on disposal of property	1,030	
Changes in operating assets and liabilities		
Accounts receivable	20,719	(44,909)
Pledges receivable	(2,541)	158,789
Prepaid expenses	20,514	(10,512)
Funds advanced to Canadian affiliate		7,403
Deposits	(6,066)	
Accounts payable	12,839	8,450
Accrued expenses	(1,137)	6,024
	65,925	92,259
Net cash flows from operating activities		
Cash Flows from Investing Activity		
Purchase of property and equipment	(3,037)	(2,047)
	62,888	90,212
Net change in cash		
Cash and cash equivalents, beginning of year	721,610	631,398
Cash and cash equivalents, end of year	\$ 784,498	\$ 721,610

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

Groundwire, formerly ONE/Northwest, ("Groundwire") is a nonprofit resource organization established in 1995 in Seattle, Washington. Groundwire's mission is to engage people, organizations, and communities in building a sustainable society. Groundwire's primary efforts for 2009 were focused on the following programs offered to environmental nonprofit organizations in the United States and Canada:

- Websites: Groundwire uses *Plone*, an open-source content management system, to deliver professionally designed, easy-to-use websites that allow organizations to effectively communicate their messages and engage the public in environmental causes.
- Database Implementation: Groundwire builds highly customized Constituent Relationship Management systems that help environmental nonprofit organizations manage their most important relationships: with donors, with constituents, and with decision-makers.
- Strategy: Groundwire helps environmental and social change organizations decide how best to use web-based technology to advance their missions.
- Email Newsletters: Groundwire provides design, implementation, and training for environmental organizations on how to get the most out of email action alerts and newsletters.
- Email List Hosting: Groundwire hosts about 1,250 lists serving approximately 195,000 unique subscribers. These lists are hosted in *Sympa*, an open-source email list management software, and are available free of cost to community activists and organizations throughout the northwest region. In addition to hosting email lists, Groundwire also hosts websites for its clients.

Basis of Accounting

The financial statements of Groundwire have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to three classes of net assets, depending on the existence and nature of donor restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Groundwire had no permanently restricted net assets at December 31, 2009 or 2008, so this class of net assets is not presented.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial Statement Presentation

Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Groundwire and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by actions of Groundwire or the passage of time. Temporarily restricted net assets consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
For future use	\$ 8,109	\$ 65,568
Program restrictions		
Database consulting		2,435
Engagement consulting	180,547	77,044
Equipment	5,031	5,000
Wilderness	26,083	9,493
Software architect	105,000	
Environmental Priorities Coalition	14,145	
	<u>\$ 338,915</u>	<u>\$ 159,540</u>

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by Groundwire. As previously noted, Groundwire had no permanently restricted net assets as of December 31, 2009 and 2008.

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor-imposed stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reported as unrestricted.

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. All promises to give are recorded at the net present value as of the date of the gift. At December 31, 2009 and 2008, 88% and 91%, respectively, of pledges receivable were due from one foundation.

Contributions of \$230,534 and \$147,911 were received from employees and board members during 2009 and 2008, respectively.

Cash and Cash Equivalents

Cash equivalents consist principally of money market funds. For purposes of the statements of cash flows, Groundwire considers highly liquid investments with original maturities of 90 days or less to be cash equivalents. Groundwire maintains cash balances at several high credit quality financial institutions. At December 31, 2009 and 2008, balances exceeded federally insured limits. Subsequent to year end, Groundwire moved their deposits into accounts that are fully insured by the Federal Deposit Insurance Corporation.

Receivables

Accounts and pledges receivable are stated at the amount management expect to collect from outstanding balances. Management may provide for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off against the valuation allowance. Groundwire has historically not experienced significant losses related to uncollectible receivables. No allowance for doubtful accounts was recorded for 2009 or 2008.

Property and Equipment

Property and equipment with a life of at least one year and a cost or a donated fair value in excess of \$1,000 are capitalized and depreciated. Depreciation and amortization are computed using the straight-line method based on the estimated useful lives, as follows:

	<u>Estimated Life</u>
Computers	3 – 5 years
Furniture and equipment	3 – 5 years
Leasehold improvements	Shorter of lease term or useful life

Donated Services

In-kind contributions consist of donated services. Donated services are recognized if the services received (i) create or enhance non-financial assets or (ii) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. Donated services received by Groundwire for the years ended December 31, 2009 and 2008, were \$15,668 and \$193,259, respectively. In 2008, Groundwire's Executive Director and two other staff members donated their time to Groundwire, which was valued at \$129,932.

Groundwire also receives many hours of donated time from other volunteers. No amounts have been recognized in the statements of activities for 2009 or 2008, as they do not meet the criteria for recognition.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Income Taxes

Groundwire is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

Management of Groundwire has evaluated subsequent events through the date these financial statements were available to be issued, which was on May 5, 2010.

Note 2. Property and Equipment

Property and equipment consists of the following at December 31:

	2009	2008
Computers	\$ 24,831	\$ 25,903
Office furniture and equipment	8,557	8,557
Leasehold improvements	4,855	4,855
	38,243	39,315
Accumulated depreciation and amortization	(33,119)	(28,850)
	<u>\$ 5,124</u>	<u>\$ 10,465</u>

Note 3. Conditional Promises to Give

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional. Groundwire was awarded three conditional grants during 2009, with total possible revenue of \$225,000 to be received in 2010. Receipt of this revenue is conditional upon meeting specified criteria and timely compliance with all terms and conditions set forth in the grants.

Note 4. Commitments

Groundwire leases office space in Seattle, Washington, and Portland, Oregon. The Seattle office lease agreement expires in 2014. The Portland lease is a month-to-month agreement.

Future minimum lease payments under non-cancelable operating leases are as follows for the years ending December 31:

2010	\$ 106,133
2011	109,710
2012	113,288
2013	116,865
2014	79,500
	<u>\$ 525,496</u>

Rent expenses totaled \$100,243 and \$99,499 for the years ended December 31, 2009 and 2008, respectively.

Groundwire subleases part of its Seattle office to another organization under a non-cancelable lease expiring in 2012. Future minimum rent payments to be received under this lease are as follows for the years ending December 31:

2010	\$	26,638
2011		27,437
2012		<u>18,654</u>
	\$	<u><u>72,729</u></u>

Note 5. Benefit Plan

Groundwire has a 403(b) employee benefit plan ("the Plan") whereby all employees may contribute a percentage of their salary to the Plan. Groundwire does not make contributions to the Plan.