

SPIRIT OF AMERICA WORLDWIDE

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

As of and for the Year Ended

December 31, 2013



Gurseley | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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DIRECTORS

- Stacey S. Summers, CPA

FOUNDERS

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- Stanley B. Schneider, CPA



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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, 2013, 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, 2013, 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

August 8, 2014
Los Angeles, California

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
December 31, 2013

ASSETS

CURRENT ASSETS

Cash	\$	782,534
Certificate of deposit, 0.08%, due 10/18/2014		51,446
Grants receivable		150,000
Investments		1,683
Inventory		1,926
Prepaid expenses and other current assets		38,567
		38,567

TOTAL CURRENT ASSETS 1,026,156

OTHER ASSETS

Property and equipment, net		45,048
		45,048

TOTAL ASSETS \$ 1,071,204

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	56,887
Accrued liabilities		30,610
		30,610

TOTAL CURRENT LIABILITIES 87,497

NET ASSETS

Unrestricted		702,418
Temporarily restricted		281,289
		281,289

TOTAL NET ASSETS 983,707

TOTAL LIABILITIES AND NET ASSETS \$ 1,071,204

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Contributions	\$ 1,130,576	\$ 422,720	\$ 1,553,296
Interest and dividends	567	-	567
Net realized and unrealized investment losses	(1,976)	-	(1,976)
Net assets released from restrictions:	<u>277,412</u>	<u>(277,412)</u>	<u>-</u>
Total Revenues	<u>1,406,579</u>	<u>145,308</u>	<u>1,551,887</u>
EXPENSES			
Program services	924,009	-	924,009
Management and general	211,458	-	211,458
Fundraising	<u>92,874</u>	<u>-</u>	<u>92,874</u>
Total Expenses	<u>1,228,341</u>	<u>-</u>	<u>1,228,341</u>
INCREASE IN NET ASSETS	178,238	145,308	323,546
NET ASSETS, December 31, 2012	<u>524,180</u>	<u>135,981</u>	<u>660,161</u>
NET ASSETS, December 31, 2013	<u>\$ 702,418</u>	<u>\$ 281,289</u>	<u>\$ 983,707</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, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 403,401	\$ 110,072	\$ 16,300	\$ 529,773
Goods distributed	203,360	-	-	203,360
Travel	101,386	3,910	27,388	132,684
Rent	59,425	21,224	4,245	84,894
Office	28,856	13,140	14,326	56,322
Insurance	44,199	2,652	530	47,381
Payroll taxes	33,413	8,523	1,899	43,835
Employee benefits	20,668	11,881	1,000	33,549
Consulting services	6,008	7,017	9,108	22,133
Depreciation	10,581	6,576	-	17,157
Information technology	3,931	3,931	7,863	15,725
Legal and accounting services	-	15,558	-	15,558
Taxes and licenses	-	-	10,070	10,070
Program equipment	7,056	-	-	7,056
Merchant fees	-	4,944	-	4,944
Conferences	725	2,030	145	2,900
Donations made	1,000	-	-	1,000
	<u>\$ 924,009</u>	<u>\$ 211,458</u>	<u>\$ 92,874</u>	<u>\$ 1,228,341</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, 2013

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Increase in net assets	\$ 323,546
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Depreciation	17,157
Receipt of donated securities	(252,769)
Net realized and unrealized investment loss	1,976
Changes in assets and liabilities	
Decrease in inventory	2,929
Increase in grants receivable	(150,000)
Decrease in prepaid and other assets	1,330
Increase in accounts payable and accrued expenses	<u>12,505</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(43,326)</u>
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	
Proceeds from sale of investments	250,598
Purchases of fixed assets	<u>(24,509)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>226,089</u>
NET INCREASE IN CASH	182,763
CASH, DECEMBER 31, 2012	<u>599,771</u>
CASH, DECEMBER 31, 2013	<u><u>\$ 782,534</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, 2013

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 — 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, 2013.

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 2013, SOA received contributed medical supplies totaling \$16,817, to be used for a specific clinic in Afghanistan.

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.

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2013

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

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, 2013, 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.

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

Telecommunications equipment	\$	18,960
Computers and office equipment		23,631
Website development		18,738
Leasehold improvements		9,650
Safety equipment		7,530
Vehicle for program service - Afghanistan		<u>3,500</u>
		82,009
Less accumulated depreciation		<u>(36,961)</u>
Total property and equipment	\$	<u><u>45,048</u></u>

Depreciation expense for the year ended December 31, 2013 was \$17,157.

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. At December 31, 2013, SOA did not maintain any balances in excess of FDIC insured limits.

Subsequent Events —Management has reviewed subsequent events through August 8, 2014, the date the financial statements were available to be issued.

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2013

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 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 2010 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 2009 and subsequent.

NOTE 4 — TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted contributions comprise approximately 26% of total contributions received in 2013. 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, 2013, SOA had temporarily restricted net assets available for the following specific requested project funds or category / country funds:

Time Restricted	\$ 262,500
All Other Projects < \$10,000	<u>18,789</u>
	<u>\$ 281,289</u>

During the year ended December 31, 2013, temporarily restricted contributions and temporarily restricted net assets from the prior year were released from donor restrictions by satisfying the following restricted purposes:

Release of Time Restrictions	\$ 87,500
Special Operations Fund	79,151
68,000 Remember Campaign	26,132
Commander Support Program	25,518
All Other Projects < \$10,000 each	<u>59,111</u>
	<u>\$ 277,412</u>

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2013

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 the Organization’s investments consist entirely of readily tradable equity securities, the fair value of all of the Organization’s investments at December 31, 2013 has been measured using Level 1 inputs. Unrealized losses from fair value changes of investments were \$30 for the year ended December 31, 2013 and have been included in the statement of activities.

NOTE 6– 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.

<u>Year ending</u> <u>December 31,</u>	<u>Amount</u>
2014	\$ 71,144
2015	73,229
2016	82,512
2017	<u>56,108</u>
	<u>\$ 282,993</u>

Rent expense for the year ended December 31, 2013 was \$84,894, which includes minimum rent payments, parking, and storage rent.