

GROUNDSPARK, INC.

Financial Statements

December 31, 2011

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Financial Statements

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Independent Accountant's Review Report

BOARD OF DIRECTORS GROUNDSPARK, INC.

I have reviewed the accompanying Statement of Financial Position of GroundSpark, Inc. as of December 31, 2011, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion. The prior-year summarized comparative information has been derived from the Organization's 2010 financial statements which were reviewed by me and my report dated July 6, 2011 stated I was not aware of any material modifications that should be made to those financial statements for them to be in conformity with generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Antoinette G. Nies, CPA

May 30, 2012

GROUNDSPARK, INC.
Statement of Financial Position
December 31, 2011
(With Comparative Totals at December 31, 2010)

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 104,382	\$ 146,226
Accounts Receivable	32,182	64,998
Grants and Pledges Receivable	-	20,000
Inventory	32,642	24,123
Prepaid Expenses and Deposits	9,339	4,197
Total Current Assets	178,545	259,544
NONCURRENT ASSETS		
Deposits	-	1,695
Property and Equipment - Net	10,162	7,820
Total Noncurrent Assets	10,162	9,515
TOTAL ASSETS	\$ 188,707	\$ 269,059
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 33,841	\$ 19,266
Accrued Expenses	-	12,138
Deferred Revenue	19,875	-
Line of Credit	-	32,983
Note Payable	-	10,181
Total Current Liabilities	53,716	74,568
NET ASSETS		
Unrestricted	79,316	63,666
Temporarily Restricted	55,675	130,825
	134,991	194,491
TOTAL LIABILITIES AND NET ASSETS	\$ 188,707	\$ 269,059

GROUNDSPARK, INC.
Statement of Activities
For the Year Ended December 31, 2011
(With Comparative Totals at December 31, 2010)

	Unrestricted	Temporarily Restricted	Total 2011	Total 2010
REVENUES, GAINS, AND OTHER SUPPORT				
Grants and Contributions	\$ 222,067	\$ 59,624	\$ 281,691	\$ 643,024
Tape Sales and Rental	202,477		202,477	257,289
Fees and Equipment Rental	20,642		20,642	30,051
Miscellaneous	12,630		12,630	15,244
Interest	233		233	1,550
Benefit Premiers			-	808
Total Revenue	458,049	59,624	517,673	947,966
NET ASSETS RELEASED FROM RESTRICTIONS				
	134,774	(134,774)	-	-
Total Revenues, Gains, and Other Support	592,823	(75,150)	517,673	947,966
EXPENSES AND LOSSES				
Program Services				
Media Production	52,230		52,230	24,167
Distribution and Outreach	123,126		123,126	308,430
Training	91,915		91,915	204,084
Movement Building	39,731		39,731	54,348
Total Program Services	307,002	-	307,002	591,029
Supporting Services				
Management and General	207,427		207,427	127,383
Fund Raising	62,744		62,744	133,112
	270,171	-	270,171	260,495
Total Expenses	577,173	-	577,173	851,524
CHANGE IN NET ASSETS	15,650	(75,150)	(59,500)	96,442
NET ASSETS, BEGINNING OF YEAR	63,666	130,825	194,491	98,049
NET ASSETS, END OF YEAR	\$ 79,316	\$ 55,675	\$ 134,991	\$ 194,491

GROUNDSPARK, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2011
(With Comparative Totals at December 31, 2010)

	Program Services					Support Services			Total	
	Media	Distribution and		Movement	Total	Management	Fund	Total		
	Production	Outreach	Training	Building	Program	and General	Raising	Support	2011	2010
Salaries	\$ 18,139	\$ 65,666	\$ 31,195	4,327	\$ 119,327	\$ 65,868	\$ 32,626	\$ 98,494	\$ 217,821	\$ 409,729
Payroll Taxes and Employee Benefits	4,258	15,417	7,324	1,016	28,015	15,464	7,660	23,124	51,139	91,460
Total Salaries and Related Expenses	22,397	81,083	38,519	5,343	147,342	81,332	40,286	121,618	268,960	501,189
Professional Fees	24,879	18,043	33,167	9,561	85,650	69,441	7,023	76,464	162,114	110,255
Occupancy	3,165	11,458	5,443	755	20,821	19,760	5,693	25,453	46,274	39,186
Meetings and Conferences		277	1,693	22,188	24,158			-	24,158	448
Graphics and Design			7,693		7,693	3,525		3,525	11,218	7,659
Postage and Shipping	393	5,822	602	48	6,865	2,390	1,182	3,572	10,437	31,620
Printing and Duplication				116	116	2,222	7,444	9,666	9,782	29,207
Telephone and Communications					-	7,898		7,898	7,898	11,584
Credit Card Processing		3,116			3,116	3,074	40	3,114	6,230	5,112
Travel		225	3,320	1,494	5,039	209		209	5,248	31,810
Insurance					-	4,308		4,308	4,308	7,607
Supplies				10	10	3,861		3,861	3,871	6,647
Interest					-	3,303		3,303	3,303	4,386
Miscellaneous	442		450	73	965	1,665		1,665	2,630	6,402
Equipment Rental and Maintenance					-	2,267		2,267	2,267	2,055
Advertising and Marketing		937			937			-	937	11,228
Video Tapes and DVD's	356				356			-	356	30,496
Benefit Premieres					-			-	-	10,073
Expenses Before Depreciation	51,632	120,961	90,887	39,588	303,068	205,255	61,668	266,923	569,991	846,964
Depreciation	598	2,165	1,028	143	3,934	2,172	1,076	3,248	7,182	4,560
Total Expenses	\$ 52,230	\$ 123,126	\$ 91,915	\$ 39,731	\$ 307,002	\$ 207,427	\$ 62,744	\$ 270,171	\$ 577,173	\$ 851,524

GROUNDSPARK, INC.
Statement of Cash Flows
For the Year Ended December 31, 2011
(With Comparative Totals at December 31, 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (59,500)	\$ 96,442
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	7,182	4,560
(Increase) Decrease in Operating Assets		
Receivables	52,816	(23,572)
Inventory	(8,519)	5,552
Prepaid Expenses and Deposits	(3,447)	7,004
Increase (Decrease) in Operating Liabilities		
Accounts Payable	14,575	(3,772)
Accrued Expenses	(12,138)	4,792
Deferred Revenue	19,875	-
Net Cash Provided by Operating Activities	<u>10,844</u>	<u>91,006</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(9,523)	-
Net Cash (Used) by Investing Activities	<u>(9,523)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Loans	(43,165)	(38,984)
Net Cash (Used) by Investing Activities	<u>(43,165)</u>	<u>(38,984)</u>
NET INCREASE (DECREASE) IN CASH	(41,844)	52,022
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>146,226</u>	<u>94,204</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 104,382</u>	<u>\$ 146,226</u>
SUPPLEMENTAL DISCLOSURES		
Operating Activities Reflect Interest Paid of:	<u>\$ 3,303</u>	<u>\$ 4,386</u>

GROUNDSPARK, INC.

Notes to Financial Statements

December 31, 2011

1. Organization

The primary purpose of GroundSpark, Inc. is to create visionary films and dynamic educational campaigns that move individuals and communities to take action for a more just world. GroundSpark produces independent projects, such as the documentary, "Let's Get Real." Through national outreach campaigns, GroundSpark provides training and materials relating to their films to the educational market and other community organizations. GroundSpark also works with non-profit, public interest organizations to produce videos and other communication media that enhance those organizations' public education, organizing, and fundraising capabilities. In addition, GroundSpark provides technical assistance to other social change media projects and filmmakers. Approximately 43% of the organization's revenue is in the form of foundation grants.

2. Summary of Significant Accounting Policies

Basis of Presentation

GroundSpark is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, GroundSpark considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Inventory

Inventory consists of tapes and discussion and curriculum guides. Inventory is stated at the lower of cost or market determined by the first-in, first-out method.

Accounts Receivable

Accounts receivable stated at unpaid balances. No allowance for doubtful accounts is considered necessary as management believes substantially all accounts receivable to be collectible.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

(See Independent Accountant's Review Report)

GROUNDSPARK, INC.

Notes to Financial Statements

December 31, 2011

(Continued)

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses, other assets, accounts payable and accrued expenses, none of which are held for trading purposes, approximate the fair value due to the short-term nature of these instruments.

Property and Equipment and Depreciation

GroundSpark capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Donated Property

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, GroundSpark reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. GroundSpark reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

No amounts have been reflected in the financial statements for donated services. GroundSpark pays for most services requiring specific expertise.

Functional Expenses

Expenses have been presented on the functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among program and supporting services classifications on the basis of estimates made by the management of GroundSpark.

Advertising Costs

Advertising costs are charged to expense as incurred.

(See Independent Accountant's Review Report)

GROUNDSPARK, INC.

Notes to Financial Statements

December 31, 2011

(Continued)

2. Summary of Significant Accounting Policies (continued)

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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, 2010, from which the summarized information was derived.

Income Taxes

GroundSpark is exempt from income tax under Internal Revenue Service code Section 501 (c)(3) and California Revenue and Taxation Code Section 23701d. GroundSpark qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

GroundSpark recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. GroundSpark does not believe its financial statements include any uncertain tax positions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

3. Property and Equipment

Property and Equipment consist of the following:

Furniture and Equipment	\$ 111,376
Accumulated Depreciation	<u>(101,214)</u>
	<u>\$ 10,162</u>

4. Line of Credit

Unsecured revolving line of credit with a bank in the amount of \$45,000. Interest at 5.625% over the bank's reference rate and a portion of principal are payable monthly. No maturity date. There is no outstanding balance as of December 31, 2011.

(See Independent Accountant's Review Report)

GROUNDSPARK, INC.

Notes to Financial Statements

December 31, 2011

(Continued)

5. Temporarily Restricted Net Assets

Temporarily Restricted Net Assets are restricted for the following purposes:

Straightlaced Education	\$	23,925
Choosing Children Project		12,750
Del Martin Project		12,000
Rapid Response Network		<u>7,000</u>
	\$	<u>55,675</u>

6. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments, accounts receivable and promises to give receivable. The Organization places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers and their dispersion across different industries and geographic areas. Concentrations of credit risk with respect to promises receivable are limited due to the large number of contributors comprising the Organization's contributor base and their dispersion across different industries and geographic areas. As of December 31, 2011, the Organization had no significant concentrations of credit risk.

7. Subsequent Events

In preparing these financial statements, Management has evaluated events and transactions for potential recognition or disclosure through May 30, 2012, the date the financial statements were available to be issued, and does not believe there are any material subsequent events which would require further disclosure.