

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

**FINANCIAL STATEMENTS**

**December 31, 2017**



Gurseley | Schneider LLP  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## CONTENTS

	<b><u>Pages</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 – 2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities and Change in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 15



CERTIFIED  
PUBLIC ACCOUNTANTS  
& ADVISORS

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**DIRECTORS**

- Stacey S. Summers, CPA

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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  
Arlington, Virginia

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, 2017, and the related statements of activities and change in net assets, 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

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**Opinion**

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Spirit of America Worldwide as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Gursey | Schneider LLP*

July 23, 2018  
Los Angeles, California

**SPIRIT OF AMERICA WORLDWIDE**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Financial Position  
December 31, 2017

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,110,498
Investments	989,287
Grants receivable	2,350,719
Prepaid expenses and other current assets	50,666
	50,666

<b>Total Current Assets</b>	4,501,170
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**OTHER ASSETS**

Cash held for endowment	4,944
Investments held for endowment	107,448
Grants receivable, net of current position	1,885,068
Property and equipment, net	75,400
	75,400

<b>Total Other Assets</b>	2,072,860
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<b>TOTAL ASSETS</b>	\$ 6,574,030
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 114,957
Accrued liabilities	113,551
	113,551

<b>Total Current Liabilities</b>	228,508
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**NET ASSETS**

Unrestricted	1,893,768
Temporarily restricted	4,351,754
Permanently restricted	100,000
	100,000

<b>Total Net Assets</b>	6,345,522
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 6,574,030
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**SPIRIT OF AMERICA WORLDWIDE**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Activities and Change in Net Assets  
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES</b>				
Contributions	\$ 1,990,052	\$ 2,500,389	\$ -	\$ 4,490,441
Interest and dividends	37,365	-	-	37,365
Net realized and unrealized investment gains	7,728	-	-	7,728
Net assets released from restrictions	<u>2,121,836</u>	<u>(2,121,836)</u>	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	<u>4,156,981</u>	<u>378,553</u>	<u>-</u>	<u>4,535,534</u>
<b>EXPENSES</b>				
Program services	2,959,903	-	-	2,959,903
Management and general	351,807	-	-	351,807
Fundraising	<u>308,924</u>	<u>-</u>	<u>-</u>	<u>308,924</u>
<b>Total Expenses</b>	<u>3,620,634</u>	<u>-</u>	<u>-</u>	<u>3,620,634</u>
<b>CHANGE IN NET ASSETS</b>	536,347	378,553	-	914,900
<b>NET ASSETS, Beginning of year</b>	<u>1,357,421</u>	<u>3,973,201</u>	<u>100,000</u>	<u>5,430,622</u>
<b>NET ASSETS, End of year</b>	<u>\$ 1,893,768</u>	<u>\$ 4,351,754</u>	<u>\$ 100,000</u>	<u>\$ 6,345,522</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, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Consulting services	\$ 10,714	\$ 5,689	\$ 44,414	\$ 60,817
Depreciation	4,668	9,280	13,657	27,605
Employee benefits	82,439	16,828	9,950	109,217
Goods distributed	1,089,930	-	-	1,089,930
Information technology	15,568	3,328	19,544	38,440
Insurance	36,405	1,731	432	38,568
Legal and accounting services	210,237	28,579	-	238,816
Office	55,068	26,615	44,280	125,963
Payroll taxes	67,830	18,421	7,931	94,182
Program equipment	27,489	-	-	27,489
Rent	81,634	24,146	9,198	114,978
Salaries	942,384	188,519	92,996	1,223,899
Taxes and licenses	-	10,921	-	10,921
Travel	335,537	17,750	66,522	419,809
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 2,959,903</u></b>	<b><u>\$ 351,807</u></b>	<b><u>\$ 308,924</u></b>	<b><u>\$ 3,620,634</u></b>
Percent of Total Expenses	<u>81.8%</u>	<u>9.7%</u>	<u>8.5%</u>	<u>100.0%</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, 2017

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 914,900
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	27,605
Receipt of donated securities	(1,013,072)
Net realized and unrealized investment gains	(7,728)
Changes in assets and liabilities	
Increase in grants receivable	(432,156)
Decrease in prepaid expenses and other current assets	4,012
Increase in accounts payable and accrued liabilities	97,703
	<u>(408,736)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of investments	1,058,144
Purchases of investments	(685,683)
Purchases of fixed assets	(13,325)
	<u>359,136</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	
	(49,600)
<b>NET DECREASE IN CASH</b>	
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>1,160,098</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u><u>\$ 1,110,498</u></u>

See Accompanying Notes to Financial Statements



**SPIRIT OF AMERICA WORLDWIDE**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2017

**NOTE 1 — NATURE OF ORGANIZATION**

Spirit of America (“SOA” or the “Organization”) is a privately-funded nonprofit organization located in Arlington, Virginia 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, 2017, SOA had unrestricted net assets of \$1,893,768.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that 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 statement of activities as net assets released from restrictions. At December 31, 2017, SOA had temporarily restricted net assets of \$4,351,754.
- 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, 2017, SOA had permanently restricted net assets of \$100,000 consisting of one endowed gift.

**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, 2017

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

**Cash Equivalents** — For purposes of the statements of cash flows, the SOA considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The statement of cash flows excludes changes in cash balances related to restricted cash held as endowment assets.

**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.

**Property and Equipment** — Acquisition of property and equipment in excess of \$1,000 is capitalized at cost or, if donated, at the approximate fair value at the date of donation. 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 on software and website development costs are calculated over a useful life of 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 of cost or fair market value less costs to sell. SOA has determined that no events occurred during the year ended December 31, 2017 that would give rise to impairment of its long-lived assets.

**SPIRIT OF AMERICA WORLDWIDE**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2017

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

**Grants Receivable** — Grants receivables are recorded when awarded 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 grants receivable is required as of December 31, 2017.

Grants receivable are anticipated to be received as follows:

Within one year	\$ 2,350,719
One to five years	<u>2,000,000</u>
Subtotal	4,350,719
Discount to reflect at present value	<u>(114,932)</u>
	<u>\$ 4,235,787</u>

Management has applied a discount at 1.76% - 1.89% risk free rates to reflect net present value of the long-term grants.

**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, 2017, contributed goods in the value of \$236,131 were received and included as part of contributions on the statement of activities.

**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. During the year ended December 31, 2017, SOA received pro-bono legal service of \$210,237 for developing programs in collaboration with the U.S. Department of Defense. Contributed service revenue is included as part of contributions in the accompanying statement of activities.

**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, 2017, SOA did not maintain any balances in excess of FDIC insured limits.

One donor accounted for 67% of contributions revenue for the year ended December 31, 2017 and two donors accounted for 92% of contributions receivable at December 31, 2017.

**SPIRIT OF AMERICA WORLDWIDE**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2017

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

**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.

**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 Organization's financial statements and related disclosures.

On August 18, 2016, FASB issued new rules for nonprofit organizations under ASU 2016-14 "Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities" ("NFP"). This ASU changes the financial reporting format for nonprofit organization financial statements to simplify the way in which NFPs quantify and qualify their financial performance, their liquidity and cash flows, and their classification of net assets.

Five changes included in ASU 2016-14 are:

- (1) The existing three-class system of classifying net assets as unrestricted, temporarily restricted and permanently restricted, will be replaced with a simpler two-class structure. Going forward, NFPs will differentiate net assets solely between those net assets with donor restriction and net assets without donor restrictions. NFPs will still be required to disclose the nature and amounts of donor-imposed restrictions.

**SPIRIT OF AMERICA WORLDWIDE**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2017

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

- (2) The presentation of required disclosure of underwater endowment funds will change. When the fair market value of a donor-restricted endowment is less than the original gift amount or the amount the NFP is required to maintain by the donor or by law, NFPs will be required to also report the amount of the deficiency and their governing boards' policies or decisions to reduce or spend from these funds.
- (3) NFPs will be required to disclose in financial statement notes qualitative information regarding how they will manage available liquid resources to meet cash needs for general expenses for the year following the balance sheet date. In addition, NFPs will be required to provide on the face of financial statements or in disclosure notes detailed quantitative information regarding their availability of financial assets at the balance sheet date to meet cash needs for the next year.
- (4) Expenses by both their natural classification and their functional classification will be presented either on the face of the statement of activities, as a separate statement or in the notes to the financial statements. In addition to this change in the presentation of expenses, the method used to allocate costs among program and supporting activities functions is required to be disclosed.
- (5) Finally, NFP's may continue to present the statement of cash flows using either the direct or indirect method of reporting. However, under the new reporting standard, NFPs employing the direct method to report cash flow will no longer be required to provide a reconciliation of net income to the cash amounts presented under the indirect method.

The effective date of ASU 2016-14 will be for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in this ASU is permitted. Management is currently evaluating the impact this change in accounting standards will have on the Organization's financial statements and related disclosures.

**Subsequent Events** —Management has reviewed subsequent events through July 23, 2018, the date the financial statements were available to be issued.

**NOTE 3 — PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2017 consisted of the following:

Field operations equipment	\$	19,516
Furniture and equipment		33,631
Software and website development		<u>75,352</u>
		128,499
Less accumulated depreciation		<u>(53,099)</u>
Property and equipment, net	<u>\$</u>	<u>75,400</u>

Depreciation expense for the year ended December 31, 2017 was \$27,605.

**SPIRIT OF AMERICA WORLDWIDE**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2017

**NOTE 4 — INVESTMENTS**

At December 31, 2017, investments consisted of:

	<u>Fair Value</u>	<u>Cost</u>
Equity securities	\$ 52,104	\$ 47,217
Certificates of deposit	984,217	984,217
Mutual funds	<u>60,414</u>	<u>52,416</u>
Total	<u>\$ 1,096,735</u>	<u>\$ 1,083,850</u>

At December 31, 2017, investments were classified by level within the valuation hierarchy as follows:

	<u>Fair Value Hierarchy Designation</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Equity securities	\$ 52,104	\$ -	\$ -	\$ 52,104
Mutual funds	<u>60,414</u>	<u>-</u>	<u>-</u>	<u>60,414</u>
Total	<u>\$ 112,518</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 112,518
Certificates of deposit, 1.4% to 2.0%, due 2018, at carrying value				<u>984,217</u>
Total Investments				<u>\$ 1,096,735</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.

**SPIRIT OF AMERICA WORLDWIDE**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2017

**NOTE 6 — TEMPORARILY RESTRICTED NET ASSETS**

Temporarily 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 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 were requested in 2017 but rather, donors requested their funds be reallocated to other priority areas.

At December 31, 2017, SOA had temporarily restricted net assets available for the following specific requested project funds or category / country funds or time restrictions:

Time Restricted	<u>\$ 2,390,372</u>
Marcus Grant	1,944,696
Rapid Response Fund	14,365
All Other Projects < \$10,000	<u>2,321</u>
Purpose Restricted	<u>1,961,382</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 4,351,754</u></u>

During the year ended December 31, 2017, temporarily restricted contributions and temporarily restricted net assets from the prior year were released from donor restrictions by satisfying the following:

Release from Time Restrictions	<u>\$ 550,000</u>
Field Operations Personnel	600,000
Africom Regional Projects	334,601
Centcom Regional Projects	501,130
Eucom Regional Projects	29,444
Pacom Regional Projects	48,110
Southcom Regional Projects	<u>58,551</u>
Purpose Restrictions Satisfied	<u>1,571,836</u>
Total Amounts Released from Restriction	<u><u>\$ 2,121,836</u></u>

**SPIRIT OF AMERICA WORLDWIDE**  
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Notes to Financial Statements  
December 31, 2017

**NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, SOA classifies as permanently restricted net assets (a) the original value of 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 temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, 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 policies.

During 2015, SOA received one donor-restricted endowment fund which is held in an investment account and is 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 SOA's activities. SOA's policy will be to appropriate earnings from this endowment to support its program purpose activities.

For the year ended December 31, 2017, SOA's permanently restricted endowment net assets changed as follows:

Net assets, beginning of year	\$ 100,000
Net investment income (dividends and interest)	2,157
Appropriated endowment assets for expenditure	<u>(2,157)</u>
Net assets, end of year	<u>\$ 100,000</u>

At December 31, 2017, endowment assets were invested in the following:

Cash and cash equivalents	\$ 4,944
Equity securities	47,034
Mutual funds	<u>60,414</u>
	<u>\$ 112,392</u>



**SPIRIT OF AMERICA WORLDWIDE**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
December 31, 2017

**NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS – (CONTINUED)**

The following is a summary of changes in the endowed cash and investment accounts during the year ended December 31, 2017

Cash and investment balance, beginning of year	\$ 101,814
Endowment funds received	-
Net investment income (dividends and interest)	2,157
Unrealized appreciation (depreciation)	10,578
Appropriated endowment assets for expenditure	<u>(2,157)</u>
Cash and investment balance, end of year	<u>\$ 112,392</u>

**NOTE 8 – PENSION PLAN**

SOA sponsors a qualified 403(b) pension 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. SOA has elected to make a discretionary match contribution to the plan by contributing up to 4.0% of each eligible employee's annual compensation to the plan. During the year ended December 31, 2017, the SOA recognized an expense of \$38,966 for discretionary matching contributions. Participants are fully vested in their matching contributions.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

In September 2016, SOA leased office space in Arlington, Virginia. During the year ended December 31, 2017, SOA extended the Arlington lease through June 2023 and relocated substantially all Los Angeles operations to the Arlington, Virginia office. The following is a summary of minimum rental payments due under the office lease for each of the successive years:

<u>Years Ending December 31,</u>	
2018	\$ 91,352
2019	125,256
2020	130,266
2021	135,477
2022	140,896
Thereafter	<u>71,829</u>
	<u>\$ 695,076</u>

The lease agreement provides SOA with an early termination option. SOA may terminate the lease agreement by providing 90 days advance notice and paying a \$5,000 early termination fee.

Rent expense for the year ended December 31, 2017 was \$114,978, which includes minimum rent payments, parking, and storage rent.