

COMBINED FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

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, 2022, 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 combined financial position of GRS as of December 31, 2022, 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' 2021 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated September 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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 August 21, 2023, 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

August 21, 2023

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

ASSETS		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	4,436,848	\$ 4,277,386
Employee and partner advances and other		115,204	89,332
Grants receivable		539,078	905,241
Contract receivables		46,456	1,284
Contributions receivable		1,759,089	2,759,145
Inventory		1,386	1,386
Prepaid expenses		<u>57,090</u>	<u>51,399</u>
Total current assets		<u>6,955,151</u>	<u>8,085,173</u>
FIXED ASSETS			
Furniture and equipment		10,524	24,503
Computer equipment		81,273	128,296
Vehicles		110,395	107,105
Leasehold improvements		40,902	48,593
Software		<u>37,874</u>	<u>54,042</u>
		280,968	362,539
Less: Accumulated depreciation and amortization		<u>(214,931)</u>	<u>(295,310)</u>
Net fixed assets		<u>66,037</u>	<u>67,229</u>
OTHER ASSETS			
Deposits		47,075	36,077
Right-of-use assets, net		140,122	149,691
Grants receivable, net of current portion and discount		89,356	261,477
Contributions receivable, net of current portion and discount		<u>470,673</u>	<u>937,676</u>
Total other assets		<u>747,226</u>	<u>1,384,921</u>
TOTAL ASSETS	\$	<u>7,768,414</u>	\$ <u>9,537,323</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Operating lease liability, current portion	\$	85,543	\$ 70,034
Accounts payable and accrued liabilities		121,050	138,210
Refundable advance		<u>37,290</u>	<u>33,456</u>
Total current liabilities		<u>243,883</u>	<u>241,700</u>
LONG-TERM LIABILITIES			
Operating lease liability, net of current portion		<u>63,856</u>	<u>89,760</u>
Total liabilities		<u>307,739</u>	<u>331,460</u>
NET ASSETS			
Without donor restrictions		4,965,975	4,059,964
With donor restrictions		<u>2,494,700</u>	<u>5,145,899</u>
Total net assets		<u>7,460,675</u>	<u>9,205,863</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>7,768,414</u>	\$ <u>9,537,323</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, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Grants	\$ 1,223,957	\$ 901,988	\$ 2,125,945	\$ 3,086,686
Contracts	178,994	-	178,994	222,597
Contributions	964,591	1,129,334	2,093,925	923,369
Event income	1,761,197	-	1,761,197	1,779,783
Interest income and other income	22,158	-	22,158	12,915
Net assets released from donor restrictions	<u>4,680,496</u>	<u>(4,680,496)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>8,831,393</u>	<u>(2,649,174)</u>	<u>6,182,219</u>	<u>6,025,350</u>
EXPENSES				
Program Services	<u>5,523,694</u>	<u>-</u>	<u>5,523,694</u>	<u>5,649,944</u>
Supporting Services:				
Management and General	915,082	-	915,082	708,396
Fundraising	<u>1,314,993</u>	<u>-</u>	<u>1,314,993</u>	<u>1,170,176</u>
Total supporting services	<u>2,230,075</u>	<u>-</u>	<u>2,230,075</u>	<u>1,878,572</u>
Total expenses	<u>7,753,769</u>	<u>-</u>	<u>7,753,769</u>	<u>7,528,516</u>
Change in net assets before other items	1,077,624	(2,649,174)	(1,571,550)	(1,503,166)
OTHER ITEMS				
Discontinued operations	(34,056)	-	(34,056)	-
Extinguishment of debt	-	-	-	641,996
Currency loss	<u>(137,557)</u>	<u>(2,025)</u>	<u>(139,582)</u>	<u>(80,659)</u>
Change in net assets	906,011	(2,651,199)	(1,745,188)	(941,829)
Net assets at beginning of year	<u>4,059,964</u>	<u>5,145,899</u>	<u>9,205,863</u>	<u>10,147,692</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,965,975</u>	<u>\$ 2,494,700</u>	<u>\$ 7,460,675</u>	<u>\$ 9,205,863</u>

GRASSROOT SOCCER, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022				2021	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising			
Salaries and related benefits	\$ 2,747,743	\$ 821,634	\$ 560,659	\$ 1,382,293	\$ 4,130,036	\$ 4,157,429
Contract labor	645,626	273	12,444	12,717	658,343	614,579
Travel	523,619	11,123	103,596	114,719	638,338	328,892
Subgrant expense	485,389	-	-	-	485,389	496,102
Professional fees	200,972	29,382	246,996	276,378	477,350	364,940
Meeting expense	135,595	723	271,690	272,413	408,008	434,799
Occupancy	184,570	18,820	12,842	31,662	216,232	231,382
Program supplies	172,957	-	-	-	172,957	208,565
Telecommunications	106,871	1,317	1,493	2,810	109,681	149,601
Subscriptions and fees	49,911	5,417	24,007	29,424	79,335	92,849
Insurance	45,436	9,983	6,813	16,796	62,232	65,247
Printing and reproduction	47,396	518	9,984	10,502	57,898	73,463
Bank fees and service charges	22,749	2,049	25,931	27,980	50,729	60,208
Depreciation and amortization	33,555	10,034	6,847	16,881	50,436	53,413
Supplies/equipment	43,314	623	1,581	2,204	45,518	85,899
Repairs and maintenance	31,666	1,290	880	2,170	33,836	69,396
Advertising	9,492	989	17,406	18,395	27,887	8,563
Equipment rental	16,343	524	358	882	17,225	18,406
Postage and delivery	6,324	49	9,376	9,425	15,749	6,339
Other expenses	8,467	264	416	680	9,147	5,856
Education and conferences	5,699	70	1,674	1,744	7,443	2,588
TOTAL	\$ 5,523,694	\$ 915,082	\$ 1,314,993	\$ 2,230,075	\$ 7,753,769	\$ 7,528,516

See accompanying notes to combined financial statements.

GRASSROOT SOCCER, INC.

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,745,188)	\$ (941,829)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	50,436	53,413
Loss (gain) on sale of fixed assets	7,216	(565)
Loss on sale of donated securities	5,617	321
Receipt of contributed securities	(738,426)	(525,810)
Proceeds from the sale of contributed securities	732,809	525,489
Amortization of right-of-use assets	9,569	63,814
Change in discount on long-term receivables	13,274	(138,908)
Extinguishment of debt	-	(641,996)
(Increase) decrease in:		
Employee and partner advances and other	(25,872)	(32,305)
Grants and contracts receivable	500,504	431,379
Contributions receivable	1,446,393	1,992,497
Prepaid expenses	(5,691)	8,170
Deposits	(10,998)	(10,998)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(17,160)	39,330
Refundable advance	3,834	19,320
Lease liability	<u>(10,395)</u>	<u>(63,568)</u>
Net cash provided by operating activities	<u>215,922</u>	<u>777,754</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(57,360)	(23,864)
Proceeds from disposal of fixed assets	<u>900</u>	<u>1,760</u>
Net cash used by investing activities	<u>(56,460)</u>	<u>(22,104)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>-</u>	<u>229,096</u>
Net cash provided by financing activities	<u>-</u>	<u>229,096</u>
Net increase in cash and cash equivalents	159,462	984,746
Cash and cash equivalents at beginning of year	<u>4,277,386</u>	<u>3,292,640</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,436,848</u>	<u>\$ 4,277,386</u>
SUPPLEMENTAL INFORMATION:		
Right-of-Use Assets	<u>\$ 105,195</u>	<u>\$ -</u>
Operating Lease Liabilities	<u>\$ 106,060</u>	<u>\$ -</u>

See accompanying notes to combined financial statements.

GRASSROOT SOCCER, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2022

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. Effective May 13, 2022, Grassroot Soccer, Inc. voted to end their affiliate agreement with Grassroot Soccer Zimbabwe effective June 30, 2022. Accordingly, Grassroot Soccer, Inc. will no longer provide supporting services or financial support to Grassroot Soccer Zimbabwe beyond that date. The effect associated with the separation of Grassroot Soccer Zimbabwe is shown in the Statement of Activities under other items as a loss on discontinued operations.

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.

GRASSROOT SOCCER, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2022

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

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions (continued)** - 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.

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, 2021, 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 \$772,455 of cash and cash equivalents held in accounts in foreign countries at December 31, 2022. 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 are recorded at net their net realizable value, which approximates 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 receivable are recorded at their net realizable value, which approximates fair value. Grants 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 revenue.

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, 2022

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

Fixed assets -

Fixed assets in excess of \$1,500 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.

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, 2022, 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.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

**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 \$2,438,029 in unrecognized conditional awards as of December 31, 2022.

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, 2022, GRS received a total of \$732,809 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.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Functional allocation of expenses (continued) -

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 financial statements have been reclassified to conform to the current year's presentation.

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for GRS for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

GRS plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying combined financial statements.

2. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2022, contributors to GRS have made written grants and contributions to give in the amount of \$2,924,671.

Grants and contributions are due as follows at December 31, 2022:

	<u>Grants</u>	<u>Contributions</u>	<u>Total</u>
Less than one year	\$ 539,078	\$ 1,759,089	\$ 2,298,167
One to five years	<u>96,504</u>	<u>530,000</u>	<u>626,504</u>
Total	635,582	2,289,089	2,924,671
Less: Discount balance to present value (8.00%)	<u>(7,148)</u>	<u>(59,327)</u>	<u>(66,475)</u>
TOTAL GRANTS AND CONTRIBUTIONS RECEIVABLE	<u>\$ 628,434</u>	<u>\$ 2,229,762</u>	<u>\$ 2,858,196</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.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

3. LEASE COMMITMENT (Continued)

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 signed a lease in June 2021 in Cape Town, for approximately ZAR 42,000 (\$2,741 USD) a month for two years with lease payments increasing by 10% each year. The lease expires on May 31, 2023.

GRS signed a lease in April 2022 in Johannesburg, for approximately ZAR 37,500 (\$2,205 USD) a month for thirty months with lease payments increasing by 6% each year. The lease expires on May 31, 2023.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Combined Statement of Financial Position and disclosure of key information about leasing arrangements. GRS elected in 2018 to early implement the ASU and elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. 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% for the US and Lusaka leases beginning in 2018. GRS recorded right-of-use asset and operating lease liability of \$41,708 as of January 1, 2022 by calculating the net present value of the lease commitments using a discount rate of 7.27% for the Cape Town lease beginning in 2021. GRS recorded right-of-use asset and operating lease liability of \$63,487 by calculating the net present value of the lease commitments using a discount rate of 7.27% for the Johannesburg lease beginning in 2022. As of December 31, 2022, the weight-average remaining lease term and rate for financing leases is 1.67 years and 5.98%, respectively.

The right-of-use assets and operating lease liabilities are being amortized over the respective lives of the leases. As of December 31, 2022, the unamortized right-of-use assets were \$140,122 and unamortized operating lease liabilities were valued at \$149,399.

GRS also has two short term lease agreements in foreign countries for office space that expire during 2023. Future minimum commitments are as follows:

Year Ending December 31,

	2023	\$ 114,656
	2024	44,925
	2025	<u>22,112</u>
		181,693
Less: Imputed interest		<u>(32,294)</u>
		149,399
Less: Current portion		<u>(85,543)</u>
LONG-TERM PORTION		<u>\$ 63,856</u>

Lease expense for the year ended December 31, 2022 was \$199,859, and is presented in Occupancy expense on the Combined Statement of Functional Expenses totaling \$231,382 for the year ended December 31, 2022.

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
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4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022:

Time Restricted:		
United States of America	\$	<u>1,761,413</u>
Purpose Restricted:		
Zambia		248,315
Kenya		198,507
South Africa		162,289
Malawi		83,440
Global		29,129
Nigeria		10,221
GRSP		<u>1,386</u>
Total Purpose Restricted		<u>733,287</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$	<u>2,494,700</u>

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:

Time Restricted:		
United States of America	\$	<u>2,722,764</u>
Purpose Restricted:		
Zambia		532,013
South Africa		406,790
Nigeria		291,020
Mozambique		288,331
Zimbabwe		154,608
Papua New Guinea		79,593
GRSP		78,963
Malawi		64,365
Kenya		40,241
Global		20,550
Equatorial Guinea		<u>1,258</u>
Total Purpose Restricted		<u>1,957,732</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$	<u>4,680,496</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, 2022:

Cash and cash equivalents	\$	4,436,848
Employee and partner advances and other		115,204
Grants receivable		628,434
Contributions receivable		2,229,762
Contract receivables		<u>46,456</u>
Subtotal financial assets available		7,456,704
Less: Donor restricted funds		<u>(2,494,700)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$	<u>4,962,004</u>

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

6. LIQUIDITY AND AVAILABILITY (Continued)

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 10) which allows for additional available borrowings up to \$475,000.

7. FOREIGN OPERATIONS

GRS maintains facilities in South Africa, Zambia, and Europe, as well as administers programs in several other foreign countries via relationships with implementing partners. As of December 31, 2022, GRS had current assets, including cash, receivables, prepaid expenses and inventories to be utilized for overseas operations totaling \$1,077,542. Additionally, property and equipment, net of accumulated depreciation, amounted to \$52,743. Liabilities in other countries totaled \$201,984. Total support and revenue received for foreign operations amounted to \$2,490,327 for the year ended December 31, 2022.

Foreign currency transaction gains, resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, totaled \$(139,582) in 2022, and has been reported separately in the accompanying Combined Statement of Activities and Change in Net Assets.

8. EXPENSES - BY SEGMENT

The following is a detail of expenses, by country, for the year ended December 31, 2022:

	<u>South Africa</u>	<u>Zambia</u>	<u>Zimbabwe</u>	<u>Global Operations</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 455,729	\$ 587,017	\$ 146,887	\$ 2,940,403	\$ 4,130,036
Contract labor	44,255	286,587	49,326	278,175	658,343
Travel	62,442	235,277	9,511	331,108	638,338
Subgrant expense	5,684	79,219	-	400,486	485,389
Professional fees	16,228	43,073	10,612	407,437	477,350
Meeting expense	2,341	97,703	6,299	301,665	408,008
Occupancy	43,585	30,439	6,235	135,973	216,232
Program supplies	33,018	128,763	10,774	402	172,957
Telecommunications	18,844	66,542	831	23,464	109,681
Subscriptions and fees	10,913	3,473	56	64,893	79,335
Insurance	5,213	5,130	1,121	50,768	62,232
Printing and reproduction	9,546	26,336	319	21,697	57,898
Bank fee and service charges	1,204	9,079	4,547	35,899	50,729
Depreciation and amortization	1,318	32,796	4,128	12,194	50,436
Supplies/equipment	3,874	34,288	760	6,596	45,518
Repairs and maintenance	8,184	15,502	2,206	7,944	33,836
Advertising	1,153	1,771	80	24,883	27,887
Equipment rental	7,778	676	-	8,771	17,225
Postage and delivery	434	5,561	-	9,754	15,749
Other expenses	6,931	541	-	1,675	9,147
Education and training	3,463	1,140	25	2,815	7,443
TOTAL	\$ 742,137	\$ 1,690,913	\$ 253,717	\$ 5,067,002	\$ 7,753,769

GRASSROOT SOCCER, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

8. EXPENSES - BY SEGMENT (Continued)

GRS Global Operations -

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

9. RETIREMENT PLAN

Effective March 1, 2011, GRS implemented a defined contribution 401(k) plan to provide retirement benefits to its employees. Employees are eligible to receive any matching or discretionary contributions after one year of service and the Plan has a four-year graded vesting schedule. Matching contributions are determined annually by GRS as a fixed percentage of salary for all participating employees. Discretionary contributions are determined annually by GRS and are allocated based on the employee's salary as a percentage of the total organizational salary. Retirement expense for the year ended December 31, 2022 was \$0.

10. 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 2022 and expires in September 2023. The interest rate as of December 31, 2022 is 8.00%.

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, 2022.

11. SUBSEQUENT EVENTS

In preparing these combined financial statements, GRS has evaluated events and transactions for potential recognition or disclosure through August 21, 2023, the date the combined financial statements were issued.