

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

FINANCIAL STATEMENTS

December 31, 2015

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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, 2015, 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, 2015, 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 30, 2016
Los Angeles, California

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
December 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,443,165
Certificate of deposit, 0.04%, due 4/18/2016	51,512
Grants receivable	700,000
Inventory	1,926
Investments	90,717
Prepaid expenses and other current assets	41,695

Total Current Assets	2,329,015
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OTHER ASSETS

Grants receivable, net of current position	400,000
Property and equipment, net	27,714

Total Other Assets	427,714
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TOTAL ASSETS	\$ 2,756,729
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 51,023
Accrued liabilities	47,816

Total Current Liabilities	98,839
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NET ASSETS

Unrestricted	1,747,079
Temporarily restricted	810,811
Permanently restricted	100,000

Total Net Assets	2,657,890
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TOTAL LIABILITIES AND NET ASSETS	\$ 2,756,729
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See Independent Auditor's Report and Accompanying Notes to Financial Statements

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Contributions	\$ 1,704,059	\$ 669,265	\$ 100,000	\$ 2,473,324
Interest and dividends	5,811	-	-	5,811
Net realized and unrealized investment losses	(5,148)	-	-	(5,148)
Net gain on sale of assets	233	-	-	233
Net assets released from restrictions	1,028,896	(1,028,896)	-	-
Total Revenues	<u>2,733,851</u>	<u>(359,631)</u>	<u>100,000</u>	<u>2,474,220</u>
EXPENSES				
Program services	1,842,597	-	-	1,842,597
Management and general	254,498	-	-	254,498
Fundraising	259,257	-	-	259,257
Total Expenses	<u>2,356,352</u>	<u>-</u>	<u>-</u>	<u>2,356,352</u>
INCREASE IN NET ASSETS	377,499	(359,631)	100,000	117,868
NET ASSETS, Beginning of year	<u>1,369,580</u>	<u>1,170,442</u>	<u>-</u>	<u>2,540,022</u>
NET ASSETS, End of year	<u><u>\$ 1,747,079</u></u>	<u><u>\$ 810,811</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 2,657,890</u></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, 2015

	Program Services	Management and General	Fundraising	Total
Goods distributed	\$ 785,420	\$ -	\$ -	\$ 785,420
Salaries	515,468	124,183	66,053	705,704
Travel	275,100	532	33,578	309,210
Consulting services	12,636	500	102,239	115,375
Rent	68,891	21,126	1,837	91,854
Office	35,386	11,081	30,081	76,548
Payroll taxes	40,287	13,562	4,977	58,826
Employee benefits	28,135	16,397	3,251	47,783
Insurance	35,092	2,030	508	37,630
Information technology	18,669	2,487	6,976	28,132
Casualty loss	-	23,250	-	23,250
Program equipment	23,164	-	-	23,164
Legal and accounting services	-	20,357	-	20,357
Depreciation	3,349	11,473	-	14,822
Taxes and licenses	-	-	9,757	9,757
Merchant fees	-	7,520	-	7,520
Grants	1,000	-	-	1,000
TOTAL FUNCTIONAL EXPENSES	\$ 1,842,597	\$ 254,498	\$ 259,257	\$ 2,356,352
Percent of Total Expenses	78.2%	10.8%	11.0%	100.0%

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 117,868
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	14,822
Receipt of donated securities	(255,775)
Net realized and unrealized investment loss	5,148
Gain on disposal of fixed assets	(233)
Changes in assets and liabilities	
Increase in grants receivable	(200,000)
Increase in prepaid expenses and other current assets	(824)
Decrease in accounts payable and accrued expenses	<u>(57,287)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(376,281)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	263,376
Proceeds from sale of fixed assets	529
Purchases of investments	(103,489)
Purchases of fixed assets	<u>(14,549)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>145,867</u>
NET DECREASE IN CASH	(230,414)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,673,579</u>
CASH AND CASH EQUIVALENTS, Ending of Year	<u><u>\$ 1,443,165</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, 2015

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”). SOA recognizes contributions, including unconditional promises to give, as revenue in the period in which they are received. Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the SOA and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the board of directors, or may otherwise be limited by contractual agreements with outside parties. At December 31, 2015, SOA had unrestricted net assets of \$1,747,079.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of SOA and / or the passage of time. As restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. At December 31, 2015, SOA had temporarily restricted net assets of \$810,811.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity by SOA. Investment income generated from these funds is available for general support of SOA unless otherwise stipulated by the donor. At December 31, 2015, SOA had permanently restricted net assets of \$100,000.

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.

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2015

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

Investments — Investments represent marketable securities that are stated at fair value. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the record date. Interest income is recorded as earned on an accrual basis. Realized gains and losses are recorded upon disposition of securities. Investment income and realized and unrealized gains and losses are recognized as unrestricted net assets, unless their use is temporarily or permanently restricted by donors to a specified purpose or future period.

Unrealized gains and losses on investments resulting from fair value fluctuations are recorded in the statement of activities in the period that such fluctuations occur.

Inventory – Inventory is valued based on donor's estimate of fair value for each item received. At December 31, 2015, inventory totaling \$1,926 consists primarily of program goods 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 3 to 5 years. Depreciation for leasehold improvements is calculated over the lesser of asset's useful life or lease term; currently 5 years.

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. Further, long-lived assets held for sale are to be stated at the lower cost or fair market value less costs to sell. SOA has determined that no events occurred during the year ended December 31, 2015 that would give rise to impairment of its long-lived assets.

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, 2015.

Grants receivable are anticipated to be received as follows:

Within one year	\$ 700,000
One to five years	<u>400,000</u>
	<u><u>\$ 1,100,000</u></u>

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

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2015

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

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, 2015, contributed goods in the value of \$276,510 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.

Functional Allocation of Expenses — Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on estimates determined by management. 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, 2015, SOA did not maintain any balances in excess of FDIC insured limits.

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.

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2015

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

Effect of Recently Issued Accounting Standards — In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases” (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public entities, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on the Company’s financial statements and related disclosures.

Finally, in May 2014, FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of this standard, with a revised effective date for fiscal years beginning after December 15, 2017. Early adoption is permitted, although not prior to fiscal years beginning after December 15, 2016. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method. Management is currently evaluating the impact this change in accounting standards will have on the Company’s financial statements and related disclosures and has not yet selected a transition method.

Subsequent Events —Management has reviewed subsequent events through August 30, 2016, the date the financial statements were available to be issued.

NOTE 3 — PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2015 consisted of the following:

Furniture and equipment	\$ 39,434
Field operations equipment	8,927
Leasehold improvements	<u>9,650</u>
	58,011
Less accumulated depreciation	<u>(30,297)</u>
Total property and equipment	<u><u>\$ 27,714</u></u>

Depreciation expense for the year ended December 31, 2015 was \$14,822.

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2015

NOTE 4 — INVESTMENTS

At December 31, 2015, SOA's endowment investments consisted of:

	Fair Value	Cost
Fixed income securities	\$ 47,071	\$ 49,270
Common stock	5,909	6,195
Mutual funds	37,737	43,000
Total	<u>\$ 90,717</u>	<u>\$ 98,465</u>

At December 31, 2015, SOA's endowment investments were classified by level within the valuation hierarchy as follows:

	Fair Value Designation			Total
	Level 1	Level 2	Level 3	
Fixed income securities	\$ 47,071	\$ -	\$ -	\$ 47,071
Common stock	5,909	-	-	5,909
Mutual funds	37,737	-	-	37,737
Total	<u>\$ 90,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,717</u>

NOTE 5 — 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 2012 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 2011 and subsequent.

NOTE 6 — TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted contributions comprise approximately 27% of total contributions received in 2015. 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. No such refunds have been requested but rather, donors will request funds reallocated to other specific area or areas of greatest need.

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2015

NOTE 6 — TEMPORARILY RESTRICTED NET ASSETS – (CONTINUED)

At December 31, 2015, SOA had temporarily restricted net assets available for the following specific requested project funds or category / country funds:

Time Restricted	\$ 800,000
All Other Projects < \$10,000	<u>10,811</u>
	<u>\$ 810,811</u>

During the year ended December 31, 2015, temporarily restricted contributions and temporarily restricted net assets from the prior year were released from donor restrictions by satisfying the following restricted purposes:

Release from Time Restrictions	<u>\$ 74,995</u>
Africom Regional Projects	215,742
Centcom Regional Projects	567,111
Eucom Regional Projects	98,147
Pacom Regional Projects	31,546
Southcom Regional Projects	<u>41,355</u>
Purpose Restrictions Satisfied	<u>953,901</u>
	<u>\$ 1,028,896</u>

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS

During 2015, SOA received one donor-restricted endowment fund which is held in an investment account and is classified in net assets as permanently restricted. The funds of the endowment were reinvested in fixed income securities, common stock and mutual funds. Investment income and gains 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 SOA's activities. SOA's policy will be to appropriate earnings from this endowment to support its program activities.

For the year ended December 31, 2015, SOA's permanently restricted endowment net assets changed as follows:

Net assets, beginning of year	\$ -
Endowment funds received	100,000
Net investment income (dividends and interest)	2,075
Appropriated endowment assets for expenditure	<u>(2,075)</u>
Net assets, end of year	<u>\$ 100,000</u>

SPIRIT OF AMERICA WORLDWIDE
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2015

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Organization leases office space in Los Angeles under a non-cancelable operating lease that expires on August 31, 2017. Subsequent to year end, the Organization leased new office space in Arlington, Virginia under a lease through October 2019. The following is a summary of minimum rental payments due under the office lease for each of the successive years:

<u>Year Ending December 31,</u>	<u>Los Angeles, CA</u>	<u>Arlington, VA</u>	<u>Total</u>
2016	\$ 82,512	\$ 16,800	\$ 99,312
2017	56,108	58,176	114,284
2018	-	60,503	60,503
2019	-	44,129	44,129
	<u>\$ 138,620</u>	<u>\$ 179,608</u>	<u>\$ 318,228</u>

Rent expense for the year ended December 31, 2015 was \$91,854, which includes minimum rent payments, parking, and storage rent.