

SPIRIT OF AMERICA WORLDWIDE

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

As of and for the Year Ended

December 31, 2012



Gurseley | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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Report of Independent Auditors

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, 2012, 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.

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, 2012, 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.

Lursey | Schneider LLP

August 8, 2013
Los Angeles, California

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
December 31, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 599,771
Certificate of deposit, 0.3%, due 4/18/2013	51,337
Investments	1,597
Inventory	4,855
Prepaid expenses and other current assets	<u>39,897</u>

TOTAL CURRENT ASSETS 697,457

OTHER ASSETS

Property and equipment, net	<u>37,696</u>
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TOTAL ASSETS \$ 735,153

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 44,399
Accrued liabilities	<u>30,593</u>

TOTAL CURRENT LIABILITIES 74,992

NET ASSETS

Unrestricted	524,180
Temporarily restricted	<u>135,981</u>

TOTAL NET ASSETS 660,161

TOTAL LIABILITIES AND NET ASSETS \$ 735,153

See Accompanying Notes to Financial Statements

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Contributions	\$ 1,287,551	\$ 213,818	\$ 1,501,369
Interest and dividends	982	-	982
Net realized and unrealized investment losses	(5,524)	-	(5,524)
Net assets released from restrictions:	<u>263,880</u>	<u>(263,880)</u>	<u>-</u>
Total Revenues	<u>1,546,889</u>	<u>(50,062)</u>	<u>1,496,827</u>
EXPENSES			
Program services	1,396,307	-	1,396,307
Management and general	319,669	-	319,669
Fundraising	<u>99,483</u>	<u>-</u>	<u>99,483</u>
Total Expenses	<u>1,815,459</u>	<u>-</u>	<u>1,815,459</u>
DECREASE IN NET ASSETS	(268,570)	(50,062)	(318,632)
NET ASSETS, December 31, 2011	<u>792,750</u>	<u>186,043</u>	<u>978,793</u>
NET ASSETS, December 31, 2012	<u><u>\$ 524,180</u></u>	<u><u>\$ 135,981</u></u>	<u><u>\$ 660,161</u></u>

See 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, 2012

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 511,362	\$ 129,972	\$ 23,481	\$ 664,815
Goods distributed	527,341	-	-	527,341
Travel	83,260	34,250	23,086	140,596
Rent	43,173	34,539	8,634	86,346
Insurance	56,736	4,063	1,016	61,815
Payroll taxes	41,120	12,023	1,922	55,065
Consulting services	26,982	24,594	3,360	54,936
Information technology	18,311	11,307	22,614	52,232
Office	25,612	11,702	13,276	50,590
Program equipment	34,980	-	-	34,980
Employee benefits	19,591	5,860	1,744	27,195
Legal and accounting services	-	20,192	-	20,192
Depreciation	7,839	3,854	-	11,693
Taxes and licenses	-	9,780	-	9,780
Conferences	-	6,911	-	6,911
Merchant fees	-	5,622	350	5,972
Donations made	-	5,000	-	5,000
	<u>\$ 1,396,307</u>	<u>\$ 319,669</u>	<u>\$ 99,483</u>	<u>\$ 1,815,459</u>

See 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, 2012

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Decrease in net assets	\$ (318,632)
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Depreciation	11,693
Receipt of donated securities	(254,759)
Net realized and unrealized investment loss	5,524
Changes in assets and liabilities	
Decrease in inventory	300
Decrease in grants receivable	60,000
Decrease in prepaids and other assets	5,451
Increase in accounts payable and accrued expenses	<u>24,456</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(465,967)</u>
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	
Proceeds from sale of investments	247,490
Purchases of fixed assets	<u>(18,730)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>228,760</u>
NET DECREASE IN CASH	(237,207)
CASH, DECEMBER 31, 2011	<u>836,978</u>
CASH, DECEMBER 31, 2012	<u><u>\$ 599,771</u></u>

See Accompanying Notes to Financial Statements

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
For the Year Ended December 31, 2012

NOTE 1 — NATURE OF ORGANIZATION

Spirit of America (SOA) 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.

NOTE 2 — FACTORS AFFECTING LIQUIDITY

In prior years, SOA's support has been focused on the war zones of Iraq and Afghanistan. In 2012, SOA deployed a record number of field personnel to Afghanistan and completed a record number of projects to meet the increased needs. Our field representatives served as key partners to U.S. Special Operations Forces working to improve security, governance, and development in some of the most challenging parts of the country.

The decrease in net assets in 2012 reflects an investment in SOA's support of the conflict prevention missions of U.S. personnel in Africa, Central America, South America, the Middle East, and Southeast Asia. SOA continues to provide aid in Afghanistan and Africa. This expansion of programming locations required an investment of both project funds and personnel costs. SOA conducted site assessments, completed pilot projects, and built relationships with U.S. military personnel responsible for conflict prevention in these new geographic areas. The investment of time by SOA's management personnel reduced the time that would have otherwise been focused on fundraising.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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.

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
For the Year Ended December 31, 2012

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

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.

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, 2012.

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 2012, SOA received contributed medical supplies and protective armor totaling \$263,215, which was fully unrestricted.

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, 2012, inventory totaling \$4,855 consists primarily of shoes and playground equipment to be distributed as part of SOA's programs.

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
For the Year Ended December 31, 2012

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

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.

Telecommunications equipment	\$	18,960
Computers		17,860
Leasehold improvements		9,650
Safety equipment		7,530
Vehicle for program service - Afghanistan		<u>3,500</u>
		57,500
Less accumulated depreciation		<u>(19,804)</u>
Total property and equipment	<u>\$</u>	<u>37,696</u>

Depreciation expense for the year ended December 31, 2012 was \$11,693.

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. 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, 2012, SOA did not maintain any balances in excess of FDIC insured limits.

Subsequent Events — Management has reviewed subsequent events through August 8, 2013, the date the financial statements were available to be issued.

NOTE 4 — 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 2009 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 2008 and subsequent.

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
For the Year Ended December 31, 2012

NOTE 5 — TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted contributions comprise approximately 14% of total contributions received in 2012. 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, 2012, SOA had temporarily restricted net assets available for the following specific requested project funds or category / country funds:

Special Ops Fund IE12-02	\$	73,636
68,000 Remember		20,027
Afghan School Project		10,468
All Other Projects < \$10,000		31,850
		<hr/>
	\$	135,981
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During the year ended December 31, 2012, temporarily restricted contributions and temporarily restricted net assets from the prior year were released from donor restrictions by satisfying the following restricted purposes:

<u>Released from restrictions during 2012</u>		
Commander's Support Program	\$	101,306
Release of Time Restrictions		60,000
68,000 Remember		20,474
Special Ops Fund IE12-02		15,505
All Other Projects < \$10,000 each		66,595
		<hr/>
	\$	263,880
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SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
For the Year Ended December 31, 2012

NOTE 6 — 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 the Organization's investments consist entirely of readily tradable equity securities, the fair value of all of the Organization's investments at December 31, 2012 has been measured using Level 1 inputs. Unrealized losses from fair value changes of investments were \$172 for the year ended December 31, 2012 and have been included in the statement of activities.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Organization leases office space under a non-cancelable operating lease that expires on August 31, 2016. SOA has the option to terminate the lease in 2014. Future minimum rental payments (through the earliest termination date) are summarized as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Amount</u>
2013	\$ 58,675
2014	<u>51,341</u>
	<u>\$ 110,016</u>

Rent expense for the year ended December 31, 2012 was \$86,346, which includes minimum rent payments, parking, and storage rent.