

**THE INTERFAITH ALLIANCE FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2006**

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

# THE INTERFAITH ALLIANCE FOUNDATION, INC.

YEAR ENDED DECEMBER 31, 2006

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of The Interfaith Alliance Foundation, 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 Foundation, 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 Foundation, 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

# THE INTERFAITH ALLIANCE FOUNDATION, INC.

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2006

### ASSETS

Current assets:	
Cash and cash equivalents	\$ 874,784
Certificates of deposit	145,000
Donations receivable	<u>13,334</u>
Total current assets	<u>1,033,118</u>
Property and equipment, net of accumulated depreciation	<u>19,486</u>
Total assets	<u><u>\$1,052,604</u></u>

### LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 207,213
Due to The Interfaith Alliance, Inc.	<u>982,374</u>
Total current liabilities	<u>1,189,587</u>
Net assets:	
Unrestricted	( 886,983)
Temporarily restricted	<u>750,000</u>
	<u>( 136,983)</u>
Total liabilities and net assets	<u><u>\$ 1,052,604</u></u>

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

# THE INTERFAITH ALLIANCE FOUNDATION, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Total</u>
Revenues:			
Events	\$ 157,426	\$ -	\$ 157,426
Foundations	232,236	1,000,000	1,232,236
Leadership donors	350,583	-	350,583
Other sources of income	170,055	-	170,055
Net assets released from restriction	<u>250,000</u>	<u>( 250,000)</u>	<u>-</u>
Total revenues	<u>1,160,300</u>	<u>750,000</u>	<u>1,910,300</u>
Expenses:			
Program services:			
Education, research and civil discourse	<u>1,369,929</u>	<u>-</u>	<u>1,369,929</u>
Total program services	<u>1,369,929</u>	<u>-</u>	<u>1,369,929</u>
Support services:			
Management and general	<u>673,737</u>	<u>-</u>	<u>673,737</u>
Fundraising	<u>202,120</u>	<u>-</u>	<u>202,120</u>
Total support services	<u>875,857</u>	<u>-</u>	<u>875,857</u>
Total expenses	<u>2,245,786</u>	<u>-</u>	<u>2,245,786</u>
Change in net assets	(1,085,486)	750,000	( 335,486)
Net assets, beginning of year	<u>198,503</u>	<u>-</u>	<u>198,503</u>
Net assets, end of year	<u>\$( 886,983)</u>	<u>\$ 750,000</u>	<u>\$( 136,983)</u>

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

# THE INTERFAITH ALLIANCE FOUNDATION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2006

	Education, Research and Civil Discourse	Management And General	Fundraising	Total Expenses
Salaries, payroll taxes and benefits	\$ 452,773	\$222,675	\$ 66,803	\$ 742,251
Professional services	263,195	129,440	38,832	431,467
Supplies	5,611	2,760	828	9,199
Telephone and communications	179,342	88,201	26,460	294,003
Postage and shipping	6,021	2,962	888	9,871
Occupancy	56,360	27,718	8,315	92,393
Equipment rental and maintenance	6,011	2,956	887	9,854
Printing and publications	62,678	30,824	9,248	102,750
Travel	108,202	53,215	15,964	177,381
Conferences and conventions	1,315	647	194	2,156
Depreciation	5,072	2,495	748	8,315
Other expenses	<u>223,349</u>	<u>109,844</u>	<u>32,953</u>	<u>366,146</u>
	<u>\$1,369,929</u>	<u>\$673,737</u>	<u>\$202,120</u>	<u>\$2,245,786</u>

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

# THE INTERFAITH ALLIANCE FOUNDATION, INC.

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2006

Cash flows from operating activities:	
Change in net assets	\$(335,486)
Adjustments in net assets from operating activities:	
Depreciation	8,315
Expenses paid by The Interfaith Alliance, Inc.	603,415
Decrease in accounts receivable	60,264
Increase in accounts payable	<u>77,653</u>
Net cash provided by operating activities	<u>414,161</u>
Cash flows from investing activities:	
Purchases of certificates of deposit	<u>( 95,000)</u>
Net cash used in investing activities	<u>( 95,000)</u>
Net increase in cash and cash equivalents	319,161
Cash and cash equivalents, beginning of year	<u>555,623</u>
Cash and cash equivalents, end of year	<u><u>\$ 874,784</u></u>
Supplemental disclosure of cash flow information:	
Cash received from interest	<u><u>\$ 44,726</u></u>

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

# THE INTERFAITH ALLIANCE FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

1. Organization and summary of significant accounting policies:

Organization:

The Interfaith Alliance Foundation promotes the positive and healing role of religion in public life through education, research, and civil discourse. It pursues these goals through programs such as First Freedom First an initiative to promote and protect religious liberty, our high school summer camp program LEADD (Leadership Education Advancing Democracy & Diversity), and our radio program State of Belief which airs on Air American Radio. All of these programs serve to educate the public about Religious Liberty and all of them have seen great growth over the last year.

Method of accounting:

TIAF 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. Donated property and equipment are recorded at the fair market value on the day of donation. When property and equipment are sold or otherwise disposed of, assets 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 TIAF are as follows:

<u>Class</u>	<u>Methods</u>	<u>Rates</u>
Office furniture	Straight line	10 years
Communications equipment	Straight line	8 years
Computer equipment	Straight line	3-5 years

Provision for income taxes:

TIAF is exempt from Federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on any net income derived from activities related to its exempt purpose. TIAF has not been classified by the Internal Revenue Service as a private foundation. TIAF is taxed on net income derived from unrelated business activities. For the year ended December 31, 2006 there was no such income.



# **THE INTERFAITH ALLIANCE FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **YEAR ENDED DECEMBER 31, 2006**

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

Classes of net assets:

TIAF reports grants, contracts and gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Basis of presentation:

For purposes of the statement of cash flows, TIAF 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 fund raising, 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.

# THE INTERFAITH ALLIANCE FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEAR ENDED DECEMBER 31, 2006

2. Credit risk:

TIAF maintains its cash in bank deposits at federally insured financial institutions. The balances at times may exceed federally insured limits.

3. Property and equipment:

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

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Furniture	\$37,687	\$20,573	\$17,114
Equipment	<u>10,826</u>	<u>8,454</u>	<u>2,372</u>
	<u>\$48,513</u>	<u>\$29,027</u>	<u>\$19,486</u>

Depreciation expense on property and equipment for the year ended December 31, 2006 was \$8,315.

4. Related party transactions:

TIAF and The Interfaith Alliance, Inc. ("TIA") have some governing board members in common. TIA occasionally pays operating expenses on behalf of TIAF and/or receives advances from TIAF to fund short-term operations. Such transactions are reflected in due to and due from accounts between the entities. As of December 31, 2006, TIAF had a net payable to TIA of \$982,374.

Summary financial information of TIA as of December 31, 2006 is as follows:

Total assets	<u>\$ 1,604,154</u>
Total liabilities	\$ 723,759
Total net assets	<u>880,395</u>
Total liabilities and net assets	<u>\$ 1,604,154</u>
Total revenues	<u>\$ 4,201,526</u>
Total expenses	<u>\$ 4,018,241</u>

# THE INTERFAITH ALLIANCE FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEAR ENDED DECEMBER 31, 2006

5. Leases:

TIAF and TIA 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 \$91,431.

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. Major contributors:

During the year ended December 31, 2006 approximately 65% of TIAF's combined revenues were provided by two grantors.

7. Pension plan:

TIAF adopted a salary reduction plan under the provisions of Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees upon employment. TIAF's discretionary contributions to the plan are not to exceed applicable provisions of the Internal Revenue Code. Discretionary contributions of \$28,072 were made for the year ended December 31, 2006.

**THE INTERFAITH ALLIANCE FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2006**

8. Subsequent event:

TIAF received \$250,000 from the Grove Foundation and the Beneficus Foundation in 2007 because of revisions in the original funding agreement that would have provided this funding in 2006. An additional four hundred thousand dollars (\$400,000) remain for allocation through May of 2008.