THE INTERFAITH ALLIANCE FOUNDATION, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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

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AND AFFILIATE
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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, 2013 and 2012, 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, 2013, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

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, 2013 and 2012, 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.

Report on Summarized Comparative Information

We have previously audited the The Interfaith Alliance Foundation, Inc. and Affiliate's December 31, 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 3, 2013. In our opinion, the summarized comparative information presented in the statements of activities and functional expenses for the year ended December 31, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Gorfine, Schiller + Gardyn, P.A.

May 2, 2014
Owings Mills, Maryland

CONSOLIDATED FINANCIAL STATEMENTS

THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	$ 116,556	$ 75,740
Certificate of deposit	-	26,674
Contributions and grants receivable	252,027	78,663
Prepaid expenses	-	20,189
Total current assets	368,583	201,266
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation	1,309	2,402
OTHER ASSETS		
Deferred compensation plan assets	154,237	124,424
Security deposits	5,000	10,000
Total other assets	159,237	134,424
TOTAL ASSETS	$ 529,129	$ 338,092

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 255,155	$ 301,063
Deferred rent	-	14,116
Total current liabilities	255,155	315,179
OTHER LIABILITIES		
Deferred compensation plan liability	154,237	124,424
Total liabilities	409,392	439,603
NET ASSETS		
Unrestricted	38,393	(136,511)
Temporarily restricted	81,344	35,000
Total net assets	119,737	(101,511)
TOTAL LIABILITIES AND NET ASSETS	$ 529,129	$ 338,092

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, 2013 (With Comparative Totals for 2012)

	2013			2012
	Unrestricted	**Temporarily Restricted**	**Total**	**Total**
REVENUE				
Direct mail contributions	$ 441,063	$ -	$ 441,063	$ 588,187
Foundation grants	115,600	60,000	175,600	134,012
Other contributions and bequests	442,037	-	442,037	211,483
Events	17,980	-	17,980	165,775
List rental income	13,333	-	13,333	27,922
Other income	14,884	-	14,884	1,416
Donated services	24,000	-	24,000	-
Net assets released from restrictions	13,656	(13,656)	-	-
Total revenue	1,082,553	46,344	1,128,897	1,128,795
FUNCTIONAL EXPENSES				
Program services				
Education, research and civil discourse	374,576	-	374,576	767,106
Grassroots organizing, religious outreach and issue advocacy	100,014	-	100,014	194,815
Total program services	474,590	-	474,590	961,921
Supporting services				
Management and general	201,786	-	201,786	212,945
Fundraising	231,273	-	231,273	207,268
Total supportive services expenses	433,059	-	433,059	420,213
Total functional expenses	907,649	-	907,649	1,382,134
CHANGES IN NET ASSETS	174,904	46,344	221,248	(253,339)
NET ASSETS – Beginning of year	(136,511)	35,000	(101,511)	151,828
NET ASSETS – End of year	$ 38,393	$ 81,344	$ 119,737	$ (101,511)

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, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 221,248	$ (253,339)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,093	2,025
Interest earned on the certificate of deposit	(72)	(126)
Changes in operating assets and liabilities:		
Contributions and other receivables	(173,364)	82,432
Prepaid expenses	20,189	(10,079)
Accounts payable and accrued expenses	(45,908)	115,004
Security deposits	5,000	-
Deferred rent	(14,116)	(9,381)
Net cash provided by (used in) operating activities	14,070	(73,464)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(1,293)
Redemption of certificate of deposit	26,746	23,982
Net cash provided by investing activities	26,746	22,689
CHANGES IN CASH AND CASH EQUIVALENTS	40,816	(50,775)
CASH AND CASH EQUIVALENTS – Beginning of year	75,740	126,515
CASH AND CASH EQUIVALENTS – End of year	$ 116,556	$ 75,740

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, 2013 (With Comparative Totals for 2012)

	2013					2012
	Education, Research and Civil Discourse	**Grassroots Organizing, Religious Outreach and Issue Advocacy**	**Management and General**	**Fundraising**	**Total**	**Total**
Salaries, payroll taxes and benefits	$ 192,594	$ 80,480	$ 136,161	$ 120,453	$ 529,688	$ 708,048
Professional services	101,964	1,866	19,138	4,795	127,763	181,698
Direct mail	28,760	-	-	70,519	99,279	204,587
Occupancy	32,917	13,761	23,277	20,595	90,550	109,452
Conferences, conventions and events	-	-	-	-	-	87,548
Equipment rental and maintenance	3,897	1,265	2,141	1,894	9,197	26,593
Travel	3,108	-	978	7,454	11,540	28,844
Telephone and communications	8,776	1,977	3,343	3,147	17,243	18,560
Depreciation and amortization	397	166	281	249	1,093	2,025
Other	2,163	499	16,467	2,167	21,296	14,779
Total expenses	$ 374,576	$ 100,014	$ 201,786	$ 231,273	$ 907,649	$ 1,382,134

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

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 Unites 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 consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

4. Certificate of Deposit

The certificate of deposit is recorded at cost, which approximates fair value.

5. 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, 2013 and 2012, all amounts are due within one year and are deemed fully collectible, and no allowance is considered necessary by management.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. 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.

7. 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, 2013 and 2012.

8. 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.

9. 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.

10. 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, 2010 are still open for review by the Internal Revenue Service.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Comparative Summarized Data

The amounts presented for the year ended December 31, 2012 in the accompanying consolidated statements of activities and functional expenses are included to provide a basis for comparison with 2013, and present summarized totals only. Accordingly, the 2012 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, 2012, from which the summarized information was derived.

12. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 2, 2014, 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, 2013 and 2012:

	2013	2012
Contributions	$ 79,478	$ 74,189
Grants	170,000	-
List rental	2,549	4,474
	$ 252,027	$ 78,663

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment, at cost, consists of the following as of December 31, 2013 and 2012:

	2013	2012
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	(52,167)	(51,074)
	$ 1,309	$ 2,402

Depreciation expense was $1,093 and $2,025 for the years ended December 31, 2013 and 2012, 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, 2013 and 2012.

457 Plan

The Organization maintains a Section 457 deferred compensation plan for a key employee. The Organization made contributions to the 457 plan of $15,000 and $15,000 for the years ended December 31, 2013 and 2012, respectively. The value of the plan assets, and a corresponding liability are included on the Organization's balance sheet 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:

	2013	2012
LEADD program	$ 21,344	$ 35,000
LGBT program	50,000	-
Cronkite event	10,000	-
	$ 81,344	$ 35,000

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.

In accordance with accounting principles generally accepted in the United States of America, lease payments are recognized on a straight line basis over the term of the lease. The difference between the expense recognized and the payments made is presented as "deferred rent" in the accompanying consolidated statements of financial position.

Rent expense under these leases was $90,550 and $109,452 for the years ended December 31, 2013 and 2012, 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, 2013 and 2012:

	2013	2012
Education, research and civil discourse	$ 28,760	$ 116,685
Fundraising	11,879	30,750
	$ 40,639	$ 147,435

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, 2013.