

COMBINED FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

GRASSROOT SOCCER, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Combined Statement of Financial Position, as of December 31, 2020, with Summarized Financial Information for 2019	4
EXHIBIT B - Combined Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	5
EXHIBIT C - Combined Statement of Functional Expenses, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	6
EXHIBIT D - Combined Statement of Cash Flows, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	7
NOTES TO COMBINED FINANCIAL STATEMENTS	8 - 16



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, 2020, 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. 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, 2020, 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 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRF CPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Summarized Comparative Information

We have previously audited GRS's 2019 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated November 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

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

September 21, 2021

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,292,640	\$ 1,325,551
Employee and partner advances and other	57,027	53,514
Grants and contracts receivable	1,212,672	2,962,593
Contributions receivable	2,333,238	3,040,188
Inventory	1,386	1,386
Prepaid expenses	<u>59,569</u>	<u>66,195</u>
Total current assets	<u>6,956,532</u>	<u>7,449,427</u>
FIXED ASSETS		
Furniture and equipment	21,954	21,954
Computer equipment	141,028	123,023
Vehicles	107,899	72,607
Leasehold improvements	48,593	48,593
Software	<u>49,205</u>	<u>49,205</u>
	368,679	315,382
Less: Accumulated depreciation and amortization	<u>(270,705)</u>	<u>(226,438)</u>
Net fixed assets	<u>97,974</u>	<u>88,944</u>
OTHER ASSETS		
Deposits	25,079	29,665
Right of use assets, net of amortization of \$139,282	213,505	273,853
Grants receivable, net of current portion and discount	381,440	500,507
Contributions receivable, net of current portion and discount	<u>3,222,440</u>	<u>4,949,146</u>
Total other assets	<u>3,842,464</u>	<u>5,753,171</u>
TOTAL ASSETS	<u>\$ 10,896,970</u>	<u>\$ 13,291,542</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Loan payable	\$ 412,900	\$ -
Accounts payable and accrued liabilities	98,880	215,517
Refundable advance	14,136	16,016
Operating lease liability, current portion	<u>63,568</u>	<u>57,556</u>
Total current liabilities	<u>589,484</u>	<u>289,089</u>
LONG-TERM LIABILITIES		
Operating lease liability, net of current portion	<u>159,794</u>	<u>223,363</u>
Total liabilities	<u>749,278</u>	<u>512,452</u>
NET ASSETS		
Without donor restrictions	2,628,539	2,572,908
With donor restrictions	<u>7,519,153</u>	<u>10,206,182</u>
Total net assets	<u>10,147,692</u>	<u>12,779,090</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,896,970</u>	<u>\$ 13,291,542</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, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Grants and contracts	\$ 657,496	\$ 1,497,725	\$ 2,155,221	\$ 2,958,743
Contributions	561,037	619,280	1,180,317	6,366,548
Event income	1,135,480	-	1,135,480	1,228,495
Other	17,002	3,222	20,224	30,465
Interest income	6,813	-	6,813	8,635
Net assets released from donor restrictions	<u>4,565,555</u>	<u>(4,565,555)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>6,943,383</u>	<u>(2,445,328)</u>	<u>4,498,055</u>	<u>10,592,886</u>
EXPENSES				
Program Services	<u>4,632,286</u>	<u>-</u>	<u>4,632,286</u>	<u>6,494,266</u>
Supporting Services:				
Management and General	1,164,940	-	1,164,940	877,785
Fundraising	<u>970,378</u>	<u>-</u>	<u>970,378</u>	<u>1,264,854</u>
Total supporting services	<u>2,135,318</u>	<u>-</u>	<u>2,135,318</u>	<u>2,142,639</u>
Total expenses	<u>6,767,604</u>	<u>-</u>	<u>6,767,604</u>	<u>8,636,905</u>
Change in net assets before other items	175,779	(2,445,328)	(2,269,549)	1,955,981
OTHER ITEMS				
Grant funds rescinded by donors	(35,154)	(252,934)	(288,088)	-
Currency (loss) gain	<u>(84,994)</u>	<u>11,233</u>	<u>(73,761)</u>	<u>18,815</u>
Change in net assets	55,631	(2,687,029)	(2,631,398)	1,974,796
Net assets at beginning of year	<u>2,572,908</u>	<u>10,206,182</u>	<u>12,779,090</u>	<u>10,804,294</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,628,539</u>	<u>\$ 7,519,153</u>	<u>\$ 10,147,692</u>	<u>\$ 12,779,090</u>

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020				2019	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising			
Salaries and related benefits	\$ 2,341,163	\$ 730,980	\$ 609,892	\$ 1,340,872	\$ 3,682,035	\$ 4,175,347
Contract labor	493,602	4,172	14,131	18,303	511,905	1,084,642
Subgrant expense	479,560	-	-	-	479,560	711,920
Other expenses	26,000	350,437	896	351,333	377,333	27,650
Professional fees	145,235	24,644	171,903	196,547	341,782	358,118
Travel	245,754	2,697	14,477	17,174	262,928	769,810
Occupancy	207,674	20,414	17,033	37,447	245,121	266,929
Program supplies	234,282	-	3,837	3,837	238,119	357,863
Telecommunications	127,473	1,172	1,719	2,891	130,364	88,931
Meeting expense	56,553	86	73,176	73,262	129,815	270,006
Subscriptions and fees	38,542	5,216	24,370	29,586	68,128	92,297
Insurance	48,856	9,796	8,174	17,970	66,826	63,556
Depreciation and amortization	36,800	11,490	9,587	21,077	57,877	54,728
Repairs and maintenance	45,327	955	797	1,752	47,079	48,798
Printing and reproduction	27,713	518	5,938	6,456	34,169	101,349
Bank fees and service charges	22,921	901	9,542	10,443	33,364	43,104
Supplies/equipment	29,961	773	963	1,736	31,697	55,198
Equipment rental	19,726	512	427	939	20,665	28,670
Postage and delivery	1,637	49	2,543	2,592	4,229	17,624
Education and conferences	1,883	-	866	866	2,749	7,260
Advertising	1,624	128	107	235	1,859	13,105
TOTAL	\$ 4,632,286	\$ 1,164,940	\$ 970,378	\$ 2,135,318	\$ 6,767,604	\$ 8,636,905

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,631,398)	\$ 1,974,796
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	57,877	54,728
Loss on sale of fixed assets	436	2,629
(Gain) loss on sale of donated securities	(2,480)	2,394
Receipt of contributed securities	(601,880)	(1,097,329)
Proceeds from the sale of contributed securities	604,360	1,094,935
Change in discount on long-term receivables	(305,480)	(17,860)
(Increase) decrease in:		
Employee and partner advances and other	(3,513)	74,536
Grants and contracts receivable	1,885,188	752,578
Contributions receivable	2,722,935	(2,854,669)
Prepaid expenses	6,626	21,742
Deposits	4,586	(2,730)
Operating lease	2,793	7,066
(Decrease) increase in:		
Accounts payable and accrued liabilities	(116,638)	30,689
Refundable advance	(1,880)	16,016
Net cash provided by operating activities	<u>1,621,532</u>	<u>59,521</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(67,343)</u>	<u>(46,164)</u>
Net cash used by investing activities	<u>(67,343)</u>	<u>(46,164)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>412,900</u>	<u>-</u>
Net cash provided by financing activities	<u>412,900</u>	<u>-</u>
Net increase in cash and cash equivalents	1,967,089	13,357
Cash and cash equivalents at beginning of year	<u>1,325,551</u>	<u>1,312,194</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,292,640</u>	<u>\$ 1,325,551</u>

GRASSROOT SOCCER, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2020

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, 2020**

**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, 2019, 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 \$1,283,294 of cash and cash equivalents held in accounts in foreign countries at December 31, 2020. 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. 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.

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

Right-of-use asset and operating lease liability -

In accordance with the adoption of ASU 2016-02 "Leases"; the 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.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Right-of-use asset and operating lease liability (continued) -

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. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

Grassroot Soccer, Inc. 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. Grassroot Soccer, Inc. 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, and accordingly, are exempt from income taxes.

Uncertain tax positions -

For the year ended December 31, 2020, 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. 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.

Revenue recognition -

The majority of GRS's revenue is received through grants and contributions 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 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.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Revenue recognition (continued) -

Grant 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 \$14,136 in unrecognized conditional awards as of December 31, 2020.

Contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met. GRS has elected to opt out of all (or certain) disclosures not required for nonpublic entities. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred, or an estimated percentage of completion, in compliance with the criteria stipulated in the contract agreement.

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, 2020, GRS received a total of \$604,360 in donated securities.

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.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Economic uncertainties -

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.

Reclassification -

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

2. GRANTS, CONTRACTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2020, contributors to GRS have made written grants, contracts and contributions to give in the amount of \$7,341,899.

Grants, contracts and contributions are due as follows at December 31, 2020:

	<u>Grants</u>	<u>Contracts</u>	<u>Contributions</u>	<u>Total</u>
Less than one year	\$ 1,158,563	\$ 54,109	\$ 2,333,238	\$ 3,545,910
One to five years	<u>401,249</u>	<u>-</u>	<u>3,394,740</u>	<u>3,795,989</u>
Total	1,559,812	54,109	5,727,978	7,341,899
Less: Discount balance to present value (5.75%)	<u>(19,809)</u>	<u>-</u>	<u>(172,300)</u>	<u>(192,109)</u>
TOTAL GRANTS, CONTRACTS AND CONTRIBUTIONS RECEIVABLE	<u>\$ 1,540,003</u>	<u>\$ 54,109</u>	<u>\$ 5,555,678</u>	<u>\$ 7,149,790</u>

3. LEASE COMMITMENT

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 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. GRS elected the practical expedient that allows lessees to not separate lease and non-lease components by class of underlying asset and are applying the expedient to all relevant asset classes. As a result, 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%.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. LEASE COMMITMENT (Continued)

The right-of-use assets and operating lease liabilities are being amortized over the respective lives of the leases. As of December 31, 2020, the unamortized right-of-use assets were \$213,505 and unamortized operating lease liabilities were valued at \$223,362.

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

Year Ending December 31,

2021	\$ 136,882
2022	113,551
2023	57,598
2024	25,337
2025	<u>24,321</u>
	<u>\$ 357,689</u>

Leasing costs totaling \$226,497, including \$60,348 in amortization of the right-of-use assets, are presented in Occupancy expense on the Combined Statement of Functional Expenses totaling \$245,121 for the year ended December 31, 2020.

4. LOAN PAYABLE

On April 23, 2020, GRS received loan proceeds in the amount of \$412,900 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. 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. GRS intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. On February 19, 2021, the loan was forgiven and GRS will record revenue from debt extinguishment during the period that forgiveness was approved.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020:

Time Restricted:	
United States of America	\$ <u>5,354,917</u>
Purpose Restricted:	
South Africa	926,983
Zambia	659,968
Zimbabwe	329,739
Malawi	211,534
Global	21,200
Nigeria	13,426
GRSP	<u>1,386</u>
Total Purpose Restricted	<u>2,164,236</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 7,519,153</u>

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

6. 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:

Time Restricted:	
United States of America	\$ <u>2,680,149</u>
Purpose Restricted:	
Zambia	455,200
South Africa	407,601
Nigeria	351,492
Zimbabwe	278,945
Mozambique	97,454
Malawi	85,139
Equatorial Guinea	74,773
Papua New Guinea	58,428
GRSP	55,448
Global	15,000
Europe	<u>5,926</u>
Total Purpose Restricted	<u>1,885,406</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>4,565,555</u>

7. 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, 2020:

Cash and cash equivalents	\$ 3,292,640
Employee and partner advances and other	57,027
Grants and contracts receivable	1,594,112
Contributions receivable	<u>5,555,678</u>
Subtotal financial assets available	10,499,457
Less: Donor restricted funds	<u>(7,519,153)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>2,980,304</u>

GRS is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, GRS must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of GRS's liquidity management, its policy is to structure its financial assets to be available and liquid as its obligations become due. In the event of an unanticipated liquidity need, GRS has a line of credit agreement (as further discussed in Note 12) which allows for additional available borrowings up to \$475,000.

8. 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, 2020**

8. 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. GRS did not meet the threshold to require an audit under Uniform Guidance for the year ended December 31, 2020.

9. 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, 2020, GRS had current assets, including cash, receivables, prepaid expenses and inventories to be utilized for overseas operations totaling \$2,791,053. Additionally, property and equipment, net of accumulated depreciation, amounted to \$73,679. Liabilities in other countries totaled \$158,680. Total support and revenue received for foreign operations amounted to \$3,110,913 for the year ended December 31, 2020.

Foreign currency transaction gains, resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, totaled \$(73,761) in 2020, and has been reported separately in the accompanying Combined Statement of Activities and Change in Net Assets.

10. EXPENSES - BY SEGMENT

The following is a detail of expenses, by country, for the year ended December 31, 2020:

	<u>South Africa</u>	<u>Zambia</u>	<u>Zimbabwe</u>	<u>Global Operations</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 566,889	\$ 179,248	\$ 278,762	\$ 2,657,136	\$ 3,682,035
Contract labor	82,933	56,530	129,128	243,314	511,905
Subgrant expense	8,586	30,654	-	440,320	479,560
Other expenses	374,594	948	10	1,781	377,333
Professional fees	17,000	21,878	11,038	291,866	341,782
Travel	34,133	143,958	23,638	61,199	262,928
Occupancy	41,653	22,996	28,860	151,612	245,121
Program supplies	140,222	35,538	58,023	4,336	238,119
Telecommunications	31,273	66,113	7,421	25,557	130,364
Meeting expense	16,836	27,961	11,166	73,852	129,815
Subscriptions and fees	5,364	1,237	2,238	59,289	68,128
Insurance	12,486	2,283	1,887	50,170	66,826
Depreciation and amortization	13,838	11,202	8,314	24,523	57,877
Repairs and maintenance	11,835	9,399	19,621	6,224	47,079
Printing and reproduction	7,749	8,523	8,655	9,242	34,169
Bank fee and service charges	1,965	1,820	15,978	13,601	33,364
Supplies/equipment	6,071	9,552	9,295	6,779	31,697
Equipment rental	11,854	53	-	8,758	20,665
Postage and delivery	562	4	739	2,924	4,229
Education and training	649	958	88	1,054	2,749
Advertising	470	-	120	1,269	1,859
TOTAL	<u>\$ 1,386,962</u>	<u>\$ 630,855</u>	<u>\$ 614,981</u>	<u>\$ 4,134,806</u>	<u>\$ 6,767,604</u>

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

10. 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.

11. 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.

12. LINE OF CREDIT

In August 2013, GRS opened a line of credit with a financial institution for \$600,000, which is renewed annually. In 2020, the line of credit was reduced to \$475,000 and expires in September 2021. The interest rate as of December 31, 2020 is 4.00%.

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, 2020.

13. SUBSEQUENT EVENTS

In preparing these combined financial statements, GRS has evaluated events and transactions for potential recognition or disclosure through September 21, 2021, the date the combined financial statements were issued.

On April 5, 2021, GRS entered into a five-year promissory note agreement in the amount of \$229,096 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.