

**FINANCIAL STATEMENTS**

**GRASSROOT SOCCER, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2008 (AUDITED)  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007 (REVIEWED)**

# GRASSROOT SOCCER, INC.

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Grassroot Soccer, Inc.  
Norwich, Vermont

We have audited the accompanying statement of financial position of Grassroot Soccer, Inc. (GRS) as of December 31, 2008, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of GRS' management. 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 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 financial statements referred to above present fairly, in all material respects, the financial position of GRS as of December 31, 2008, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2007 financial statements were reviewed by us and our report dated thereon, dated June 30, 2008, stated we were not aware of any material modifications that should be made to those 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.

*Gelman Rosenberg & Freedman*

November 13, 2009

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## GRASSROOT SOCCER, INC.

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2008 (AUDITED)  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007 (REVIEWED)**

## ASSETS

	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,537,980	\$ 509,298
Accounts receivable	23,669	7,256
Grants receivable	1,195,678	150,399
Pledges receivable	121,332	32,147
Inventory	20,850	-
Prepaid expenses	<u>39,322</u>	<u>15,111</u>
Total current assets	<u>2,938,831</u>	<u>714,211</u>
<b>FIXED ASSETS</b>		
Equipment	1,800	1,800
Furniture	8,129	2,594
Computer equipment	37,674	22,246
Vehicles	144,743	134,526
Software	<u>31,964</u>	<u>-</u>
	224,310	161,166
Less: Accumulated depreciation	<u>(109,643)</u>	<u>(53,411)</u>
Net fixed assets	<u>114,667</u>	<u>107,755</u>
<b>OTHER ASSETS</b>		
Deposits	<u>12,157</u>	<u>913</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,065,655</u></b>	<b><u>\$ 822,879</u></b>

## LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ <u>53,620</u>	\$ <u>61,026</u>
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## NET ASSETS

Unrestricted	1,088,928	531,267
Temporarily restricted (Note 2)	<u>1,923,107</u>	<u>230,586</u>
Total net assets	<u>3,012,035</u>	<u>761,853</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,065,655</u></b>	<b><u>\$ 822,879</u></b>

See accompanying notes to financial statements.

## GRASSROOT SOCCER, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008 (AUDITED)  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007 (REVIEWED)**

	2008			2007
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE</b>				
Contributions	\$ 631,889	\$ 102,193	\$ 734,082	\$ 564,163
Grants	992,222	2,373,305	3,365,527	672,859
Event income	154,789	-	154,789	129,536
In-kind contributions	-	20,850	20,850	91,626
Investment income	17,402	-	17,402	12,920
Sales	19,325	-	19,325	1,208
Other revenue	18,692	-	18,692	8,365
Net assets released from donor restrictions (Note 3)	<u>803,827</u>	<u>(803,827)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,638,146</u>	<u>1,692,521</u>	<u>4,330,667</u>	<u>1,480,677</u>
<b>EXPENSES</b>				
Program Services	<u>1,362,204</u>	<u>-</u>	<u>1,362,204</u>	<u>703,348</u>
Supporting Services:				
Management and General	-	-	-	297,959
Fundraising	<u>689,427</u>	<u>-</u>	<u>689,427</u>	<u>140,245</u>
Total supporting services	<u>689,427</u>	<u>-</u>	<u>689,427</u>	<u>438,204</u>
Total expenses	<u>2,051,631</u>	<u>-</u>	<u>2,051,631</u>	<u>1,141,552</u>
Change in net assets before other item	586,515	1,692,521	2,279,036	339,125
<b>OTHER ITEM</b>				
Currency gain (loss)	<u>(28,854)</u>	<u>-</u>	<u>(28,854)</u>	<u>172</u>
Change in net assets	557,661	1,692,521	2,250,182	339,297
Net assets at beginning of year	<u>531,267</u>	<u>230,586</u>	<u>761,853</u>	<u>422,556</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,088,928</u></b>	<b><u>\$ 1,923,107</u></b>	<b><u>\$ 3,012,035</u></b>	<b><u>\$ 761,853</u></b>

See accompanying notes to financial statements.

## GRASSROOT SOCCER, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008 (AUDITED)  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007 (REVIEWED)**

	<b>2008</b>			<b>2007</b>	
	<b>Supporting Services</b>				
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>	<b>Total Expenses</b>
Salaries and related benefits	\$ 341,878	\$ 356,576	\$ 138,438	\$ 836,892	\$ 565,452
Travel	241,129	69,164	73,608	383,901	192,349
Professional fees	21,796	61,742	147,398	230,936	93,530
Program supplies	64,974	-	-	64,974	89,281
Depreciation	-	56,715	-	56,715	48,340
Rent (Note 4)	60,903	29,323	555	90,781	36,740
Utilities	19,482	25,144	2,376	47,002	22,757
Supplies/equipment	8,245	19,314	6,868	34,427	20,225
Printing and reproduction	16,853	2,622	2,723	22,198	12,285
Insurance	9,074	18,994	1,714	29,782	11,829
Contract labor	16,945	16,746	22,064	55,755	10,195
Internet and website costs	2,533	7,380	5,045	14,958	7,166
Meeting expense	15,636	4,836	28,119	48,591	6,703
Other	448	24,481	5,000	29,929	8,623
Bank fee and service charges	936	4,090	2,754	7,780	5,237
Postage and delivery	3,555	3,305	2,021	8,881	3,836
Equipment rental	98	2,234	1,259	3,591	1,813
Advertising	736	5,211	2,559	8,506	1,699
Repairs and maintenance	862	4,206	-	5,068	1,676
License and permits	2,913	4,741	3,327	10,981	1,131
Dues and subscriptions	322	1,226	82	1,630	568
Education and training	10,106	3,792	950	14,848	117
Subgrant expense	43,505	-	-	43,505	-
Subtotal	882,929	721,842	446,860	2,051,631	1,141,552
Indirect cost allocation	479,275	(721,842)	242,567	-	-
<b>TOTAL</b>	<b>\$ 1,362,204</b>	<b>\$ -</b>	<b>\$ 689,427</b>	<b>\$ 2,051,631</b>	<b>\$ 1,141,552</b>

## GRASSROOT SOCCER, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008 (AUDITED)**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007 (REVIEWED)**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,250,182	\$ 339,297
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,715	48,340
Donated fixed assets	-	(91,626)
Loss on sale of fixed assets	894	-
Donated inventory	(20,850)	-
(Increase) decrease in:		
Accounts receivable	(16,413)	(7,256)
Grants receivable	(1,045,279)	(69,564)
Pledges receivable	(89,185)	165,203
Prepaid expenses	(24,211)	(8,327)
Deposits	(11,244)	(913)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>(7,406)</u>	<u>46,210</u>
Net cash provided by operating activities	<u>1,093,203</u>	<u>421,364</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(65,315)	(38,375)
Proceeds from sale of fixed assets	<u>794</u>	<u>-</u>
Net cash used by investing activities	<u>(64,521)</u>	<u>(38,375)</u>
Net increase in cash and cash equivalents	1,028,682	382,989
Cash and cash equivalents at beginning of year	<u>509,298</u>	<u>126,309</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,537,980</u></b>	<b><u>\$ 509,298</u></b>

See accompanying notes to financial statements.

## GRASSROOT SOCCER, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

Grassroot Soccer, Inc. (GRS) is a nonprofit organization, incorporated in the State of New Mexico. The mission is to use the power of soccer in the fight against AIDS to provide African youth with the knowledge, skills and support to live HIV free. GRS trains role models (pro players, coaches, youth players, etc.) to get the message out about healthy behavior and the risks of HIV to increase awareness and change behaviors.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

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 GRS' financial statements for the year ended December 31, 2007, from which the summarized information was derived.

##### Cash and cash equivalents -

GRS considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, GRS maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

##### Fixed assets -

Fixed assets in excess of \$500 are capitalized and are stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

##### Income taxes -

GRS is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. GRS is not a private foundation.

##### Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As deferred by the guidance in FSP FIN 48-3, GRS is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, GRS has not implemented those provisions in the 2008 financial statements.



GRASSROOT SOCCER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Uncertain tax positions (continued) -

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, GRS continues to utilize its prior policy of accounting for these positions, following the guidance in SFAS No. 5, *Accounting for Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of December 31, 2008, GRS has no uncertain tax positions that qualify for either recognition or disclosure in the accompanying financial statements.

Inventory -

Inventory consists of balls, duffel bags and cones, which are recorded at fair market value as of the date of donation.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of GRS and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of GRS and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

In-kind contributions -

GRS receives in-kind contributions. The amounts recorded are based on the estimated fair market value. In-kind contributions consisted of donated inventory which has been included in temporarily restricted net assets and will be released upon sale of the items. Donated computers and vehicles received in prior years have been included in temporarily restricted net assets in the accompanying financial statements and are being released based on depreciation expense each year.

GRASSROOT SOCCER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
(Continued)

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2008:

South Africa	\$ 1,411,320
Zambia	120,236
Zimbabwe	99,688
Malawi	146,903
Tanzania	69,238
USA	555
Botswana	15,267
Nambia	<u>59,900</u>
	<b><u>\$ 1,923,107</u></b>

3. **NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

South Africa	\$ 639,775
Zambia	38,033
Zimbabwe	59,072
Malawi	40,519
Tanzania	22,893
USA	333
Botswana	3,102
Nambia	<u>100</u>
	<b><u>\$ 803,827</u></b>

**GRASSROOT SOCCER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**4. LEASE COMMITMENT**

GRS entered into an office space lease agreement on a month-to-month basis which expired on July 31, 2008.

In June 2008, GRS entered into a new lease agreement for office space commencing July 1, 2008 and expiring July 1, 2013.

GRS entered into various lease agreement in foreign countries for office space and intern housing through 2010.

Future minimum commitments are as follows:

**Year Ended December 31,**

2009	\$ 51,622
2010	27,000
2011	30,000
2012	30,000
2013	<u>15,000</u>
	<b><u>\$ 153,622</u></b>

Occupancy expense, including short-term lease agreements in foreign countries totaled \$90,781 for the year ended December 31, 2008.

**5. SUBSEQUENT EVENTS**

In preparing these financial statements, GRS has evaluated events and transactions for potential recognition or disclosure through November 13, 2009, the date the financial statements were issued.