

COMBINED FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

GRASSROOT SOCCER, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Combined Statement of Financial Position, as of December 31, 2017, with Summarized Financial Information for 2016	4
EXHIBIT B - Combined Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2017, with Summarized Financial Information for 2016	5
EXHIBIT C - Combined Statement of Functional Expenses, for the Year Ended December 31, 2017, with Summarized Financial Information for 2016	6
EXHIBIT D - Combined Statement of Cash Flows, for the Year Ended December 31, 2017, with Summarized Financial Information for 2016	7
NOTES TO COMBINED FINANCIAL STATEMENTS	8 - 15

INDEPENDENT AUDITOR'S REPORT

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

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, 2017, 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, 2017, 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.

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

Report on Summarized Comparative Information

We have previously audited GRS's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 July 16, 2018, 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".

July 16, 2018

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,088,148	\$ 2,168,974
Employee and partner advances and other	129,950	160,879
Grants and contracts receivable	3,194,710	2,474,718
Contributions receivable	443,014	317,688
Inventory	2,673	19,035
Prepaid expenses	114,521	65,009
Total current assets	<u>5,973,016</u>	<u>5,206,303</u>
FIXED ASSETS		
Furniture and equipment	19,503	19,503
Computer equipment	92,484	69,997
Vehicles	67,557	70,155
Leasehold improvements	12,805	12,805
Software	37,459	37,459
	229,808	209,919
Less: Accumulated depreciation and amortization	(149,326)	(154,681)
Net fixed assets	<u>80,482</u>	<u>55,238</u>
OTHER ASSETS		
Deposits	31,723	13,819
Grants and contracts receivable, net of current portion	1,339,579	624,518
Contributions receivable, net of current portion	-	57,831
Total other assets	<u>1,371,302</u>	<u>696,168</u>
TOTAL ASSETS	<u>\$ 7,424,800</u>	<u>\$ 5,957,709</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 320,376	\$ 179,636
Refundable advance	-	111,167
Total current liabilities	<u>320,376</u>	<u>290,803</u>
NET ASSETS		
Unrestricted	1,963,489	2,060,532
Temporarily restricted	5,140,935	3,606,374
Total net assets	<u>7,104,424</u>	<u>5,666,906</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,424,800</u>	<u>\$ 5,957,709</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, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants and contracts	\$ -	\$ 7,503,091	\$ 7,503,091	\$ 4,228,486
Contributions	1,614,502	55,813	1,670,315	1,777,483
Special events	1,064,759	-	1,064,759	1,061,049
In-kind contributions	-	-	-	27,423
Other	20,430	15,401	35,831	34,992
Interest income	16,655	-	16,655	14,893
Net assets released from donor restrictions	<u>5,992,609</u>	<u>(5,992,609)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>8,708,955</u>	<u>1,581,696</u>	<u>10,290,651</u>	<u>7,144,326</u>
EXPENSES				
Program Services	<u>7,106,892</u>	<u>-</u>	<u>7,106,892</u>	<u>5,271,768</u>
Supporting Services:				
Management and General	827,145	-	827,145	747,052
Fundraising	<u>976,145</u>	<u>-</u>	<u>976,145</u>	<u>773,531</u>
Total supporting services	<u>1,803,290</u>	<u>-</u>	<u>1,803,290</u>	<u>1,520,583</u>
Total expenses	<u>8,910,182</u>	<u>-</u>	<u>8,910,182</u>	<u>6,792,351</u>
Change in net assets before other item	(201,227)	1,581,696	1,380,469	351,975
OTHER ITEM				
Currency gain (loss)	<u>104,184</u>	<u>(47,135)</u>	<u>57,049</u>	<u>(141,791)</u>
Change in net assets	(97,043)	1,534,561	1,437,518	210,184
Net assets at beginning of year	<u>2,060,532</u>	<u>3,606,374</u>	<u>5,666,906</u>	<u>5,456,722</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,963,489</u>	<u>\$ 5,140,935</u>	<u>\$ 7,104,424</u>	<u>\$ 5,666,906</u>

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017			2016	
	Program Services	Supporting Services		Total Expenses	Total Expenses
Management and General		Fundraising			
Salaries and related benefits	\$ 2,536,219	\$ 734,119	\$ 531,627	\$3,801,965	\$ 2,923,390
Meeting expense	795,507	2,792	198,686	996,985	579,198
Contract labor	914,901	3,526	21,357	939,784	706,562
Travel	808,074	14,560	55,907	878,541	550,557
Subgrant expense	808,295	-	-	808,295	733,566
Professional fees	327,547	30,220	54,789	412,556	295,112
Occupancy	171,835	13,546	9,810	195,191	191,656
Program supplies	168,255	-	-	168,255	163,632
Supplies and equipment	92,231	1,495	1,782	95,508	73,072
Printing and reproduction	78,170	840	14,828	93,838	80,741
Telecommunications	88,470	1,440	2,790	92,700	80,608
Dues and subscriptions	30,381	4,034	45,126	79,541	84,501
Insurance	57,017	7,992	5,973	70,982	60,902
Repairs and maintenance	55,525	634	460	56,619	68,752
Education and training	41,448	417	2,042	43,907	8,951
Depreciation and amortization	23,780	6,883	4,985	35,648	23,336
Bank fees and service charges	20,147	830	14,283	35,260	36,102
Advertising	28,630	882	856	30,368	17,897
Equipment rental	29,410	485	352	30,247	57,143
License and permits	13,734	2,143	6,084	21,961	7,839
Other expenses	12,338	140	536	13,014	39,047
Postage and delivery	4,978	167	3,872	9,017	9,787
TOTAL	\$ 7,106,892	\$ 827,145	\$ 976,145	\$8,910,182	\$ 6,792,351

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,437,518	\$ 210,184
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	35,648	23,335
(Gain) loss on sale of fixed assets	(5,708)	1,277
Donated inventory disbursed	16,362	24,455
Change in allowance for doubtful accounts	-	(8,000)
Change in discount on long-term receivables	(3,151)	3,151
Decrease (increase) in:		
Employee and partner advances and other	30,929	(137,404)
Grants and contracts receivable	(1,435,053)	(985,743)
Contributions receivable	(64,344)	318,763
Prepaid expenses	(49,512)	(2,096)
Deposits	(17,904)	1,125
Increase (decrease) in:		
Accounts payable and accrued liabilities	140,740	27,647
Refundable advance	<u>(111,167)</u>	<u>111,167</u>
Net cash used by operating activities	<u>(25,642)</u>	<u>(412,139)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(63,287)	(37,748)
Proceeds from sale of fixed assets	<u>8,103</u>	<u>1,368</u>
Net cash used by investing activities	<u>(55,184)</u>	<u>(36,380)</u>
Net decrease in cash and cash equivalents	(80,826)	(448,519)
Cash and cash equivalents at beginning of year	<u>2,168,974</u>	<u>2,617,493</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,088,148</u>	<u>\$ 2,168,974</u>
SUPPLEMENTAL INFORMATION:		
Donated Securities	<u>\$ 322,477</u>	<u>\$ 254,472</u>

GRASSROOT SOCCER, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2017

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 FASB ASC 958, *Not-for-Profit Entities*.

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, 2016, 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 \$935,608 of cash and cash equivalents held in accounts in foreign countries at December 31, 2017. The majority of these funds are uninsured.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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.

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.

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 combined financial statements. GRS 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, 2017, 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.

GRASSROOT SOCCER, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

Inventory -

Inventory consists of donated sports apparel, shoes and other materials. For the year ended December 31, 2017, GRS adopted FASB ASU 2015-11 *Simplifying the Measurement of Inventory*, and as such, inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory. The ASU is applied prospectively.

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 Combined Statement of Activities and Change in Net Assets as net assets released from restrictions.

Grants, contracts and contributions -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements. Contracts are recorded as unrestricted revenue as reimbursable costs are incurred. Contract funds received in advance of expenditure are recorded as refundable advances.

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 unrestricted income 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, 2017, GRS received a total of \$322,477 in donated securities.

In-kind contributions -

In-kind 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.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Volunteer services (continued) -

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.

New accounting pronouncements (not yet adopted) -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Combined Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the GRS's combined financial statements, it is not expected to alter GRS's reported financial position.

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 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Combined Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

New accounting pronouncements (not yet adopted) (continued)-

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

2. GRANTS, CONTRACTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2017, contributors to GRS have made written promises to give \$5,066,001 in grants, contracts and contributions. Grants, contracts and contributions are due as follows at December 31, 2017:

	<u>Grants</u>	<u>Contracts</u>	<u>Contributions</u>	<u>Total</u>
Less than one year	\$ 3,126,439	\$ 68,271	\$ 443,014	\$ 3,637,724
One to five years	<u>1,428,277</u>	<u>-</u>	<u>-</u>	<u>1,428,277</u>
Total	4,554,716	68,271	443,014	5,066,001
Less: Discount balance to present value (3.75%)	<u>(88,698)</u>	<u>-</u>	<u>-</u>	<u>(88,698)</u>
TOTAL GRANTS, CONTRACTS AND CONTRIBUTIONS RECEIVABLE	<u>\$ 4,466,018</u>	<u>\$ 68,271</u>	<u>\$ 443,014</u>	<u>\$ 4,977,303</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 also has various lease agreements in foreign countries for office space and intern housing through 2021. Future minimum commitments are as follows:

Year Ending December 31,

2018	\$ 168,926
2019	125,537
2020	113,774
2021	64,463
2022	56,485
Thereafter	<u>28,660</u>
	<u>\$ 557,845</u>

Occupancy expense, including short-term lease agreements in foreign countries, utilities and storage space, totaled \$195,191 for the year ended December 31, 2017.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017:

South Africa	\$ 2,858,336
Zimbabwe	611,270
Zambia	512,219
Nigeria	430,150
GRSP	228,564
Mozambique	120,026
United States of America	110,000
Equatorial Guinea	100,303
Papua New Guinea	93,308
Malawi	39,596
Global	36,077
Kenya	<u>1,086</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 5,140,935</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	\$ 3,496,965
Nigeria	467,884
Zambia	452,293
Zimbabwe	348,036
GRSP	226,143
Malawi	216,908
Tanzania	115,999
Equatorial Guinea	105,592
United States of America	93,334
Papua New Guinea	63,301
Mozambique	53,437
Botswana	48,923
Cameroon	47,949
Lesotho	40,355
Uganda	36,061
Rwanda	33,619
Europe	25,340
Liberia	23,874
Ghana	21,618
Partnerships South Africa	21,418
Guinea	17,641
Ethiopia	12,620
Swaziland	10,998
Global	6,632
Peace Corps Zambia	2,926
Kenya	<u>2,743</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 5,992,609</u>

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

6. CONTINGENCY

Beginning for fiscal year ended December 31, 2015, 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, 2017. 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.

7. 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, 2017, GRS had current assets, including cash, receivables, prepaid expenses and inventories to be utilized for overseas operations totaling \$5,372,966. Additionally, property and equipment, net of accumulated depreciation, amounted to \$68,244. Liabilities in other countries totaled \$194,408. Total support and revenue received for foreign operations amounted to \$8,369,088 for the year ended December 31, 2017.

Foreign currency transaction gains, resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, totaled \$57,049 in 2017, and has been reported separately in the accompanying Combined Statement of Activities and Change in Net Assets.

8. EXPENSES - BY SEGMENT

The following is a detail of expenses, by country, for the year ended December 31, 2017:

	<u>South Africa</u>	<u>Zambia</u>	<u>Zimbabwe</u>	<u>Global Operations</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 1,424,461	\$ 302,029	\$ 356,356	\$ 1,719,119	\$ 3,801,965
Meeting expense	654,575	89,974	20,904	231,532	996,985
Contract labor	640,809	63,235	131,946	103,794	939,784
Travel	320,407	120,991	38,201	398,942	878,541
Subgrant expense	221,510	-	-	586,785	808,295
Professional fees	132,635	7,774	6,503	265,644	412,556
Occupancy	66,014	13,807	16,013	99,357	195,191
Program Supplies	69,040	47,711	32,642	18,862	168,255
Supplies and equipment	64,421	4,493	4,144	22,450	95,508
Printing and reproduction	25,494	23,806	10,012	34,526	93,838
Telecommunications	41,111	26,763	5,903	18,923	92,700
Dues and subscriptions	2,913	1,583	251	74,794	79,541
Insurance	25,805	2,116	1,488	41,573	70,982
Repairs and maintenance	30,072	11,894	8,741	5,912	56,619
Education and training	13,801	15,350	1,300	13,456	43,907
Depreciation and amortization	10,690	13,127	5,318	6,513	35,648
Bank fee and service charges	7,901	2,004	5,613	19,742	35,260
Advertising	10,518	817	6,371	12,662	30,368
Equipment rental	25,643	1,133	957	2,514	30,247
Licenses and permits	577	153	5,569	15,662	21,961
Other expenses	3,338	1,053	880	7,743	13,014
Postage and delivery	1,134	1,539	93	6,251	9,017
TOTAL	\$ 3,792,869	\$ 751,352	\$ 659,205	\$ 3,706,756	\$ 8,910,182

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

8. EXPENSES - BY SEGMENT (Continued)

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.

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, 2017.

10. LINE OF CREDIT

In August 2013, GRS opened a line of credit with a financial institution for \$600,000, which was renewed and expires in September 2018. 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, 2017.

11. SUBSEQUENT EVENTS

In preparing these combined financial statements, GRS has evaluated events and transactions for potential recognition or disclosure through July 16, 2018, the date the combined financial statements were issued.