



**FINANCIAL STATEMENTS TOGETHER WITH  
REPORT OF INDEPENDENT AUDITORS**

**OCTOBER 31, 2021 AND 2020**

**GRASSROOTS INTERNATIONAL, INC.**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Grassroots International, Inc.

We have audited the accompanying financial statements of Grassroots International, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of October 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Grassroots International, Inc. as of October 31, 2021, and the changes 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.



## Report on Summarized Comparative Information

We have previously audited Grassroots International, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "BJHC PC". The letters are bold and stylized, with some overlapping.

Topsfield, Massachusetts  
May 9, 2022

**GRASSROOTS INTERNATIONAL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**OCTOBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents, substantially all in interest-bearing accounts	\$ 8,317,191	\$ 1,181,665
Program service receivables	99,516	-
Grants and unconditional promises to give	314,485	326,009
Certificate of deposit	27,625	27,570
Investments	4,940,463	4,564,904
Prepaid expenses and other	17,192	44,052
Cash and cash equivalents, restricted for program fund	-	3,741,146
Fixed and other assets, net	43,497	34,871
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 13,759,969</u>	<u>\$ 9,920,217</u>
<b>LIABILITIES</b>		
Grants payable	\$ 1,730,929	\$ 1,340,404
Accounts payable and accrued expenses	273,316	198,074
Deferred revenue	11,000	-
Note payable, bank	-	252,083
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>2,015,245</u>	<u>1,790,561</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	5,362,744	2,045,697
Board-designated	4,842,738	3,810,738
With donor restrictions	1,539,242	2,273,221
	<u>                    </u>	<u>                    </u>
Total net assets	<u>11,744,724</u>	<u>8,129,656</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 13,759,969</u>	<u>\$ 9,920,217</u>

*The accompanying notes are an integral part of these financial statements.*

**GRASSROOTS INTERNATIONAL, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED OCTOBER 31, 2021**  
*(with comparative totals for 2020)*

	Without Donor Restrictions		With Donor Restrictions	2021 Total	2020 Total
	Undesignated	Board-designated			
<b>OPERATING SUPPORT AND REVENUES:</b>					
Individual and business grants and contributions	\$ 6,621,416	\$ -	\$ 5,335,964	\$ 11,957,380	\$ 10,819,142
Gain on extinguishment of debt	254,862	-	-	254,862	-
In-kind contributions	23,338	-	-	23,338	-
Net investment and other income	624,932	-	28	624,960	180,663
	7,524,548	-	5,335,992	12,860,540	10,999,805
Net assets released from program restrictions	5,590,110	-	(5,590,110)	-	-
Net assets released from board designation	548,000	(548,000)	-	-	-
Total operating support and revenues	13,662,658	(548,000)	(254,118)	12,860,540	10,999,805
<b>OPERATING EXPENSES:</b>					
<b>PROGRAM SERVICES</b>					
Humanitarian/Social Justice	6,845,864	-	-	6,845,864	6,695,449
Education	406,215	-	-	406,215	328,341
Total program services	7,252,079	-	-	7,252,079	7,023,790
<b>SUPPORT SERVICES</b>					
Management and general	717,295	-	-	717,295	588,887
Fundraising and development	796,237	-	-	796,237	645,715
Total support services	1,513,532	-	-	1,513,532	1,234,602
Total expenses	8,765,611	-	-	8,765,611	8,258,392
<b>CHANGE IN NET ASSETS</b>	4,897,047	(548,000)	(254,118)	4,094,929	2,741,413
<b>NET ASSETS, beginning of year</b>	2,045,697	3,810,738	2,273,221	8,129,656	5,388,243
Board designation of net assets	(1,580,000)	1,580,000	-	-	-
Net asset transfer to other organization	-	-	(479,861)	(479,861)	-
<b>NET ASSETS, end of year</b>	\$ 5,362,744	\$ 4,842,738	\$ 1,539,242	\$ 11,744,724	\$ 8,129,656

*The accompanying notes are an integral part of these financial statements.*

**GRASSROOTS INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED OCTOBER 31, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets from operations	\$ 3,615,068	\$ 2,741,413
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,845	8,319
Realized and unrealized gains on investments	(488,033)	(85,696)
Gain on extinguishment of debt	(252,083)	-
Cash provided by (used in) changes in:		
Program service receivables	(99,516)	-
Grants and unconditional promises to give	11,524	(324,509)
Prepaid expenses and other	26,860	8,280
Grants payable	390,525	506,689
Accounts payable and accrued expenses	75,242	19,670
Deferred revenue	11,000	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,300,432</b>	<b>2,874,166</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest earned and retained in certificate of deposit	(55)	(55)
Purchases of fixed assets	(18,471)	(3,628)
Net proceeds from sales (purchases) of investment securities	112,474	(1,611,971)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>93,948</b>	<b>(1,615,654)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES -</b>		
Proceeds from note payable, bank	-	252,083
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>3,394,380</b>	<b>1,510,595</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>4,922,811</b>	<b>3,412,216</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 8,317,191</b>	<b>\$ 4,922,811</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for -		
Interest and taxes	\$ -	\$ -
<b>RECONCILIATION TO CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS ON THE STATEMENT OF FINANCIAL POSITION:</b>		
Cash and cash equivalents	\$ 8,317,191	\$ 1,181,665
Cash and cash equivalents, restricted for program fund	-	3,741,146
	<b>\$ 8,317,191</b>	<b>\$ 4,922,811</b>

*The accompanying notes are an integral part of these financial statements.*

**GRASSROOTS INTERNATIONAL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED OCTOBER 31, 2021**  
*(with comparative totals for 2020)*

	PROGRAM SERVICES		SUPPORT SERVICES		2021 Total	2020 Total
	Humanitarian/ Social Justice	Education	Management and General	Fundraising/ Development		
Cash grants - general funds	\$ 5,888,181	\$ -	\$ -	\$ -	\$ 5,888,181	\$ 5,813,214
Salaries and wages	656,000	269,128	370,051	386,871	1,682,050	1,437,840
Payroll taxes and benefits	190,551	78,175	107,490	112,376	488,592	442,207
Consultants and contracted services	44,367	41,288	92,369	45,060	223,084	218,780
Printing, postage and delivery	-	4,350	997	158,652	163,999	87,376
Office, board expense and events	8,175	-	51,764	25,718	85,657	56,883
Legal and accounting	24,338	-	51,319	-	75,657	13,647
Occupancy costs	23,230	9,530	13,105	13,700	59,565	66,589
Travel, meals and lodging	3,098	-	15,897	3,404	22,399	65,633
Bank service charges	-	-	6,826	15,125	21,951	15,442
Public relations and special projects	-	493	-	16,637	17,130	19,200
Direct mail	-	-	-	14,022	14,022	3,316
Telephone	4,084	1,676	2,304	2,408	10,472	9,915
Depreciation and amortization	3,840	1,575	2,166	2,264	9,845	8,319
Films and publications	-	-	3,007	-	3,007	30
Total expenses	\$ 6,845,864	\$ 406,215	\$ 717,295	\$ 796,237	\$ 8,765,611	\$ 8,258,391

*The accompanying notes are an integral part of these financial statements.*



**GRASSROOTS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2021 AND 2020**

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**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF ACTIVITIES:**

Grassroots International, Inc., "Grassroots", (a Massachusetts corporation, not for profit) is a human rights and international development organization that supports social change movements in the Third World. Grassroots funds movement building, community-led sustainable development projects and human rights defense, particularly around "Resource Rights" in the Middle East, Latin America, the Caribbean and other areas, and educates and advocates on those issues in the United States.

**SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of Presentation and Classification and Reporting of Net Assets**

The accompanying financial statements are prepared on the accrual basis of accounting.

Grassroots classifies net assets, revenues, gains and losses based on the existence or absence of donor- or grantor-imposed restrictions. Net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions represent the portion of net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and strategic initiatives. In 2021, the board voted to release \$548,000 from designation to be used for grants and operating expenses.
- Net assets with donor restrictions represent the portion of net assets subject to donor- (or certain grantor-) imposed restrictions. Certain donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources to be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

**Comparative Financial Statements**

The accompanying 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Grassroots' financial statements for the year ended October 31, 2020, from which the summarized information was taken.

**Management's Review**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 9, 2022, the date the financial statements were available to be issued. Grassroots is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

*(Continued)*

**GRASSROOTS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2021 AND 2020**

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**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Recent Accounting Guidance**

Grassroots has adopted Accounting Standards Update (ASU) no. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. The amendment has been applied using the modified prospective method. There was no cumulative effect of applying ASU 2018-08.

Grassroots also adopted Accounting Standards Update (ASU) no. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU no. 2020-07 requires entities to present contributed nonfinancial assets as a separate line item in the Statement of Activities and provide additional disclosures about contributions of nonfinancial assets. There was no cumulative effect of applying ASU 2020-07.

On November 1, 2019, Grassroots adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods and services. The guidance follows a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization of certain contract costs, consideration of the time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Adoption of this standard had no significant impact on the financial statements.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and on deposit, and highly liquid investments with an initial maturity of three months or less. Included in cash and cash equivalents (with and without restrictions) in the Statements of Financial Position are money market accounts totaling \$8,055,053 and \$4,649,054 at October 31, 2021 and 2020, respectively.

**Certificate of Deposit**

The certificate of deposit consists of one (1) six-month certificate maturing January 31, 2022. Subsequent to year end, the certificate of deposit was automatically renewed for a 12-month term, maturing January 31, 2023.

**Investments and Investment Income**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Net investment income consists of interest, dividends, realized and unrealized gains and losses less external and direct internal investment expenses. Investment income and gains restricted by a donor, if any, are reported as increases in net assets without donor restrictions if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized.

*(Continued)*

**GRASSROOTS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2021 AND 2020**

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**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investment Fair Values**

Investments measured at fair value are classified and disclosed in one of the following categories:

**Level I:** Quoted prices are available in active markets for identical investments as of the reporting date.

**Level II:** Pricing inputs are other than quoted prices in active markets of comparable investments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

**Level III:** Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

All Grassroots marketable security investments include listed equity or debt instruments which are publicly traded, and whose fair value is therefore classified and disclosed as Level I. These investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment income, primarily interest and dividends, is recorded when earned and considered available for unrestricted use unless otherwise restricted by the donor. Purchases and sales of securities are reflected on a trade-date basis. Realized and unrealized gains and losses are determined on the basis of specific identification.

**Fixed and Other Assets**

Property and equipment acquisitions are recorded at cost. Purchases of property and equipment in excess of \$1,000 are capitalized. Donated fixed assets are recorded at fair market value at the date of gift. Grassroots provides for depreciation of its office equipment using the straight-line method over the estimated useful lives of three and five years. Depreciation of leasehold improvements is provided using the straight-line method over an estimated useful life of thirty-nine years. Maintenance and repairs are charged to expense in the period incurred. The cost and accumulated depreciation of assets retired or sold are removed from the balance sheet and any gain or loss is credited or charged to income.

Trademark costs and the related legal expenses associated with reserving the name “*Grassroots International*” are recorded at cost and are amortized using the straight-line method over 15 years.

Management periodically evaluates whether events or circumstances have occurred indicating the carrying value of long-lived assets may not be recovered.

**Grant, Contribution and Promises to Give Revenue**

Grants and contributions are recorded as net assets without restrictions and net assets with restrictions depending on the existence and nature of any grantor- or donor-imposed restrictions. Grants and contributions are required to be recorded as receivables and revenues and Grassroots is required to distinguish between grants and contributions received for each net asset category in accordance with grantor- or donor-imposed restrictions. Contributions may include gifts of cash, collection items, or unconditional promises to give.

*(Continued)*

**GRASSROOTS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2021 AND 2020**

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**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Grant, Contribution and Promises to Give Revenue (continued)**

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Grants or contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material. There were no grants or contributions discounted at June 30, 2021 or 2020.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction, until the restrictions expire, at which time net assets with donor restrictions are reclassified to net assets without donor restrictions. Grants and contributions are considered available for unrestricted use unless specifically restricted by the grantor or donor.

**Donated Services and Assets**

Grassroots receives significant in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Grassroots recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

Grassroots receives professional legal services and the services of student interns in program and administrative functions. In-kind professional legal services are valued at the standard hourly rates charged for those services and totaled \$23,338 in 2021. There were no in-kind professional legal services received during the year ended October 31, 2020. Because the nature of the intern services received neither creates or enhances non-financial assets nor requires specialized skills, their value has not been recorded in the accompanying financial statements.

Donated legal services are included in management and general on the Statement of Functional Expenses. There were no donor-imposed restrictions associated with the donated services.

**Program Service Fees**

Program services fees are associated with consultation services. Fees are recorded as revenue as earned. Fees received in advance of the rendering of program services are recorded as deferred revenue.

During the year ended October 31, 2021, Grassroots entered into an agreement to promote international learning exchanges with the aim of strengthening collaborations between U.S. activists and Global South organizations working on violence against women and girls.

**Advertising**

Grassroots expenses advertising costs as incurred. There were no advertising costs for 2021 or 2020.

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**GRASSROOTS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2021 AND 2020**

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**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Functional Expenses**

The costs of providing various programs and other activities have been reported on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on usage or other equitable bases established by management.

**Income Tax Status and Uncertainty of Income Taxes**

Grassroots is a nonprofit organization exempt from federal income taxes (not a private foundation) under section 501(c)(3) of the Internal Revenue Code. Management has evaluated its tax positions applying a “more likely than not” standard, and believes there are no material uncertainties in income taxes.

**2. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,317,191	\$ 1,181,665
Program service receivables	99,516	-
Grants and unconditional promises to give, current	189,485	326,009
Operating investments	1,593,386	1,651,735
	<u>\$ 10,199,578</u>	<u>\$ 3,159,409</u>

Minimum Operating Reserve and Strategic Initiatives Fund assets are subject to Board spending restrictions (See Note 13) and are excluded in the table above, however, these amounts could be made available if necessary.

Grassroots manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provided reasonable assurance that obligations will be discharged. Grassroots has a liquidity policy to maintain three months of operating expenses in a Minimum Operating Reserve. This reserve is adjusted annually.

**3. RESTRICTED CASH AND CASH EQUIVALENTS**

In 2018, Grassroots assumed the sponsorship of the remaining assets of Building Equity and Alignment for Impact (BEA); a fund created in 2013 by an unincorporated consortium of several grassroots organizations and innovators in philanthropy to advance the progress of the environmental justice movement. Using these assets, Grassroots created the BEAI Fund (“the Fund”) which promotes four interlinked elements: (1) support for community organizing at the forefront of change, (2) build partnerships across sectors and geographies, (3) advance a just transition and (4) build the capacity of the grassroots sector.

*(Continued)*

**GRASSROOTS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2021 AND 2020**

**3. RESTRICTED CASH AND CASH EQUIVALENTS (continued)**

As compensation for managing and administering the Fund, Grassroots charges the Fund 15% on the first \$1,000,000 and 10% on amounts above \$1,000,000, up to \$217,000 annually.

At October 31, 2020, \$3,741,146 was held in cash and short-term funds. During the year ended October 31, 2021, the Fund was liquidated and the proceeds of \$479,861 were transferred to another nonprofit organization. The transfer is included on the Statement of Activities and Changes in Net Assets.

**4. INVESTMENTS AND INVESTMENT INCOME**

Investments consist of the following:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
October 31, 2021				
Fixed income mutual funds	\$ 2,943,526	\$ 25,877	\$ (32,870)	\$ 2,936,533
Equity mutual funds	1,075,303	310,509	-	1,385,812
Common stocks	459,028	153,994	(27,245)	585,777
Real estate investment trusts	27,323	7,340	(2,322)	32,341
	<u>\$ 4,505,180</u>	<u>\$ 497,720</u>	<u>\$ (62,437)</u>	<u>\$ 4,940,463</u>
October 31, 2020				
Fixed income mutual funds	\$ 2,878,300	\$ 59,972	\$ (5,134)	\$ 2,933,138
Equity mutual funds	1,004,600	83,634	(32,054)	1,056,180
Common stocks	585,504	35,315	(63,565)	557,254
Real estate investment trusts	22,780	1,009	(5,457)	18,332
	<u>\$ 4,491,184</u>	<u>\$ 179,930</u>	<u>\$ (106,210)</u>	<u>\$ 4,564,904</u>

Net investment income is comprised of the following for the years ended October 31:

	2021	2020
Interest and dividend income	\$ 120,135	\$ 112,443
Unrealized gain in market value of investments	347,291	19,422
Realized gain on sale of investments	140,742	66,274
	<u>608,168</u>	<u>198,139</u>
Less investment expenses	(27,480)	(26,907)
	<u>\$ 580,688</u>	<u>\$ 171,232</u>

*(Continued)*

**GRASSROOTS INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2021 AND 2020**

**5. FIXED AND OTHER ASSETS**

Fixed assets consist of the following at October 31:

	2021	2020
Office furniture and equipment	\$ 42,602	\$ 28,019
Leasehold improvements	46,331	46,331
	<u>88,933</u>	<u>74,350</u>
Less accumulated depreciation	(52,254)	(43,516)
	<u>\$ 36,679</u>	<u>\$ 30,834</u>

Other (intangible) assets consist of the following at October 31:

	2021	2020
Trademark costs	\$ 14,792	\$ 10,907
Less accumulated amortization	(7,974)	(6,870)
	<u>\$ 6,818</u>	<u>\$ 4,037</u>

Depreciation expense was \$8,738 and \$7,406 for 2021 and 2020, respectively. Amortization expense was \$1,107 and \$912 for 2021 and 2020, respectively.

**6. GRANTS PAYABLE**

Grants authorized but unpaid at year-end are expected to be disbursed in the current fiscal year.

**7. DEFERRED REVENUE**

The following table provides information about significant changes in income received in advance for the years ended October 31, 2021 and 2020:

	2021	2020
Deferred revenue, beginning of year	\$ -	\$ -
Revenue recognized that was included in deferred revenue at the beginning of year	-	-
Increase in deferred revenue due to cash received during the year	11,000	-
Deferred revenue, end of year	<u>\$ 11,000</u>	<u>\$ -</u>

*(Continued)*

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**8. NOTE PAYABLE, BANK**

On April 22, 2020, Grassroots received loan proceeds in the amount of \$252,083 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying organizations in amounts up to 2.5 times average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” as long as the borrower maintains payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. Forgiveness is reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

Grassroots followed FASB ASC 470 and recorded the PPP loan proceeds as debt on the Statement of Financial Position.

On May 26, 2021, Grassroots received a complete discharge of this loan together with accrued interest totaling \$254,862, and the resulting gain on extinguishment of debt is included in the Statement of Activities and Changes in Net Assets.

**9. LEASE COMMITMENTS**

Grassroots leased its business premises under a five-year lease agreement that expired February 28, 2022. Monthly fixed rent under this agreement was \$3,982 and increased 1% per year (on March 1) throughout the lease term. Grassroots was also responsible for an annual operating cost escalator.

The future aggregate minimum lease commitment over the remaining lease term at October 31, 2021 is \$15,040.

Rent expense was \$48,014 and \$52,428 for 2021 and 2020, respectively. Lease negotiations are ongoing.

**10. DEFINED CONTRIBUTION PLAN**

Grassroots maintains a defined contribution retirement plan under section 401(k) of the IRC (the “Plan”) for eligible employees. Eligible employees may make voluntary pre-tax deferrals of salary and wages. The Plan allows Grassroots to make annual discretionary employer profit sharing contributions. Employer (4%) discretionary employer contributions were \$59,371 and \$54,243, in 2021 and 2020, respectively, and are included in payroll taxes and benefits in the accompanying Statements of Functional Expenses.

**11. FINANCIAL INSTRUMENTS AND CREDIT RISK**

Grassroots manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, Grassroots has not experienced losses in any of these accounts. Credit risk associated with grants receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individual donors, foundations and businesses supportive of Grassroots’ mission. Investments are made by diversified investment managers whose performance is monitored by management and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe the investment policies and guidelines are prudent for the long-term welfare of Grassroots.

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**12. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at October 31, 2021 and 2020:

	2021	2020
Humanitarian/Social Justice program support	\$ 1,539,242	\$ 1,371,325
BEAI Fund	-	901,896
	<u>\$ 1,539,242</u>	<u>\$ 2,273,221</u>

**13. BOARD-DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS**

**Strategic Initiatives Fund**

The Board has designated a portion of its resources without donor restrictions to be used to offset unrestricted net operating losses and to subsidize the implementation of Grassroots' Strategic Plan. The Board designated an additional \$1,500,000 to this fund and authorized the release of \$548,000 from designation in 2021. The balance of this fund was \$4,092,738 and \$3,140,738 at October 31, 2021 and 2020, respectively.

**Minimum Operating Reserve**

The Board has also designated \$750,000 (approximately three (3) months operating expense) of net assets without donor restrictions as a Minimum Operating Reserve ("MOR") which cannot be spent without Board approval. The MOR balance is reconsidered annually in October. Expenditure of principal is restricted to times when net assets without donor restrictions (net of Board-designated net assets) have fallen below a trigger level of \$100,000, and expenditure of investment income is not currently subject to restriction.

MOR activity for the years ended October 31, 2021 and 2020, is as follows:

	2021	2020
MOR net assets, beginning of year	\$ 670,000	\$ 580,000
Investment designation	80,000	90,000
MOR net assets, end of year	<u>\$ 750,000</u>	<u>\$ 670,000</u>

MOR Investment Policy

Grassroots has adopted a conservation of principal approach with a primary investment objective of fixed income investments to generate current income and a secondary investment objective of conservative growth.

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**13. BOARD-DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)**

Strategies Employed for Achieving Objectives

Grassroots has determined that a preservation of capital objective is most appropriate. This objective is designed to preserve the real value of its assets and to maintain spending in real terms. The Board cannot pay out more, on average over time, than the average real return it earns from its investment portfolio. The Board expects to achieve the return and risk characteristics consistent with the following allocation for its long-term reserves:

Cash and money market funds	5%
Equity securities	35%
Fixed income securities	60%

Grassroots manages its MOR consistent with the Massachusetts Uniform Prudent Management of Institutional Funds Act (“UPMIFA”).

**14. FUNCTIONAL EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits and payroll taxes which are allocated on the basis of time and effort. Occupancy, insurance, depreciation, travel, postage, telephone and office operation expenses are allocated on the basis of the salaries’ allocation. Public relations and related constituent communication and development costs are allocated primarily to fundraising. Software purchases and support contracts are allocated as to the functional use of the software.

**15. COVID-19**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Grassroots is closely monitoring its liquidity and actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on Grassroots’ operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on Grassroots’ employees, volunteers, and vendors, all of which at present, cannot be determined. The widespread launch of mass COVID-19 vaccinations has begun in Massachusetts, however, the ultimate success of the vaccine and the length of time to complete the vaccination process is also unknown at this time. Accordingly, the extent to which COVID-19 may impact Grassroots’ financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

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**16. FUTURE CHANGE IN ACCOUNTING PRINCIPLE**

**Accounting for Leases**

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the Statement of Financial Position as both a right-of-use asset and a liability. The standard has two types of leases for Statement of Activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and non-lease components in an arrangement. The new standard will be effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. Early implementation is permitted. Grassroots is evaluating the impact the standard will have on the financial statements; however, the standard is not expected to have a material impact on the financial statements.