

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

**FINANCIAL STATEMENTS**

**December 31, 2014**

## CONTENTS

	<b><u>Pages</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 11



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**Independent Auditor’s Report**

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

We have audited the accompanying financial statements of Spirit of America Worldwide (a California nonprofit public benefit corporation) which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, 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.

\*Accredited in Business Valuation  
†Certified in Financial Forensics

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spirit of America Worldwide as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Gursey | Schneider LLP*

July 27, 2015  
Los Angeles, California

**SPIRIT OF AMERICA WORLDWIDE**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Financial Position  
December 31, 2014

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,673,579
Certificate of deposit, 0.05%, due 7/18/2015	51,489
Grants receivable	100,000
Inventory	1,926
Prepaid expenses and other current assets	<u>40,871</u>

TOTAL CURRENT ASSETS 1,867,865

**OTHER ASSETS**

Grants receivable, net of current position	800,000
Property and equipment, net	<u>28,283</u>

**TOTAL ASSETS** \$ 2,696,148

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 108,915
Accrued liabilities	<u>47,211</u>

TOTAL CURRENT LIABILITIES 156,126

**NET ASSETS**

Unrestricted	1,369,580
Temporarily restricted	<u>1,170,442</u>

TOTAL NET ASSETS 2,540,022

**TOTAL LIABILITIES AND NET ASSETS** \$ 2,696,148

**SPIRIT OF AMERICA WORLDWIDE**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Activities  
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Contributions	\$ 1,899,591	\$ 1,304,092	\$ 3,203,683
Interest and dividends	557	-	557
Net realized and unrealized investment gains	2,794	-	2,794
Net assets released from restrictions:	<u>414,939</u>	<u>(414,939)</u>	<u>-</u>
<b>Total Revenues</b>	<u>2,317,881</u>	<u>889,153</u>	<u>3,207,034</u>
<b>EXPENSES</b>			
Program services	1,291,481	-	1,291,481
Management and general	220,028	-	220,028
Fundraising	<u>139,210</u>	<u>-</u>	<u>139,210</u>
<b>Total Expenses</b>	<u>1,650,719</u>	<u>-</u>	<u>1,650,719</u>
<b>INCREASE IN NET ASSETS</b>	667,162	889,153	1,556,315
<b>NET ASSETS, December 31, 2013</b>	<u>702,418</u>	<u>281,289</u>	<u>983,707</u>
<b>NET ASSETS, December 31, 2014</b>	<u>\$ 1,369,580</u>	<u>\$ 1,170,442</u>	<u>\$ 2,540,022</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

**SPIRIT OF AMERICA WORLDWIDE**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Functional Expenses  
For the Year Ended December 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 445,029	\$ 106,968	\$ 18,496	\$ 570,493
Travel	268,961	5,695	8,541	283,197
Goods distributed	261,538	-	-	261,538
Consulting services	71,626	7,958	83,436	163,020
Rent	67,067	20,567	1,788	89,422
Office	36,817	11,284	9,492	57,593
Payroll taxes	35,952	9,365	1,348	46,665
Insurance	42,645	1,937	484	45,066
Employee benefits	25,183	12,660	2,134	39,977
Information technology	18,984	2,531	4,244	25,759
Legal and accounting services	-	20,111	-	20,111
Depreciation	4,160	10,471	-	14,631
Program equipment	13,519	-	-	13,519
Taxes and licenses	-	-	9,247	9,247
Merchant fees	-	9,181	-	9,181
Loss on sale of assets	-	1,151	-	1,151
Conferences	-	149	-	149
	<u>\$ 1,291,481</u>	<u>\$ 220,028</u>	<u>\$ 139,210</u>	<u>\$ 1,650,719</u>
<i>Percent of Total Expenses</i>	<u>78.2%</u>	<u>13.3%</u>	<u>8.4%</u>	<u>100.0%</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

**SPIRIT OF AMERICA WORLDWIDE**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Cash Flows  
For the Year Ended December 31, 2014

<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	
Increase in net assets	\$ 1,556,315
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Depreciation	14,631
Receipt of donated securities	(258,230)
Net realized and unrealized investment loss	(2,794)
Loss on disposal of fixed assets	1,151
Changes in assets and liabilities	
Increase in grants receivable	(750,000)
Decrease in prepaid and other assets	(2,304)
Increase in accounts payable and accrued expenses	68,629
	<u>627,398</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>627,398</u>
<b>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	
Proceeds from sale of investments	262,664
Proceeds from sale of fixed assets	900
Proceeds from return of fixed assets	3,960
Purchases of fixed assets	(3,877)
	<u>263,647</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>263,647</u>
<b>NET INCREASE IN CASH</b>	891,045
<b>CASH, DECEMBER 31, 2013</b>	<u>782,534</u>
<b>CASH, DECEMBER 31, 2014</b>	<u><u>\$ 1,673,579</u></u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements



**SPIRIT OF AMERICA WORLDWIDE**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2014

**NOTE 1 — NATURE OF ORGANIZATION**

Spirit of America (“SOA” or the “Organization”) is a privately-funded nonprofit organization located in Los Angeles, California that provides humanitarian, civic, and economic assistance in direct response to needs identified by American military and civilian personnel. SOA adds the agility, innovativeness, and resources of the American private sector to the capabilities of the U.S. government and military in support of U.S. missions abroad. This support makes U.S. troops and diplomats safer and more successful in their missions and helps local people often not reached by large-scale aid programs. Spirit of America also provides the American people a way to understand, connect with, and support the vital work of U.S. personnel serving abroad.

SOA makes a promise that 100% of a donation is used for the purpose specified by the donor, and, if it is not needed for the specified purpose the donor will be offered a refund. For example, those who donate to projects featured on SOA’s web site are assured that all of their funds will be used to purchase needed goods. Other SOA expenses (for example, salaries and administrative expenses) are funded by donors who make unrestricted gifts. The accompanying financial statements reflect Spirit of America’s “100% Promise.”

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Financial Presentation** — The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”).

**Use of Estimates** — The preparation of financial statements in conformity with 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.

**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.

Net assets that are not subject to donor-imposed restrictions are classified as unrestricted 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.

**Grants Receivable** — Grants 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, 2014.

**SPIRIT OF AMERICA WORLDWIDE**  
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Notes to Financial Statements  
December 31, 2014

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

Grants receivable are anticipated to be received as follows:

Within one year	\$ 100,000
One to five years	<u>800,000</u>
	<u><u>\$ 900,000</u></u>

Management has not applied a discount to reflect net present value to long-term grants as such amounts are not material.

**Contributed Goods** — Occasionally, 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 the year ended December 31, 2014, no contributed goods were received.

**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.

**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, 2014, inventory totaling \$1,926 consists primarily of 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.

**SPIRIT OF AMERICA WORLDWIDE**  
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Notes to Financial Statements  
December 31, 2014

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Depreciation expense for property and equipment is calculated on straight-line method over the asset's estimated useful lives ranging from 3 to 5 years. Depreciation for leasehold improvements is calculated over the lesser of asset's useful life or lease term; currently 5 years.

Furniture and equipment	\$	38,157
Field operations equipment		26,263
Leasehold improvements		9,650
		74,070
Less accumulated depreciation		(45,787)
Total property and equipment	\$	28,283

Depreciation expense for the year ended December 31, 2014 was \$14,631.

**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.

**Fair Value Measurements** — 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 the Organization's investments consist entirely of cash and certificates of deposit. The fair value of all of the Organization's investments at December 31, 2014 has been measured using Level 1 inputs. Unrealized losses from fair value changes of investments were \$2,794 for the year ended December 31, 2014 and have been included in the statement of activities.

**Concentrations of Risk** — The Organization maintains its cash in bank deposit accounts. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014, SOA did not maintain any balances in excess of FDIC insured limits.

**Subsequent Events** — Management has reviewed subsequent events through July 27, 2015, the date the financial statements were available to be issued.

**SPIRIT OF AMERICA WORLDWIDE**  
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Notes to Financial Statements  
December 31, 2014

**NOTE 3 — TAXES**

The Organization is a public charity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d 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 2011 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 2010 and subsequent.

**NOTE 4 — TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted contributions comprise approximately 41% of total contributions received in 2014. 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. When projects are overfunded, SOA’s policy is to offer the donor a refund or to reallocate their donation to another project.

At December 31, 2014, SOA had temporarily restricted net assets available for the following specific requested project funds or category / country funds:

Time Restricted	\$ 1,000,000
Kurdistan - Humanitarian Relief Programs	79,165
Civilian-led Missions	74,995
All Other Projects < \$15,000	<u>16,282</u>
	<u><u>\$ 1,170,442</u></u>

During the year ended December 31, 2014, temporarily restricted contributions and temporarily restricted net assets from the prior year were released from donor restrictions by satisfying the following restricted purposes:

Time Restricted	\$ 50,000
Kurdistan - Humanitarian Relief Programs	94,415
Civilian-led Missions	187,500
All Other Projects < \$15,000 each	<u>83,024</u>
	<u><u>\$ 414,939</u></u>

**SPIRIT OF AMERICA WORLDWIDE**  
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Notes to Financial Statements  
December 31, 2014

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

The Organization leases office space under a non-cancelable operating lease that expires on August 31, 2017. The following is a summary of minimum rental payments due under the office lease for each of the successive years ending December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	\$ 73,229
2016	82,512
2017	<u>56,108</u>
	<u>\$ 211,850</u>

Rent expense for the year ended December 31, 2014 was \$89,422, which includes minimum rent payments, parking, and storage rent.