INTERFAITH ALLIANCE
PROTECTING FAITH AND FREEDOM

THE INTERFAITH ALLIANCE FOUNDATION, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

GSG Gorfine Schiller Gardyn
Certified Public Accountants and 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, D.C.

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, 2017 and 2016, the related consolidated statements of cash flows for the years then ended, the related consolidated statement of activities and statement of functional expenses for the year ended December 31, 2017, 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 consolidated 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 auditors' 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, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note H to the consolidated financial statements the 2016 consolidated 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 Interfaith Alliance Foundation, Inc. and Affiliate's December 31, 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 28, 2017. In our opinion, the summarized comparative information presented in the statement of activities and statement of functional expenses for the year ended December 31, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Gorfine, Schiller & Gardyn, P.A.

July 30, 2018
Owings Mills, Maryland

CONSOLIDATED FINANCIAL STATEMENTS

THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

ASSETS

	2017	2016 (RESTATED)
CURRENT ASSETS		
Cash and cash equivalents	$ 17,628	$ 69,949
Investments	2,742	1,079
Contributions and other receivables	114,285	82,974
Prepaid expenses	4,440	4,266
Total current assets	139,095	158,268
OTHER ASSETS		
Deferred compensation plan assets	204,096	208,339
Security deposits	5,000	5,000
Total other assets	209,096	213,339
TOTAL ASSETS	$ 348,191	$ 371,607

LIABILITIES AND NET ASSETS

	2017	2016 (RESTATED)
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 73,707	$ 117,874
OTHER LIABILITIES		
Deferred compensation plan liability	204,096	208,339
Employee benefits payable	40,500	27,000
Total other liabilities	244,596	235,339
Total liabilities	318,303	353,213
NET ASSETS		
Unrestricted	(36,712)	18,394
Temporarily restricted	66,600	-
Total net assets	29,888	18,394
TOTAL LIABILITIES AND NET ASSETS	$ 348,191	$ 371,607

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, 2017 (With Comparative Totals for 2016)

	2017			2016
	Unrestricted	**Temporarily Restricted**	**Total**	**Total**
REVENUE				
Direct mail contributions	$ 298,929	$ -	$ 298,929	$ 312,293
Foundation grants	133,700	75,000	208,700	194,050
Other contributions and bequests	307,701	-	307,701	323,900
Events	42,330	-	42,330	-
List rental income	2,044	-	2,044	4,037
Other income	15,179	-	15,179	5,929
Donated services	27,052	-	27,052	25,883
Net assets released from restrictions	8,400	(8,400)	-	-
Total revenue	835,335	66,600	901,935	866,092
FUNCTIONAL EXPENSES				
Program services				
Education, research and civil discourse	480,058	-	480,058	443,426
Grassroots organizing, religious outreach and issue advocacy	106,008	-	106,008	102,847
Total program services	586,066	-	586,066	546,273
Supporting services				
Management and general	142,976	-	142,976	227,774
Fundraising	161,399	-	161,399	151,848
Total supportive services	304,375	-	304,375	379,622
Total functional expenses	890,441	-	890,441	925,895
CHANGES IN NET ASSETS	(55,106)	66,600	11,494	(59,803)
NET ASSETS – Beginning of year	18,394	-	18,394	78,197
NET ASSETS – End of year	$ (36,712)	$ 66,600	$ 29,888	$ 18,394

THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 11,494	$ (59,803)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Donated investments	-	(506)
Gain on investments	(1,663)	(33)
Changes in operating assets and liabilities:		
Contributions and other receivables	(31,311)	(32,087)
Prepaid expenses	(174)	7,536
Accounts payable and accrued expenses	(44,167)	68,554
Employee benefits payable	13,500	13,500
Net cash used in operating activities	(52,321)	(2,839)
CASH AND CASH EQUIVALENTS – Beginning of year	69,949	72,788
CASH AND CASH EQUIVALENTS – End of year	$ 17,628	$ 69,949

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, 2017 (With Comparative Totals for 2016)

	2017					2016
	Education, Research and Civil Discourse	**Grassroots Organizing, Religious Outreach and Issue Advocacy**	**Management and General**	**Fundraising**	**Total**	**Total**
Salaries, payroll taxes and benefits	$ 257,657	$ 94,549	$ 85,418	$ 111,450	$ 549,074	$ 522,775
Professional services	133,220	-	18,166	3,176	154,562	194,833
Direct mail	47,628	-	-	27,341	74,969	113,179
Occupancy	18,653	6,845	23,530	8,068	57,096	58,704
Conferences, conventions and events	10,326	-	-	5,927	16,253	-
Equipment rental and maintenance	800	294	1,009	345	2,448	4,791
Travel	3,276	1,202	4,133	1,418	10,029	12,500
Telephone and communications	6,104	2,240	7,700	2,639	18,683	12,316
Other	2,394	878	3,020	1,035	7,327	6,797
Total expenses	$ 480,058	$ 106,008	$ 142,976	$ 161,399	$ 890,441	$ 925,895

The accompanying notes are an integral part of these consolidated 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 accordance 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, 2017 and 2016, all amounts are due within one year and are deemed fully collectible. Therefore, 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.

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.

Temporarily restricted net assets consisted of unspent funds received from the Arcus Foundation and totaled $66,600 and $-0- as of December 31, 2017 and 2016, respectively.

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, 2017 and 2016.

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. 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. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Tax years ending after December 31, 2013 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, 2016 in the accompanying consolidated statements of activities and functional expenses are included to provide a basis for comparison with 2017, and present summarized totals only. Accordingly, the 2016 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, 2016, from which the summarized information was derived.

11. Reclassification

Certain amounts in the 2016 consolidated financial statements have been reclassified to conform to 2017 presentation.

12. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 30, 2018, 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, 2017 and 2016:

	2017	2016
Contributions	$ 113,710	$ 82,171
List rental	575	803
	$ 114,285	$ 82,974

NOTE D – 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, 2017 and 2016.

NOTE D – RETIREMENT PLANS – Continued

457 Plan

The Organization did maintain a Section 457 deferred compensation plan for a former employee. The Organization did not accrue contributions to the 457 plan for the years ended December 31, 2017 and 2016, 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. The Organization also accrued $13,500 for each of the years ended December 31, 2017 and 2016, to be contributed to a 457 plan for a current key employee when the plan is established.

NOTE E – LEASE COMMITMENTS

The Organization leases office space on a month-to-month basis at $5,150 per month.

Rent expense under this lease was $57,096 and $58,704 for the years ended December 31, 2017 and 2016, respectively.

NOTE F – 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, 2017 and 2016:

	2017	2016
Education, research and civil discourse	$ 22,081	$ 23,433
Fundraising	12,674	10,207
	$ 34,755	$ 33,640

NOTE G – 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, 2017.

NOTE H – PRIOR PERIOD RESTATEMENT

Accounting principles generally accepted in the United States of America require net assets to be classified and reported based on the existence of donor-imposed restrictions. During the year ended December 31, 2017, management performed additional analysis and identified and reclassified $65,831 of unrestricted net assets that had been previously reported as temporarily restricted net assets as of December 31, 2016. These corrections had no effect on total net assets as of December 31, 2017 and 2016 or on total changes in net assets for the years then ended.