

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2010**

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, 2011, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from GRS's 2010 financial statements and, in our report dated November 14, 2011, we expressed an unqualified opinion on those statements.

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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GRS's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2011, and change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2012 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 that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

September 29, 2012

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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, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,822,853	\$ 1,498,941
Employee and partner advances	91,326	67,168
Grants receivable (Note 2)	2,639,490	3,710,834
Pledges receivable	523,673	36,354
Inventory	224,727	394,479
Prepaid expenses	<u>64,667</u>	<u>60,147</u>
Total current assets	<u>5,366,736</u>	<u>5,767,923</u>
FIXED ASSETS		
Furniture and equipment	24,917	11,806
Computer equipment	98,938	85,431
Vehicles	95,072	103,464
Leasehold improvements	12,805	3,058
Software	<u>35,839</u>	<u>35,840</u>
	267,571	239,599
Less: Accumulated depreciation and amortization	<u>(183,575)</u>	<u>(134,434)</u>
Net fixed assets	<u>83,996</u>	<u>105,165</u>
OTHER ASSETS		
Deposits	21,862	26,773
Grants receivable, net of current portion (Note 2)	<u>121,376</u>	<u>814,956</u>
Total other assets	<u>143,238</u>	<u>841,729</u>
TOTAL ASSETS	<u>\$ 5,593,970</u>	<u>\$ 6,714,817</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ <u>181,134</u>	\$ <u>207,386</u>
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NET ASSETS

Unrestricted	1,734,134	1,389,760
Temporarily restricted (Note 4)	<u>3,678,702</u>	<u>5,117,671</u>
Total net assets	<u>5,412,836</u>	<u>6,507,431</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,593,970</u>	<u>\$ 6,714,817</u>
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See accompanying notes to financial statements.

GRASSROOT SOCCER, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	2011			2010
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants	\$ -	\$ 2,760,144	\$ 2,760,144	\$ 5,299,364
Contributions	1,740,061	574,735	2,314,796	1,359,494
In-kind contributions	-	106,823	106,823	429,139
Special events	392,579	-	392,579	292,231
Interest income	8,736	288	9,024	5,586
Other	32,697	38,509	71,206	467,393
Net assets released from donor restrictions (Note 5)	<u>5,031,236</u>	<u>(5,031,236)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>7,205,309</u>	<u>(1,550,737)</u>	<u>5,654,572</u>	<u>7,853,207</u>
EXPENSES				
Program Services	<u>4,679,617</u>	<u>-</u>	<u>4,679,617</u>	<u>4,339,507</u>
Supporting Services:				
Management and General	1,454,449	-	1,454,449	1,264,044
Fundraising	<u>488,469</u>	<u>-</u>	<u>488,469</u>	<u>401,019</u>
Total supporting services	<u>1,942,918</u>	<u>-</u>	<u>1,942,918</u>	<u>1,665,063</u>
Total expenses	<u>6,622,535</u>	<u>-</u>	<u>6,622,535</u>	<u>6,004,570</u>
Change in net assets before other item	582,774	(1,550,737)	(967,963)	1,848,637
OTHER ITEM				
Currency (loss) gain (Note 8)	<u>(238,400)</u>	<u>111,768</u>	<u>(126,632)</u>	<u>18,512</u>
Change in net assets	344,374	(1,438,969)	(1,094,595)	1,867,149
Net assets at beginning of year	<u>1,389,760</u>	<u>5,117,671</u>	<u>6,507,431</u>	<u>4,640,282</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,734,134</u>	<u>\$ 3,678,702</u>	<u>\$ 5,412,836</u>	<u>\$ 6,507,431</u>

See accompanying notes to financial statements.

GRASSROOT SOCCER, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	2011			2010	
	Program Services	Supporting Services		Total Expenses	Total Expenses
		Management and General	Fundraising		
Salaries and related benefits (Note 9)	\$ 1,635,438	\$ 1,091,095	\$ 242,624	\$ 2,969,157	\$ 2,491,282
Contract labor	787,786	65,460	32,089	885,335	472,755
Travel	516,974	42,147	45,842	604,963	875,630
Program supplies	358,993	-	-	358,993	371,040
Meeting expense	250,664	6,149	51,513	308,326	373,580
Occupancy (Note 3)	190,696	73,054	16,245	279,995	244,005
Subgrant expense	242,909	-	-	242,909	209,460
Professional fees	109,821	41,836	30,078	181,735	201,990
Telecommunications	121,449	35,576	10,496	167,521	157,028
Supplies/equipment	113,570	24,899	7,539	146,008	145,462
Printing and reproduction	101,556	4,936	4,374	110,866	153,450
Depreciation and amortization	35,917	23,962	5,328	65,207	55,467
Postage and delivery	30,277	5,363	7,522	43,162	25,520
Insurance	29,210	9,904	2,202	41,316	29,232
Education and training	40,948	-	-	40,948	29,309
Bank fees and service charges	12,249	6,480	18,483	37,212	33,208
Repairs and maintenance	21,593	8,058	1,792	31,443	28,340
Advertising	27,032	757	1,881	29,670	32,837
Other expenses	17,881	2,212	1,221	21,314	24,046
License and permits	8,514	4,791	6,746	20,051	19,100
Dues and subscriptions	9,912	6,411	2,192	18,515	16,086
Equipment rental	16,228	1,359	302	17,889	15,743
TOTAL	\$ 4,679,617	\$ 1,454,449	\$ 488,469	\$ 6,622,535	\$ 6,004,570

GRASSROOT SOCCER, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,094,595)	\$ 1,867,149
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	65,207	55,467
Donated fixed assets	-	(34,447)
Gain on sale of fixed assets	(13,827)	(713)
Donated inventory received	(106,823)	(391,189)
Donated inventory disbursed	276,575	219,047
(Increase) decrease in:		
Employee and partner advances	(24,158)	(22,762)
Grants receivable	1,764,924	(990,604)
Pledges receivable	(487,319)	(448)
Prepaid expenses	(4,520)	(21,600)
Deposits	4,911	(6,754)
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(26,252)</u>	<u>50,703</u>
Net cash provided by operating activities	<u>354,123</u>	<u>723,849</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(54,299)	(27,420)
Proceeds from sale of fixed assets	<u>24,088</u>	<u>1,296</u>
Net cash used by investing activities	<u>(30,211)</u>	<u>(26,124)</u>
Net increase in cash and cash equivalents	323,912	697,725
Cash and cash equivalents at beginning of year	<u>1,498,941</u>	<u>801,216</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,822,853</u>	<u>\$ 1,498,941</u>

See accompanying notes to financial statements.

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Grassroot Soccer, Inc. (GRS) is a non-profit 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 FASB ASC 958, *Not-for-Profit Entities*.

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's financial statements for the year ended December 31, 2010, 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.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). GRS maintains a portion of its cash balances at financial institutions in noninterest-bearing accounts; thereby, all of these cash balances are protected by FDIC under this Act.

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

GRS had \$569,284 of cash and cash equivalents held in accounts in foreign countries at December 31, 2011. 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 Statement of Financial Position.

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

Receivables -

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

Pledges are written unconditional promises to make future payments and are included in the financial statements as pledges receivable and recognized as revenue in the period pledged. Pledge 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. GRS did not have any pledges extending beyond one year as of December 31, 2011, and therefore, a discount has not been established.

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. Fixed assets purchased with federal funds are expensed and charged to the corresponding program.

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 ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2011, GRS has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Inventory -

Inventory consists of donated sport apparel, shoes and other materials, which are recorded at fair market value as of the date of donation. The inventory is disbursed on an as needed basis.

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

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.

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor. Grants and contributions 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. Grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

In-kind contributions -

In-kind contributions consisted of donated inventory, which has been included in temporarily restricted net assets and will be released upon sale or distribution 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.

Volunteer services -

GRS receives a significant amount of donated time from various volunteers. These donated services are not reflected in the accompanying financial statements since these services do not meet the criteria for recognition as contributed services.

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.

GRASSROOT SOCCER, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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

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. **GRANTS RECEIVABLE**

As of December 31, 2011, contributors to GRS have made written promises to give totaling \$2,760,866.

Grants are due as follows at December 31, 2011:

Less than one year	\$2,639,490
One to five years	<u>121,376</u>
GRANTS RECEIVABLE	<u>\$2,760,866</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.

GRS entered into various lease agreements in foreign countries for office space and intern housing through 2014.

Future minimum commitments are as follows:

<u>Year Ending December 31,</u>	
2012	\$ 163,548
2013	64,235
2014	<u>6,622</u>
	<u>\$ 234,405</u>

Occupancy expense, including short-term lease agreements in foreign countries, utilities and storage space totaled \$279,995 for the year ended December 31, 2011.

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2011:

South Africa	\$ 1,638,056
Zambia	641,578
Zimbabwe	657,747
United States of America	400,000
Malawi	106,950
Tanzania	87,342
Global - Other	68,050
Kenya	67,037
Europe	<u>11,942</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$3,678,702</u>

5. 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	\$ 2,994,283
Zambia	846,325
Zimbabwe	556,174
Malawi	239,267
Tanzania	105,901
Global	90,626
Nigeria	54,762
India	29,462
Central African Republic	27,727
Kenya	26,919
Namibia	23,311
United States of America	15,394
Europe	11,137
Lesotho	6,118
Mauritius	<u>3,830</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$5,031,236</u>

6. CONTINGENCY

GRS receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. 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 provisions of OMB Circular A-133 have been completed for all required fiscal years through 2011. Management is of the opinion that no material liability will result from such audits.

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

7. EXPENSES - BY SEGMENT

The following is a detail of expenses by country for the year ended December 31, 2011:

	<u>South Africa</u>	<u>Zambia</u>	<u>Zimbabwe</u>	<u>Global Operations</u>	<u>Total Expenses</u>
Salaries and related benefits	\$1,343,858	\$ 251,854	\$ 327,179	\$ 1,046,266	\$ 2,969,157
Contract labor	433,167	229,777	92,943	129,448	885,335
Travel	202,676	133,513	72,254	196,520	604,963
Program supplies	280,777	38,582	26,933	12,701	358,993
Meeting expense	150,278	49,465	29,766	78,817	308,326
Occupancy	146,857	14,095	19,020	100,023	279,995
Subgrant expense	159,091	79,660	4,158	-	242,909
Professional fees	39,731	16,934	4,131	120,939	181,735
Telecommunications	103,016	19,135	17,976	27,394	167,521
Supplies/equipment	58,622	8,130	48,550	30,706	146,008
Printing and reproduction	30,202	42,563	4,984	33,117	110,866
Depreciation and amortization	37,332	7,510	4,555	15,810	65,207
Postage and delivery	26,443	2,185	2,729	11,805	43,162
Insurance	16,282	1,127	175	23,732	41,316
Education and training	12,759	10,369	2,485	15,335	40,948
Bank fees and service charges	8,534	2,474	5,576	20,628	37,212
Repairs and maintenance	13,148	6,397	8,539	3,359	31,443
Advertising	3,820	15,475	6,068	4,307	29,670
Other expenses	11,371	-	-	9,943	21,314
License and permits	2,336	1,837	1,620	14,258	20,051
Dues and subscriptions	3,484	466	-	14,565	18,515
Equipment rental	3,201	7,968	3,500	3,220	17,889
TOTAL	<u>\$3,086,985</u>	<u>\$ 939,516</u>	<u>\$ 683,141</u>	<u>\$ 1,912,893</u>	<u>\$ 6,622,535</u>

GRS Global Expenses -

GRS global expenses consist of costs incurred for projects that benefit multiple countries or where a specific country cannot be identified. The global expenses consisted of the following for the year ended December 31, 2011:

United States of America	\$ 979,504
Malawi	280,961
Global	270,007
Tanzania	118,376
Europe	89,700
Nigeria	52,276
Kenya	31,027
India	28,080
Central African Republic	28,030
Namibia	24,092
Lesotho	5,339
Mauritius	3,924
Botswana	1,577
TOTAL	<u>\$ 1,912,893</u>

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

8. FOREIGN OPERATIONS

GRS maintains facilities in South Africa, Zambia, Zimbabwe, Malawi and Europe, as well as administers programs in several other foreign countries via relationships with implementing partners. As of December 31, 2011, GRS had current assets, including cash, receivables, prepaid expenses and inventories to be utilized for overseas operations totaling \$3,628,037. Additionally, property and equipment, net of accumulated depreciation, amounted to \$71,064. Liabilities in other countries totaled \$108,823. Total support and revenue received for foreign operations amounted to \$3,070,297 for the year ended December 31, 2011.

Foreign currency transaction gains (losses), resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, totaled \$(126,632) in 2011, and have been reported separately in the accompanying Statement of Activities and Change in Net Assets.

9. 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. GRS did not elect any matching or discretionary contributions as of December 31, 2011.

10. SUBSEQUENT EVENTS

In preparing these financial statements, GRS has evaluated events and transactions for potential recognition or disclosure through September 29, 2012, the date the financial statements were issued.