THE INTERFAITH ALLIANCE, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

FREIDKIN, MATRONE & HORN P.A.
CERTIFIED PUBLIC ACCOUNTANTS

THE INTERFAITH ALLIANCE, INC.

YEAR ENDED DECEMBER 31, 2006

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FREIDKIN, MATRONE & HORN P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
The Interfaith Alliance, Inc.
Washington, D.C.

We have audited the accompanying statement of financial position of The Interfaith Alliance, Inc. as of December 31, 2006, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of The Interfaith Alliance, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Interfaith Alliance, Inc. as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Freidkin, Matrone & Horn, P.A.

March 16, 2007

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THE INTERFAITH ALLIANCE, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2006

ASSETS

Current assets:	
Cash and cash equivalents	$ 287,294
Certificates of deposits	198,000
Donations receivable	7,055
Other receivables	16,436
Prepaid expenses	32,133
Due from The Interfaith Alliance Foundation, Inc.	982,374
Total current assets	1,523,292
Property and equipment, net of accumulated depreciation	48,613
Security deposits	32,249
	80,862
Total assets	$1,604,154

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	$ 723,759
Total liabilities	723,759
Net assets:	
Unrestricted	880,395
Total liabilities and net assets	$1,604,154

The accompanying notes are an integral part of this financial statement.

THE INTERFAITH ALLIANCE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2006

Revenues:	
Leadership donors	$ 18,985
Membership	3,987,495
Other sources of income	195,046
Total revenues	4,201,526
Expenses:	
Program services:	
Grassroots, organizing, religious outreach and issue advocacy	2,120,685
Total program services	2,120,685
Support services:	
Management and general	573,993
Fundraising	1,323,563
Total support services	1,897,556
Total expenses	4,018,241
Change in net assets	183,285
Net assets, beginning of year	697,110
Net assets, end of year	$ 880,395

The accompanying notes are an integral part of this financial statement.

THE INTERFAITH ALLIANCE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2006

	Grassroots Organizing, Religious Outreach and Issue Advocacy	Management and General	Fundraising	Total Expenses
Salaries, payroll taxes and benefits	$ 361,184	$236,412	$ 59,103	$ 656,699
Professional services	151,334	99,054	24,764	275,152
Supplies	6,540	4,281	1,070	11,891
Telephone and communications	25,962	16,994	4,248	47,204
Postage and shipping	30,375	19,882	4,971	55,228
Occupancy	86,004	56,293	14,073	156,370
Equipment rental and maintenance	15,600	10,211	2,553	28,364
Printing and publications	51,361	33,618	8,404	93,383
Travel	29,844	19,534	4,884	54,262
Conferences and conventions	18,644	12,203	3,051	33,898
Depreciation	13,992	9,158	2,290	25,440
Advertising	7,387	4,835	1,209	13,431
Direct mail	1,215,863	-	1,122,335	2,338,198
Program expenses	27,886	-	57,728	85,614
Other expenses	78,709	51,518	12,880	143,107
	$2,120,685	$573,993	$1,323,563	$4,018,241

The accompanying notes are an integral part of this financial statement.

THE INTERFAITH ALLIANCE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2006

Cash flows from operating activities:	
Change in net assets	$ 183,285
Adjustments in net assets from operating activities:	
Depreciation	25,440
Expenses paid on behalf of The Interfaith Alliance Foundation, Inc.	(603,415)
Decrease in donations receivable	1,856
Increase in other receivables	(16,436)
Increase in prepaid expenses	(32,133)
Increase in security deposits	(32,133)
Increase in accounts payable	287,074
Net cash used in operating activities	(186,462)
Cash flows from investing activities:	
Purchase of property and equipment	(15,445)
Proceeds from sale of certificates of deposits	145,000
Net cash provided by investing activities	129,555
Net decrease in cash and cash equivalents	(56,907)
Cash and cash equivalents, beginning of year	344,201
Cash and cash equivalents, end of year	$ 287,294
Supplemental disclosure of cash flow information:	
Cash received from interest	$ 28,801

The accompanying notes are an integral part of this financial statement.

THE INTERFAITH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

1. Organization and summary of significant accounting policies:

Organization:

The Interfaith Alliance is a non-partisan, growing grassroots organization dedicated to promoting the positive and healing role of religion in public life and challenging those who manipulate religion for partisan political gain or to promote intolerance. The more than 185,000 members of The Interfaith Alliance come from over 75 religious traditions as well as people from no religious tradition. Members of The Interfaith Alliance work on interfaith cooperation for social action, with a special focus on the intersection of religion and government. During 2006 The Interfaith Alliance worked to prevent Congress from enacting legislation that would erode religious liberty in this country. Among the pieces of legislation are the Jones Bill which would have allowed houses of worship to endorse political candidates, and Public Expression of Religion Act which would have limited lawsuits against groups that discriminate based on religion. 2006 was also an active year for The Interfaith Alliance's One Nation Many Faith program where we monitored and responded to abuses by political campaigns.

Method of accounting:

TIA maintains its books on the accrual basis of accounting for financial reporting whereby revenues are recognized when earned and expenses are recognized when incurred.

Property and equipment:

Property and equipment is stated at cost. Maintenance and repairs are charged to operations. Improvements that extend the life or increase the value of property and equipment are capitalized. When property and equipment are sold or otherwise disposed of, asset and related accumulated depreciation accounts are eliminated and any gain or loss is included in other income or management and general expenses in the year disposal occurs. The depreciation rates employed by TIA are as follows:

Class	Methods	Rates
Office furniture and equipment	Straight line	10 years
Communications equipment	Straight line	8 years
Computer equipment	Straight line	3-5 years

THE INTERFAITH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2006

1. Organization and summary of significant accounting policies (continued):

Provision for income taxes:

TIA is exempt from Federal and local income taxes under Section 501(c)(4) of the Internal Revenue Code on any net income derived from activities related to its exempt purpose. TIA is taxed on net income derived from unrelated business activities. For the year ended December 31, 2006 there was no such income.

Basis of presentation:

For purposes of the statement of cash flows, TIA considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Salaries are allocated between fundraising, management and general or the appropriate program based on the actual or estimated time employees spend on each function. The remaining costs are specifically allocated whenever practical, or are allocated based on management's best estimate.

Certain joint costs such as postage, production, etc., have been allocated between program and fundraising expenses based on management’s estimated material content and purpose. In 2006, TIA incurred joint costs of $2,338,198 for educational materials and activities that included fundraising appeals; $1,122,335 was allocated to fundraising expense and $1,215,863 was allocated to public education.

THE INTERFAITH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2006

2. Related party transactions:

TIA and The Interfaith Alliance Foundation, Inc. ("TIAF") have some governing board members in common. TIA occasionally pays operating expenses on behalf of TIAF. Such transactions are reflected in due to and due from accounts between the entities. As of December 31, 2006, TIA had a net receivable due from TIAF of $982,374.

Summary financial information of TIAF as of and for the year ended December 31, 2006 is as follows:

Total assets	$ 1,052,604
Total liabilities	$ 1,189,587
Total net assets	(136,983)
Total liabilities and net assets	$ 1,052,604
Total revenues	$ 1,910,300
Total expenses	$ 2,245,786

3. Credit risk:

TIA maintains its cash in bank deposits at federally insured financial institutions and treasury cash accounts. The balances at times may exceed federally insured limits.

4. Property and equipment:

The following is a summary of property and equipment held as of December 31, 2006:

	Cost	Accumulated Depreciation	Book Value
Office furniture and equipment	$ 66,496	$38,137	$28,359
Communications equipment	35,831	27,331	8,500
Computer equipment	20,961	9,207	11,754
Totals	$123,288	$74,675	$48,613

Depreciation expense on property and equipment for the year ended December 31, 2006 totaled $25,440.

THE INTERFAITH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2006

5. Leases:

TIA and TIAF are jointly liable on a lease agreement for office space. The lease expires July 31, 2010, with an option to extend for five additional years. Total future minimum lease payment obligations are as follows:

2007	$179,024
2008	188,489
2009	193,201
2010	114,327

Of these amounts, management expects that TIA will bear approximately seventy percent of the costs, and TIAF the other thirty percent, commensurate with anticipated space usage needs.

Rent expense under this lease for the year ended December 31, 2006 was $154,190.

In November 2006, TIA and TIAF entered into an additional office space lease scheduled to commence in 2007. The lease is anticipated to expire in 2018. Total future minimum lease payments anticipated are as follows:

2007	$289,195
2008	397,161
2009	413,047
2010	429,569
2011	446,752

6. Fundraising expense:

TIA has adopted Statement of Position 98-2, Accounting for Cost of Activities of Not-for-Profit Organizations and State and Local Governmental Entities which includes fundraising for the Year ended December 31, 2006.