

COMBINED FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**

GRASSROOT SOCCER, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grassroot Soccer, Inc.
Hanover, New Hampshire

We have audited the accompanying combined financial statements of Grassroot Soccer, Inc. and related entities (collectively referred to as GRS), which comprise the combined statement of financial position as of December 31, 2018, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of GRS as of December 31, 2018, and the combined change in its net assets and its combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited GRS's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 16, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our reports dated June 20, 2019, on our consideration of GRS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GRS's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GRS's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

June 20, 2019

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,312,194	\$ 2,088,148
Employee and partner advances and other	128,050	129,950
Grants and contracts receivable	3,247,123	3,194,710
Contributions receivable	1,441,244	443,014
Inventory	1,386	2,673
Prepaid expenses	<u>87,937</u>	<u>114,521</u>
Total current assets	<u>6,217,934</u>	<u>5,973,016</u>
FIXED ASSETS		
Furniture and equipment	21,767	19,503
Computer equipment	112,991	92,484
Vehicles	72,607	67,557
Leasehold improvements	48,593	12,805
Software	<u>37,459</u>	<u>37,459</u>
	293,417	229,808
Less: Accumulated depreciation and amortization	<u>(193,280)</u>	<u>(149,326)</u>
Net fixed assets	<u>100,137</u>	<u>80,482</u>
OTHER ASSETS		
Deposits	26,935	31,723
Right of use assets, net of amortization of \$21,720	331,068	-
Grants and contracts receivable, net of current portion	934,476	1,339,579
Contributions receivable, net of current portion	<u>3,709,640</u>	<u>-</u>
Total other assets	<u>5,002,119</u>	<u>1,371,302</u>
TOTAL ASSETS	<u>\$ 11,320,190</u>	<u>\$ 7,424,800</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 184,828	\$ 320,376
Operating lease payable	<u>51,968</u>	<u>-</u>
Total current liabilities	<u>236,796</u>	<u>320,376</u>
LONG-TERM LIABILITIES		
Operating lease payable; net of current portion	<u>279,100</u>	<u>-</u>
Total liabilities	<u>515,896</u>	<u>320,376</u>
NET ASSETS		
Without donor restrictions	1,509,616	1,963,489
With donor restrictions	<u>9,294,678</u>	<u>5,140,935</u>
Total net assets	<u>10,804,294</u>	<u>7,104,424</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,320,190</u>	<u>\$ 7,424,800</u>

See accompanying notes to combined financial statements.

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Grants and contracts	\$ -	\$ 4,584,281	\$ 4,584,281	\$ 7,503,091
Contributions	1,621,578	6,287,156	7,908,734	1,670,315
Special events	407,615	-	407,615	1,064,759
Other	10,485	35,000	45,485	35,831
Interest income	10,026	-	10,026	16,655
Net assets released from donor restrictions	<u>6,768,548</u>	<u>(6,768,548)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>8,818,252</u>	<u>4,137,889</u>	<u>12,956,141</u>	<u>10,290,651</u>
EXPENSES				
Program Services	<u>7,318,976</u>	<u>-</u>	<u>7,318,976</u>	<u>7,106,892</u>
Supporting Services:				
Management and General	887,517	-	887,517	827,145
Fundraising	<u>957,104</u>	<u>-</u>	<u>957,104</u>	<u>976,145</u>
Total supporting services	<u>1,844,621</u>	<u>-</u>	<u>1,844,621</u>	<u>1,803,290</u>
Total expenses	<u>9,163,597</u>	<u>-</u>	<u>9,163,597</u>	<u>8,910,182</u>
Change in net assets before other item	(345,345)	4,137,889	3,792,544	1,380,469
OTHER ITEM				
Currency (loss) gain	<u>(108,528)</u>	<u>15,854</u>	<u>(92,674)</u>	<u>57,049</u>
Change in net assets	(453,873)	4,153,743	3,699,870	1,437,518
Net assets at beginning of year	<u>1,963,489</u>	<u>5,140,935</u>	<u>7,104,424</u>	<u>5,666,906</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,509,616</u>	<u>\$ 9,294,678</u>	<u>\$ 10,804,294</u>	<u>\$ 7,104,424</u>

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017	
	Program Services	Supporting Services		Total Expenses	Total Expenses
		Management and General	Fundraising		
Salaries and related benefits	\$ 2,900,483	\$ 751,436	\$ 641,243	\$ 4,293,162	\$ 3,801,965
Contract labor	921,314	8,846	30,954	961,114	939,784
Travel	879,481	12,824	53,825	946,130	878,541
Subgrant expense	747,305	-	-	747,305	808,295
Program supplies	607,018	-	-	607,018	168,255
Professional fees	343,217	62,722	53,524	459,463	412,556
Occupancy	204,068	15,198	12,970	232,236	195,191
Meeting expense	132,918	2,572	43,325	178,815	996,985
Subscriptions and fees	42,986	5,622	60,325	108,933	101,502
Printing and reproduction	88,125	1,016	7,903	97,044	93,838
Telecommunications	90,535	1,131	2,156	93,822	92,700
Insurance	62,462	7,857	6,704	77,023	70,982
Supplies/equipment	63,070	3,552	3,243	69,865	95,508
Repairs and maintenance	61,120	3,080	2,628	66,828	56,619
Depreciation and amortization	34,575	8,958	7,644	51,177	35,648
Other expenses	43,782	213	2,388	46,383	13,014
Bank fees and service charges	25,085	1,602	17,009	43,696	35,260
Equipment rental	39,829	559	477	40,865	30,247
Advertising	15,946	177	4,178	20,301	30,368
Education and conferences	12,291	35	1,966	14,292	43,907
Postage and delivery	3,366	117	4,642	8,125	9,017
TOTAL	\$ 7,318,976	\$ 887,517	\$ 957,104	\$ 9,163,597	\$ 8,910,182

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,699,870	\$ 1,437,518
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	51,177	35,648
Gain on sale of fixed assets	(1,019)	(5,708)
Donated inventory disbursed	1,287	16,362
Change in discount on long-term receivables	426,752	(3,151)
Decrease (increase) in:		
Employee and partner advances and other	1,900	30,929
Grants and contracts receivable	371,299	(1,435,053)
Contributions receivable	(5,153,231)	(64,344)
Prepaid expenses	26,584	(49,512)
Deposits	4,788	(17,904)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(135,548)	140,740
Refundable advance	<u>-</u>	<u>(111,167)</u>
Net cash used by operating activities	<u>(706,141)</u>	<u>(25,642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(73,535)	(63,287)
Proceeds from sale of fixed assets	<u>3,722</u>	<u>8,103</u>
Net cash used by investing activities	<u>(69,813)</u>	<u>(55,184)</u>
Net decrease in cash and cash equivalents	(775,954)	(80,826)
Cash and cash equivalents at beginning of year	<u>2,088,148</u>	<u>2,168,974</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,312,194</u>	<u>\$ 2,088,148</u>
SUPPLEMENTAL INFORMATION:		
Donated Securities	<u>\$ 370,523</u>	<u>\$ 322,477</u>
Right-of-Use Asset	<u>\$ 331,068</u>	<u>\$ -</u>

GRASSROOT SOCCER, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Grassroot Soccer, Inc. is a non-profit organization, incorporated in the State of New Mexico. Grassroot Soccer, Inc. and related entities, collectively, is an adolescent health organization that leverages the power of soccer to educate, inspire, and mobilize youth in developing countries to overcome their greatest health challenges, live healthier, more productive lives, and be agents for change in their communities.

Grassroot Soccer South Africa is registered as a non-profit making organization under the Companies Act of South Africa, No 71 on April 10, 2006.

Grassroot Soccer Education Limited (Zambia) obtained approval from the Ministry of Finance and National Planning for tax exemption under Section 41 of the Income Tax Act, 1996, as a public benefit organization on March 1, 2011.

Grassroot Soccer Zimbabwe was registered as a non-profit making organization under the Private Voluntary Organizations Act Chapter 17:05 on the 23rd of March 2011 and began operating as such on the 1st of June 2011.

Grassroot Soccer U.K. is a charitable company limited by guarantee, incorporated on January 9, 2010 and registered as a charity on April 7, 2010. The company was established under a Memorandum of Association, which established the objects and powers of the charitable company and is governed under its Articles of Association.

The accompanying combined financial statements reflect the activity of Grassroot Soccer, Inc., Grassroot Soccer South Africa, Grassroot Soccer Education Limited (Zambia), Grassroot Soccer Zimbabwe and Grassroot Soccer U.K (collectively, GRS). The financial statements of the organizations have been combined because they are under common control. All intercompany transactions have been eliminated during combination.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

The combined 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's combined financial statements for the year ended December 31, 2017, 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. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Cash and cash equivalents (continued) -

At times during the year, GRS maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

GRS had \$375,816 of cash and cash equivalents held in accounts in foreign countries at December 31, 2018. The majority of these funds are uninsured.

Foreign currency translation -

The dollar ("Dollars") is the functional currency for GRS operations. Transactions in currencies other than U.S. Dollars are translated into Dollars at the rate of exchange in effect during the month of the transaction. Current assets and liabilities denominated in non-U.S. currency are translated into Dollars at the exchange rate in effect at the date of the Combined Statement of Financial Position.

Receivables -

Receivables approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Contributions receivable are written unconditional promises to make future payments and are recognized as revenue in the period pledged. Contribution payments extending beyond one-year are discounted to recognize the present value of future cash flows and in subsequent years, this discount is accreted and recorded as additional contribution revenue in accordance with donor-imposed restrictions.

Grants and contracts receivable are recorded at their net realizable value, which approximates fair value. Grants and contracts receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows.

The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contract revenue.

Right-of-use asset and operating lease payable liability -

In accordance with the adoption of ASU 2016-02 "Leases"; the new lease agreements in Hanover, New Hampshire and Lusaka Zambia have been placed on the accompanying Combined Statement of Financial Position at the net present value of the lease commitments. The value of the right-of-use asset, and corresponding operating lease payable liability, is being amortized over the terms of the lease commitments.

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. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Income taxes -

GRS is exempt from federal income taxes under Section 501(c)3 of the Internal Revenue Code and is only subject to tax on unrelated business income. The organization is not a private foundation.

Grassroot Soccer South Africa, Grassroot Soccer Education Limited (Zambia), Grassroot Soccer Zimbabwe and Grassroot Soccer U.K are registered charitable organizations under the laws and regulations of each respective country.

Uncertain tax positions -

For the year ended December 31, 2018, GRS has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Inventory -

Inventory consists of donated sports apparel, shoes and other materials. In accordance with ASU 2015-11, inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory.

Net asset classification -

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

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from donor restrictions.

Grants, contracts and contributions -

Contributions and grants received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Grants, contracts and contributions (continued) -

Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restriction in the accompanying combined financial statements.

GRS receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as income without donor restrictions to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Periodically, GRS receives contributions in the form of securities, which are recorded at their fair market value on the date of donation. GRS typically sells the securities immediately upon receipt, minimizing the amount of potential realized gains or losses from the transaction. For the year ended December 31, 2018, GRS received a total of \$370,523 in donated securities.

In-kind contributions -

In-kind investment contributions are recorded at their fair market value as of the date of the gift.

Volunteer services -

GRS receives a significant amount of donated time from various volunteers.

These donated services are not reflected in the accompanying combined financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

The preparation of the combined 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 combined 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 Combined Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses directly attributed to a specific functional area are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Functional allocation of expenses (continued) -

Occupancy cost, depreciation, and office costs are allocated based on square footage.

Reclassification -

Certain amounts in the prior year's combined financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes.

Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$1,963,489 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets in the amount of \$5,140,935, are now classified as net assets with donor restrictions.

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. GRS has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its combined financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. GRS has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

GRS plans to adopt the new ASUs at the respective required implementation dates.

2. GRANTS, CONTRACTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2018, contributors to GRS have made written promises to give \$9,847,931 in grants, contracts and contributions.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. GRANTS, CONTRACTS AND CONTRIBUTIONS RECEIVABLE (Continued)

Grants, contracts and contributions are due as follows at December 31, 2018:

	<u>Grants</u>	<u>Contracts</u>	<u>Contributions</u>	<u>Total</u>
Less than one year	\$ 3,196,159	\$ 50,964	\$ 1,441,244	\$ 4,688,367
One to five years	<u>1,004,564</u>	<u>-</u>	<u>4,155,000</u>	<u>5,159,564</u>
Total	4,200,723	50,964	5,596,244	9,847,931
Less: Discount balance to present value (5.75%)	<u>(70,088)</u>	<u>-</u>	<u>(445,360)</u>	<u>(515,448)</u>
TOTAL GRANTS, CONTRACTS AND CONTRIBUTIONS RECEIVABLE	<u>\$ 4,130,635</u>	<u>\$ 50,964</u>	<u>\$ 5,150,884</u>	<u>\$ 9,332,483</u>

3. LEASE COMMITMENT

In June 2008, GRS entered into a lease agreement for office space, commencing July 1, 2008 and expiring July 1, 2013. During 2011, the lease was extended through July 1, 2018 under the same terms and conditions of the existing agreement. In March 2018, GRS signed a lease agreement for five years commencing July 1, 2018 expiring July 1, 2023 with an option to extend for an additional five years. Base payments are \$4,244 per month increasing by about 3% per year.

GRS signed a new lease in December 2018 in Lusaka, for approximately ZMW 18,000 (\$1,500 USD) a month for seven years with lease payments increasing by 5% each year. The lease expires on November 30, 2025. The lease is renewable every five years.

During 2018, GRS elected to early implement Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02 related to leases. ASU 2016-02 requires the recognition of a right-of-use asset and corresponding lease liability, initially measured at the present value of the lease payments. Accordingly, with the early adoption and implementation of the ASU using a modified retrospective approach, GRS recorded right-of-use assets and operating lease liabilities of \$352,788 by calculating the net present value of the lease commitments using a discount rate of 5.75%.

The right-of-use assets and operating lease liabilities are being amortized over the respective lives of the leases. As of December 31, 2018, the right-of-use assets and unamortized operating lease liabilities were valued at \$331,068.

GRS also has various lease agreements in foreign countries for office space and intern housing through 2025. Future minimum commitments are as follows:

Year Ending December 31,

2019	\$ 167,865
2020	131,840
2021	101,631
2022	89,034
2023	57,598
Thereafter	<u>49,698</u>
	<u>\$ 597,666</u>

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

3. LEASE COMMITMENT (Continued)

Occupancy expense, including short-term lease agreements in foreign countries, utilities and storage space, totaled \$232,236 for the year ended December 31, 2018.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018:

United States of America	\$ 5,385,161
South Africa	1,826,156
Zambia	545,220
Zimbabwe	537,367
Nigeria	497,750
GRSP	119,183
Papua New Guinea	100,000
Equatorial Guinea	100,000
Mozambique	100,000
Malawi	42,505
Global	24,336
Europe	<u>17,000</u>

TOTAL NET ASSETS WITH DONOR RESTRICTIONS **\$ 9,294,678**

5. NET ASSETS RELEASED FROM RESTRICTIONS

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

South Africa	\$ 2,904,233
United States of America	1,501,667
Zambia	576,198
Zimbabwe	485,368
Nigeria	459,224
Malawi	170,193
Mozambique	156,956
GRSP	110,594
Equatorial Guinea	97,231
Papua New Guinea	81,716
Tanzania	53,738
Botswana	37,040
Lesotho	34,075
Partnerships SA	28,645
Ghana	23,576
Liberia	21,354
Global	11,801
Swaziland	10,242
Peace Corps Zambia	3,611
Kenya	<u>1,086</u>

TOTAL NET ASSETS RELEASED FROM RESTRICTIONS **\$ 6,768,548**

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Combined Statement of Financial Position date comprise the following at December 31, 2018:

Cash and cash equivalents	\$ 1,312,194
Employee and partner advances and other	128,050
Contributions receivable	5,150,884
Grants and contracts receivable	<u>4,181,599</u>
Subtotal financial assets available	10,772,727
Less: Donor restricted funds	<u>(9,294,678)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,478,049</u>
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GRS has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018, GRS has financial assets equal to approximately two months of operating expenses. In addition, GRS has a line of credit agreement (as further discussed in Note 11) which allows for additional available borrowings up to \$600,000.

7. CONTINGENCY

Grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits.

Audits in accordance with the applicable provisions have been completed for the fiscal year ending December 31, 2018. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

8. FOREIGN OPERATIONS

GRS maintains facilities in South Africa, Zambia, Zimbabwe and Europe, as well as administers programs in several other foreign countries via relationships with implementing partners.

As of December 31, 2018, GRS had current assets, including cash, receivables, prepaid expenses and inventories to be utilized for overseas operations totaling \$4,179,324. Additionally, property and equipment, net of accumulated depreciation, amounted to \$49,830. Liabilities in other countries totaled \$99,915. Total support and revenue received for foreign operations amounted to \$4,506,491 for the year ended December 31, 2018.

Foreign currency transaction gains, resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, totaled \$(92,674) in 2018, and has been reported separately in the accompanying Combined Statement of Activities and Change in Net Assets.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

9. EXPENSES - BY SEGMENT

The following is a detail of expenses, by country, for the year ended December 31, 2018:

	<u>South Africa</u>	<u>Zambia</u>	<u>Zimbabwe</u>	<u>Global Operations</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 1,542,209	\$ 346,736	\$ 429,147	\$ 1,975,070	\$ 4,293,162
Contract labor	510,300	93,837	159,396	197,581	961,114
Travel	311,364	186,033	49,950	398,783	946,130
Subgrant Expense	111,746	-	-	635,559	747,305
Program Supplies	442,906	107,016	42,232	14,864	607,018
Professional fees	72,921	11,962	12,960	361,620	459,463
Occupancy	45,494	14,283	20,147	152,312	232,236
Meeting expense	30,661	48,355	11,294	88,505	178,815
Subscriptions and fees	3,865	1,883	927	102,258	108,933
Printing and production	28,135	29,460	9,096	30,353	97,044
Telecommunications	33,044	24,377	8,649	27,752	93,822
Insurance	27,476	1,708	1,615	46,224	77,023
Supplies/equipment	24,718	2,644	13,375	29,128	69,865
Repairs and maintenance	15,405	14,422	16,404	20,597	66,828
Depreciation	20,481	10,645	3,955	16,096	51,177
Other expenses	39,469	915	53	5,946	46,383
Bank fee and service charges	5,937	2,639	11,386	23,734	43,696
Equipment rental	23,166	4,578	1,741	11,380	40,865
Advertising	1,035	719	7,158	11,389	20,301
Education and conferences	6,964	1,551	700	5,077	14,292
Postage and delivery	<u>1,579</u>	<u>118</u>	<u>532</u>	<u>5,896</u>	<u>8,125</u>
TOTAL	<u>\$ 3,298,875</u>	<u>\$ 903,881</u>	<u>\$ 800,717</u>	<u>\$ 4,160,124</u>	<u>\$ 9,163,597</u>

GRS Global Operations -

GRS Global Operations consist of costs incurred at GRS offices in the United States and Europe as well as costs incurred for partner led programs in various countries where GRS provides technical assistance.

10. RETIREMENT PLAN

Effective March 1, 2011, GRS implemented a defined contribution 401(k) plan to provide retirement benefits to its employees. Employees are eligible to receive any matching or discretionary contributions after one year of service and the plan has a four-year graded vesting schedule. Matching contributions are determined annually by GRS as a fixed percentage of salary for all participating employees. Discretionary contributions are determined annually by GRS and are allocated based on the employee's salary as a percentage of the total organizational salary.

11. LINE OF CREDIT

In August 2013, GRS opened a line of credit with a financial institution for \$600,000, which is renewed annually, expires in September 2019. The interest rate as of December 31, 2018 is 5.75%.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. LINE OF CREDIT (Continued)

Interest on the line of credit balance shall bear the prime rate plus .5%, but in no case less than 4% per annum. There was no outstanding balance on the line of credit as of December 31, 2018.

12. SUBSEQUENT EVENTS

In preparing these combined financial statements, GRS has evaluated events and transactions for potential recognition or disclosure through June 20, 2019, the date the combined financial statements were issued.