

**FINANCIAL STATEMENTS**

**GRASSROOT SOCCER, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2009  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2008**

# GRASSROOT SOCCER, INC.

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Grassroot Soccer, Inc.  
Norwich, Vermont

We have audited the accompanying statement of financial position of Grassroot Soccer, Inc. (GRS) as of December 31, 2009, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of GRS' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from GRS' 2008 financial statements and, in our report dated November 13, 2009, we expressed an unqualified opinion on those statements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GRS' internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GRS as of December 31, 2009, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2010 on our consideration of Grassroot Soccer, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Gelman Rosenberg & Freedman*

October 13, 2010

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

## GRASSROOT SOCCER, INC.

**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2009**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008**

**ASSETS**

	<b>2009</b>	<b>2008</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 818,561	\$ 1,537,980
Accounts receivable	27,061	23,669
Grants receivable	3,535,186	1,195,678
Pledges receivable	35,906	121,332
Inventory	222,337	20,850
Prepaid expenses	38,547	39,322
Total current assets	4,677,598	2,938,831
<b>FIXED ASSETS</b>		
Equipment	1,800	1,800
Furniture	9,302	8,129
Computer equipment	55,138	37,674
Vehicles	92,974	144,743
Leasehold improvements	3,058	-
Software	31,999	31,964
	194,271	224,310
Less: Accumulated depreciation and amortization	(94,924)	(109,643)
Net fixed assets	99,347	114,667
<b>OTHER ASSETS</b>		
Deposits	20,019	12,157
<b>TOTAL ASSETS</b>	<b>\$ 4,796,964</b>	<b>\$ 3,065,655</b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ <u>156,682</u>	\$ <u>53,620</u>
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**NET ASSETS**

Unrestricted	928,646	1,088,928
Temporarily restricted (Note 3)	3,711,636	1,923,107
Total net assets	4,640,282	3,012,035

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,796,964</b>	<b>\$ 3,065,655</b>
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See accompanying notes to financial statements.

## GRASSROOT SOCCER, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008**

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE</b>				
Grants	\$ -	\$ 4,799,119	\$ 4,799,119	\$ 3,365,527
Contributions	608,376	107,977	716,353	734,082
In-kind contributions	-	243,800	243,800	20,850
Event income	217,609	-	217,609	154,789
Other revenue	49,950	74,191	124,141	18,692
Investment income	20,152	341	20,493	17,402
Sales	5,091	-	5,091	19,325
Net assets released from donor restrictions (Note 4)	<u>3,436,899</u>	<u>(3,436,899)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>4,338,077</u>	<u>1,788,529</u>	<u>6,126,606</u>	<u>4,330,667</u>
<b>EXPENSES</b>				
Program Services	<u>3,097,364</u>	<u>-</u>	<u>3,097,364</u>	<u>1,032,143</u>
Supporting Services:				
Management and General	1,103,622	-	1,103,622	512,206
Fundraising	<u>347,011</u>	<u>-</u>	<u>347,011</u>	<u>507,282</u>
Total supporting services	<u>1,450,633</u>	<u>-</u>	<u>1,450,633</u>	<u>1,019,488</u>
Total expenses	<u>4,547,997</u>	<u>-</u>	<u>4,547,997</u>	<u>2,051,631</u>
Change in net assets before other item	(209,920)	1,788,529	1,578,609	2,279,036
<b>OTHER ITEM</b>				
Currency gain (loss) (Note 7)	<u>49,638</u>	<u>-</u>	<u>49,638</u>	<u>(28,854)</u>
Change in net assets	(160,282)	1,788,529	1,628,247	2,250,182
Net assets at beginning of year	<u>1,088,928</u>	<u>1,923,107</u>	<u>3,012,035</u>	<u>761,853</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 928,646</u></b>	<b><u>\$ 3,711,636</u></b>	<b><u>\$ 4,640,282</u></b>	<b><u>\$ 3,012,035</u></b>

See accompanying notes to financial statements.

## GRASSROOT SOCCER, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2009  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008**

	2009			2008	
	Supporting Services			Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising		
Salaries and related benefits	\$ 1,012,871	\$ 848,646	\$ 125,105	\$ 1,986,622	\$ 836,892
Travel	478,200	85,736	21,561	585,497	383,901
Printing and reproduction	359,033	11,157	1,323	371,513	22,198
Professional fees	153,093	74,985	95,975	324,053	230,936
Contract labor	184,029	56,708	18,286	259,023	55,755
Program supplies	172,863	-	-	172,863	64,974
Meeting expense	112,021	14,798	27,071	153,890	48,591
Occupancy (Note 2)	56,270	93,491	-	149,761	90,781
Telecommunications	39,453	70,600	2,912	112,965	47,002
Supplies/equipment	73,560	38,430	671	112,661	34,427
Subgrant expense	89,050	-	-	89,050	43,505
Depreciation and amortization	-	65,548	-	65,548	56,715
Repairs and maintenance	7,163	17,678	-	24,841	5,068
Insurance	-	23,212	-	23,212	29,782
License and permits	9,545	7,303	4,959	21,807	10,981
Advertising	14,936	1,635	4,770	21,341	8,506
Bank fees and service charges	1,318	9,812	4,220	15,350	7,780
Dues and subscriptions	29	13,599	690	14,318	1,630
Equipment rental	8,249	3,397	55	11,701	3,591
Postage and delivery	6,496	3,348	1,709	11,553	8,881
Education and training	9,885	892	-	10,777	14,848
Other expenses	4,983	4,552	116	9,651	29,929
Internet and website costs	-	-	-	-	14,958
Subtotal	2,793,047	1,445,527	309,423	4,547,997	2,051,631
Allocation of management and general	304,317	(341,905)	37,588	-	-
<b>TOTAL</b>	<b>\$ 3,097,364</b>	<b>\$ 1,103,622</b>	<b>\$ 347,011</b>	<b>\$ 4,547,997</b>	<b>\$ 2,051,631</b>

## GRASSROOT SOCCER, INC.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,628,247	\$ 2,250,182
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	65,548	56,715
(Gain) loss on sale of fixed assets	(33,153)	894
Donated inventory	(201,487)	(20,850)
(Increase) decrease in:		
Accounts receivable	(3,392)	(16,413)
Grants receivable	(2,339,508)	(1,045,279)
Pledges receivable	85,426	(89,185)
Prepaid expenses	775	(24,211)
Deposits	(7,862)	(11,244)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>103,062</u>	<u>(7,406)</u>
Net cash provided (used) by operating activities	<u>(702,344)</u>	<u>1,093,203</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(71,675)	(65,315)
Proceeds from sale of fixed assets	<u>54,600</u>	<u>794</u>
Net cash used by investing activities	<u>(17,075)</u>	<u>(64,521)</u>
Net increase (decrease) in cash and cash equivalents	(719,419)	1,028,682
Cash and cash equivalents at beginning of year	<u>1,537,980</u>	<u>509,298</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 818,561</u></b>	<b><u>\$ 1,537,980</u></b>

## GRASSROOT SOCCER, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

Grassroot Soccer, Inc. (GRS) is a non-profit organization, incorporated in the State of New Mexico. The mission is to use the power of soccer in the fight against AIDS to provide African youth with the knowledge, skills and support to live HIV free. GRS trains role models (pro players, coaches, youth players, etc.) to get the message out about healthy behavior and the risks of HIV to increase awareness and change behaviors.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with GRS' financial statements for the year ended December 31, 2008, from which the summarized information was derived.

##### Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, GRS has updated references to GAAP in its financial statements issued for the year ended December 31, 2009. The adoption of FASB ASC 105 did not impact GRS' financial position or results of operations.

##### Cash and cash equivalents -

GRS considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

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

##### Receivables -

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

##### Fixed assets -

Fixed assets in excess of \$500 are capitalized and are stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.



GRASSROOT SOCCER, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009

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

Income taxes -

GRS is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. GRS is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2009, GRS has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Inventory -

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

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of GRS and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of GRS and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

In-kind contributions -

GRS receives in-kind contributions. The amounts recorded are based on the estimated fair market value. In-kind contributions consisted of donated inventory, which has been included in temporarily restricted net assets and will be released upon sale or distribution of the items.

**GRASSROOT SOCCER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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

In-kind contributions (continued) -

Donated computers and vehicles received in prior years have been included in temporarily restricted net assets in the accompanying financial statements and are being released based on depreciation expense each year. In addition, volunteers have donated significant amounts of their time to GRS. These donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification -

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

**2. LEASE COMMITMENT**

In June 2008, GRS entered into a lease agreement for office space commencing July 1, 2008 and expiring July 1, 2013.

GRS entered into various lease agreements in foreign countries for office space and intern housing through 2012.

Future minimum commitments are as follows:

**Year Ended December 31,**

2010	\$ 156,581
2011	93,598
2012	54,583
2013	<u>21,510</u>
	<b><u>\$ 326,272</u></b>

**GRASSROOT SOCCER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**2. LEASE COMMITMENT (Continued)**

Occupancy expense, including short-term lease agreements in foreign countries, totaled \$149,761 for the year ended December 31, 2009.

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2009:

South Africa	\$3,061,026
Zambia	352,085
Zimbabwe	138,834
Namibia	29,684
Malawi	68,315
Tanzania	55,610
Mauritius	5,518
USA	<u>564</u>
	<b><u>\$3,711,636</u></b>

**4. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

South Africa	\$2,462,900
Zambia	392,422
Zimbabwe	297,493
Namibia	80,246
Malawi	102,466
Tanzania	72,354
Mauritius	4,438
USA	9,312
Botswana	<u>15,268</u>
	<b><u>\$3,436,899</u></b>

**5. CONTINGENCY**

GRS receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2009. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

**GRASSROOT SOCCER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**6. EXPENSES - BY COUNTRY**

The following is a detail of expenses by country for the year ended December 31, 2009:

	<u>South Africa</u>	<u>Zambia</u>	<u>Zimbabwe</u>	<u>Global</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 1,143,614	\$ 111,340	\$ 155,733	\$ 575,935	\$ 1,986,622
Travel	317,661	110,008	53,074	104,754	585,497
Printing and reproduction	337,436	21,391	212	12,474	371,513
Professional fees	162,704	5,990	1,645	153,714	324,053
Contract labor	152,291	46,356	9,337	51,039	259,023
Program supplies	85,013	56,343	19,903	11,604	172,863
Meeting expense	78,766	27,819	7,028	40,277	153,890
Occupancy	72,459	14,578	8,323	54,401	149,761
Telecommunications	59,283	18,477	10,942	24,263	112,965
Supplies/equipment	76,744	13,141	3,863	18,913	112,661
Subgrant expense	89,050	-	-	-	89,050
Depreciation	45,840	2,298	1,317	16,093	65,548
Repairs and maintenance	15,967	3,533	80	5,261	24,841
Insurance	7,179	1,063	253	14,717	23,212
License and permits	9,753	2,333	1,701	8,020	21,807
Advertising	14,665	313	-	6,363	21,341
Bank fees and service charges	3,929	3,282	2,307	5,832	15,350
Dues and subscriptions	3,267	1,416	1,608	8,027	14,318
Equipment rental	7,184	860	-	3,657	11,701
Postage and delivery	6,116	1,158	986	3,293	11,553
Education and training	6,084	394	1,388	2,911	10,777
Other expenses	<u>6,671</u>	<u>1,391</u>	<u>-</u>	<u>1,589</u>	<u>9,651</u>
<b>TOTAL</b>	<b><u>\$ 2,701,676</u></b>	<b><u>\$ 443,484</u></b>	<b><u>\$ 279,700</u></b>	<b><u>\$ 1,123,137</u></b>	<b><u>\$ 4,547,997</u></b>

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

Global expenses consisted of the following for the year ended December 31, 2009:

United States	\$ 773,961
Europe	90,977
Malawi	90,535
Tanzania	76,296
Namibia	70,661
Botswana	14,096
Mauritius	4,157
Kenya	<u>2,454</u>
<b>TOTAL</b>	<b><u>\$ 1,123,137</u></b>

**GRASSROOT SOCCER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**7. FOREIGN OPERATIONS**

In connection with its mission, GRS maintains facilities in various African countries. As of December 31, 2009, current assets, including cash, receivables, prepaid expenses and inventories to be utilized for overseas operations totaled \$4,020,173.

Property and equipment, net of accumulated depreciation, amounted to \$71,669. Liabilities in other countries were \$52,235. Total support and revenue received for foreign operations amounted to \$5,272,956 for the year ended December 31, 2009.

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

Foreign currency transaction gains (losses), resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, totaled approximately \$50,000 in 2009, and have been reported separately in the accompanying Statement of Activities and Change in Net Assets.

**8. ECONOMIC DEPENDENCY**

Approximately 52% of GRS' revenue for the year ended December 31, 2009 was derived from one grant awarded directly by the United States Federal Government. The current level of GRS' operations and program services may be impacted or segments discontinued if the funding is not renewed by the end of the grant.

**9. SUBSEQUENT EVENTS**

In preparing these financial statements, GRS has evaluated events and transactions for potential recognition or disclosure through October 13, 2010, the date the financial statements were issued.