

FINANCIAL STATEMENTS

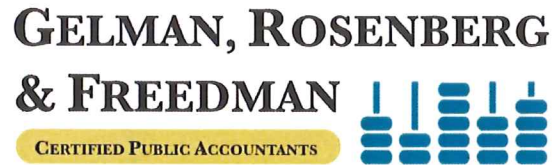


**FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2011**

GRASSROOT SOCCER, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Grassroot Soccer, Inc. (GRS), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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, 2012, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited GRS's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bethesda, Maryland
September 25, 2013

GRASSROOT SOCCER, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

ASSETS		<u>2012</u>	<u>2011</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,474,098	\$ 1,822,853
Employee and partner advances		142,073	91,326
Grants receivable (Note 2)		2,038,498	2,639,490
Contributions receivable (Note 2)		509,461	523,673
Inventory		111,115	224,727
Prepaid expenses		<u>60,565</u>	<u>64,667</u>
Total current assets		<u>4,335,810</u>	<u>5,366,736</u>
FIXED ASSETS			
Furniture and equipment		25,246	24,917
Computer equipment		82,869	98,938
Vehicles		76,107	95,072
Leasehold improvements		12,805	12,805
Software		<u>40,845</u>	<u>35,839</u>
		237,872	267,571
Less: Accumulated depreciation and amortization		<u>(188,001)</u>	<u>(183,575)</u>
Net fixed assets		<u>49,871</u>	<u>83,996</u>
OTHER ASSETS			
Deposits		24,545	21,862
Grants receivable, net of current portion and discount of \$50,234 in 2012 (Note 2)		1,064,012	121,376
Contributions receivable, net of current portion and discount of \$23,360 in 2012 (Note 2)		<u>476,640</u>	<u>-</u>
Total other assets		<u>1,565,197</u>	<u>143,238</u>
TOTAL ASSETS		<u>\$ 5,950,878</u>	<u>\$ 5,593,970</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	<u>104,439</u>	\$ <u>181,134</u>
NET ASSETS			
Unrestricted		891,681	1,734,134
Temporarily restricted (Note 4)		<u>4,954,758</u>	<u>3,678,702</u>
Total net assets		<u>5,846,439</u>	<u>5,412,836</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 5,950,878</u>	<u>\$ 5,593,970</u>

See accompanying notes to financial statements.

GRASSROOT SOCCER, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	<u>2012</u>			<u>2011</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Grants and contracts	\$ 24,596	\$ 5,166,387	\$ 5,190,983	\$ 2,781,626
Contributions	948,509	1,196,997	2,145,506	2,314,796
Special events	350,825	3,299	354,124	392,579
In-kind contributions	-	68,269	68,269	106,823
Other	34,965	6,272	41,237	49,724
Interest income	9,041	-	9,041	9,024
Net assets released from donor restrictions (Note 5)	<u>5,144,291</u>	<u>(5,144,291)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>6,512,227</u>	<u>1,296,933</u>	<u>7,809,160</u>	<u>5,654,572</u>
EXPENSES (Note 7)				
Program Services	<u>4,851,054</u>	<u>-</u>	<u>4,851,054</u>	<u>4,679,617</u>
Supporting Services:				
Management and General	1,691,066	-	1,691,066	1,454,449
Fundraising	<u>786,233</u>	<u>-</u>	<u>786,233</u>	<u>488,469</u>
Total supporting services	<u>2,477,299</u>	<u>-</u>	<u>2,477,299</u>	<u>1,942,918</u>
Total expenses	<u>7,328,353</u>	<u>-</u>	<u>7,328,353</u>	<u>6,622,535</u>
Change in net assets before other item	(816,126)	1,296,933	480,807	(967,963)
OTHER ITEM				
Currency loss (Note 8)	<u>(26,327)</u>	<u>(20,877)</u>	<u>(47,204)</u>	<u>(126,632)</u>
Change in net assets	(842,453)	1,276,056	433,603	(1,094,595)
Net assets at beginning of year	<u>1,734,134</u>	<u>3,678,702</u>	<u>5,412,836</u>	<u>6,507,431</u>
NET ASSETS AT END OF YEAR	<u>\$ 891,681</u>	<u>\$ 4,954,758</u>	<u>\$ 5,846,439</u>	<u>\$ 5,412,836</u>

See accompanying notes to financial statements.

GRASSROOT SOCCER, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	2012			2011	
	Program Services	Supporting Services		Total Expenses	Total Expenses
		Management and General	Fundraising		
Salaries and related benefits	\$ 1,524,415	\$ 1,375,714	\$ 378,411	\$ 3,278,540	\$ 2,969,157
Contract labor	788,575	16,005	81,972	886,552	885,335
Travel	501,373	52,890	95,204	649,467	604,963
Subgrant expense	422,606	-	-	422,606	242,909
Program supplies	384,275	-	-	384,275	358,993
Meeting expense	265,409	9,393	23,262	298,064	308,326
Occupancy (Note 3)	198,520	67,473	25,507	291,500	279,995
Professional fees	174,914	46,890	58,320	280,124	181,735
Telecommunications	116,748	18,739	13,958	149,445	167,521
Printing and reproduction	110,586	9,564	16,288	136,438	110,866
Supplies/equipment	78,066	24,542	7,499	110,107	146,008
Dues and subscriptions	11,689	9,574	40,958	62,221	18,515
Repairs and maintenance	44,745	8,043	2,406	55,194	31,443
Insurance	34,818	14,039	3,862	52,719	41,316
Depreciation and amortization	23,391	21,109	5,807	50,307	65,207
Other expenses	45,360	1,111	1,296	47,767	21,314
Equipment rental	33,046	1,730	1,633	36,409	17,889
Bank fees and service charges	12,638	6,436	15,335	34,409	37,212
Advertising	26,172	940	3,934	31,046	29,670
Postage and delivery	20,193	3,681	4,678	28,552	43,162
Education and training	25,389	371	192	25,952	40,948
License and permits	8,126	2,822	5,711	16,659	20,051
TOTAL	\$ 4,851,054	\$ 1,691,066	\$ 786,233	\$ 7,328,353	\$ 6,622,535

See accompanying notes to financial statements.

GRASSROOT SOCCER, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 433,603	\$ (1,094,595)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	50,307	65,207
Gain on sale of fixed assets	(2,762)	(13,827)
Donated inventory received	(68,269)	(106,823)
Donated inventory disbursed	181,882	276,575
Change in discount on long-term receivables	73,594	-
(Increase) decrease in:		
Employee and partner advances	(50,747)	(24,158)
Grants receivable	(391,878)	1,764,924
Contributions receivable	(485,788)	(487,319)
Prepaid expenses	4,102	(4,520)
Deposits	(2,683)	4,911
Decrease in:		
Accounts payable and accrued liabilities	<u>(76,695)</u>	<u>(26,252)</u>
Net cash (used) provided by operating activities	<u>(335,334)</u>	<u>354,123</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(17,873)	(54,299)
Proceeds from sale of fixed assets	<u>4,452</u>	<u>24,088</u>
Net cash used by investing activities	<u>(13,421)</u>	<u>(30,211)</u>
Net (decrease) increase in cash and cash equivalents	(348,755)	323,912
Cash and cash equivalents at beginning of year	<u>1,822,853</u>	<u>1,498,941</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,474,098</u>	<u>\$ 1,822,853</u>

See accompanying notes to financial statements.

GRASSROOT SOCCER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2011, 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") provided temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). GRS maintained a portion of its cash balance at a financial institution in a non-interest bearing account; thereby, all of this cash balance was protected by the FDIC under this Act. Beginning January 1, 2013, funds deposited in non-interest bearing accounts will no longer receive unlimited deposit insurance coverage. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of \$250,000. Management believes the risk in these situations to be minimal.

GRS had \$693,056 of cash and cash equivalents held in accounts in foreign countries at December 31, 2012. 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.

Receivables -

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

GRASSROOT SOCCER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

Receivables (continued) -

Contributions are written unconditional promises to make future payments and are included in the financial statements as contributions receivable and 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 receivable are recorded at their net realizable value, which approximates fair value. Grants 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.

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 -

For the year ended December 31, 2012, 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 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.

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.

GRASSROOT SOCCER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

Net asset classification (continued) -

- **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, contributions and contracts -

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. Contracts are recorded as unrestricted revenue as reimbursable costs are incurred or on a percentage of completion method (if a fixed price agreement).

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.

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.

GRASSROOT SOCCER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2012, contributors to GRS have made written promises to give \$3,152,744 in grants and \$1,009,461 in contributions.

Grants are due as follows at December 31, 2012:

Less than one year	\$2,038,498
One to five years	<u>1,114,246</u>
Total	3,152,744
Less: Allowance to discount balance to present value	<u>(50,234)</u>
TOTAL GRANTS RECEIVABLE	<u>\$3,102,510</u>

Contributions are due as follows at December 31, 2012:

Less than one year	\$ 509,461
One to five years	<u>500,000</u>
Total	1,009,461
Less: Allowance to discount balance to present value	<u>(23,360)</u>
TOTAL CONTRIBUTIONS RECEIVABLE	<u>\$ 986,101</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.

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>	
2013	\$ 168,999
2014	70,912
2015	60,071
2016	60,071
2017	60,071
Thereafter	<u>30,036</u>
	<u>\$ 450,160</u>

Occupancy expense, including short-term lease agreements in foreign countries, utilities and storage space totaled \$291,500 for the year ended December 31, 2012.

GRASSROOT SOCCER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2012:

South Africa	\$1,908,340
United States of America	926,640
Ukraine	874,803
Zimbabwe	566,353
Zambia	438,571
Global - Other	130,761
Nigeria	74,586
Equatorial Guinea	23,998
Tanzania	10,608
Lesotho	<u>98</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$4,954,758</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	\$2,422,220
Zambia	728,847
Zimbabwe	652,158
United States of America	400,000
Nigeria	321,752
Global	132,906
Malawi	129,785
Ukraine	114,975
Tanzania	113,617
Equatorial Guinea	74,902
Kenya	39,485
Europe	11,942
Lesotho	<u>1,702</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$5,144,291</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 2012. Management is of the opinion that no material liability will result from such audits.

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

7. EXPENSES - BY SEGMENT

The following is a detail of expenses by country for the year ended December 31, 2012:

	<u>South Africa</u>	<u>Zambia</u>	<u>Zimbabwe</u>	<u>Global Operations</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 1,194,856	\$ 336,464	\$ 450,374	\$ 1,296,846	\$ 3,278,540
Contract labor	491,410	170,330	126,057	98,755	886,552
Travel	197,703	75,995	77,414	298,355	649,467
Subgrant expense	-	83,325	-	339,281	422,606
Program supplies	299,583	44,271	28,164	12,257	384,275
Meeting expense	158,157	50,636	25,272	63,999	298,064
Occupancy	133,774	20,475	23,894	113,357	291,500
Professional fees	95,642	11,590	41,734	131,158	280,124
Telecommunications	78,024	24,397	16,146	30,878	149,445
Printing and reproduction	30,945	31,677	8,016	65,800	136,438
Supplies/equipment	69,628	8,228	13,869	18,382	110,107
Dues and subscriptions	954	2,075	191	59,001	62,221
Repairs and maintenance	23,733	14,420	11,899	5,142	55,194
Insurance	22,484	1,676	1,680	26,879	52,719
Depreciation and amortization	27,775	8,804	6,326	7,402	50,307
Other expenses	2,485	113	437	44,732	47,767
Equipment rental	3,427	20,500	6,340	6,142	36,409
Bank fees and service charges	7,531	1,488	5,964	19,426	34,409
Advertising	702	10,633	5,743	13,968	31,046
Postage and delivery	10,319	2,372	1,763	14,098	28,552
Education and training	19,788	690	2,830	2,644	25,952
License and permits	2,490	2,206	2,011	9,952	16,659
TOTAL	<u>\$ 2,871,410</u>	<u>\$ 922,365</u>	<u>\$ 856,124</u>	<u>\$ 2,678,454</u>	<u>\$ 7,328,353</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. The following is a detail of expenses for the year ended December 31, 2012:

United States of America	\$ 1,227,465
Unallocated*	546,700
Nigeria	321,933
Malawi	193,176
Tanzania	109,607
Ukraine	102,435
Equatorial Guinea	72,507
Europe	59,008
Kenya	43,792
Lesotho	1,702
India	129
TOTAL	<u>\$ 2,678,454</u>

* Unallocated expenses consist of costs incurred for projects that benefit multiple countries and/or where allocation to a specific county cannot be identified.

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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, 2012, GRS had current assets, including cash, receivables, prepaid expenses and inventories to be utilized for overseas operations totaling \$3,973,149. Additionally, property and equipment, net of accumulated depreciation, amounted to \$37,960. Liabilities in other countries totaled \$81,078. Total support and revenue received for foreign operations amounted to \$5,575,963 for the year ended December 31, 2012.

Foreign currency transaction losses, resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, totaled \$(47,204) in 2012, 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, 2012.

10. SUBSEQUENT EVENTS

In preparing these financial statements, GRS has evaluated events and transactions for potential recognition or disclosure through September 25, 2013, the date the financial statements were issued.

In August 2013, GRS opened a line of credit with a financial institution for \$600,000 that expires in August 2014. Interest on the line of credit balance shall bear the prime rate plus .5%, but in no case less than 4% per annum.