

SPIRIT OF AMERICA WORLDWIDE

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

As of and for the

Year Ended

December 31, 2011



Gurseley | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED December 31, 2011:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9



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Independent Auditors' Report

To the Board of Directors
Spirit of America Worldwide
Los Angeles, California

We have audited the accompanying statement of financial position of Spirit of America Worldwide (a California nonprofit public benefit corporation) as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Spirit of America Worldwide as of December 31, 2011, and changes in its net assets, functional expenses and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gursey | Schneider LLP

August 27, 2012
Los Angeles, California

* Accredited in Business Valuation
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SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
December 31, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 836,978
Certificate of deposit, 0.3%, due 7/18/2012	51,189
Inventory	5,155
Grants receivable	60,000
Prepaid expenses and other current assets	<u>45,348</u>

TOTAL CURRENT ASSETS 998,670

OTHER ASSETS

Property and equipment, net	<u>30,659</u>
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TOTAL ASSETS \$ 1,029,329

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 15,373
Accrued liabilities	<u>35,163</u>

TOTAL CURRENT LIABILITIES 50,536

NET ASSETS

Unrestricted	792,750
Temporarily restricted	<u>186,043</u>

TOTAL NET ASSETS 978,793

TOTAL LIABILITIES AND NET ASSETS \$ 1,029,329

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)

Statement of Activities
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 1,197,199	\$ 367,831	\$ 1,565,030
Interest and dividends	2,994	-	2,994
Net realized and unrealized investment gains	(7,928)	-	(7,928)
Net assets released from restrictions:	501,617	(501,617)	-
Total Revenues	1,693,882	(133,786)	1,560,096
EXPENSES			
Program services	1,028,811	-	1,028,811
Management and general	317,827	-	317,827
Fundraising	157,335	-	157,335
Total Expenses	1,503,973	-	1,503,973
INCREASE (DECREASE) IN NET ASSETS	189,909	(133,786)	56,123
NET ASSETS, December 31, 2010	602,841	319,829	922,670
NET ASSETS, December 31, 2011	\$ 792,750	\$ 186,043	\$ 978,793

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 339,948	\$ 143,459	\$ 30,786	\$ 514,193
Goods distributed	376,442	-	-	376,442
Travel	90,125	26,046	18,137	134,308
Consulting services	1,000	51,781	33,000	85,781
Office	38,740	16,505	30,339	85,584
Rent	28,454	14,227	14,227	56,908
Program equipment	49,591	-	-	49,591
Information technology	12,057	12,052	24,104	48,213
Payroll taxes	30,963	8,216	2,513	41,692
Insurance	32,076	2,978	2,076	37,130
Employee benefits	16,886	13,410	2,153	32,449
Legal and accounting services	-	15,068	-	15,068
Depreciation	7,529	1,882	-	9,411
Merchant fees	-	9,194	-	9,194
Donations made	5,000	-	-	5,000
Conferences	-	2,450	-	2,450
Taxes and licenses	-	559	-	559
	<u>\$ 1,028,811</u>	<u>\$ 317,827</u>	<u>\$ 157,335</u>	<u>\$ 1,503,973</u>

See Independent Auditors' Report and Notes to Financial Statements

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)

Statement of Cash Flows
For the Year Ended December 31, 2011

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Increase in net assets	\$ 56,123
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Depreciation	9,411
Receipt of donated securities	(201,437)
Net realized investment loss	7,928
Changes in assets and liabilities	
Decrease in inventory	35,724
Increase in grants receivable	(60,000)
Increase in prepaids and other assets	(13,425)
Decrease in accounts payable and accrued expenses	<u>(1,131)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(166,807)</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Proceeds from sale of investments	196,985
Purchases of fixed assets	<u>(23,950)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>173,035</u>
NET INCREASE IN CASH	6,228
CASH, DECEMBER 31, 2010	<u>830,750</u>
CASH, DECEMBER 31, 2011	<u><u>\$ 836,978</u></u>

See Independent Auditors' Report and Notes to Financial Statements

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)

Notes to Financial Statements
For the Year Ended December 31, 2011

NOTE 1 — NATURE OF ORGANIZATION

Spirit of America Worldwide (SOA) is a nonprofit organization located in Los Angeles, California that helps American troops assist the people of Iraq, Afghanistan, Tajikistan and Africa. SOA accepts project requests from troops on the ground—soldiers, sailors, airmen and Marines who know better than anyone else what type of assistance is needed in any given area. Once SOA receives a project request from the field, they establish a project page on their website and start to raise funds. The requesting soldier is encouraged to tell family, friends and colleagues in an effort to expand and enhance the fundraising base. Dollars received are used to buy the requested equipment or supplies, and SOA uses its network to ship items to remote areas quickly, and in a cost effective manner.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Presentation — The accompanying financial statements have been prepared on the accrual basis of accounting.

Recognition of Restricted Contributions — SOA recognizes contributions, including unconditional promises to give, as revenue in the period received, at fair value. SOA reports amounts in the accompanying financial statements for each of two classes of net assets, unrestricted net assets and temporarily restricted assets. There are no permanently restricted net assets.

All donor-restricted support is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. Temporarily restricted net assets become available once the restriction has been satisfied, meaning once SOA has spent funds to fill its specific project objectives. Once satisfied, these are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Contributions Receivable — Contributions receivables are recorded when accrued and are stated at the amount management expects to collect. Management provides an allowance for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. SOA has determined that no allowance against the contributions receivable is required as of December 31, 2011.

Contributed Goods — The Organization receives contributed goods from corporations and individuals. Donated goods are recorded as unrestricted or temporarily restricted contributions when they are received. Donated goods are valued at management's estimate of fair value at the time they are received. Upon distribution, the goods are recorded as a decrease in either unrestricted or temporarily restricted net assets. During 2011, SOA received contributed medical supplies and shoes totaling \$12,000, of which \$7,622 was temporarily restricted.

Contributed Services — Contributed services are recognized if the services received (a) increase or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Grant Expenditures — Grant expenditures are recognized in the period the grant is approved provided the grant is not subject to future contingencies.

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)

Notes to Financial Statements
For the Year Ended December 31, 2011

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Investments — Investments represent marketable equity securities that are stated at fair value. Investment income and gains are reflected as increases in unrestricted net assets unless such income has an imposed restriction.

Inventory – Inventory is valued based on donor's estimate of fair value for each item received. At December 31, 2011, inventory consists primarily of shoes and playground equipment to be distributed as part of SOA's programs

Property and Equipment — Property and equipment are stated at cost. Repairs and maintenance are charged to operations as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period.

Depreciation expense is calculated on straight-line method over 5 years for computers and 3 years for equipment.

Computers	\$ 17,860
Safety equipment	7,530
Telecommunications equipment	<u>13,380</u>
	38,770
Less accumulated depreciation	<u>(8,111)</u>
Total property and equipment	<u><u>\$ 30,659</u></u>

Depreciation expense for the year ended December 31, 2011 was \$9,411. During the year ended December 31, 2011, the Organization disposed of \$25,930 of fully depreciated property and equipment.

Functional Expenses — The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentrations of Risk — The Organization maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 (except through December 31, 2012, non-interest bearing deposits are fully insured by the FDIC). At December 31, 2011, SOA did not maintain any balances in excess of FDIC insured limits.

Use of Estimates — The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses.

Subsequent Events —Management has reviewed subsequent events through August 27, 2012, the date the financial statements were available to be issued.

SPIRIT OF AMERICA WORLDWIDE
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Notes to Financial Statements
For the Year Ended December 31, 2011

NOTE 3 — TAXES

The Organization is a public charity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for federal and state income taxes in the accompanying financial statements.

The Organization evaluates tax positions and recognizes a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. If such issues exist, the Organization's policy will be to recognize any tax liability so recorded, including applicable interest and penalties, as a component of income tax expense.

The Organization's federal income tax and informational returns for tax years 2008 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the Organization's most significant jurisdiction, remain subject to examination by the California Franchise Tax Board for years 2007 and subsequent.

NOTE 4 — TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted contributions comprise approximately 24% of total contributions received in 2011. Project funds are temporarily restricted for the direct expenses of the project selected by the donor. Category / country funds are temporarily restricted for the direct expenses of various projects in the funding category or country. SOA's policy specifies that SOA has the discretion to reallocate temporarily restricted donations received among similar programs.

At December 31, 2011, SOA had temporarily restricted net assets of \$186,043 available for the following specific requested project funds or category / country funds:

Commander's Support Program	\$ 92,806
Time Restrictions	60,000
All other < \$10,000	22,371
Marines Request Fund	<u>10,866</u>
	<u>\$ 186,043</u>

Included in temporarily restricted net assets is \$60,000 available for general uses in future years. These amounts will be released from restrictions during the year ending December 31, 2012.

During the year ended December 31, 2011, temporarily restricted contributions and temporarily restricted net assets from the prior year were released from donor restrictions by satisfying the following restricted purposes:

Commander's Support Program	\$ 273,554
All other < \$10,000 each	<u>228,063</u>
	<u>\$ 501,617</u>

SPIRIT OF AMERICA WORLDWIDE
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Notes to Financial Statements
For the Year Ended December 31, 2011

NOTE 5 — FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statement of financial position.

ASC Topic 820, *Fair Value Measurements*, establishes a fair value hierarchy that is based on observability of the inputs to valuation techniques used to measure fair value, sorted into three levels (Level 1, 2, and 3) with the most observable input being Level 1. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC Topic 820 are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

As at December 31, 2011, the Organization did not have investments in equity securities.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

The Organization paid rent at a rate of \$2,500 a month for its office space on month-to-month terms through August 31, 2011. Commencing on September 1, 2011, the Organization leased office space under a non-cancelable operating lease that expires on August 31, 2016. SOA has the option to terminate the lease after two years. Future minimum rental payments (through the earliest termination date) are summarized as follows:

Year ending December 31,	Total
2012	\$ 68,760
2013	45,840
	<u>\$ 114,600</u>

Rent expense for the year ended December 31, 2011 was \$56,908, which includes minimum rent payments, parking, and storage rent.