

COMBINED FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

GRASSROOT SOCCER, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021, 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.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of GRS as of December 31, 2021, and the combined change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of GRS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GRS' ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

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

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 GRS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GRS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited GRS' 2020 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated July 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited combined 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 report dated September 27, 2022, 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 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' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GRS' internal control over financial reporting and compliance.

Gelman Rosenberg & Friedman

September 27, 2022

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

ASSETS	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,277,386	\$ 3,292,640
Employee and partner advances and other	89,332	57,027
Grants and contracts receivable	906,525	1,212,672
Contributions receivable	2,759,145	2,333,238
Inventory	1,386	1,386
Prepaid expenses	51,399	59,569
Total current assets	8,085,173	6,956,532
FIXED ASSETS		
Furniture and equipment	24,503	21,954
Computer equipment	128,296	141,028
Vehicles	107,105	107,899
Leasehold improvements	48,593	48,593
Software	54,042	49,205
	362,539	368,679
Less: Accumulated depreciation and amortization	(295,310)	(270,705)
Net fixed assets	67,229	97,974
OTHER ASSETS		
Deposits	36,077	25,079
Right-of-use assets, net of amortization of \$203,097	149,691	213,505
Grants receivable, net of current portion and discount	261,477	381,440
Contributions receivable, net of current portion and discount	937,676	3,222,440
Total other assets	1,384,921	3,842,464
TOTAL ASSETS	\$ 9,537,323	\$ 10,896,970
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Loan payable	\$ -	\$ 412,900
Operating lease liability, current portion	70,034	63,568
Accounts payable and accrued liabilities	138,210	98,880
Refundable advance	33,456	14,136
Total current liabilities	241,700	589,484
LONG-TERM LIABILITIES		
Operating lease liability, net of current portion	89,760	159,794
Total liabilities	331,460	749,278
NET ASSETS		
Without donor restrictions	4,059,964	2,628,539
With donor restrictions	5,145,899	7,519,153
Total net assets	9,205,863	10,147,692
TOTAL LIABILITIES AND NET ASSETS	\$ 9,537,323	\$ 10,896,970

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, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Grants and contracts	\$ 1,643,978	\$ 1,665,305	\$ 3,309,283	\$ 2,155,221
Contributions	789,729	133,640	923,369	1,180,317
Event income	1,779,783	-	1,779,783	1,135,480
Other	8,811	-	8,811	20,224
Interest income	4,104	-	4,104	6,813
Net assets released from donor restrictions	<u>4,171,163</u>	<u>(4,171,163)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>8,397,568</u>	<u>(2,372,218)</u>	<u>6,025,350</u>	<u>4,498,055</u>
EXPENSES				
Program Services	<u>5,649,944</u>	<u>-</u>	<u>5,649,944</u>	<u>4,632,286</u>
Supporting Services:				
Management and General	708,396	-	708,396	1,164,940
Fundraising	<u>1,170,176</u>	<u>-</u>	<u>1,170,176</u>	<u>970,378</u>
Total supporting services	<u>1,878,572</u>	<u>-</u>	<u>1,878,572</u>	<u>2,135,318</u>
Total expenses	<u>7,528,516</u>	<u>-</u>	<u>7,528,516</u>	<u>6,767,604</u>
Change in net assets before other items	869,052	(2,372,218)	(1,503,166)	(2,269,549)
OTHER ITEMS				
Grant funds rescinded by donors	-	-	-	(288,088)
Extinguishment of debt	641,996	-	641,996	-
Currency loss	<u>(79,623)</u>	<u>(1,036)</u>	<u>(80,659)</u>	<u>(73,761)</u>
Change in net assets	1,431,425	(2,373,254)	(941,829)	(2,631,398)
Net assets at beginning of year	<u>2,628,539</u>	<u>7,519,153</u>	<u>10,147,692</u>	<u>12,779,090</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,059,964</u>	<u>\$ 5,145,899</u>	<u>\$ 9,205,863</u>	<u>\$ 10,147,692</u>

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021				2020	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising			
Salaries and related benefits	\$ 2,969,924	\$ 640,204	\$ 547,301	\$ 1,187,505	\$ 4,157,429	\$ 3,682,035
Contract labor	597,729	997	15,853	16,850	614,579	511,905
Subgrant expense	496,102	-	-	-	496,102	479,560
Meeting expense	112,979	2,915	318,905	321,820	434,799	129,815
Professional fees	184,205	21,179	159,556	180,735	364,940	341,782
Travel	299,815	2,158	26,919	29,077	328,892	262,928
Occupancy	204,840	14,309	12,233	26,542	231,382	245,121
Program supplies	208,565	-	-	-	208,565	238,119
Telecommunications	147,414	985	1,202	2,187	149,601	130,364
Subscriptions and fees	58,196	5,713	28,940	34,653	92,849	68,128
Supplies/equipment	84,537	572	790	1,362	85,899	31,697
Printing and reproduction	69,175	273	4,015	4,288	73,463	34,169
Repairs and maintenance	67,079	853	1,464	2,317	69,396	47,079
Insurance	51,044	7,657	6,546	14,203	65,247	66,826
Bank fees and service charges	29,591	1,148	29,469	30,617	60,208	33,364
Depreciation and amortization	38,156	8,225	7,032	15,257	53,413	57,877
Equipment rental	17,659	403	344	747	18,406	20,665
Advertising	3,083	265	5,215	5,480	8,563	1,859
Postage and delivery	2,635	178	3,526	3,704	6,339	4,229
Other expenses	4,821	258	777	1,035	5,856	27,067
Education and conferences	2,395	104	89	193	2,588	2,749
Bad debt expense	-	-	-	-	-	350,266
TOTAL	\$ 5,649,944	\$ 708,396	\$ 1,170,176	\$ 1,878,572	\$ 7,528,516	\$ 6,767,604

See accompanying notes to combined financial statements.

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (941,829)	\$ (2,631,398)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	53,413	57,877
(Gain) loss on sale of fixed assets	(565)	436
Loss (gain) on sale of donated securities	321	(2,480)
Receipt of contributed securities	(525,810)	(601,880)
Proceeds from the sale of contributed securities	525,489	604,360
Change in the measurement of operating lease liability	246	2,793
Change in discount on long-term receivables	(138,908)	(305,480)
Extinguishment of debt	(641,996)	-
(Increase) decrease in:		
Employee and partner advances and other	(32,305)	(3,513)
Grants and contracts receivable	431,379	1,885,188
Contributions receivable	1,992,497	2,722,935
Prepaid expenses	8,170	6,626
Deposits	(10,998)	4,586
Increase (decrease) in:		
Accounts payable and accrued liabilities	39,330	(116,638)
Refundable advance	<u>19,320</u>	<u>(1,880)</u>
Net cash provided by operating activities	<u>777,754</u>	<u>1,621,532</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(23,864)	(67,343)
Proceeds from disposal of fixed assets	<u>1,760</u>	<u>-</u>
Net cash used by investing activities	<u>(22,104)</u>	<u>(67,343)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>229,096</u>	<u>412,900</u>
Net cash provided by financing activities	<u>229,096</u>	<u>412,900</u>
Net increase in cash and cash equivalents	984,746	1,967,089
Cash and cash equivalents at beginning of year	<u>3,292,640</u>	<u>1,325,551</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,277,386</u>	<u>\$ 3,292,640</u>

GRASSROOT SOCCER, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2021

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, 2021**

**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' combined financial statements for the year ended December 31, 2020, 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 \$942,422 of cash and cash equivalents held in accounts in foreign countries at December 31, 2021. 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.

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. Leasehold improvements are amortized over the life of the lease.

GRASSROOT SOCCER, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2021

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

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, 2021, 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' 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 under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*

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.

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.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

Revenue recognition (continued) -

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 \$33,456 in unrecognized conditional awards as of December 31, 2021.

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, 2021, GRS received a total of \$525,489 in donated securities.

GRS has event income for the annual gala each year. Revenue is recognized when the event takes place.

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.

2. GRANTS, CONTRACTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2021, contributors to GRS have made written grants, contracts and contributions to give in the amount of \$4,918,024.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. GRANTS, CONTRACTS AND CONTRIBUTIONS RECEIVABLE (Continued)

Grants, contracts and contributions are due as follows at December 31, 2021:

	<u>Grants</u>	<u>Contracts</u>	<u>Contributions</u>	<u>Total</u>
Less than one year	\$ 905,241	\$ 1,284	\$ 2,759,145	\$ 3,665,670
One to five years	276,017	-	976,337	1,252,354
Total	1,181,258	1,284	3,735,482	4,918,024
Less: Discount balance to present value (5.75%)	(14,540)	-	(38,661)	(53,201)
TOTAL GRANTS, CONTRACTS AND CONTRIBUTIONS RECEIVABLE	<u>\$ 1,166,718</u>	<u>\$ 1,284</u>	<u>\$ 3,696,821</u>	<u>\$ 4,864,823</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 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.

GRS elected to early implement *Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2019-01* related to leases. ASU 2019-01 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%.

The right-of-use assets and operating lease liabilities are being amortized over the respective lives of the leases. As of December 31, 2021, the unamortized right-of-use assets were \$149,691 and unamortized operating lease liabilities were valued at \$89,760.

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

Year Ending December 31,

2022	\$ 170,867
2023	96,843
2024	43,499
2025	24,321
	<u>\$ 335,530</u>

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

3. LEASE COMMITMENT (Continued)

Leasing costs totaling \$211,518, including \$63,814 in amortization of the right-of-use assets, are presented in Occupancy expense on the Combined Statement of Functional Expenses totaling \$231,382 for the year ended December 31, 2021.

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. During the year ended December 31, 2021, GRS expended and tracked the PPP funds for purposes outlined in the CARES Act guidance and met all conditions set forth for forgiveness. On February 19, 2021, the loan was forgiven and GRS recorded revenue from debt extinguishment in other items on the Combined Statement of Activities and Change in Net Assets.

On April 5, 2021, GRS received loan proceeds in the amount of \$229,096 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with deferral of payments for the first twelve months. During the year ended December 31, 2021, GRS used the proceeds for purposes consistent with the PPP, and applied for forgiveness. On November 16, 2021, the loan was forgiven and GRS recorded revenue from debt extinguishment in other items on the Combined Statement of Activities and Change in Net Assets.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Time Restricted:	
United States of America	\$ <u>3,354,843</u>
Purpose Restricted:	
South Africa	512,834
Zambia	583,501
Zimbabwe	399,340
Malawi	144,608
Nigeria	2,016
GRSP	1,386
Mozambique	108,554
Papua New Guinea	<u>38,817</u>
Total Purpose Restricted	<u>1,791,056</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>5,145,899</u>

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
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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>2,133,713</u>
Purpose Restricted:	
Zambia	575,741
South Africa	454,775
Nigeria	302,480
Zimbabwe	299,699
Mozambique	171,165
Malawi	69,883
Equatorial Guinea	74,029
Papua New Guinea	79,171
Global	<u>10,507</u>
Total Purpose Restricted	<u>2,037,450</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>4,171,163</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, 2021:

Cash and cash equivalents	\$ 4,277,386
Employee and partner advances and other	89,332
Grants and contracts receivable	1,168,002
Contributions receivable	<u>2,759,145</u>
Subtotal financial assets available	8,293,865
Less: Donor restricted funds	<u>(5,145,899)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>3,147,966</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' 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 11) which allows for additional available borrowings up to \$475,000.

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.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. FOREIGN OPERATIONS (Continued)

As of December 31, 2021, GRS had current assets, including cash, receivables, prepaid expenses and inventories to be utilized for overseas operations totaling \$1,993,029. Additionally, property and equipment, net of accumulated depreciation, amounted to \$50,362. Liabilities in other countries totaled \$183,442. Total support and revenue received for foreign operations amounted to \$3,362,477 for the year ended December 31, 2021.

Foreign currency transaction gains, resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, totaled \$(80,659) in 2021, and has been reported separately in the accompanying Combined Statement 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, 2021:

	<u>South Africa</u>	<u>Zambia</u>	<u>Zimbabwe</u>	<u>Global Operations</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 919,899	\$ 411,802	\$ 260,577	\$ 2,565,151	\$ 4,157,429
Contract labor	30,510	173,418	105,974	304,677	614,579
Subgrant expense	19,932	67,716	-	408,454	496,102
Meeting expense	3,933	68,884	14,432	347,550	434,799
Professional fees	25,833	25,024	7,493	306,590	364,940
Travel	52,328	143,819	29,321	103,424	328,892
Occupancy	51,800	22,320	18,868	138,394	231,382
Program supplies	61,476	109,544	37,360	185	208,565
Telecommunications	32,499	89,137	2,824	25,141	149,601
Subscriptions and fees	11,359	350	1,889	79,251	92,849
Supplies/equipment	15,300	52,802	5,066	12,731	85,899
Printing and reproduction	13,189	43,283	7,826	9,165	73,463
Repairs and maintenance	28,831	9,631	20,482	10,452	69,396
Insurance	9,921	3,017	1,663	50,646	65,247
Bank fee and service charges	1,934	4,884	17,117	36,273	60,208
Depreciation and amortization	2,558	21,846	11,066	17,943	53,413
Equipment rental	8,894	191	120	9,201	18,406
Advertising	1,003	490	-	7,070	8,563
Postage and delivery	422	127	1,002	4,788	6,339
Other expenses	1,939	513	755	2,649	5,856
Education and conferences	-	-	-	2,588	2,588
TOTAL	<u>\$ 1,293,560</u>	<u>\$ 1,248,798</u>	<u>\$ 543,835</u>	<u>\$ 4,442,323</u>	<u>\$ 7,528,516</u>

GRS Global Operations -

GRS Global Operations consist of costs incurred at GRS offices in the United States and Europe as well as costs incurred for partner led programs in various countries where GRS provides technical assistance.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
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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. Retirement expense for the year ended December 31, 2021 was \$0.

11. 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. The line of credit was renewed during 2021 and expires in September 2022. The interest rate as of December 31, 2021 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, 2021.

12. SUBSEQUENT EVENTS

In preparing these combined financial statements, GRS has evaluated events and transactions for potential recognition or disclosure through September 27, 2022, the date the combined financial statements were issued.

Effective May 13, 2022, Grassroot Soccer, Inc. voted to end their affiliate agreement with the Grassroot Soccer Zimbabwe effective June 30, 2022. Accordingly, Grassroot Soccer, Inc. will no longer provide supporting services or financial support to the Grassroot Soccer Zimbabwe beyond that date.