THE INTERFAITH ALLIANCE FOUNDATION, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
INDEPENDENT AUDITORS’ REPORT

CONSOLIDATED FINANCIAL STATEMENTS

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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 Financial Statements

We have audited the accompanying consolidated financial statements of The Interfaith Alliance Foundation, Inc. and Affiliate (the “Organization”), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, 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 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 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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements of The Interfaith Alliance Foundation, Inc. and Affiliate for the year ended December 31, 2011, were audited by another auditor who expressed an unmodified opinion on those statements on June 21, 2013.

Report on Summarized Comparative Information

Another auditor has previously audited the The Interfaith Alliance Foundation, Inc. and Affiliate’s December 31, 2011 consolidated financial statements, and they expressed an unmodified audit opinion on those audited consolidated financial statements in their report dated July 21, 2013. In our opinion, the summarized comparative information presented in the statements of activities and functional expenses for the year ended December 31, 2011 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

October 3, 2013
Owings Mills, Maryland
CONSOLIDATED FINANCIAL STATEMENTS
### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$75,740</td>
<td>$126,515</td>
</tr>
<tr>
<td>Certificate of deposit</td>
<td>26,674</td>
<td>50,530</td>
</tr>
<tr>
<td>Contributions and other receivables</td>
<td>78,663</td>
<td>161,095</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>20,189</td>
<td>10,110</td>
</tr>
<tr>
<td>Total current assets</td>
<td>201,266</td>
<td>348,250</td>
</tr>
<tr>
<td><strong>PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation</strong></td>
<td>2,402</td>
<td>3,134</td>
</tr>
<tr>
<td><strong>OTHER ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred compensation plan assets</td>
<td>124,424</td>
<td>100,498</td>
</tr>
<tr>
<td>Security deposits</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Total other assets</td>
<td>134,424</td>
<td>110,498</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$338,092</td>
<td>$461,882</td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$301,063</td>
<td>$186,059</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>14,116</td>
<td>9,380</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>315,179</td>
<td>195,439</td>
</tr>
<tr>
<td><strong>OTHER LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred compensation plan liability</td>
<td>124,424</td>
<td>100,498</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>-</td>
<td>14,117</td>
</tr>
<tr>
<td>Total other liabilities</td>
<td>124,424</td>
<td>114,615</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>439,603</td>
<td>310,054</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(136,511)</td>
<td>58,495</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>35,000</td>
<td>93,333</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>(101,511)</td>
<td>151,828</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td>$338,092</td>
<td>$461,882</td>
</tr>
</tbody>
</table>

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, 2012 (With Comparative Totals for 2011)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th></th>
<th>2011</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>REVENUE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct mail contributions</td>
<td>$ 588,187</td>
<td>$ -</td>
<td>$ 588,187</td>
<td>$ 831,147</td>
</tr>
<tr>
<td>Foundation grants</td>
<td>99,012</td>
<td>35,000</td>
<td>134,012</td>
<td>317,111</td>
</tr>
<tr>
<td>Other contributions and bequests</td>
<td>211,483</td>
<td>-</td>
<td>211,483</td>
<td>396,081</td>
</tr>
<tr>
<td>Events</td>
<td>165,775</td>
<td>-</td>
<td>165,775</td>
<td>76,706</td>
</tr>
<tr>
<td>List rental income</td>
<td>27,922</td>
<td>-</td>
<td>27,922</td>
<td>29,997</td>
</tr>
<tr>
<td>Other income</td>
<td>1,416</td>
<td>-</td>
<td>1,416</td>
<td>9,902</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>93,333</td>
<td>(93,333)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>1,187,128</td>
<td>(58,333)</td>
<td>1,128,795</td>
<td>1,660,944</td>
</tr>
<tr>
<td>FUNCTIONAL EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education, research and civil discourse</td>
<td>767,106</td>
<td>-</td>
<td>767,106</td>
<td>823,893</td>
</tr>
<tr>
<td>Grassroots organizing, religious outreach and issue advocacy</td>
<td>194,815</td>
<td>-</td>
<td>194,815</td>
<td>224,151</td>
</tr>
<tr>
<td><strong>Total program services</strong></td>
<td>961,921</td>
<td>-</td>
<td>961,921</td>
<td>1,048,044</td>
</tr>
<tr>
<td>Supporting services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>212,945</td>
<td>-</td>
<td>212,945</td>
<td>203,118</td>
</tr>
<tr>
<td>Fundraising</td>
<td>207,268</td>
<td>-</td>
<td>207,268</td>
<td>324,862</td>
</tr>
<tr>
<td><strong>Total supportive services expenses</strong></td>
<td>420,213</td>
<td>-</td>
<td>420,213</td>
<td>527,980</td>
</tr>
<tr>
<td><strong>Total functional expenses</strong></td>
<td>1,382,134</td>
<td>-</td>
<td>1,382,134</td>
<td>1,576,024</td>
</tr>
<tr>
<td>CHANGES IN NET ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(195,006)</td>
<td>(58,333)</td>
<td>(253,339)</td>
<td>84,920</td>
<td></td>
</tr>
<tr>
<td>NET ASSETS – Beginning of year</td>
<td>58,495</td>
<td>93,333</td>
<td>151,828</td>
<td>66,908</td>
</tr>
<tr>
<td>NET ASSETS – End of year</td>
<td>$ (136,511)</td>
<td>$ 35,000</td>
<td>$(101,511)</td>
<td>$ 151,828</td>
</tr>
</tbody>
</table>

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

-7-
## CONSOLIDATED STATEMENTS OF CASH FLOWS

*For the Years Ended December 31, 2012 and 2011*

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>$ (253,339)</td>
<td>$ 84,920</td>
</tr>
<tr>
<td>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,025</td>
<td>7,361</td>
</tr>
<tr>
<td>Interest earned on the certificate of deposit</td>
<td>(126)</td>
<td>(357)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions and other receivables</td>
<td>82,432</td>
<td>(3,741)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(10,079)</td>
<td>17,761</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>115,004</td>
<td>(48,227)</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>(9,381)</td>
<td>(4,824)</td>
</tr>
<tr>
<td>Net cash (used in) provided by operating activities</td>
<td><strong>(73,464)</strong></td>
<td><strong>52,893</strong></td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>(1,293)</td>
<td>-</td>
</tr>
<tr>
<td>Redemption of certificate of deposit</td>
<td>23,982</td>
<td>-</td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td><strong>22,689</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>CHANGES IN CASH AND CASH EQUIVALENTS</strong></td>
<td><strong>(50,775)</strong></td>
<td><strong>52,893</strong></td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS – Beginning of year</strong></td>
<td><strong>126,515</strong></td>
<td><strong>73,622</strong></td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS – End of year</strong></td>
<td>$ 75,740</td>
<td>$ 126,515</td>
</tr>
</tbody>
</table>

*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, 2012 (With Comparative Totals for 2011)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Education, Research and Civil Discourse</td>
<td>Grassroots Organizing, Religious Outreach and Issue Advocacy</td>
</tr>
<tr>
<td>Salaries, payroll taxes and benefits</td>
<td>$314,012</td>
<td>$146,933</td>
</tr>
<tr>
<td>Professional services</td>
<td>142,141</td>
<td>948</td>
</tr>
<tr>
<td>Direct mail</td>
<td>120,732</td>
<td>-</td>
</tr>
<tr>
<td>Occupancy</td>
<td>62,392</td>
<td>24,710</td>
</tr>
<tr>
<td>Conferences, conventions and events</td>
<td>81,721</td>
<td>5,164</td>
</tr>
<tr>
<td>Equipment rental and maintenance</td>
<td>16,198</td>
<td>6,171</td>
</tr>
<tr>
<td>Travel</td>
<td>12,653</td>
<td>6,338</td>
</tr>
<tr>
<td>Telephone and communications</td>
<td>8,548</td>
<td>2,182</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>898</td>
<td>420</td>
</tr>
<tr>
<td>Other</td>
<td>7,811</td>
<td>1,949</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$767,106</strong></td>
<td><strong>$194,815</strong></td>
</tr>
</tbody>
</table>

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 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 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, 2012 and 2011, all amounts are due within one year and are deemed fully collectible, and no allowance is considered necessary by management.
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, 2012 and 2011.

8. Revenue Recognition

Contribution and grant revenue is recognized when received 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 the 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, 2009 are still open for review by the Internal Revenue Service.
11. Comparative Data

The amounts presented for the year ended December 31, 2011 in the accompanying consolidated statements of activities and functional expenses are included to provide a basis for comparison with 2012, and present summarized totals only. Accordingly, the 2011 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 financial statements for the year ended December 31, 2011, 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 October 3, 2013, the date the financial statements were available to be issued. See Note G.

NOTE C – CONTRIBUTIONS AND OTHER RECEIVABLES

Contributions and other receivables consist of the following as of December 31, 2012 and 2011:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$74,189</td>
<td>$107,137</td>
</tr>
<tr>
<td>Grants</td>
<td>$43,541</td>
<td>$43,541</td>
</tr>
<tr>
<td>List rental</td>
<td>$4,474</td>
<td>$10,417</td>
</tr>
<tr>
<td></td>
<td><strong>$78,663</strong></td>
<td><strong>$161,095</strong></td>
</tr>
</tbody>
</table>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment, at cost, consists of the following as of December 31, 2012 and 2011:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture and equipment</td>
<td>$37,688</td>
<td>$106,409</td>
</tr>
<tr>
<td>Communications equipment</td>
<td>$4,500</td>
<td>$35,624</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>$11,288</td>
<td>$28,631</td>
</tr>
<tr>
<td></td>
<td>53,476</td>
<td>170,664</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(51,074)</td>
<td>(167,530)</td>
</tr>
<tr>
<td></td>
<td><strong>$2,402</strong></td>
<td><strong>$3,134</strong></td>
</tr>
</tbody>
</table>

Depreciation expense was $2,025 and $7,361 for the years ended December 31, 2012 and 2011, 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. For the year ended December 31, 2011, the Organization made matching contributions of $13,534, equal to 100% of the employee deferral contributions which did not exceed 5% of the employee’s compensation. The Organization did not make any contributions to the 403(b) plan for the year ended December 31, 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, 2012 and 2011, 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

Temporarily restricted net assets consisted of unexpended funds restricted for the LEADD project of $35,000 and $93,333 as of December 31, 2012 and 2011, respectively.

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. Minimum lease payments due during 2013 are approximately $123,000. Rent expense under this lease was $109,452 and $110,435 for the years ended December 31, 2012 and 2011, respectively.

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.

In August 2013, subsequent to the date of these financial statements, management and the landlord agreed to terminate the lease as of August 31, 2013, without penalty. The Organization has executed a new lease effective August 29, 2013, and is currently occupying the new space. The new lease requires monthly lease payments of $3,000 through October 31, 2013, when the lease becomes a month-to-month arrangement.
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, 2012 and 2011:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, research and civil discourse</td>
<td>$116,685</td>
<td>$224,943</td>
</tr>
<tr>
<td>Fundraising</td>
<td>$30,750</td>
<td>$57,329</td>
</tr>
<tr>
<td></td>
<td><strong>$147,435</strong></td>
<td><strong>$282,272</strong></td>
</tr>
</tbody>
</table>

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. From December 31, 2010 through December 31, 2012, all FDIC-insured non-interest bearing accounts will be fully insured regardless of the amount in the account. There were no uninsured balances as of December 31, 2012.

NOTE J – OPERATIONS AND NET DEFICIT

The Interfaith Alliance Foundation, Inc. and Affiliate had a decrease in net assets for the year ending December 31, 2012 of $253,339 and ended 2012 with a net asset deficit of $101,511. In addition, the Organization has experienced recurring reductions in revenues in recent years. The President and Board of Directors undertook substantial efforts in the fourth quarter of 2012 – in particular related to the Walter Cronkite Faith and Freedom Awards fundraising event – to increase revenues and net assets. However, as 2012 unfolded it was also clear to the Board of Directors that several changes needed to be made to the focus of the programmatic efforts that necessitated changes to the staffing of the Organization. This culminated in a resolution in November 2012 that narrowed the focus of Interfaith Alliance Foundation as it entered 2013. The goal was to have an Organization with much lower monthly cash requirements that can respond to critical national issues as they occur, unburdened by capital-intensive communication programs. As 2013 has evolved, further attention has been given to bolstering the relationships with other partner organizations as a method of spreading the Interfaith Alliance Foundation message, as well as shedding many of the infrastructure-related financial burdens such as a large office and meeting space. Accordingly, as of August 2013, the Organization has reduced monthly personnel and other fixed costs by approximately $26,000 per month, compared to the end of 2012. These cost reductions are not expected to have a negative impact on revenues. The President and Board of Directors intend for the Organization to move forward with this fiscally conservative approach as 2013 nears its end, allowing the maximum use of income to be applied to the critical message of the Organization and continued deficit reduction.