

COMBINED FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

GRASSROOT SOCCER, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grassroot Soccer, Inc.
Hanover, New Hampshire

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, 2019, 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.

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

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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited GRS's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 November 24, 2020, 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.



November 24, 2020

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,325,551	\$ 1,312,194
Employee and partner advances and other	53,514	128,050
Grants and contracts receivable	2,962,593	3,247,123
Contributions receivable	3,040,188	1,441,244
Inventory	1,386	1,386
Prepaid expenses	<u>66,195</u>	<u>87,937</u>
Total current assets	<u>7,449,427</u>	<u>6,217,934</u>
FIXED ASSETS		
Furniture and equipment	21,954	21,767
Computer equipment	123,023	112,991
Vehicles	72,607	72,607
Leasehold improvements	48,593	48,593
Software	<u>49,205</u>	<u>37,459</u>
	315,382	293,417
Less: Accumulated depreciation and amortization	<u>(226,438)</u>	<u>(193,280)</u>
Net fixed assets	<u>88,944</u>	<u>100,137</u>
OTHER ASSETS		
Deposits	29,665	26,935
Right of use assets, net of amortization of \$78,935	273,853	331,068
Grants receivable, net of current portion and discount	500,507	934,476
Contributions receivable, net of current portion and discount	<u>4,949,146</u>	<u>3,709,640</u>
Total other assets	<u>5,753,171</u>	<u>5,002,119</u>
TOTAL ASSETS	<u>\$ 13,291,542</u>	<u>\$ 11,320,190</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 215,517	\$ 184,828
Refundable advance	16,016	-
Lease liability, current portion	<u>57,556</u>	<u>51,968</u>
Total current liabilities	<u>289,089</u>	<u>236,796</u>
LONG-TERM LIABILITIES		
Lease liability, net of current portion	<u>223,363</u>	<u>279,100</u>
Total liabilities	<u>512,452</u>	<u>515,896</u>
NET ASSETS		
Without donor restrictions	2,572,908	1,509,616
With donor restrictions	<u>10,206,182</u>	<u>9,294,678</u>
Total net assets	<u>12,779,090</u>	<u>10,804,294</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,291,542</u>	<u>\$ 11,320,190</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, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Grants and contracts	\$ 2,567	\$ 2,956,176	\$ 2,958,743	\$ 4,584,281
Contributions	1,810,374	4,556,174	6,366,548	7,908,734
Event income	1,228,495	-	1,228,495	407,615
Other	10,465	20,000	30,465	45,485
Interest income	8,635	-	8,635	10,026
Net assets released from donor restrictions	<u>6,727,647</u>	<u>(6,727,647)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>9,788,183</u>	<u>804,703</u>	<u>10,592,886</u>	<u>12,956,141</u>
EXPENSES				
Program Services	<u>6,494,266</u>	<u>-</u>	<u>6,494,266</u>	<u>7,318,976</u>
Supporting Services:				
Management and General	877,785	-	877,785	887,517
Fundraising	<u>1,264,854</u>	<u>-</u>	<u>1,264,854</u>	<u>957,104</u>
Total supporting services	<u>2,142,639</u>	<u>-</u>	<u>2,142,639</u>	<u>1,844,621</u>
Total expenses	<u>8,636,905</u>	<u>-</u>	<u>8,636,905</u>	<u>9,163,597</u>
Change in net assets before other item	1,151,278	804,703	1,955,981	3,792,544
OTHER ITEM				
Currency (loss) gain	<u>(87,986)</u>	<u>106,801</u>	<u>18,815</u>	<u>(92,674)</u>
Change in net assets	1,063,292	911,504	1,974,796	3,699,870
Net assets at beginning of year	<u>1,509,616</u>	<u>9,294,678</u>	<u>10,804,294</u>	<u>7,104,424</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,572,908</u>	<u>\$ 10,206,182</u>	<u>\$ 12,779,090</u>	<u>\$ 10,804,294</u>

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018	
	<u>Supporting Services</u>			Total Expenses	Total Expenses
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries and related benefits	\$ 2,809,019	\$ 768,580	\$ 597,748	\$ 4,175,347	\$ 4,293,162
Contract labor	951,580	3,845	129,217	1,084,642	961,114
Travel	670,679	21,671	77,460	769,810	946,130
Subgrant expense	711,920	-	-	711,920	747,305
Professional fees	185,181	27,483	145,454	358,118	459,463
Program supplies	355,955	-	1,908	357,863	607,018
Meeting expense	81,710	3,296	185,000	270,006	178,815
Occupancy	227,062	22,426	17,441	266,929	232,236
Printing and reproduction	86,836	358	14,155	101,349	97,044
Subscriptions and fees	41,822	4,965	45,510	92,297	108,933
Telecommunications	86,043	1,202	1,686	88,931	93,822
Insurance	49,112	8,125	6,319	63,556	77,023
Supplies/equipment	51,824	1,763	1,611	55,198	69,865
Depreciation and amortization	36,819	10,074	7,835	54,728	51,177
Repairs and maintenance	46,768	1,142	888	48,798	66,828
Bank fees and service charges	23,159	913	19,032	43,104	43,696
Equipment rental	27,815	481	374	28,670	40,865
Other expenses	25,429	1,013	1,208	27,650	46,383
Postage and delivery	12,279	90	5,255	17,624	8,125
Advertising	8,872	358	3,875	13,105	20,301
Education and conferences	4,382	-	2,878	7,260	14,292
TOTAL	\$ 6,494,266	\$ 877,785	\$ 1,264,854	\$ 8,636,905	\$ 9,163,597

See accompanying notes to combined financial statements.

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,974,796	\$ 3,699,870
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	54,728	51,177
Loss (gain) on sale of fixed assets	2,629	(1,019)
Loss on sale of donated securities	2,394	-
Donated inventory disbursed	-	1,287
Receipt of contributed securities	(1,097,329)	(370,523)
Proceeds from the sale of contributed securities	1,094,935	370,523
Change in the measurement of operating lease liability	7,066	-
Change in discount on long-term receivables	(17,860)	426,752
Decrease (increase) in:		
Employee and partner advances and other	74,536	1,900
Grants and contracts receivable	752,578	371,299
Contributions receivable	(2,854,669)	(5,153,231)
Prepaid expenses	21,742	26,584
Deposits	(2,730)	4,788
Increase (decrease) in:		
Accounts payable and accrued liabilities	30,689	(135,548)
Refundable advance	16,016	-
Net cash provided (used) by operating activities	59,521	(706,141)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(46,164)	(73,535)
Proceeds from sale of fixed assets	-	3,722
Net cash used by investing activities	(46,164)	(69,813)
Net increase (decrease) in cash and cash equivalents	13,357	(775,954)
Cash and cash equivalents at beginning of year	1,312,194	2,088,148
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,325,551	\$ 1,312,194
SUPPLEMENTAL INFORMATION:		
Right-of-Use Asset Obtained in Exchange for Operating Lease Liability	\$ -	\$ 331,068

GRASSROOT SOCCER, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2019

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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from donor restrictions.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Basis of presentation (continued) -

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, 2018, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2019, GRS early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way GRS recognized revenue; however, the presentation and disclosures of revenue have been enhanced. GRS has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, GRS adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. GRS adopted the ASU using a modified prospective basis.

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 \$653,118 of cash and cash equivalents held in accounts in foreign countries at December 31, 2019. 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 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.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Receivables (continued) -

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.

Right-of-use asset and operating lease liability -

In accordance with the adoption of ASU 2016-02 "Leases"; the new lease agreements in Hanover, New Hampshire and Lusaka, Zambia have been placed on the accompanying Combined Statement of Financial Position at the net present value of the lease commitments. The value of the right-of-use asset, and corresponding operating lease liability, is being amortized over the terms of the lease commitments.

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 and is only subject to tax on unrelated business income. The organization 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, 2019, 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.

Inventory -

Inventory consists of donated sports apparel, shoes and other materials.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Inventory (continued) -

In accordance with ASU 2015-11, inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory.

Contributions, grants and contracts -

The majority of GRS's revenue is received through contributions as well as contracts and grants from the U.S. and foreign governments, international organizations and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. GRS performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal.

For contributions and grants and contracts qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants and contracts qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" 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 net assets with donor restrictions in the accompanying combined financial statements.

Grant and contract agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and contract awards from the United States Government and other entities are for direct and indirect program costs.

These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, GRS recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants and contracts treated as contributions, GRS had approximately \$16,016 in unrecognized conditional awards as of December 31, 2019.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements. Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

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, 2019, GRS received a total of \$1,097,329 in donated securities.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Volunteer services -

GRS receives a significant amount of donated time from various volunteers. 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. Expenses directly attributed to a specific functional area are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis. Occupancy cost, depreciation, and office costs are allocated based on square footage.

Reclassification -

Certain amounts in the prior year's combined financial statements have been reclassified to conform to the current year's presentation.

2. GRANTS, CONTRACTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2019, contributors to GRS have made written grants, contracts and contributions to give in the amount of \$11,950,023. Grants, contracts and contributions are due as follows at December 31, 2019:

	<u>Grants</u>	<u>Contracts</u>	<u>Contributions</u>	<u>Total</u>
Less than one year	\$ 2,909,233	\$ 53,360	\$ 3,040,188	\$ 6,002,781
One to five years	<u>536,516</u>	<u>-</u>	<u>5,410,726</u>	<u>5,947,242</u>
Total	3,445,749	53,360	8,450,914	11,950,023
Less: Discount balance to present value (5.75%)	<u>(36,009)</u>	<u>-</u>	<u>(461,580)</u>	<u>(497,589)</u>
TOTAL GRANTS, CONTRACTS AND CONTRIBUTIONS RECEIVABLE	<u>\$ 3,409,740</u>	<u>\$ 53,360</u>	<u>\$ 7,989,334</u>	<u>\$ 11,452,434</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.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

3. LEASE COMMITMENT (Continued)

GRS signed a new lease in December 2018 in Lusaka, for approximately ZMW 18,000 (\$1,500 USD) a month for seven years with lease payments increasing by 5% each year. The lease expires on November 30, 2025. The lease is renewable every five years.

During 2018, GRS elected to early implement Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02 related to leases. ASU 2016-02 requires the recognition of a right-of-use asset and corresponding lease liability, initially measured at the present value of the lease payments. Accordingly, with the early adoption and implementation of the ASU using a modified retrospective approach, GRS recorded right-of-use assets and operating lease liabilities of \$352,788 by calculating the net present value of the lease commitments using a discount rate of 5.75%. The right-of-use assets and operating lease liabilities are being amortized over the respective lives of the leases. As of December 31, 2019, the right-of-use assets were \$273,853 and unamortized operating lease liabilities were valued at \$280,919.

GRS also has various lease agreements in foreign countries for office space and intern housing through 2025. Future minimum commitments are as follows:

Year Ending December 31,

2020		\$ 192,763
2021		136,882
2022		113,551
2023		57,598
2024		25,377
Thereafter		<u>24,321</u>
		<u>\$ 550,492</u>

Leasing costs of \$241,580, and utilities and storage space are included in Occupancy expense on the Combined Statement of Functional Expenses totaling \$266,929 for the year ended December 31, 2019.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019:

United States of America		\$ 7,415,785
South Africa		1,147,506
Nigeria		419,082
Zambia		336,438
Malawi		283,635
Zimbabwe		188,422
Papua New Guinea		103,089
Mozambique		102,096
Equatorial Guinea		94,220
GRSP		56,834
Global		18,700
Mauritania		15,433
Ghana		14,668
Europe		<u>10,274</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS		<u>\$ 10,206,182</u>

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

5. NET ASSETS RELEASED FROM RESTRICTIONS

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

United States of America	\$ 2,534,611
South Africa	2,015,705
Zambia	558,356
Zimbabwe	516,446
Nigeria	515,513
Mozambique	122,901
Papua New Guinea	100,389
Equatorial Guinea	91,859
Malawi	88,985
GRSP	64,482
Cameroon	28,007
Botswana	25,453
Lesotho	25,299
Uganda	12,620
Partnerships SA	9,033
Global	6,996
Europe	6,726
Peace Corps Zambia	<u>4,266</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 6,727,647</u>

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Combined Statement of Financial Position date comprise the following at December 31, 2019:

Cash and cash equivalents	\$ 1,325,551
Employee and partner advances and other	53,514
Grants and contracts receivable	2,962,593
Contributions receivable	<u>7,989,334</u>
Subtotal financial assets available	12,330,992
Less: Donor restricted funds	<u>(10,206,182)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 2,124,810</u>

GRS has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019, GRS has financial assets equal to approximately four months of operating expenses. In addition, GRS has a line of credit agreement (as further discussed in Note 11) which allows for additional available borrowings up to \$600,000.

7. CONTINGENCY

Grants from the United States Government 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*.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

7. CONTINGENCY (Continued)

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, 2019. 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.

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, 2019, GRS had current assets, including cash, receivables, prepaid expenses and inventories to be utilized for overseas operations totaling \$3,982,255. Additionally, property and equipment, net of accumulated depreciation, amounted to \$44,244. Liabilities in other countries totaled \$239,965. Total support and revenue received for foreign operations amounted to \$4,365,992 for the year ended December 31, 2019.

Foreign currency transaction gains, resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, totaled \$18,815 in 2019, and has been reported separately in the accompanying CombinedStatement of Activities and Change in Net Assets.

9. EXPENSES - BY SEGMENT

The following is a detail of expenses, by country, for the year ended December 31, 2019:

	<u>South Africa</u>	<u>Zambia</u>	<u>Zimbabwe</u>	<u>Global Operations</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 1,235,389	\$ 397,490	\$ 486,703	\$ 2,055,765	\$ 4,175,347
Contract labor	500,780	95,703	196,716	291,443	1,084,642
Travel	187,394	181,687	54,689	346,040	769,810
Subgrant expense	39,627	15,171	-	657,122	711,920
Professional fees	44,265	8,960	8,300	296,593	358,118
Program supplies	221,965	92,049	37,051	6,798	357,863
Meeting expense	20,101	27,221	8,145	214,539	270,006
Occupancy	39,948	23,799	28,072	175,110	266,929
Printing and reproduction	46,295	18,308	9,134	27,612	101,349
Subscriptions and fees	6,395	4,699	900	80,303	92,297
Telecommunications	32,451	19,673	7,363	29,444	88,931
Insurance	15,871	741	1,797	45,147	63,556
Supplies/equipment	26,106	9,982	6,685	12,425	55,198
Depreciation and amortization	19,279	7,811	2,999	24,639	54,728
Repairs and maintenance	18,319	12,663	10,910	6,906	48,798
Bank fee and service charges	3,502	2,401	13,011	24,190	43,104
Equipment rental	16,953	3,671	2,098	5,948	28,670
Other expenses	21,284	203	-	6,163	27,650
Postage and delivery	9,541	104	1,148	6,831	17,624
Advertising	929	445	40	11,691	13,105
Education and training	1,651	518	571	4,520	7,260
TOTAL	<u>\$ 2,508,045</u>	<u>\$ 923,299</u>	<u>\$ 876,332</u>	<u>\$ 4,329,229</u>	<u>\$ 8,636,905</u>

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
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9. 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.

10. 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.

11. LINE OF CREDIT

In August 2013, GRS opened a line of credit with a financial institution for \$600,000, which is renewed annually, expires in September 2020. The interest rate as of December 31, 2019 is 5.75%.

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, 2019.

12. SUBSEQUENT EVENTS

In preparing these combined financial statements, GRS has evaluated events and transactions for potential recognition or disclosure through November 24, 2020, the date the combined financial statements were issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact GRS's operations. The overall potential impact is unknown at this time.

On April 23, 2020, GRS entered into a two-year promissory note agreement in the amount of \$412,900 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.