



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

OCTOBER 31, 2023 AND 2022

GRASSROOTS INTERNATIONAL, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Grassroots International, Inc.

Opinion

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, 2023, 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.

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, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Grassroots' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grassroots' ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Grassroots International, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Topsfield, Massachusetts
June 3, 2024

GRASSROOTS INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents, substantially all in interest-bearing accounts	\$ 20,596,862	\$ 19,081,053
Grants and unconditional promises to give, current portion	687,632	601,142
Accounts receivable - other	6,422	9,301
Certificate of deposit	27,754	27,670
Investments	4,863,681	4,192,450
Prepaid expenses and other	43,972	32,708
Total current assets	<u>26,226,323</u>	<u>23,944,324</u>
FIXED AND INTANGIBLE ASSETS, net	<u>43,944</u>	<u>54,348</u>
OTHER ASSETS:		
Operating lease right-of-use asset	60,785	100,664
Grants and unconditional promises to give, net of current portion	265,000	75,000
Total other assets	<u>325,785</u>	<u>175,664</u>
Total assets	<u><u>\$ 26,596,052</u></u>	<u><u>\$ 24,174,336</u></u>
LIABILITIES		
CURRENT LIABILITIES:		
Grants payable	\$ 2,562,000	\$ 1,284,220
Deferred revenue	20,950	-
Current portion of long-term operating lease liability	44,325	40,850
Accounts payable and accrued expenses	294,739	228,024
Total current liabilities	<u>2,922,014</u>	<u>1,553,094</u>
LONG-TERM OPERATING LEASE LIABILITY, net of current portion	<u>16,460</u>	<u>59,814</u>
Total liabilities	<u>2,938,474</u>	<u>1,612,908</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	4,977,249	3,595,460
Board-designated	17,420,738	18,270,738
With donor restrictions	1,259,591	695,230
Total net assets	<u>23,657,578</u>	<u>22,561,428</u>
Total liabilities and net assets	<u><u>\$ 26,596,052</u></u>	<u><u>\$ 24,174,336</u></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, 2023
(with comparative totals for 2022)

	Without Donor Restrictions		With Donor Restrictions	2023 Total	2022 Total
	Undesignated	Board-designated			
SUPPORT AND REVENUES:					
Individual and business grants and contributions	\$ 4,901,500	\$ -	\$ 6,817,888	\$ 11,719,388	\$ 23,003,036
In-kind contributions	444,987	-	10,000	454,987	552,030
Net investment return (loss)	1,050,347	-	-	1,050,347	(693,309)
Program service fees and other income	81,667	-	-	81,667	93,615
Special events, net	16,748	-	-	16,748	-
	6,495,249	-	6,827,888	13,323,137	22,955,372
Net assets released from program restrictions	6,881,527	(1,000,000)	(5,881,527)	-	-
Net assets released from time restrictions	382,000	-	(382,000)	-	-
Total support and revenues	13,758,776	(1,000,000)	564,361	13,323,137	22,955,372
EXPENSES:					
PROGRAM SERVICES					
Humanitarian/Social Justice	9,859,534	-	-	9,859,534	10,168,597
Education	609,687	-	-	609,687	409,825
Total program services	10,469,221	-	-	10,469,221	10,578,422
SUPPORT SERVICES					
Management and general	893,036	-	-	893,036	739,730
Fundraising and development	864,730	-	-	864,730	820,516
Total support services	1,757,766	-	-	1,757,766	1,560,246
Total expenses	12,226,987	-	-	12,226,987	12,138,668
CHANGE IN NET ASSETS	1,531,789	(1,000,000)	564,361	1,096,150	10,816,704
NET ASSETS, beginning of year	3,595,460	18,270,738	695,230	22,561,428	11,744,724
Board designation of net assets	(150,000)	150,000	-	-	-
NET ASSETS, end of year	\$ 4,977,249	\$ 17,420,738	\$ 1,259,591	\$ 23,657,578	\$ 22,561,428

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

GRASSROOTS INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,096,150	\$ 10,816,704
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of operating lease right-of-use asset	39,879	25,388
Depreciation and amortization	19,728	15,079
Realized and unrealized (gains) losses on investments	(17,869)	831,878
Bad debt expense	20,000	-
Cash provided by (used in) changes in:		
Accounts receivable - other	2,879	90,215
Grants and unconditional promises to give	(296,490)	(361,657)
Prepaid expenses and other	(11,264)	(15,516)
Grants payable	1,277,780	(446,709)
Accounts payable and accrued expenses	66,715	(45,292)
Deferred revenue	20,950	(11,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,218,458	10,899,090
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned and retained in certificate of deposit	(84)	(45)
Purchases of fixed assets	(9,324)	(25,931)
Net purchases of investments	(653,362)	(83,864)
NET CASH USED IN INVESTING ACTIVITIES	(662,770)	(109,840)
CASH FLOWS FROM FINANCING ACTIVITIES -		
Principal payments of operating lease liability	(39,879)	(25,388)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,515,809	10,763,862
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,081,053	8,317,191
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 20,596,862	\$ 19,081,053
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for -		
Interest and taxes	\$ -	\$ -
NON-CASH ACTIVITIES-		
Operating lease right-of-use asset financed by operating lease liability	\$ -	\$ 126,052

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

GRASSROOTS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2023
(with comparative totals for 2022)

	PROGRAM SERVICES		SUPPORT SERVICES		2023 Total	2022 Total
	Humanitarian/ Social Justice	Education	Management and General	Fundraising/ Development		
Grants	\$ 8,625,315	\$ -	\$ -	\$ -	\$ 8,625,315	\$ 9,142,931
Salaries and wages	749,077	306,253	521,457	492,487	2,069,274	1,791,001
Payroll taxes and benefits	209,074	85,478	145,543	137,458	577,553	556,565
Consultants and contracted services	77,833	183,721	79,051	83,303	423,908	193,464
Travel, meals and lodging	142,802	6,477	22,896	52,617	224,792	63,279
Office and board expense	12,315	2,315	43,104	100,167	157,901	127,904
Occupancy costs	31,969	13,070	22,255	21,018	88,312	76,263
Printing, postage and delivery	180	6,843	125	28,396	35,544	91,691
Legal and accounting	-	-	21,842	-	21,842	22,167
Bad debt expense	-	-	20,000	-	20,000	-
Depreciation and amortization	7,142	2,920	4,971	4,695	19,728	15,079
Bank service charges	-	-	7,861	6,418	14,279	14,938
Public relations and special projects	-	1,046	-	9,936	10,982	20,559
Telephone	3,827	1,564	2,663	2,515	10,569	10,545
Films, publications and other	-	-	1,268	-	1,268	531
Direct mail	-	-	-	-	-	11,468
Total expenses by function	9,859,534	609,687	893,036	939,010	12,301,267	12,138,385
Less expenses included with revenue on the Statement of Activities - Special event costs	-	-	-	(74,280)	(74,280)	-
Total expenses included in the expense section on the Statement of Activities	\$ 9,859,534	\$ 609,687	\$ 893,036	\$ 864,730	\$ 12,226,987	\$ 12,138,385

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

GRASSROOTS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022

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 2023, the board voted to release \$1,000,000 from its strategic initiatives fund and also designated an additional \$150,000 to its operating reserve fund.
- 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, 2022, from which the summarized information was taken.

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GRASSROOTS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022

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

Management’s Review

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 4, 2024, 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.

Recent Accounting Guidance

On November 1, 2022, Grassroots adopted ASU 2016-13 *Financial Instruments – Credit Losses* (Topic 326): Measurement of Credit Losses on Financial (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses using historical experience, current conditions, and reasonable and supportable forecasts and generally applied to financial assets. The adoption of this Standard did not have a material impact on Grassroots’ financial statements but did change how the allowance for credit losses is determined.

Grassroots also adopted FASB ASC 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The new standard is implemented in Grassroots’ fiscal year 2023 financial statements.

As part of the adoption of ASC 606, Grassroots elected to use the following practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

Effective November 1, 2021, Grassroots adopted FASB ASC 842, *Leases*. Grassroots determines if an arrangement contains a lease at inception based on whether Grassroots has the right to control the asset during the contract period and other facts and circumstances. Grassroots elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of an operating lease right-of-use asset and operating lease liability of \$126,052 at March 1, 2022. Results for periods beginning prior to March 1, 2022 continue to be reported in accordance with Grassroots’ historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on Grassroots’ results of operations or cash flows.

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GRASSROOTS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022

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

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 \$19,675,161 and \$18,935,607 at October 31, 2023 and 2022, respectively.

Certificate of Deposit

The certificate of deposit consists of one (1) six-month certificate maturing January 31, 2024 and bears interest of .75%. Subsequent to year-end, the certificate of deposit was automatically renewed for a 12-month term, maturing January 31, 2025.

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.

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.

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GRASSROOTS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022

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

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.

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 October 31, 2023 or 2022.

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 Securities

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 Grassroots.

Grassroots also receives contributed securities which are valued at the fair market value or net asset value closing price on the trading date of the receipt of the security. Grassroots generally converts contributed securities to cash as soon as it is feasible to do so.

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GRASSROOTS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022

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

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. This agreement was in effect until September 30, 2022.

During the year ended October 31, 2023, Grassroots entered into an agreement to support learning about Global South movements creating sustainable futures and building grassroots power.

Special Events

Registration fees for Grassroots' anniversary event and revenue related to special events are generally recognized when the event takes place. Special event revenue is shown net of direct costs of benefits to donors. Grassroots receives payment in advance of attendance of the anniversary event and other special events. These payments are recognized as deferred revenue.

Advertising

Grassroots expenses advertising costs as incurred. There were no advertising costs in 2023 or 2022.

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.

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GRASSROOTS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022

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:

	2023	2022
Cash and cash equivalents	\$ 20,596,862	\$ 19,081,053
Accounts receivable - other	6,422	9,301
Grants and unconditional promises to give, current	687,632	601,142
Operating investments	1,912,513	1,443,604
	<u>23,203,429</u>	<u>21,135,100</u>
Less net assets with donor restrictions	1,259,591	695,230
	<u>\$ 21,943,838</u>	<u>\$ 20,439,870</u>

Minimum Operating Reserve and Strategic Initiatives Fund assets are subject to Board spending restrictions (See Note 11) 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. The minimum operating reserve is adjusted annually.

3. INVESTMENTS AND INVESTMENT INCOME

Investments consist of the following:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
October 31, 2023				
Fixed income mutual funds	\$ 3,987,020	\$ -	\$ (369,918)	\$ 3,617,102
Equity mutual funds	813,159	137,034	-	950,193
Common stocks	288,782	-	(7,397)	281,385
Real estate investment trusts	17,219	1,575	(3,793)	15,001
	<u>\$ 5,106,180</u>	<u>\$ 138,609</u>	<u>\$ (381,108)</u>	<u>\$ 4,863,681</u>
October 31, 2022				
Fixed income mutual funds	\$ 2,997,690	\$ -	\$ (384,874)	\$ 2,612,816
Equity mutual funds	1,083,046	53,602	(75,630)	1,061,018
Common stocks	484,637	65,556	(53,690)	496,503
Real estate investment trusts	25,529	1,630	(5,046)	22,113
	<u>\$ 4,590,902</u>	<u>\$ 120,788</u>	<u>\$ (519,240)</u>	<u>\$ 4,192,450</u>

(Continued)

GRASSROOTS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022

3. INVESTMENTS AND INVESTMENT INCOME *(continued)*

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

	2023	2022
Interest and dividend income	\$ 1,064,829	\$ 167,452
Unrealized gain (loss) in market value of investments	155,793	(835,160)
Realized gain (loss) on sale of investments	(137,924)	3,282
	<u>1,082,698</u>	<u>(664,426)</u>
Less investment expenses	(32,351)	(28,883)
	<u>\$ 1,050,347</u>	<u>\$ (693,309)</u>

4. FIXED AND INTANGIBLE ASSETS

Fixed assets consist of the following at October 31:

	2023	2022
Office furniture and equipment	\$ 76,954	\$ 68,533
Leasehold improvements	46,331	46,331
	<u>123,285</u>	<u>114,864</u>
Less accumulated depreciation	(83,557)	(66,033)
	<u>\$ 39,728</u>	<u>\$ 48,831</u>

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

	2023	2022
Trademark costs	\$ 14,792	\$ 14,792
Less accumulated amortization	(10,576)	(9,275)
	<u>\$ 4,216</u>	<u>\$ 5,517</u>

Depreciation expense was \$18,427 and \$13,778 for 2023 and 2022, respectively. Amortization expense was \$1,301 and \$1,301 for 2023 and 2022, respectively.

5. GRANTS PAYABLE

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

(Continued)

GRASSROOTS INTERNATIONAL, INC.
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6. DEFERRED REVENUE

The following table provides information about significant changes in income received in advance for the year ended October 31, 2023:

	<u>2023</u>
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	<u>20,950</u>
Deferred revenue, end of year	<u><u>\$ 20,950</u></u>

7. LEASE COMMITMENTS

Grassroots leased its business premises under a five-year lease agreement that expired on February 28, 2022. Grassroots renewed its lease for an additional three years that expires on February 28, 2025. Monthly fixed rent under this agreement was \$3,807 for the first year and will increase to \$3,855 in year two and \$3,903 in year three. Grassroots is also responsible for common area maintenance costs. Monthly common area maintenance will be \$1,994 for the first twelve months of the extended term.

While the agreement provides for minimum lease payments, variable payments (if any) are not determinable at the lease commencement and are not included in the measurement of the right-of-use asset and operating lease liability. The lease agreement does not include any material residual value guarantees or restrictive covenants.

The following summarizes the line items in the balance sheet which include amounts for operating leases as of October 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating lease right-of-use asset	<u>\$ 60,785</u>	<u>\$ 100,664</u>
Current portion of operating lease liability	\$ 44,325	\$ 40,850
Operating lease liability	16,460	59,814
Total operating lease liability	<u><u>\$ 60,785</u></u>	<u><u>\$ 100,664</u></u>

Lease expense included in occupancy costs in the Statement of Functional Expenses for the year ended October 31, 2023 and 2022 was \$71,767 and \$63,221, respectively.

Grassroots has elected to use a 6.25% incremental borrowing rate as the discount rate related to its operating lease liability, as the implicit lease rate is not determinable.

(Continued)

GRASSROOTS INTERNATIONAL, INC.
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7. LEASE COMMITMENTS *(continued)*

The remaining lease term at October 31, 2023 is sixteen months.

The maturities of operating lease liabilities at October 31, 2023, are as follows:

2024	\$	44,325
2025		16,460

8. 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 \$78,182 and \$70,090, in 2023 and 2022, respectively, and are included in payroll taxes and benefits in the accompanying Statements of Functional Expenses.

9. 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.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at October 31, 2023 and 2022:

	2023	2022
Humanitarian/Social Justice program support	\$ 1,259,591	\$ 695,230

11. 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 authorized the release of \$1,000,000 from designation in 2023. The balance of this fund was \$16,320,738 and \$17,320,738 at October 31, 2023 and 2022, respectively.

(Continued)

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

Minimum Operating Reserve

The Board has also designated \$1,100,000 (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, 2023 and 2022, is as follows:

	2023	2022
MOR net assets, beginning of year	\$ 950,000	\$ 750,000
Investment designation	150,000	200,000
MOR net assets, end of year	<u>\$ 1,100,000</u>	<u>\$ 950,000</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.

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”).

12. 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.