

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2012**

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, 2013, 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. 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.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
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, 2013, 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

June 11, 2014

GRASSROOT SOCCER, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

ASSETS		<u>2013</u>	<u>2012</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	976,010	\$ 1,474,098
Employee and partner advances		179,425	142,073
Grants and contracts receivable (Note 2)		2,156,064	2,038,498
Contributions receivable		650,813	509,461
Inventory		107,667	111,115
Prepaid expenses		<u>67,452</u>	<u>60,565</u>
Total current assets		<u>4,137,431</u>	<u>4,335,810</u>
FIXED ASSETS			
Furniture and equipment		25,246	25,246
Computer equipment		76,574	82,869
Vehicles		70,920	76,107
Leasehold improvements		12,805	12,805
Software		<u>40,845</u>	<u>40,845</u>
		226,390	237,872
Less: Accumulated depreciation and amortization		<u>(186,901)</u>	<u>(188,001)</u>
Net fixed assets		<u>39,489</u>	<u>49,871</u>
OTHER ASSETS			
Deposits		28,280	24,545
Grants and contracts receivable, net of current portion and discount of \$44,905 and \$50,234 in 2013 and 2012, respectively (Note 2)		1,155,126	1,064,012
Contributions receivable, net of current portion and discount of \$23,360 in 2012		<u>-</u>	<u>476,640</u>
Total other assets		<u>1,183,406</u>	<u>1,565,197</u>
TOTAL ASSETS (Note 8)		<u>\$ 5,360,326</u>	<u>\$ 5,950,878</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	<u>203,682</u>	\$ <u>104,439</u>
NET ASSETS			
Unrestricted		204,480	891,681
Temporarily restricted (Note 4)		<u>4,952,164</u>	<u>4,954,758</u>
Total net assets		<u>5,156,644</u>	<u>5,846,439</u>
TOTAL LIABILITIES AND NET ASSETS (Note 8)		<u>\$ 5,360,326</u>	<u>\$ 5,950,878</u>

See accompanying notes to financial statements.

GRASSROOT SOCCER, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	<u>2013</u>			<u>2012</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Grants and contracts	\$ 67,679	\$ 4,685,488	\$ 4,753,167	\$ 5,190,983
Contributions	1,672,323	159,528	1,831,851	2,145,506
Special events	803,325	1,607	804,932	354,124
In-kind contributions	-	151,451	151,451	68,269
Other	33,421	24,943	58,364	41,237
Interest income	6,041	-	6,041	9,041
Net assets released from donor restrictions (Note 5)	<u>5,066,901</u>	<u>(5,066,901)</u>	<u>-</u>	<u>-</u>
Total revenue (Note 8)	<u>7,649,690</u>	<u>(43,884)</u>	<u>7,605,806</u>	<u>7,809,160</u>
EXPENSES (Note 7)				
Program Services	<u>5,846,978</u>	<u>-</u>	<u>5,846,978</u>	<u>4,851,054</u>
Supporting Services:				
Management and General	1,399,645	-	1,399,645	1,691,066
Fundraising	<u>995,778</u>	<u>-</u>	<u>995,778</u>	<u>786,233</u>
Total supporting services	<u>2,395,423</u>	<u>-</u>	<u>2,395,423</u>	<u>2,477,299</u>
Total expenses	<u>8,242,401</u>	<u>-</u>	<u>8,242,401</u>	<u>7,328,353</u>
Change in net assets before other item	(592,711)	(43,884)	(636,595)	480,807
OTHER ITEM				
Currency gain (loss) (Note 8)	<u>(94,490)</u>	<u>41,290</u>	<u>(53,200)</u>	<u>(47,204)</u>
Change in net assets	(687,201)	(2,594)	(689,795)	433,603
Net assets at beginning of year	<u>891,681</u>	<u>4,954,758</u>	<u>5,846,439</u>	<u>5,412,836</u>
NET ASSETS AT END OF YEAR	<u>\$ 204,480</u>	<u>\$ 4,952,164</u>	<u>\$ 5,156,644</u>	<u>\$ 5,846,439</u>

GRASSROOT SOCCER, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	2013			2012	
	Program Services	Supporting Services		Total Expenses	Total Expenses
Management and General		Fundraising			
Salaries and related benefits (Note 9)	\$ 1,823,552	\$ 1,222,790	\$ 668,067	\$ 3,714,409	\$ 3,278,540
Subgrant expense	1,099,658	-	-	1,099,658	422,606
Contract labor	834,916	6,558	18,116	859,590	886,552
Travel	515,078	28,551	116,985	660,614	649,467
Program supplies	360,910	40	22	360,972	384,275
Occupancy (Note 3)	218,901	29,546	31,582	280,029	291,500
Meeting expense	224,965	17,928	13,798	256,691	298,064
Professional fees	155,020	21,618	15,632	192,270	280,124
Telecommunications	114,028	6,941	9,875	130,844	149,445
Printing and reproduction	107,668	4,236	8,916	120,820	136,438
Other expenses	78,444	4,242	5,045	87,731	47,767
Supplies/equipment	62,393	12,559	10,202	85,154	110,107
Dues and subscriptions	15,966	8,500	46,164	70,630	62,221
Insurance	39,630	12,515	6,909	59,054	52,719
Repairs and maintenance	38,033	2,906	2,472	43,411	55,194
Education and training	40,433	1,046	618	42,097	25,952
Equipment rental	39,273	1,139	622	41,034	36,409
Bank fees and service charges	16,311	3,831	17,395	37,537	34,409
Advertising	26,993	1,619	6,273	34,885	31,046
Depreciation and amortization	14,812	9,932	5,426	30,170	50,307
License and permits	10,295	2,300	7,565	20,160	16,659
Postage and delivery	9,699	848	4,094	14,641	28,552
TOTAL	\$ 5,846,978	\$ 1,399,645	\$ 995,778	\$ 8,242,401	\$ 7,328,353

GRASSROOT SOCCER, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (689,795)	\$ 433,603
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	30,170	50,307
Gain on sale of fixed assets	(5,135)	(2,762)
Donated inventory received	(151,451)	(68,269)
Donated inventory disbursed	154,899	181,882
Change in discount on long-term receivables	(28,689)	73,594
(Increase) decrease in:		
Employee and partner advances	(37,352)	(50,747)
Grants and contracts receivable	(203,351)	(391,878)
Contributions receivable	358,648	(485,788)
Prepaid expenses	(6,887)	4,102
Deposits	(3,735)	(2,683)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>99,243</u>	<u>(76,695)</u>
Net cash used by operating activities	<u>(483,435)</u>	<u>(335,334)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(27,534)	(17,873)
Proceeds from sale of fixed assets	<u>12,881</u>	<u>4,452</u>
Net cash used by investing activities	<u>(14,653)</u>	<u>(13,421)</u>
Net decrease in cash and cash equivalents	(498,088)	(348,755)
Cash and cash equivalents at beginning of year	<u>1,474,098</u>	<u>1,822,853</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>976,010</u>	\$ <u>1,474,098</u>

GRASSROOT SOCCER, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

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, 2012, 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. 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 \$446,943 of cash and cash equivalents held in accounts in foreign countries at December 31, 2013. 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.

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 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.

GRASSROOT SOCCER, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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

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, 2013, 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.
- **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.

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.

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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

In-kind contributions (continued) -

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.

2. GRANTS AND CONTRACTS RECEIVABLE

As of December 31, 2013, contributors to GRS have made written promises to give \$3,356,095 in grants and contracts, which are due as follows:

Less than one year	\$ 2,156,064
One to five years	<u>1,200,031</u>
Total	3,356,095
Less: Allowance to discount balance to present value	<u>(44,905)</u>
TOTAL GRANTS AND CONTRACTS RECEIVABLE	<u>\$ 3,311,190</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>	
2014	\$ 195,480
2015	74,883
2016	70,687
2017	66,328
2018	<u>32,438</u>
	<u>\$ 439,816</u>

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

3. LEASE COMMITMENT (Continued)

Occupancy expense, including short-term lease agreements in foreign countries, utilities and storage space, totaled \$280,029 for the year ended December 31, 2013.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2013:

South Africa	\$ 1,890,164
Zimbabwe	863,488
Zambia	581,388
United States of America	526,169
Nigeria	400,915
Ukraine	206,584
Malawi	174,978
Tanzania	100,049
Equatorial Guinea	96,267
Global	61,159
Senegal	20,000
Peace Corps Zambia	14,540
Botswana	12,215
Brazil	<u>4,248</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 4,952,164</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	\$ 1,508,352
Zambia	742,373
Ukraine	668,220
Zimbabwe	628,253
Nigeria	506,412
United States of America	493,131
Global	166,774
Tanzania	127,783
Equatorial Guinea	105,691
Brazil	35,276
Ethiopia	19,377
Malawi	15,668
Peace Corps South Africa	11,658
Ghana	9,513
El Salvador	7,325
Swaziland	5,219
Kenya	4,226
Jamaica	4,070
Peace Corps Zambia	3,460
Lesotho	3,202
Botswana	<u>918</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 5,066,901</u>

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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 2013. Management is of the opinion that no material liability will result from such audits.

7. EXPENSES - BY SEGMENT

The following is a detail of expenses by country for the year ended December 31, 2013:

	<u>South Africa</u>	<u>Zambia</u>	<u>Zimbabwe</u>	<u>Global Operations</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 1,206,412	\$ 522,074	\$ 570,365	\$ 1,415,558	\$ 3,714,409
Subgrant expense	5,578	31,929	-	1,062,151	1,099,658
Contract labor	494,879	212,760	110,054	41,897	859,590
Travel	208,282	114,726	67,363	270,243	660,614
Program supplies	135,257	91,602	35,824	98,289	360,972
Occupancy	116,215	24,613	19,723	119,478	280,029
Meeting expense	94,572	64,552	35,471	62,096	256,691
Professional fees	71,764	21,952	28,427	70,127	192,270
Telecommunications	58,577	29,633	13,110	29,524	130,844
Printing and reproduction	32,197	51,389	8,556	28,678	120,820
Other expenses	3,970	11,033	488	72,240	87,731
Supplies/equipment	30,969	13,316	25,875	14,994	85,154
Dues and subscriptions	460	2,628	405	67,137	70,630
Insurance	26,618	1,188	957	30,291	59,054
Repairs and maintenance	23,004	11,423	4,991	3,993	43,411
Education and training	16,455	20,242	5,353	47	42,097
Equipment rental	4,753	22,102	10,955	3,224	41,034
Bank fees and service charges	7,193	1,434	7,158	21,752	37,537
Advertising	2,309	2,736	8,918	20,922	34,885
Depreciation and amortization	7,145	7,475	7,216	8,334	30,170
License and permits	4,172	3,324	1,825	10,839	20,160
Postage and delivery	<u>2,859</u>	<u>346</u>	<u>797</u>	<u>10,639</u>	<u>14,641</u>
TOTAL	<u>\$ 2,553,640</u>	<u>\$ 1,262,477</u>	<u>\$ 963,831</u>	<u>\$ 3,462,453</u>	<u>\$ 8,242,401</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.

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

7. EXPENSES - BY SEGMENT (Continued)

The following is a detail of expenses for the year ended December 31, 2013:

United States of America	\$ 1,150,690
Unallocated*	783,434
Ukraine	647,830
Nigeria	501,042
Tanzania	117,170
Equatorial Guinea	101,626
Europe	38,171
Brazil	31,064
Ethiopia	16,305
Malawi	14,407
Peace Corps South Africa	14,278
Peace Corps Zambia	7,312
Ghana	6,988
El Salvador	6,212
Swaziland	6,054
Kenya	5,341
Jamaica	3,441
Lesotho	2,882
Dominican Republic	2,641
Senegal	2,112
Botswana	1,433
Namibia	1,272
Morocco	713
Cameroon	<u>35</u>
TOTAL	<u>\$ 3,462,453</u>

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

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, 2013, GRS had current assets, including cash, receivables, prepaid expenses and inventories to be utilized for overseas operations totaling \$3,916,104. Additionally, property and equipment, net of accumulated depreciation, amounted to \$26,579. Liabilities in other countries totaled \$127,543. Total support and revenue received for foreign operations amounted to \$5,040,403 for the year ended December 31, 2013.

Foreign currency transaction gains (losses), resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, totaled \$53,200 in 2013, and have been reported separately in the accompanying Statement of Activities and Change in Net Assets.

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013.

10. LINE OF CREDIT

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. There was no outstanding balance on the line of credit as of December 31, 2013.

11. SUBSEQUENT EVENTS

In preparing these financial statements, GRS has evaluated events and transactions for potential recognition or disclosure through June 11, 2014, the date the financial statements were issued.