

FINANCIAL STATEMENTS

GRASSROOT SOCCER, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2009**

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, 2010, 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' 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' 2009 financial statements and, in our report dated October 13, 2010, 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' internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2010, and its change in 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 November 14, 2011 on our consideration of GRS' 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.

November 14, 2011

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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, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,507,244	\$ 818,561
Accounts receivable	58,865	27,061
Grants receivable, current portion	3,710,834	3,535,186
Pledges receivable	36,354	35,906
Inventory	394,479	222,337
Prepaid expenses	<u>60,147</u>	<u>38,547</u>
Total current assets	<u>5,767,923</u>	<u>4,677,598</u>
FIXED ASSETS		
Furniture and equipment	11,806	11,102
Computer equipment	85,431	55,138
Vehicles	103,464	92,974
Leasehold improvements	3,058	3,058
Software	<u>35,840</u>	<u>31,999</u>
	239,599	194,271
Less: Accumulated depreciation and amortization	<u>(134,434)</u>	<u>(94,924)</u>
Net fixed assets	<u>105,165</u>	<u>99,347</u>
OTHER ASSETS		
Deposits	26,773	20,019
Grants receivable, net of current portion	<u>814,956</u>	<u>-</u>
Total other assets	<u>841,729</u>	<u>20,019</u>
TOTAL ASSETS	<u>\$ 6,714,817</u>	<u>\$ 4,796,964</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ <u>207,386</u>	\$ <u>156,682</u>
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NET ASSETS

Unrestricted	1,389,760	928,646
Temporarily restricted (Note 3)	<u>5,117,671</u>	<u>3,711,636</u>

Total net assets	<u>6,507,431</u>	<u>4,640,282</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,714,817</u>	<u>\$ 4,796,964</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, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants	\$ -	\$ 5,299,364	\$ 5,299,364	\$ 4,799,119
Contributions	1,231,147	128,347	1,359,494	716,353
Other revenue	28,930	437,134	466,064	124,141
In-kind contributions	-	429,139	429,139	243,800
Event income	292,231	-	292,231	217,609
Investment income	5,296	290	5,586	20,493
Sales	1,329	-	1,329	5,091
Net assets released from donor restrictions (Note 4)	<u>4,873,949</u>	<u>(4,873,949)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>6,432,882</u>	<u>1,420,325</u>	<u>7,853,207</u>	<u>6,126,606</u>
EXPENSES				
Program Services	<u>4,339,507</u>	<u>-</u>	<u>4,339,507</u>	<u>3,097,364</u>
Supporting Services:				
Management and General	1,264,044	-	1,264,044	1,103,622
Fundraising	<u>401,019</u>	<u>-</u>	<u>401,019</u>	<u>347,011</u>
Total supporting services	<u>1,665,063</u>	<u>-</u>	<u>1,665,063</u>	<u>1,450,633</u>
Total expenses	<u>6,004,570</u>	<u>-</u>	<u>6,004,570</u>	<u>4,547,997</u>
Change in net assets before other item	428,312	1,420,325	1,848,637	1,578,609
OTHER ITEM				
Currency gain (loss) (Note 7)	<u>32,802</u>	<u>(14,290)</u>	<u>18,512</u>	<u>49,638</u>
Change in net assets	461,114	1,406,035	1,867,149	1,628,247
Net assets at beginning of year	<u>928,646</u>	<u>3,711,636</u>	<u>4,640,282</u>	<u>3,012,035</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,389,760</u>	<u>\$ 5,117,671</u>	<u>\$ 6,507,431</u>	<u>\$ 4,640,282</u>

See accompanying notes to financial statements.

GRASSROOT SOCCER, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	<u>2010</u>			<u>2009</u>	
	<u>Supporting Services</u>				
	<u>Program Services</u>	<u>Management and General Expenses</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 1,395,363	\$ 980,697	\$ 115,222	\$ 2,491,282	\$ 1,986,622
Travel	813,605	31,870	30,155	875,630	585,497
Contract labor	430,267	24,475	18,013	472,755	259,023
Meeting expense	268,637	5,625	99,318	373,580	153,890
Program supplies	370,764	247	29	371,040	172,863
Occupancy (Note 2)	170,208	66,038	7,759	244,005	149,761
Subgrant expense	209,460	-	-	209,460	89,050
Professional fees	101,068	22,637	78,285	201,990	324,053
Telecommunications	114,616	32,430	9,982	157,028	112,965
Printing and reproduction	147,310	4,535	1,605	153,450	371,513
Supplies/equipment	111,110	30,191	4,161	145,462	112,661
Depreciation and amortization	31,067	21,835	2,565	55,467	65,548
Bank fees and service charges	12,193	6,169	14,846	33,208	15,350
Advertising	25,791	2,297	4,749	32,837	21,341
Education and training	29,124	165	20	29,309	10,777
Insurance	16,863	11,015	1,354	29,232	23,212
Repairs and maintenance	19,601	7,820	919	28,340	24,841
Postage and delivery	20,361	2,558	2,601	25,520	11,553
Other expenses	17,881	4,749	1,416	24,046	9,651
License and permits	11,754	1,349	5,997	19,100	21,807
Dues and subscriptions	8,653	5,871	1,562	16,086	14,318
Equipment rental	13,811	1,471	461	15,743	11,701
TOTAL	<u>\$ 4,339,507</u>	<u>\$ 1,264,044</u>	<u>\$ 401,019</u>	<u>\$ 6,004,570</u>	<u>\$ 4,547,997</u>

GRASSROOT SOCCER, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,867,149	\$ 1,628,247
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	55,467	65,548
Donated fixed assets	(34,447)	-
Gain on sale of fixed assets	(713)	(33,153)
Donated inventory	(172,142)	(201,487)
(Increase) decrease in:		
Accounts receivable	(31,804)	(3,392)
Grants receivable	(990,604)	(2,339,508)
Pledges receivable	(448)	85,426
Prepaid expenses	(21,600)	775
Deposits	(6,754)	(7,862)
Increase (decrease) in:		
Accounts payable and accrued liabilities	50,703	103,062
Net cash provided (used) by operating activities	714,807	(702,344)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(27,420)	(71,675)
Proceeds from sale of fixed assets	1,296	54,600
Net cash used by investing activities	(26,124)	(17,075)
Net increase (decrease) in cash and cash equivalents	688,683	(719,419)
Cash and cash equivalents at beginning of year	818,561	1,537,980
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,507,244	\$ 818,561

See accompanying notes to financial statements.

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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' financial statements for the year ended December 31, 2009, 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.

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

Receivables -

Receivables approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts 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.

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.

GRASSROOT SOCCER, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

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, 2010, 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.

Inventory -

Inventory consists of sport apparel, shoes and other materials, which are recorded at fair market value as of the date of donation.

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 -

GRS receives in-kind contributions. The amounts recorded are based on the estimated fair market value. 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.

GRASSROOT SOCCER, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

In-kind contributions (continued) -

In addition, volunteers have donated significant amounts of their time to GRS. These donated services are not reflected in the 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. **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:

Year Ended December 31,

2011	\$ 228,620
2012	102,915
2013	63,252
2014	<u>6,964</u>
	<u>\$ 401,751</u>

Occupancy expense, including short-term lease agreements in foreign countries, totaled \$212,573 for the year ended December 31, 2010.

GRASSROOT SOCCER, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2010:

South Africa	\$2,864,487
Zambia	1,239,403
Zimbabwe	366,245
Namibia	264,749
Malawi	214,835
Tanzania	90,870
India	27,862
Kenya	21,673
Central African Republic	13,292
USA	8,137
Lesotho	<u>6,118</u>
	<u>\$5,117,671</u>

4. 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	\$3,356,202
Zambia	772,482
Zimbabwe	321,590
Namibia	170,980
Malawi	116,595
Tanzania	50,534
Kenya	29,680
Mauritius	24,657
DRC - Congo	18,910
Lesotho	10,954
USA	222
Central African Republic	<u>1,143</u>
	<u>\$4,873,949</u>

5. 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.

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

5. CONTINGENCY (Continued)

Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2010. 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.

6. EXPENSES - BY COUNTRY

The following is a detail of expenses by country for the year ended December 31, 2010:

	<u>South Africa</u>	<u>Zambia</u>	<u>Zimbabwe</u>	<u>Global</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 1,441,178	\$ 185,056	\$ 232,874	\$ 632,174	\$ 2,491,282
Travel	621,833	94,986	60,400	98,411	875,630
Contract labor	293,308	99,315	3,469	76,663	472,755
Meeting expense	169,318	62,933	38,338	102,991	373,580
Program supplies	243,657	91,748	33,756	1,879	371,040
Occupancy	127,181	15,778	18,700	82,346	244,005
Subgrant expense	101,111	108,349	-	-	209,460
Professional fees	55,255	14,571	-	132,164	201,990
Telecommunications	104,792	13,742	10,668	27,826	157,028
Printing and reproduction	106,679	21,880	4,248	20,643	153,450
Supplies/equipment	54,297	53,369	6,261	31,535	145,462
Depreciation and amortization	33,359	5,422	764	15,922	55,467
Bank fees and service charges	9,592	3,189	3,769	16,658	33,208
Advertising	9,942	9,340	4,818	8,737	32,837
Education and training	22,374	5,466	-	1,469	29,309
Insurance	7,662	1,517	394	19,659	29,232
Repairs and maintenance	11,078	8,164	1,119	7,979	28,340
Postage and delivery	13,859	1,577	6,057	4,027	25,520
Other expenses	17,360	2,544	1,020	3,122	24,046
License and permits	3,070	3,471	1,385	11,174	19,100
Dues and subscriptions	3,013	620	-	12,453	16,086
Equipment rental	<u>6,394</u>	<u>5,159</u>	<u>900</u>	<u>3,290</u>	<u>15,743</u>
TOTAL	<u>\$ 3,456,312</u>	<u>\$ 808,196</u>	<u>\$ 428,940</u>	<u>\$ 1,311,122</u>	<u>\$ 6,004,570</u>

The Global column represents expenses incurred for operations in the United States and Europe, as well as six African countries in which GRS does not maintain an office. GRS headquarters are located in Norwich, VT and business development functions are performed in London, England. GRS utilizes implementing partners and short-term staff placements to run programs in other African countries.

GRASSROOT SOCCER, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

6. EXPENSES - BY COUNTRY (Continued)

The Global expenses consisted of the following for the year ended December 31, 2010:

United States	\$ 790,921
Namibia	153,474
Malawi	125,894
Europe	97,430
Tanzania	58,085
Kenya	34,221
Mauritius	22,780
DRC Congo	16,025
Lesotho	9,897
Botswana	1,253
Central African Republic	<u>1,143</u>
TOTAL	<u>\$ 1,311,123</u>

7. FOREIGN OPERATIONS

As of December 31, 2010, current assets, including cash, receivables, prepaid expenses and inventories to be utilized for overseas operations totaled \$5,140,815. In connection with its mission, GRS maintains facilities in various African countries.

Property and equipment, net of accumulated depreciation, amounted to \$70,322. Liabilities in other countries totaled \$121,904. Total support and revenue received for foreign operations amounted to \$6,355,150 for the year ended December 31, 2010.

Account balances relating to foreign operations are reflected in the financial statements in United States dollars.

Foreign currency transaction gains (losses), resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, totaled \$18,512 in 2010, and have been reported separately in the accompanying Statement of Activities and Change in Net Assets.

8. SUBSEQUENT EVENTS

In preparing these financial statements, GRS has evaluated events and transactions for potential recognition or disclosure through November 14, 2011, the date the financial statements were issued.