

GROUNDWIRE

FINANCIAL REPORT

DECEMBER 31, 2010

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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 statements of financial position of Groundwire as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Groundwire's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Groundwire as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Peterson Sullivan LLP

May 2, 2011

GROUNDWIRE
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and cash equivalents	\$ 479,034	\$ 784,498
Accounts receivable	133,082	57,897
Pledges receivable	212,488	68,109
Prepaid expenses		177
	<u>824,604</u>	<u>910,681</u>
Property and equipment, net	10,921	5,124
Deposits	9,938	9,938
	<u>10,921</u>	<u>9,938</u>
Total assets	<u>\$ 845,463</u>	<u>\$ 925,743</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 28,364	\$ 24,280
Accrued expenses	32,199	24,727
	<u>60,563</u>	<u>49,007</u>
Net Assets		
Unrestricted	486,404	537,821
Temporarily restricted	298,496	338,915
	<u>784,900</u>	<u>876,736</u>
Total net assets	<u>784,900</u>	<u>876,736</u>
Total liabilities and net assets	<u>\$ 845,463</u>	<u>\$ 925,743</u>

See Notes to Financial Statements

GROUNDWIRE

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Foundation grants	\$ 154,862	\$ 353,138	\$ 508,000	\$ 136,891	\$ 481,109	\$ 618,000
Contributions	354,670		354,670	315,017		315,017
Fee for service	881,694		881,694	664,706		664,706
In-kind contributions	15,440		15,440	15,668		15,668
Interest income	2,139		2,139	888		888
Other income	17,672		17,672	25,436		25,436
Loss on disposal of assets				(1,030)		(1,030)
Net assets released from restriction	393,557	(393,557)		301,734	(301,734)	
Total support and revenue	1,820,034	(40,419)	1,779,615	1,459,310	179,375	1,638,685
Expenses						
Program services	1,471,691		1,471,691	1,300,994		1,300,994
Management and general	270,514		270,514	236,778		236,778
Fundraising and development	129,246		129,246	87,694		87,694
Total expenses	1,871,451		1,871,451	1,625,466		1,625,466
Change in net assets	(51,417)	(40,419)	(91,836)	(166,156)	179,375	13,219
Net assets, beginning of year	537,821	338,915	876,736	703,977	159,540	863,517
Net assets, end of year	<u>\$ 486,404</u>	<u>\$ 298,496</u>	<u>\$ 784,900</u>	<u>\$ 537,821</u>	<u>\$ 338,915</u>	<u>\$ 876,736</u>

See Notes to Financial Statements

GROUNDWIRE

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2010 and 2009

	2010			2009				
	Program Services	Management and General	Fundraising and Development	Total Expenses	Program Services	Management and General	Fundraising and Development	Total Expenses
Salaries and benefits	\$ 1,135,374	\$ 165,284	\$ 99,454	\$ 1,400,112	\$ 1,052,638	\$ 97,285	\$ 75,373	\$ 1,225,296
Employee support	7,653	760		8,413	8,123	141	174	8,438
Professional services	147,240	66,507	9,414	223,161	99,096	105,674	248	205,018
Supplies	27,066	15,208	11,313	53,587	24,312	10,970	6,025	41,307
Travel and entertainment	14,757	1,135	61	15,953	10,289	161		10,450
Occupancy	108,029	17,675	8,441	134,145	94,196	16,561	5,874	116,631
Depreciation	2,724	2,453		5,177	2,649	4,699		7,348
Taxes, fees, and other	28,848	1,492	563	30,903	9,691	1,287		10,978
	\$ 1,471,691	\$ 270,514	\$ 129,246	\$ 1,871,451	\$ 1,300,994	\$ 236,778	\$ 87,694	\$ 1,625,466

See Notes to Financial Statements

GROUNDWIRE

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (91,836)	\$ 13,219
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	5,177	7,348
Loss on disposal of property		1,030
Changes in operating assets and liabilities		
Accounts receivable	(75,185)	20,719
Pledges receivable	(144,379)	(2,541)
Prepaid expenses	177	20,514
Deposits		(6,066)
Accounts payable	4,084	12,839
Accrued expenses	7,472	(1,137)
	<u>(294,490)</u>	<u>65,925</u>
Net cash flows from operating activities		
Cash Flows from Investing Activity		
Purchase of property and equipment	(10,974)	(3,037)
	<u>(10,974)</u>	<u>(3,037)</u>
Net change in cash	(305,464)	62,888
Cash and cash equivalents, beginning of year	784,498	721,610
Cash and cash equivalents, end of year	<u>\$ 479,034</u>	<u>\$ 784,498</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

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 2010 were focused on the following programs offered to environmental nonprofit organizations in the United States and Canada:

- Websites: Groundwire designs and develops strategic websites with the goal of helping environmental groups use their online presence to advance their missions. These websites are developed in Plone, an open source Content Management System, and integrate with Salesforce.com database systems, a range of email broadcasting services, e.g., Exact Target, and other 3rd party systems (e.g., EventBrite, Authorize.net for e-commerce, et al.). Groundwire also provides website hosting services for its clients.
- Database Implementation: Groundwire develops customized Salesforce.com systems which environmental groups use to manage their relationships with their donors and other stakeholders. Salesforce.com donates licenses to nonprofits; Groundwire customizes the systems for particular organizations' needs.
- Strategy Consulting: Groundwire helps environmental organizations decide how best to use web-based technology to advance their missions.
- Email: Groundwire provides design, implementation, and training for environmental organizations on email broadcasting services. It is also a reseller of WhatCounts and Exact Target email systems. During 2010, Groundwire closed an older listserv system that provided email hosting free of charge to environmental groups; this service was ended since it has become obsolete.

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, 2010 or 2009, 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>2010</u>	<u>2009</u>
For future use	\$ 62,138	\$ 8,109
Program restrictions		
Engagement consulting	78,152	180,547
Software architect	59,300	105,000
Wilderness	59,036	26,083
Sustainability	30,000	
Business model research	9,166	
Innovation	704	
Environmental Priorities Coalition		14,145
Equipment		5,031
	<u>\$ 298,496</u>	<u>\$ 338,915</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, 2010 and 2009.

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.

Contributions/Grants

Contributions and grants, 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, 2010 and 2009, 35% and 88%, respectively, of pledges receivable were due from one foundation.

Contributions of \$210,066 and \$230,534 were received from employees and board members during 2010 and 2009, respectively.

Fee for Service

Fee for Service revenues are related to the fees charged for website building, database implementation, email newsletters, and hosting, as described in the beginning of Note 1. These services are generally provided at a substantial discount compared to the actual cost of providing the services. Fee for service revenues are recognized as they are earned.

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, 2010 and 2009, balances exceeded federally insured limits. Subsequent to year end, Groundwire moved its 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 2010 or 2009.

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 Goods and Services

In-kind contributions consist of donated goods and services and are recognized at fair value when received. 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 goods (primarily software licenses) received by Groundwire for the years ended December 31, 2010 and 2009, were \$15,440 and \$15,668, respectively.

Groundwire also receives many hours of donated time from other volunteers. No amounts have been recognized in the statements of activities for 2010 or 2009, as they do not meet the criteria for recognition.

Income Taxes

Groundwire is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Groundwire's federal tax returns are open to examination for the years ended December 31, 2007 to 2010.

Subsequent Events

Management of Groundwire has evaluated subsequent events through the date these financial statements were available to be issued, which was on May 2, 2011.

Note 2. Property and Equipment

Property and equipment consists of the following at December 31:

	2010	2009
Computers	\$ 32,460	\$ 24,831
Office furniture and equipment	11,902	8,557
Leasehold improvements	4,855	4,855
	<u>49,217</u>	<u>38,243</u>
Accumulated depreciation and amortization	<u>(38,296)</u>	<u>(33,119)</u>
	<u>\$ 10,921</u>	<u>\$ 5,124</u>

Note 3. 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:

2011	\$ 109,710
2012	113,288
2013	116,865
2014	<u>79,500</u>
	<u>\$ 419,363</u>

Rent expense totaled \$114,888 and \$100,243 for the years ended December 31, 2010 and 2009, respectively.

Note 4. Benefit Plan

Groundwire has a 401(k) 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.