

GORFINE, SCHILLER & GARDYN, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

**THE INTERFAITH ALLIANCE
FOUNDATION, INC.
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

**THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
TABLE OF CONTENTS
*December 31, 2014 and 2013***

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	6
Consolidated Statement of Activities	7
Consolidated Statements of Cash Flows	8
Consolidated Statement of Functional Expenses	9
Notes to Consolidated Financial Statements	10



GORFINE, SCHILLER & GARDYN, P.A.
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of
The Interfaith Alliance Foundation, Inc. and Affiliate
Washington, DC**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Interfaith Alliance Foundation, Inc. and Affiliate (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, the related consolidated statements of cash flows for the years then ended, the related consolidated statements of activities and functional expenses for the year ended December 31, 2014, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

10045 Red Run Boulevard, Suite 250
Owings Mills, Maryland 21117
TEL 410-356-5900 800-333-0272
FAX 410-581-0368

240 S. Potomac Street, Suite 305
Hagerstown, Maryland 21740
TEL 301-739-9000
FAX 301-739-8345



www.GSG-cpa.com

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Interfaith Alliance Foundation, Inc. and Affiliate as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

As discussed in Note J to the consolidated financial statements, the 2013 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the The Interfaith Alliance Foundation, Inc. and Affiliate's December 31, 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 2, 2014. In our opinion, the summarized comparative information presented in the statements of activities and functional expenses for the year ended December 31, 2013 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived, except for the restatement discussed in Note J to the consolidated financial statements.

Martini, Schiller + Galdyn, P.A.

May 13, 2015
Owings Mills, Maryland

CONSOLIDATED FINANCIAL STATEMENTS

**THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013**

<u>ASSETS</u>	<u>2014</u>	<u>(RESTATED) 2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 141,969	\$ 116,556
Investments	540	-
Contributions and grants receivable	<u>93,609</u>	<u>252,027</u>
Total current assets	<u>236,118</u>	<u>368,583</u>
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation		
	<u>144</u>	<u>1,309</u>
OTHER ASSETS		
Deferred compensation plan assets	194,147	154,237
Security deposits	<u>5,000</u>	<u>5,000</u>
Total other assets	<u>199,147</u>	<u>159,237</u>
TOTAL ASSETS	<u>\$ 435,409</u>	<u>\$ 529,129</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 51,381	\$ 285,155
OTHER LIABILITIES		
Deferred compensation plan liability	<u>194,147</u>	<u>154,237</u>
Total liabilities	<u>245,528</u>	<u>439,392</u>
NET ASSETS		
Unrestricted	189,881	18,393
Temporarily restricted	<u>-</u>	<u>71,344</u>
Total net assets	<u>189,881</u>	<u>89,737</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 435,409</u>	<u>\$ 529,129</u>

The accompanying notes are an integral part of these consolidated financial statements.

**THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES**
For the Year Ended December 31, 2014 (With Comparative Totals for 2013)

	2014			(RESTATED) 2013
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Direct mail contributions	\$ 501,702	\$ -	\$ 501,702	\$ 441,063
Foundation grants	65,700	-	65,700	175,600
Other contributions and bequests	251,753	-	251,753	460,017
List rental income	5,900	-	5,900	13,333
Other income	369	-	369	14,884
Donated services	-	-	-	24,000
Net assets released from restrictions	71,344	(71,344)	-	-
Total revenue	<u>896,768</u>	<u>(71,344)</u>	<u>825,424</u>	<u>1,128,897</u>
FUNCTIONAL EXPENSES				
Program services				
Education, research and civil discourse	352,763	-	352,763	379,976
Grassroots organizing, religious outreach and issue advocacy	88,379	-	88,379	102,264
Total program services	<u>441,142</u>	<u>-</u>	<u>441,142</u>	<u>482,240</u>
Supporting services				
Management and general	154,553	-	154,553	205,686
Fundraising	129,585	-	129,585	234,723
Total supportive services expenses	<u>284,138</u>	<u>-</u>	<u>284,138</u>	<u>440,409</u>
Total functional expenses	<u>725,280</u>	<u>-</u>	<u>725,280</u>	<u>922,649</u>
CHANGES IN NET ASSETS	<u>171,488</u>	<u>(71,344)</u>	<u>100,144</u>	<u>206,248</u>
NET ASSETS – Beginning of year (as previously reported)	18,393	71,344	89,737	(101,511)
Restatement for retirement expense	-	-	-	(15,000)
NET ASSETS – Beginning of year (as restated)	<u>18,393</u>	<u>71,344</u>	<u>89,737</u>	<u>(116,511)</u>
NET ASSETS – End of year	<u>\$ 189,881</u>	<u>\$ -</u>	<u>\$ 189,881</u>	<u>\$ 89,737</u>

The accompanying notes are an integral part of these consolidated financial statements.

**THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
*For the Years Ended December 31, 2014 and 2013***

	2014	(RESTATED) 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 100,144	\$ 206,248
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,165	1,093
Donated investments	(540)	-
Interest earned on the certificate of deposit	-	(72)
Changes in operating assets and liabilities:		
Contributions and other receivables	158,418	(173,364)
Prepaid expenses	-	20,189
Accounts payable and accrued expenses	(233,774)	(30,908)
Security deposits	-	5,000
Deferred rent	-	(14,116)
	<u>25,413</u>	<u>14,070</u>
Net cash provided by operating activities	<u>25,413</u>	<u>14,070</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of certificate of deposit	-	26,746
	<u>-</u>	<u>26,746</u>
CHANGES IN CASH AND CASH EQUIVALENTS	25,413	40,816
CASH AND CASH EQUIVALENTS – Beginning of year	<u>116,556</u>	<u>75,740</u>
CASH AND CASH EQUIVALENTS – End of year	<u>\$ 141,969</u>	<u>\$ 116,556</u>

The accompanying notes are an integral part of these consolidated financial statements.

**THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE**
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014 (With Comparative Totals for 2013)

	2014					(RESTATED) 2013	
	Education, Research and Civil Discourse	Grassroots Organizing, Religious Outreach and Issue Advocacy	Management and General	Fundraising	Total	Total	
Salaries, payroll taxes and benefits	\$ 147,092	\$ 70,478	\$ 112,771	\$ 49,469	\$ 379,810	\$	544,688
Professional services	95,195	4,025	20,269	7,409	126,898		127,763
Direct mail	69,615	-	-	54,836	124,451		99,279
Occupancy	22,282	10,856	17,140	6,856	57,134		90,550
Equipment rental and maintenance	2,099	743	1,189	521	4,552		9,197
Travel	13,785	978	774	3,536	19,073		11,540
Telephone and communications	1,276	611	1,007	6,130	9,024		17,243
Depreciation and amortization	454	221	349	141	1,165		1,093
Other	965	467	1,054	687	3,173		21,296
Total expenses	\$ 352,763	\$ 88,379	\$ 154,553	\$ 129,585	\$ 725,280	\$	922,649

The accompanying notes are an integral part of these consolidated financial statements.

**THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
*December 31, 2014 and 2013***

NOTE A – NATURE OF ORGANIZATION

The Interfaith Alliance Foundation, Inc. and Affiliate, (the “Organization”) is a nonpartisan, grassroots organization that celebrates religious freedom by championing individual rights, promoting policies that protect both religion and democracy, and uniting diverse voices to challenge extremism. The Organization has approximately 185,000 members across the United States including approximately 75 faith traditions as well as those of no faith tradition. The Organization is comprised of The Interfaith Alliance Foundation, Inc. (TIAF), a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code (IRC), and The Interfaith Alliance, Inc. (TIA), a tax-exempt organization under section 501(c)(4) of the IRC.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

The consolidated financial statements include the accounts of TIAF and TIA due to the presence of common control and economic interest. All significant intercompany balances and transactions have been eliminated in consolidation.

2. Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

For financial reporting purposes, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

4. Contributions and Other Receivables

The Organization provides an allowance for doubtful accounts based on management’s review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances. As of December 31, 2014 and 2013, all amounts are due within one year and are deemed fully collectible, and no allowance is considered necessary by management.

5. Property and Equipment

Property and equipment with a cost in excess of \$500 is capitalized and depreciated over its estimated useful life of 3-7 years on a straight-line basis.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Net Asset Classification

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Temporarily restricted net assets are contributions with temporary, donor imposed restrictions on the use of the net assets, or time restrictions. Temporarily restricted net assets are released from restriction, and reclassified to unrestricted net assets, when the funds are used for their restricted purpose, or the time restrictions expire. Temporarily restricted revenues whose restrictions expire in the same reporting period are reported as unrestricted revenues.

Permanently restricted net assets are contributions which donor imposed restrictions that the funds must be maintained in permanently. There were no permanently restricted net assets as of December 31, 2014 and 2013.

7. Revenue Recognition

Contribution and grant revenue is recognized when received, or if a promise to give, when the unconditional promise is made, or if conditional, when the condition is met. Bequest revenue is recognized when the probate courts decide the will is valid and the proceeds are measureable. Registration fees and sponsorships for events are deferred until the event takes place. Other revenues are recognized when earned.

8. Allocation of Functional Expenses

The Organization presents its expenses on a functional basis, separating program expenses from management and general and fundraising expenses. Salaries and related costs are allocated based on time employees spend on each function. Other expenses are specifically allocated whenever practical, or are allocated based on management's estimate. Costs of activities with both fundraising and program aspects are allocated on a functional basis if the activity includes a clear call to action, and the target audience has both the reasonable potential to take and benefit from the action called for.

9. Income Taxes

TIAF and TIA are generally exempt from federal and state income taxes under section 501(c)(3), and 501(c)(4), respectively, of the Internal Revenue Code. Contributions to TIAF are tax deductible. The Organization follows the provisions of the Financial Accounting Standards Codification, Accounting for Income Taxes. This topic requires the Organization to recognize or disclose any tax positions that would result in unrecognized tax benefits. The Organization has no positions that would require disclosure or recognition under the topic. Tax years ending after December 31, 2011 are still open for review by the Internal Revenue Service.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Comparative Summarized Data

The amounts presented for the year ended December 31, 2013 in the accompanying consolidated statements of activities and functional expenses are included to provide a basis for comparison with 2014, and present summarized totals only. Accordingly, the 2013 totals are not intended to present all of the information required for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2013, from which the summarized information was derived.

11. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 13, 2015, the date the financial statements were available to be issued.

NOTE C – CONTRIBUTIONS AND OTHER RECEIVABLES

Contributions and other receivables consist of the following as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Contributions	\$ 93,609	\$ 79,478
Grants	-	170,000
List rental	-	2,549
	<u>\$ 93,609</u>	<u>\$ 252,027</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment, at cost, consists of the following as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Office furniture and equipment	\$ 37,688	\$ 37,688
Communications equipment	4,500	4,500
Computer equipment	11,288	11,288
	53,476	53,476
Less: accumulated depreciation	<u>(53,332)</u>	<u>(52,167)</u>
	<u>\$ 144</u>	<u>\$ 1,309</u>

Depreciation expense was \$1,165 and \$1,093 for the years ended December 31, 2014 and 2013, respectively.

NOTE E – RETIREMENT PLANS

403(b) Plan

The Organization maintains a defined contribution 403(b) profit sharing plan for all employees with at least six months of service and who are over 18 years of age. Participants may make voluntary contributions up to the maximum amount allowed by law. The Organization did not make any contributions to the 403(b) plan for the years ended December 31, 2014 and 2013.

457 Plan

The Organization maintains a Section 457 deferred compensation plan for a key employee. The Organization accrued contributions to the 457 plan of \$15,000 and \$30,000 for the years ended December 31, 2014 and 2013, respectively. The value of the plan assets, and a corresponding liability, are included on the Organization's consolidated statements of financial position as the assets are in the Organization's name and are subject to claims by the Organization's creditors.

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes as of December 31:

	<u>2014</u>	<u>2013</u>
LEADD program	\$ -	\$ 21,344
LGBT program	<u>-</u>	<u>50,000</u>
	<u>\$ -</u>	<u>\$ 71,344</u>

NOTE G – LEASE COMMITMENTS

In November 2006, TIA and TIAF entered into an office space lease, which commenced in April 2008 and was scheduled to expire in 2017. However, in an effort to reduce operating expenses, management and the landlord agreed to amend the lease, effective January 1, 2009, relocating the Organization to a different floor within the building, and changed the lease termination date from December 31, 2017 to December 31, 2013. In August 2013, management and the landlord agreed to terminate the lease as of August 31, 2013, without penalty. The Organization occupied a new space on a month-to-month basis until March 2014, when a five month lease was executed through July 2014. Starting in August 2014, the arrangement is month-to-month at \$5,150 per month.

Rent expense under these leases was \$60,300 and \$90,550 for the years ended December 31, 2014 and 2013, respectively.

NOTE H – ALLOCATION OF JOINT COSTS

The Organization conducts direct mail campaigns, which include both appeals for contributions and program components. The Organization allocates the expenses incurred for direct mailing pieces that meet the criteria for allocation among the functional expenses to which the costs relate. The allocation is based on analysis of the content of the mailings. Total costs of the mailings which were allocated are as follows for the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Education, research and civil discourse	\$ 69,615	\$ 28,760
Fundraising	<u>18,614</u>	<u>11,879</u>
	<u>\$ 88,229</u>	<u>\$ 40,639</u>

NOTE I – CASH CONCENTRATION

The Organization maintains its cash in commercial banks, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. There were no uninsured balances as of December 31, 2014.

NOTE J – CORRECTION OF AN ERROR

During the year ended December 31, 2014, management became aware that \$30,000 in retirement funds due to the outgoing president was not accrued in the financial statements in prior years. Salaries, payroll taxes and benefits expense should have been \$15,000 higher for each of the years ending December 31, 2013 and 2012. To correct this error, 2013 expense was increased by \$15,000, beginning net assets for 2013 were decreased by \$15,000, and accounts payable and accrued expense was increased by \$30,000 as of December 31, 2013. Also, management became aware that temporarily restricted net assets as of December 31, 2013 included a \$10,000 donation that was not restricted by the donor. To correct this error, beginning temporarily restricted net assets for 2014 did not include this amount as the amount was transferred to beginning unrestricted net assets for 2014.