

Kevin P. Martin & Associates, P.C.



Soccer Without Borders

Financial Statements

July 31, 2020 and 2019



SOCCER WITHOUT BORDERS

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July 31, 2020 and 2019

Independent Auditors' Report

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Independent Auditors' Report

To the Board of Directors of
Soccer Without Borders

We have audited the accompanying financial statements of Soccer Without Borders (a national nonprofit organization), (the Organization), which comprise the statements of financial position as of July 31, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of July 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization has adopted ASU No. 2018-08, *Clarified Scope and Accounting Guidance for Contributions Received and Made*, ASU 2016-01, *Financial Instruments - Overall* and ASU 2016-15, *Statement of Cash Flows - Clarification of Certain Cash Receipts and Cash Payments*. Our opinion is not modified with respect to that matter.



Braintree, Massachusetts
December 4, 2020

SOCCER WITHOUT BORDERS

Statements of Financial Position

As of July 31, 2020 and 2019

	2020	2019
Current Assets		
Cash and cash equivalents		
Operating	\$ 769,825	\$ 699,461
Payroll Protection Program (PPP) funds	222,728	-
Total cash and cash equivalents	992,553	699,461
Accounts receivable	252,287	181,001
Prepaid expenses	23,802	23,275
Total current assets	1,268,642	903,737
Fixed Assets		
Vehicles	53,759	58,759
Total fixed assets	53,759	58,759
Less: accumulated depreciation	(49,389)	(46,906)
Total net fixed assets	4,370	11,853
Other Assets		
Deposits	13,820	23,274
Total other assets	13,820	23,274
Total Assets	\$ 1,286,832	\$ 938,864
Current Liabilities		
Accounts payable	\$ 12,131	\$ 21,713
Accrued expenses	908	203
Deferred revenue	30,000	25,000
Other current liabilities	6,750	13,500
Note payable - PPP	222,728	-
Total current liabilities	272,517	60,416
Net Assets		
Net assets without donor restrictions		
Board designated	265,000	250,000
Undesignated	582,415	598,448
Net assets with donor restrictions	166,900	30,000
Total net assets	1,014,315	878,448
Total Liabilities and Net Assets	\$ 1,286,832	\$ 938,864

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Statement of Activities

For the Year Ended July 31, 2020

	Without Donor Restrictions		With Donor Restrictions	2020 Total
	Undesignated	Board Designated		
Revenue and Support				
Grants and contributions	\$ 2,038,476	\$ 15,000	\$ 166,900	\$ 2,220,376
Released from restrictions	30,000	-	(30,000)	-
In-kind donations	94,464	-	-	94,464
Special events	69,100	-	-	69,100
Program service fees	3,653	-	-	3,653
Other revenue	14,041	-	-	14,041
	<u>2,249,734</u>	<u>15,000</u>	<u>136,900</u>	<u>2,401,634</u>
Expenses				
Program services	1,969,280	-	-	1,969,280
General and administrative	163,373	-	-	163,373
Fundraising	133,114	-	-	133,114
	<u>2,265,767</u>	<u>-</u>	<u>-</u>	<u>2,265,767</u>
Total Change in Net Assets	(16,033)	15,000	136,900	135,867
Net Assets at Beginning of Year	<u>598,448</u>	<u>250,000</u>	<u>30,000</u>	<u>878,448</u>
Net Assets at End of Year	<u>\$ 582,415</u>	<u>\$ 265,000</u>	<u>\$ 166,900</u>	<u>\$ 1,014,315</u>

SOCCER WITHOUT BORDERS

Statement of Activities

For the Year Ended July 31, 2019

	Without Donor Restrictions		With Donor Restrictions	2019 Total
	Undesignated	Board Designated		
Revenue and Support				
Grants and contributions	\$ 1,521,352	\$ 140,000	\$ 30,000	\$ 1,691,352
Released from restrictions	63,050	-	(63,050)	-
In-kind donations	75,530	-	-	75,530
Special events	96,712	-	-	96,712
Program service fees	71,417	-	-	71,417
Other revenue	17,869	-	-	17,869
	1,845,930	140,000	(33,050)	1,952,880
Expenses				
Program services	1,753,703	-	-	1,753,703
General and administrative	114,530	-	-	114,530
Fundraising	87,578	-	-	87,578
	1,955,811	-	-	1,955,811
Total Change in Net Assets	(109,881)	140,000	(33,050)	(2,931)
Net Assets at Beginning of Year	708,329	110,000	63,050	881,379
Net Assets at End of Year	\$ 598,448	\$ 250,000	\$ 30,000	\$ 878,448

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Statements of Cash Flows

For the Years Ended July 31, 2020 and 2019

Cash Flows from Operating Activities	<u>2020</u>	<u>2019</u>
Change in net assets	\$ 135,867	\$ (2,931)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,483	9,260
Decrease (increase) in assets:		
Accounts receivable	(71,286)	(64,843)
Prepaid expenses	(527)	(1,725)
Deposits	9,454	(11,598)
Increase (decrease) in liabilities:		
Accounts payable	(9,582)	21,263
Accrued expenses	705	(10,329)
Deferred revenue	5,000	(35,000)
Other current liabilities	<u>(6,750)</u>	<u>13,500</u>
Net Cash Provided by (Used in) Operating Activities	<u>70,364</u>	<u>(82,403)</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	<u>-</u>	<u>(8,700)</u>
Net Cash (Used in) Provided by Investing Activities	<u>-</u>	<u>(8,700)</u>
Cash Flows from Financing Activities		
Proceeds from note payable - PPP	<u>222,728</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>222,728</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	293,092	(91,103)
Cash and Cash Equivalents - Beginning	<u>699,461</u>	<u>790,564</u>
Cash and Cash Equivalents - Ending	<u>\$ 992,553</u>	<u>\$ 699,461</u>

SOCCKER WITHOUT BORDERS

Statement of Functional Expenses

For the Year Ended July 31, 2020

	Program Services	General and Administrative	Fundraising	2020 Total
Salaries	\$ 1,098,357	\$ 113,059	\$ 78,405	\$ 1,289,821
Payroll taxes and fringe benefits	<u>164,177</u>	<u>15,402</u>	<u>9,104</u>	<u>188,683</u>
Subtotal	1,262,534	128,461	87,509	1,478,504
Contract coaches	135,179	-	-	135,179
In-kind expenses	93,676	394	394	94,464
Contract staff	76,267	8,647	8,647	93,561
Transportation	72,496	-	501	72,997
Rent	67,041	1,913	2,813	71,767
Recreational equipment and supplies	71,418	-	-	71,418
Meals	43,037	-	3,937	46,974
Technology services and office supplies	36,470	10,175	-	46,645
Fees, dues and subscriptions	5,266	5,496	15,690	26,452
Travel	24,554	135	85	24,774
Training and professional development	20,924	-	398	21,322
Insurance	10,289	8,122	-	18,411
Accounting services	9,015	-	-	9,015
Bank and online processor fees	1,975	30	7,008	9,013
Field rental	8,672	-	-	8,672
Vehicle depreciation	7,483	-	-	7,483
Registration fees	7,179	-	-	7,179
Utilities	6,721	-	-	6,721
Fundraising technology and supplies	-	-	5,292	5,292
Referee fees	3,970	-	-	3,970
Other facility costs	2,140	-	840	2,980
Background check fees	<u>2,974</u>	<u>-</u>	<u>-</u>	<u>2,974</u>
Total Functional Expenses	<u>\$ 1,969,280</u>	<u>\$ 163,373</u>	<u>\$ 133,114</u>	<u>\$ 2,265,767</u>

SOCCER WITHOUT BORDERS

Statement of Functional Expenses

For the Year Ended July 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2019 Total</u>
Salaries	\$ 830,813	\$ 85,277	\$ 42,246	\$ 958,336
Payroll taxes and fringe benefits	<u>124,450</u>	<u>12,246</u>	<u>5,832</u>	<u>142,528</u>
Subtotal	955,263	97,523	48,078	1,100,864
Contract coaches	222,047	-	-	222,047
In-kind expenses	74,742	394	394	75,530
Transportation	95,701	-	378	96,079
Rent	51,031	1,629	2,077	54,737
Contract staff	80,511	-	-	80,511
Meals	42,478	-	2,560	45,038
Travel	13,929	-	-	13,929
Registration fees	17,440	-	-	17,440
Recreational equipment and supplies	59,596	-	-	59,596
Fees, dues and subscriptions	4,401	5,524	16,454	26,379
Insurance	11,314	6,020	-	17,334
Accounting services	8,750	-	-	8,750
Vehicle depreciation	8,680	-	-	8,680
Bank and online processor fees	1,146	-	6,135	7,281
Field rental	10,910	-	-	10,910
Technology services and office supplies	44,121	3,437	-	47,558
Referee fees	2,263	-	-	2,263
Utilities	5,497	3	5	5,505
Other facility costs	2,512	-	1,438	3,950
Background check fees	4,277	-	-	4,277
Fundraising technology and supplies	-	-	10,059	10,059
Training and professional development	<u>37,094</u>	<u>-</u>	<u>-</u>	<u>37,094</u>
Total Functional Expenses	\$ <u>1,753,703</u>	\$ <u>114,530</u>	\$ <u>87,578</u>	\$ <u>1,955,811</u>

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Notes to Financial Statements

July 31, 2020 and 2019

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The significant accounting policies followed by Soccer Without Borders (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The Organization was formed for charitable purposes as a 501(c)(3) nonprofit which aims to build a more inclusive world through soccer. The Organization runs year-round, youth-development programs in under-served areas in the United States and abroad, providing young people with the skills and support they need to reach their full potential. Currently, the Organization has two major areas of focus: newcomer youth and girls. Newcomer refugee, asylum-seeking, and immigrant youth and adolescent girls are two of the most vulnerable populations in the United States and around the world today. First beginning programming in 2006, the Organization provides free after-school and summer activities to youth from over 70 nations, living in some of the world's most challenging urban areas, where youth are disproportionately at-risk for academic failure, gang recruitment, depression, diabetes, unplanned pregnancies, drugs, and other unhealthy choices and circumstances.

The Organization's mission statement is to use soccer as a vehicle for positive change, providing underserved youth with a toolkit to overcome obstacles to growth, inclusion, and personal success. Its holistic, evidence-based model combines soccer practices and games with academic and language support, civic engagement, and cultural exchange activities, while proactively reducing barriers to entry that typically leave newcomers excluded. Together in a welcoming team environment led by a caring mentor-coach, under-served youth advance academically, develop personally, make healthy lifestyle choices, build social capital, and develop English language skills. The balance and dosage of these activities creates a powerfully influential environment that is focused on the development of the whole person over many years.

(b) Basis of Presentation

The statements of activities report all changes in net assets, including changes in net assets without donor restrictions from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts.

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Notes to Financial Statements

July 31, 2020 and 2019

(1) Summary of Significant Accounting Policies - continued

(c) Standards of Accounting and Reporting

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statements of financial position present two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statements of activities display the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions

(d) Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The Organization maintains its cash balances at multiple financial institutions that operate in Massachusetts (MA). The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of July 31, 2020 and 2019.

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Notes to Financial Statements

July 31, 2020 and 2019

(1) Summary of Significant Accounting Policies - continued

(e) Revenue Recognition

The Organization earns revenue as follows:

Grants - The Organization receives funding from federal and state governmental agencies and various other grantors for direct and indirect program costs associated with specific programs and projects. Various grants are subject to certain barriers as outlined in the agreement. Revenue is recognized as the barrier is met. For unconditional grants, revenue is recognized as contribution revenue that increases net assets with donor restrictions at the time the grant is received or pledged and the funds are released from restriction when the restriction has been met.

Contributions - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse.

Donated Property and Equipment - Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The donations are shown as in-kind donations on the statements of activities.

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Notes to Financial Statements

July 31, 2020 and 2019

(1) Summary of Significant Accounting Policies - continued

(e) Revenue Recognition - continued

Donated Services - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization. The Organization leverages more than 630 volunteers annually for program and fundraising services. These are not recognized as contributions in the financial statements since the recognition criteria were not met.

Special Events - Special event revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Special events revenue is recognized when earned. Special events are incidental to the Organization's operations and the related direct expenses have been reported with fundraising expense on the accompanying statements of activities.

Program Service Fees - Program service fee revenue refers to fees for international exchange trips and fees paid by outside teams playing in the Organization's leagues.. Revenue is earned and recognized by the Organization when units or services are provided and billed.

Deferred revenue represents contract income received prior to year-end. These amounts are deferred and recognized when the service is performed.

Substantially all of the Organization's revenue is derived from its program activities in MA, CA, CO, MD, and WA. During the year ended July 31, 2020, the Organization derived approximately 68% of its total revenue from foundations and individual donors, 25% from governmental agencies, and 7% from other sources. During the year ended July 31, 2019, the Organization derived approximately 63% of its total revenue from foundations and individual donors, 27% from governmental agencies, and 10% from other sources. All revenue is recorded at the estimated net realizable amounts.

(f) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on a history of past write-offs and collections and current credit conditions. As of July 31, 2020 and 2019, management has determined any allowance would be immaterial.

As of July 31, 2020, 100% of the Organization's accounts receivable were due from foundations and corporations. As of July 31, 2019, 98% of the Organization's accounts receivable were due from foundations and corporations and 2% from other sources.

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Notes to Financial Statements

July 31, 2020 and 2019

(1) Summary of Significant Accounting Policies - continued

(g) Fixed Assets

Vehicles are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities.

The Organization computes depreciation using the straight-line method over the following estimated lives:

Vehicles	3 years
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(h) Fundraising Expense

Fundraising expense relates to the activities of raising general and specific contributions to the Organization and promoting special events, including time and funds allocated to grant-writing and reporting, awareness-raising, and specific campaigns and events. Fundraising expenses as a percentage of total contribution and special event revenue were 8% and 9% for the years ended July 31, 2020 and 2019 respectively. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

(i) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Payroll and associated costs are allocated to functions based on actual time studies. Occupancy costs are allocated based upon associated FTEs.

(j) Use of Estimates

In preparing the Organization's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Notes to Financial Statements

July 31, 2020 and 2019

(1) Summary of Significant Accounting Policies - continued

(k) Income Taxes

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1).

(l) Recent Accounting Standard Adopted

On August 1, 2019, the Organization adopted ASU 2018-08, *Not-for Profit Entities (Topic 958), Clarified Scope and Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify and improve the guidance in U.S. GAAP for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional. The Organization adopted the ASU using a modified prospective method effective August 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of August 1, 2019. As a result, the 2019 financial statements are not restated and there was no cumulative effect adjustment to opening net assets as of August 1, 2019.

On August 1, 2019, the Organization adopted ASU 2016-15, *Statement of Cash Flows - Clarification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how eight specific cash flow transactions are presented and classified in the statements of cash flows. The ASU must be applied retroactively to all periods presented, if practical. The adoption of the ASU did not have a material impact on the financial statements.

On August 1, 2019, the Organization adopted ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10)*. ASU 2016-01 revises an entity's accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value change for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. Adopting this standard did not have a significant impact on recognition of revenue of the Organization during the periods presented or on opening balances of net assets as of August 1, 2019 and 2018.

(m) Recent Accounting Standards

In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*. ASU 2020-05 deferred the implementation date of ASU 2016-02 and ASU 2014-09 by one year. These ASUs are described below.

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Notes to Financial Statements

July 31, 2020 and 2019

(1) Summary of Significant Accounting Policies - continued

(m) Recent Accounting Standards - continued

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, ASC 606). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: Step 1 - identify the contract(s) with the customer; Step 2 - Identify the performance obligations in the contract; Step 3 - determine the transaction price; Step 4 - Allocate the transaction price to the performance obligations in the contract and Step 5 - recognize revenue when (or as) the entity satisfies a performance obligation. Services within the scope of ASU 2014-09 primarily include certain program service fees. The ASU was set to be effective for fiscal years beginning after December 15, 2018 and has been extended to be effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In March 2016, FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. In December 2016, FASB Issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. These ASUs will be adopted concurrent with the Organization's adoption of ASU 2014-09.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU was set to be effective on January 1, 2021, with early adoption permitted. The effective date was extended to fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In July 2018, FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases* and ASU 2018-11, *Leases (Topic 842), Targeted Improvements*. In December 2019, FASB issued ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. Adoption of these ASUs will run concurrent with the Organization's adoption of ASU 2016-02.

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Notes to Financial Statements

July 31, 2020 and 2019

(1) Summary of Significant Accounting Policies - continued

(n) Payroll Protection Program Loan

As described at Note 4, the Organization received a Paycheck Protection Program (PPP) loan during the fiscal year ended July 31, 2020. The Organization has elected to follow the guidance regarding *Debt* found in FASB ASC 470 - *Not-for Profit Entities - Debt* to account for its PPP Loan. As a result, during the year ended July 31, 2020, the Organization recognized \$222,728 of debt.

(2) Contributed Services and Gifts In-Kind

Contributed services and gifts in-kind for the years ended July 31, 2020 and 2019 were as follows:

	2020	2019
Pro-bono outside services:		
Facility use	\$ 2,025	\$ 2,025
Gifts in kind:		
Coaching equipment	5,000	5,000
Food	-	29
Gift Checks	4,250	1,580
Office Supplies	750	-
Player registration fees	440	3,300
Rent	17,499	16,699
Soccer equipment	64,500	38,197
Vehicle	-	8,700
Total	\$ <u>94,464</u>	\$ <u>75,530</u>

(3) Operating Lease Commitments

The Organization also occupies office and retail store space as a tenant at will or with annual renewable leases. The Organization is liable for certain real estate tax increases and operating cost adjustments under the office lease terms. Rent expense for the years ended July 31, 2020 and 2019 was \$71,767 and \$54,737, respectively.

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Notes to Financial Statements

July 31, 2020 and 2019

(4) Paycheck Protection Program (PPP Loan)

During the year ended July 31, 2020, the Organization received a PPP loan established by the CARES Act and administered by the Small Business Administration (SBA). The loan was passed through Reading Bank. No collateral or personal guarantees are required. The loan bears interest at a rate of 1%, which is deferred for the first six months, and matures on April 14, 2022. Management expects that the loan will be substantially forgiven during the year ended July 31, 2021 and as such the loan has been presented as a current liability on the statements of financial position. The SBA has disclosed criteria for forgiveness which include but are not limited to maintaining the full-time equivalent number of employees over a certain time period and expending the funds on eligible expenses over the covered period. The Organization will recognize forgiveness of the loan in full or in part when the SBA determines the amount of forgiveness and notifies the Organization. As of July 31, 2020, the outstanding balance was \$222,728 and no interest was incurred or paid.

(5) Net Assets

(a) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of July 31, 2020 and 2019, net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019
Time restricted	\$ 106,900	\$ 30,000
Program Restricted	60,000	-
Total	\$ <u>166,900</u>	\$ <u>30,000</u>

Net assets released from restrictions during the year ended July 31, 2020 were \$30,000, of which \$30,000 was from time restrictions. Net assets released from restrictions during the year ended July 31, 2019 were \$63,050, of which \$40,000 was from program restrictions and \$23,050 was from time restrictions.

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(5) Net Assets - continued

(b) Net Assets Without Donor Restrictions

The Organization's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes as of July 31, 2020 and 2019:

		2020		2019
Undesignated	\$	582,415	\$	598,448
Board designated for operating reserve *		265,000		250,000
Total	\$	847,415	\$	848,448

*During the year ended July 31, 2016, the Board of Directors designated \$335,000 of net assets without donor restrictions to be held in order to provide a continuous source of income. During the years ended July 31, 2020 and 2019, no board restricted net assets were released as undesignated. During the years ended July 31, 2020 and 2019, the Board of Directors designated \$15,000 and \$140,000, respectively, of net assets without donor restrictions to be held in order to provide a continuous source of income. As of July 31, 2020 and 2019, board restricted net assets totaled \$265,000 and \$250,000 respectively.

(6) Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of July 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statement of financial position date.

		2020		2019
Financial assets at year end				
Cash and cash equivalents	\$	992,553	\$	699,461
Accounts receivable		252,287		181,001
Total		1,244,840		880,462
Less amounts unavailable for general expenditures within one year, due to:				
Restricted by donors for specific purposes and time		166,900		30,000
Total		166,900		30,000
Financial assets available to meet cash needs for general expenditures within one year	\$	1,077,940	\$	850,462

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(6) Liquidity and Availability of Resources - continued

The Organization is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization 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 the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(7) COVID-19 - *Risks and Uncertainties*

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. At this stage, the limited impact to the Organization resulted in a loss of revenues and other adverse effects to the Organization's financial position, results of operations, and cash flows. As described in Note 4, the Organization received a PPP loan. Further, the Organization's liquidity as of July 31, 2020 is documented at Note 6. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organization's operations continue for an extended period of time the Organization may have to seek alternative measures to finance its operations. The Organization does not believe that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity.

(8) Subsequent Events

The Organization has performed an evaluation of subsequent events through December 4, 2020, which is the date the Organization's financial statements were available to be issued. No material subsequent events have occurred since July 31, 2020 that required recognition or disclosure in these financial statements.