

**SPIRIT OF AMERICA WORLDWIDE**  
**AUDITED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

# Spirit of America Worldwide

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## Independent Auditor's Report

To the Board of Directors  
**Spirit of America Worldwide**  
Arlington, Virginia

We have audited the accompanying financial statements of the **Spirit of America Worldwide** (a California nonprofit public benefit corporation), which comprise the Statements of Financial Position as of December 31, 2020 and 2019 and the related Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

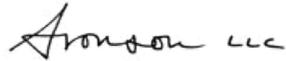
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

## Independent Auditor's Report (continued)

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Spirit of America Worldwide** as of December 31, 2020 and 2019, 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.



Rockville, Maryland

July 6, 2021

# Spirit of America Worldwide

## Statements of Financial Position

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,433,201	\$ 4,083,820
Investments	5,666	3,696
Grants and pledges receivable	1,854,563	1,875,000
Prepaid expenses and other current assets	30,015	44,600
<b>Total current assets</b>	<b>7,323,445</b>	<b>6,007,116</b>
<b>Other assets</b>		
Cash held for endowment	3,281	4,793
Investments held for endowment	129,291	117,295
Grants and pledges receivable, net of current portion and discount	1,463,415	3,375,000
Property and equipment, net	138,047	190,442
<b>Total other assets</b>	<b>1,734,034</b>	<b>3,687,530</b>
<b>Total assets</b>	<b>\$ 9,057,479</b>	<b>\$ 9,694,646</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Paycheck Protection Program Loan	\$ 417,675	\$ -
Accounts payable	44,765	3,896
Accrued liabilities	103,461	105,217
<b>Total current liabilities</b>	<b>565,901</b>	<b>109,113</b>
<b>Net assets</b>		
Without donor restrictions	4,732,271	3,543,074
With donor restrictions	3,759,307	6,042,459
<b>Total net assets</b>	<b>8,491,578</b>	<b>9,585,533</b>
<b>Total liabilities and net assets</b>	<b>\$ 9,057,479</b>	<b>\$ 9,694,646</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Spirit of America Worldwide

### Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2020</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and revenue</b>			
Contributions and grants	\$ 2,385,315	\$ 459,412	\$ 2,844,727
Contributed goods and professional services	125,972	19,000	144,972
Investment income	23,035	-	23,035
Net assets released from restrictions	2,761,564	(2,761,564)	-
<b>Total support and revenue</b>	<b>5,295,886</b>	<b>(2,283,152)</b>	<b>3,012,734</b>
<b>Expenses</b>			
Program services	2,973,059	-	2,973,059
Management and general	662,714	-	662,714
Fundraising	470,916	-	470,916
<b>Total expenses</b>	<b>4,106,689</b>	<b>-</b>	<b>4,106,689</b>
<b>Change in net assets</b>	<b>1,189,197</b>	<b>(2,283,152)</b>	<b>(1,093,955)</b>
<b>Net assets, beginning of year</b>	<b>3,543,074</b>	<b>6,042,459</b>	<b>9,585,533</b>
<b>Net assets, end of year</b>	<b>\$ 4,732,271</b>	<b>\$ 3,759,307</b>	<b>\$ 8,491,578</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Spirit of America Worldwide

### Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2019</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and revenue</b>			
Contributions and grants	\$ 2,207,004	\$ 5,123,407	\$ 7,330,411
Contributed goods and professional services	59,928	138,149	198,077
Investment income	47,924	-	47,924
Net assets released from restrictions	3,477,129	(3,477,129)	-
<b>Total support and revenue</b>	<b>5,791,985</b>	<b>1,784,427</b>	<b>7,576,412</b>
<b>Expenses</b>			
Program services	3,648,678	-	3,648,678
Management and general	607,462	-	607,462
Fundraising	830,096	-	830,096
<b>Total expenses</b>	<b>5,086,236</b>	<b>-</b>	<b>5,086,236</b>
<b>Change in net assets</b>	<b>705,749</b>	<b>1,784,427</b>	<b>2,490,176</b>
<b>Net assets, beginning of year</b>	<b>2,837,325</b>	<b>4,258,032</b>	<b>7,095,357</b>
<b>Net assets, end of year</b>	<b>\$ 3,543,074</b>	<b>\$ 6,042,459</b>	<b>\$ 9,585,533</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Spirit of America Worldwide

### Statement of Functional Expenses

<i>Year Ended December 31, 2020</i>	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Salaries and fringe benefits	\$ 1,601,708	\$ 497,438	\$ 306,043	\$ 2,405,189
Goods distributed	759,497	-	-	759,497
Travel	91,889	13,568	17,411	122,868
Consulting services	92,772	43,130	53,665	189,567
Office expenses	66,702	11,960	38,272	116,934
Rent	84,871	26,347	16,155	127,373
Legal and accounting services	125,228	36,005	2,943	164,176
Information technology	51,445	15,971	25,204	92,620
Depreciation	42,451	13,178	8,080	63,709
Insurance	56,496	5,117	3,143	64,756
<b>Total Expenses</b>	<b>\$ 2,973,059</b>	<b>\$ 662,714</b>	<b>\$ 470,916</b>	<b>\$ 4,106,689</b>
<i>Percent of total expenses</i>	<i>72.4%</i>	<i>16.1%</i>	<i>11.5%</i>	<i>100.0%</i>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Spirit of America Worldwide

### Statement of Functional Expenses

<i>Year Ended December 31, 2019</i>	Program Services	Management and General	Fundraising	Total Expenses
Salaries and fringe benefits	\$ 1,636,367	\$ 453,576	\$ 344,231	\$ 2,434,174
Goods distributed	1,041,030	-	-	1,041,030
Travel	425,908	14,943	113,700	554,551
Consulting services	94,733	23,865	245,876	364,474
Office expenses	86,992	12,993	68,713	168,698
Rent	92,817	24,287	19,231	136,335
Legal and accounting services	53,534	50,840	5,205	109,579
Information technology	54,468	14,157	23,006	91,631
Program equipment	79,701	-	-	79,701
Depreciation	36,090	9,444	7,477	53,011
Insurance	45,249	2,889	2,288	50,426
Taxes and licenses	1,789	468	369	2,626
<b>Total Expenses</b>	<b>\$ 3,648,678</b>	<b>\$ 607,462</b>	<b>\$ 830,096</b>	<b>\$ 5,086,236</b>
<i>Percent of total expenses</i>	<i>71.8%</i>	<i>11.9%</i>	<i>16.3%</i>	<i>100.0%</i>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Spirit of America Worldwide

### Statements of Cash Flows

<i>Years Ended December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (1,093,955)	\$ 2,490,176
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	63,709	53,011
Realized and unrealized gains on investments	(12,491)	(15,393)
Change in present value discount on grants and pledges receivable	(88,415)	782
<b>Decrease (increase) in:</b>		
Grants and pledges receivable	2,020,437	(1,328,014)
Prepaid expenses and other current assets	14,585	5,251
<b>Increase (decrease) in:</b>		
Accounts payable	40,869	(92,808)
Accrued liabilities	(1,756)	8,196
<b>Net cash provided by operating activities</b>	<b>942,983</b>	<b>1,121,201</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(11,314)	(114,920)
Purchase of investments	(10,871)	(20,633)
Proceeds from sales of investments	9,396	1,251,471
<b>Net cash (used) provided by investing activities</b>	<b>(12,789)</b>	<b>1,115,918</b>
<b>Cash flows from financing activities</b>		
Proceeds from Paycheck Protection Program Loan	417,675	-
<b>Net change in cash and cash equivalents</b>	<b>1,347,869</b>	<b>2,237,119</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>4,088,613</b>	<b>1,851,494</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,436,482</b>	<b>\$ 4,088,613</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

# Spirit of America Worldwide

## Notes to the Financial Statements

### 1. Organization and significant accounting policies

**Organization:** Spirit of America Worldwide ("SOA" or the "Organization") is a 501(c)(3) California nonprofit public benefit corporation headquartered in Arlington, Virginia. Spirit of America's mission is to engage citizens in preserving the promise of a free and better life. SOA does this by working alongside troops and diplomats to support their safety and success, promoting values shared by Americans and our allies, strengthening relationships with allies, friends and partners, and demonstrating that friendship with the United States is the best path to a better life.

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 purposes, the donor will be offered a refund. For example, those who donate to projects featured on SOA's web site are assured that all their funds will be used to pay for the needed assistance. Other SOA expenses (for example, salaries and administrative expenses) are funded by donors who make unrestricted gifts. The accompanying financial statements reflect SOA's adherence to the 100% promise.

**Basis of accounting:** The accompanying financial statements of the Organization are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Use of estimates:** The preparation of financial statements in conformity with general accepted accounting principles in the United States of America 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 during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains cash balances which may exceed federally insured limits. Management does not believe that this results in any significant credit risk.

**Investments:** Investments represent marketable securities that are stated at fair value. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes the Organization's net realized and unrealized gains and losses on investments bought and sold as well as held during the year.

# Spirit of America Worldwide

## Notes to the Financial Statements

**Fair value measurement:** The Organization values its investments at fair value in accordance with a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

**Level 1:** Observable inputs such as quoted prices in active markets for identical assets or liabilities;

**Level 2:** Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and,

**Level 3:** Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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. There have been no changes in the fair value methodologies used at December 31, 2020 or 2019.

**Grants and pledges receivable:** Grants and pledges receivable are recorded when unconditionally awarded and are stated at the amount management expects to collect. For grants and pledges receivable collectible more than one year after the financial statement date, a discount is recorded against the face amount of the receivable. Management provides an allowance for uncollectible amounts through a provision of bad debt expense and an adjustment to valuation allowance based on its assessment of the current status of individual receivables. The Organization has determined that no allowance against grant and pledges receivable is necessary at December 31, 2020 and 2019.

Grants and pledges receivable are anticipated to be paid as follows at December 31:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 1,854,563	\$ 1,875,000
One to five years	1,500,000	3,500,000
Total grants and pledges receivable	3,354,563	5,375,000
Less: discount	(36,585)	(125,000)
<b>Grants and pledges receivable, net</b>	<b>\$ 3,317,978</b>	<b>\$ 5,250,000</b>

For the years ended December 31, 2020 and 2019, the discount was calculated using rates between 1.86% and 2.63%. Rates are determined using a risk-adjusted treasury borrowing rate on the date the grant or pledge is awarded. The discount is amortized over the grant or pledge payment period to contribution revenue using the effective interest method.

# Spirit of America Worldwide

## Notes to the Financial Statements

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**Property and equipment:** Acquisition of property and equipment in excess of \$1,000 is capitalized at cost or, if donated, at approximate fair value at the date of donation. Repairs and maintenance are charged to operations as incurred. Depreciation expense for property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 5 years. Depreciation expense for the years ended December 31, 2020 and 2019 was \$63,709 and \$53,011 respectively.

**Impairment of long-lived assets:** Long-lived assets to be held are reviewed for events or changes in circumstances which indicate that their carrying value may not be recoverable. Long-lived assets held for sale are to be stated at the lower of cost or fair market value less costs to sell. The Organization has determined that no events occurred during the years ended December 31, 2020 and 2019 that would give rise to impairment of its long-lived assets.

**Classification of net assets:** Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions as follows:

**Net assets without donor restrictions:** Net assets without donor restrictions represent the portion of expendable funds that are available to support the Organization's operations and are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by actions of the board of directors or may otherwise be limited by contractual agreements with outside parties.

**Net assets with donor restrictions:** Net assets with donor restrictions are subject to donor-imposed restrictions that limit the use of their contributions. Donor restrictions may result in either temporary or permanent restrictions. Temporary donor restrictions expire either by passage of time or when used for specified purposes. Permanent donor restrictions represent restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions. At December 31, 2020 and 2019, the Organization had net assets with temporary donor restrictions of \$3,659,307 and \$5,942,459, respectively. At December 31, 2020 and 2019, the Organization had net assets with permanent donor restrictions of \$100,000. The net assets with permanent donor restrictions consist of one endowed gift.

# Spirit of America Worldwide

## Notes to the Financial Statements

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### Revenue recognition:

**Contributions:** Contributions are recognized when they are received, or unconditionally promised, or when conditions related to the contribution are satisfied. The Organization reports such support as donor-restricted if it is subject to time or donor-imposed purpose restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions when a stipulated time restriction ends, purpose restriction is satisfied, or both.

**Contributed goods and professional services:** The Organization receives contributed professional services and goods from corporations and individuals.

Contributed services are recognized if the services received a) increase or enhance long-lived assets or b) require specialized skills and would otherwise need to be purchased by the Organization if not contributed. Contributed services are recognized at the estimated fair value of the services received. During the years ended December 31, 2020 and 2019, the Organization received \$125,972 and \$58,142 in contributed professional services, respectively, mostly arising from pro-bono legal services.

Contributed goods are recognized when received at management's estimate of their fair value. Upon distribution, the goods are recorded as a decrease in either net assets with donor restrictions or net assets without donor restrictions, depending on the presence of any donor-imposed restrictions on their use. During the years ended December 31, 2020 and 2019, the Organization received \$19,000 and \$139,935 in contributed goods, respectively, for use in its programs.

**Income taxes:** The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)3. The Organization generated no unrelated business income during 2020 and 2019. Management has concluded that the Organization has maintained their exempt status.

**Uncertainty in income taxes:** The Organization evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2020 and 2019, there are no accruals for uncertain tax positions. If applicable, the Organization records interest and penalties as a component of income tax expense. Tax years from 2017 through the current year remain open for examination by tax authorities.

# Spirit of America Worldwide

## Notes to the Financial Statements

**Allocation of functional expenses:** The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the membership services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Expenses that are allocated include the following:

Expenses	Method of Allocation
Salaries and fringe benefits	Time and effort
Consulting services	Time and effort
Rent	Time and effort
Legal services	Time and effort
Information technology	Time and effort
Depreciation	Time and effort
Insurance	Time and effort

**Subsequent events:** Management has evaluated subsequent events for disclosure in the financial statements through July 6, 2021, which is the date the financial statements were available to be issued.

### 2. Liquidity and availability of resources

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 comprised the following at December, 31:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 5,436,482	\$ 4,088,613
Investments	134,957	120,991
Grants and pledges receivable, net	3,317,978	5,250,000
<b>Total financial assets</b>	<b>8,889,417</b>	<b>9,459,604</b>
Less amounts not available to be used within one year:		
Donor restrictions:		
Temporary purpose restrictions	(195,892)	(192,459)
Temporary time restrictions (long-term)	(1,463,415)	(4,875,000)
Permanent restrictions	(100,000)	(100,000)
<b>Total</b>	<b>(1,759,307)</b>	<b>(5,167,459)</b>
Financial assets available to meet general expenditures over the next twelve months	\$ 7,130,110	\$ 4,292,145

# Spirit of America Worldwide

## Notes to the Financial Statements

The Organization has an investment policy authorized by the Board of Directors that provides guidance and oversight for the management of cash and cash equivalents, and investments. The policy provides that the Organization maintain an adequate level of cash to meet ongoing operational and liquidity requirements.

### 3. Investments

The fair value of the Organization's investments is as follows:

		<b>Fair Value Measurements</b>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	No Quoted Prices in Active Markets nor Observable Inputs (Level 3)
<b>December 31, 2020</b>	Total			
Common stocks	\$ 5,666	\$ 5,666	\$ -	\$ -
Mutual funds – fixed income	55,370	55,370	-	-
Mutual funds – equities	73,921	73,921	-	-
<b>Total</b>	<b>\$ 134,957</b>	<b>\$ 134,957</b>	<b>\$ -</b>	<b>\$ -</b>

		<b>Fair Value Measurements</b>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	No Quoted Prices in Active Markets nor Observable Inputs (Level 3)
December 31, 2019	Total			
Common stocks	\$ 3,696	\$ 3,696	\$ -	\$ -
Mutual funds – fixed income	56,615	56,615	-	-
Mutual funds – equities	60,680	60,680	-	-
<b>Total</b>	<b>\$ 120,991</b>	<b>\$ 120,991</b>	<b>\$ -</b>	<b>\$ -</b>

# Spirit of America Worldwide

## Notes to the Financial Statements

The Organization invests in various investment securities that are exposed to different risks such as interest rate, credit, and market volatility risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Organization's account balances and amounts reported in the Statements of Financial Position.

**4. Property and equipment**

Property and equipment consisted of the following at December 31:

	2020	2019
Field operations equipment	\$ 34,810	\$ 34,810
Furniture and equipment	74,354	63,040
Leasehold improvements	6,755	6,755
Software and website	221,574	221,574
Total property and equipment	337,493	326,179
Less: accumulated depreciation	(199,446)	(135,737)
<b>Property and equipment, net</b>	<b>\$ 138,047</b>	<b>\$ 190,442</b>

**5. Net assets with donor restrictions**

Restricted contributions consist of contributions earmarked by donors for specific project funds and long-term grants that are allocated to multiple years of operations. Project funds are purpose restricted for the direct expenses of the project selected by the donor. Category/country funds are purpose restricted for the direct expenses of various projects in the funding category or country. When projects are overfunded, the Organization's policy is to offer the donor a refund or to reallocate their donation to another project. No such refunds were requested in 2020 or 2019 but rather, donors requested their funds be reallocated to other priority areas.

The Organization had net assets restricted by donors related to the following specific purposes or time restrictions at December 31:

	2020	2019
Temporary purpose restrictions	\$ 195,892	\$ 192,459
Temporary time restrictions	3,463,415	5,750,000
Permanent restrictions:		
Buchanan endowment (see Note 6)	100,000	100,000
<b>Total net assets with donor restrictions</b>	<b>\$ 3,759,307</b>	<b>\$ 6,042,459</b>

# Spirit of America Worldwide

## Notes to the Financial Statements

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows for the years ended December 31:

	2020	2019
Time restrictions	\$ 2,385,000	\$ 820,532
Field operations personnel	-	1,200,000
Africom regional projects	70,104	321,138
Centcom regional projects	94,636	407,934
Eucom regional projects	22,961	194,002
Pacom regional projects	11,122	145,023
Southcom regional projects	81,262	168,500
Other purposes	96,479	220,000
<b>Total amount released from restriction</b>	<b>\$ 2,761,564</b>	<b>\$ 3,477,129</b>

### 6. Endowment

Permanently restricted net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as net assets with temporary donor restrictions or net assets without donor restrictions, in accordance with the donor's intent, until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

# Spirit of America Worldwide

## Notes to the Financial Statements

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policy of the Organization

During 2015, the Organization received one donor-restricted endowment fund which is held in an investment account. Correlating net assets are classified as permanently restricted. Investment income and gains from these investments are available to be appropriated for general operational use. The donor has requested the nominal value of the gift be retained in perpetuity to support the Organization's activities. The Organization's policy is to appropriate earnings from this endowment to support its program purpose activities.

There were no new endowments, gifts to the existing endowment, or other changes to permanently restricted endowment net assets during 2020 or 2019. Permanently restricted endowment net assets totaled \$100,000 at December 31, 2020 and 2019. The singular endowment gift's donor has allotted all income on the endowment to be used for unrestricted purposes. Accordingly, all endowment income during 2020 and 2019 was classified as unrestricted income.

Endowment assets were held in an investment portfolio composed of the following at December 31:

	<b>2020</b>	2019
Cash and cash equivalents	\$ 3,281	\$ 4,793
Investments	<b>129,291</b>	117,295
<b>Total endowment assets</b>	<b>\$ 132,572</b>	<b>\$ 122,088</b>

# Spirit of America Worldwide

## Notes to the Financial Statements

The following is a summary of changes in the endowed cash and investment accounts during the years ended December 31:

	2020	2019
Endowment net assets, beginning of year	\$ 122,088	\$ 107,033
Endowment funds received	-	-
Dividend and interest income	2,544	4,154
Realized and unrealized gains	9,557	13,806
Appropriated for expenditure	(1,617)	(2,905)
<b>Endowment net assets, end of year</b>	<b>\$ 132,752</b>	<b>\$ 122,088</b>

### 7. Office lease

The Organization leases office space in Arlington, Virginia under an agreement which extends through June 2023. The lease agreement is cancellable with 90 days advance notice and a \$5,000 penalty. The following is a schedule of future minimum lease commitments as of December 31, 2020:

Year ending December 31	Total
2021	\$ 135,477
2022	140,896
2023	71,829
<b>Total</b>	<b>\$ 348,202</b>

Due to the effects of the coronavirus (“COVID-19”) pandemic, the Organization’s landlord offered a lease concession in the form of a 15% discount on monthly required lease payments. The concession was effective for rental payments due on or after September 1, 2020 and lasted until the office building was permitted to reopen in early 2021. Because the concession did not result in an increase of total rental payments, the Organization has elected to not account for the concession as a lease modification. As a result, the rent concession was recorded as a credit to rent expense.

Rent expense under the operating lease was \$127,373 and \$136,335 for the years ended December 31, 2020 and 2019, respectively.

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## Notes to the Financial Statements

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- 8. Retirement plan** The Organization sponsors a qualified 403(b) defined contribution plan that covers substantially all full-time employees meeting certain eligibility requirements. Employees may contribute a portion of their annual compensation to the plan, limited to the maximum annual amount as set periodically by the Internal Revenue Service. The Organization may also make a discretionary employer match contribution to the plan, calculated as up to 4.0% of each eligible employee's annual compensation. Plan participants are fully vested in all employer match contributions. During the years ended December 31, 2020 and 2019, the Organization contributed \$75,333 and \$76,915, respectively, in discretionary employer match to the plan.
- 9. Concentration** For the years ended December 31, 2020 and 2019, three donors accounted for 39% and 74% of all contributions recognized, respectively. At December 31, 2020 and 2019, two donors accounted for 97% and 95% of grants and pledges receivable outstanding, respectively.
- 10. Risks and uncertainties** 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. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's grantors, donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's 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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## Notes to the Financial Statements

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### 11. Paycheck Protection Program loan

In April 2020, The Organization received a loan from the United States Small Business Administration (the “SBA”) in the amount of \$417,675, pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP loan has a two-year term and bears interest at a rate of 1.00% per annum. Monthly principal and interest payments are deferred for borrowers who apply for loan forgiveness until the SBA remits the borrower’s loan forgiveness amount to the lending financial institution, or 12 months after the end of the covered period for loan forgiveness. The PPP loan may be prepaid at any time prior to maturity with no prepayment penalties. The CARES Act provides that the PPP loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. The Organization applied for forgiveness of the loan during 2021. On March 10, 2021, The Organization received notification it received full forgiveness of the loan and accrued interest.

The Organization has elected *ASC 470 – Debt* to account for the initial proceeds of the PPP loan. Accordingly, the PPP loan is recorded as a current liability on the Statement of Position as of December 31, 2020.