INTERFAITH ALLIANCE
PROTECTING FAITH AND FREEDOM

THE INTERFAITH ALLIANCE FOUNDATION, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, 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, 2018, 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 and cash flows of The Interfaith Alliance Foundation, Inc. and Affiliate as of and for the years ending December 31, 2018 and 2017, and the changes in their net assets and cash flows for the years 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 Interfaith Alliance Foundation, Inc. and Affiliate's December 31, 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 30, 2018. In our opinion, the summarized comparative information presented in the consolidated statements of activities and functional expenses for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Gorfine, Schiller + Gardyn, P.A.

July 29, 2019
Owings Mills, Maryland

CONSOLIDATED FINANCIAL STATEMENTS

THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 188,855	$ 17,628
Investments at fair value	2,943	2,742
Contributions and other receivables	128,831	114,285
Prepaid expenses	-	4,440
Total current assets	320,629	139,095
OTHER ASSETS		
Deferred compensation plan assets	-	204,096
Security deposits	5,018	5,000
Total other assets	5,018	209,096
TOTAL ASSETS	$ 325,647	$ 348,191

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 23,893	$ 73,707
OTHER LIABILITIES		
Deferred compensation plan liability	-	204,096
Employee benefits payable	46,500	40,500
Total other liabilities	46,500	244,596
Total liabilities	70,393	318,303
NET ASSETS		
Net assets without donor restrictions	(38,513)	(36,712)
Net assets with donor restrictions	293,767	66,600
Total net assets	255,254	29,888
TOTAL LIABILITIES AND NET ASSETS	$ 325,647	$ 348,191

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, 2018 (With Comparative Totals for 2017)

	2018			2017
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Total**
REVENUE				
Direct mail contributions	$ 322,927	$ -	$ 322,927	$ 298,929
Foundation grants	184,332	280,000	464,332	208,700
Other contributions and bequests	213,121	-	213,121	307,701
Events	-	-	-	42,330
List rental income	2,029	-	2,029	2,044
Other income	73,608	-	73,608	15,179
Donated services	25,962	-	25,962	27,052
Net assets released from restrictions	52,833	(52,833)	-	-
Total revenue	874,812	227,167	1,101,979	901,935
FUNCTIONAL EXPENSES				
Program services				
Education, research and civil discourse	559,666	-	559,666	480,058
Grassroots organizing, religious outreach and issue advocacy	109,179	-	109,179	106,008
Total program services	668,845	-	668,845	586,066
Supporting services				
Management and general	143,945	-	143,945	142,976
Fundraising	63,823	-	63,823	161,399
Total supporting services	207,768	-	207,768	304,375
Total functional expenses	876,613	-	876,613	890,441
CHANGES IN NET ASSETS	(1,801)	227,167	225,366	11,494
NET ASSETS – Beginning of year	(36,712)	66,600	29,888	18,394
NET ASSETS – End of year	$ (38,513)	$ 293,767	$ 255,254	$ 29,888

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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 225,366	$ 11,494
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Gain on investments	(201)	(1,663)
Changes in operating assets and liabilities:		
Contributions and other receivables	(14,546)	(31,311)
Prepaid expenses	4,440	(174)
Accounts payable and accrued expenses	(49,814)	(44,167)
Employee benefits payable	6,000	13,500
Security deposits	(18)	-
Net cash provided by (used in) operating activities	171,227	(52,321)
CASH AND CASH EQUIVALENTS – Beginning of year	17,628	69,949
CASH AND CASH EQUIVALENTS – End of year	$ 188,855	$ 17,628

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, 2018 (With Comparative Totals for 2017)

	2018					2017
	Education, Research and Civil Discourse	Grassroots Organizing, Religious Outreach and Issue Advocacy	Management and General	Fundraising	Total	Total
Salaries, payroll taxes and benefits	$ 321,842	$ 91,713	$ 92,477	$ 35,022	$ 541,054	$ 549,074
Professional services	127,120	4,222	11,498	3,030	145,870	154,562
Direct mail	55,453	-	-	21,663	77,116	74,969
Occupancy	32,033	9,131	31,470	3,486	76,120	57,096
Conferences, conventions and events	3,367	-	-	-	3,367	16,253
Equipment rental and maintenance	1,810	285	187	19	2,301	2,448
Travel	3,486	7	2,789	2	6,284	10,029
Telephone and communications	11,892	373	1,385	142	13,792	18,683
Other	2,663	3,448	4,139	459	10,709	7,327
Total expenses	$ 559,666	$ 109,179	$ 143,945	$ 63,823	$ 876,613	$ 890,441

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, 2018 and 2017, 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 follows Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, *Not-for Profit Entities* (FASB ASC 958), and has adopted Accounting Standards Update (ASU) 2016-14 (ASU 2016-14). Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions includes all gifts from grantors that are restricted in some manner to their use or time. This restriction can be temporarily restricted or permanently restricted. Net assets with permanent donor restrictions would be designated by the donors to be invested in perpetuity. The Organization did not have any net assets with permanent donor restrictions as of December 31, 2018 and 2017.

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, 2014 are still open for review by the Internal Revenue Service.

10. Comparative Summarized Data

The amounts presented for the year ended December 31, 2017 in the accompanying consolidated statements of activities and functional expenses are included to provide a basis for comparison with 2018, and present summarized totals only. Accordingly, the 2017 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, 2017, from which the summarized information was derived.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

11. Changes in Accounting Principle

In August 2016, FASB issued Accounting Standards Update 2016-14 *Not-for-Profit Entities*, which contains significant changes to the presentation and disclosure requirements for not-for-profit entities. The new standard is effective for the year ending December 31, 2018 and is to be retroactively applied. There were no changes to the Organization's financial statements upon adoption of this new standard other than the additional disclosures in Note I.

12. Recent Accounting Pronouncements

In June of 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction, and for determining whether a contribution is conditional or unconditional. The new standard is effective for the year ending December 31, 2019. The Organization will evaluate the effect that implementation of the new standard will have on its financial position, results of operations and cash flows.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, which requires that revenue recognition be determined by applying a five step process. The new standard, as amended by subsequent Accounting Standards Updates, is effective for the year ending December 31, 2019. The Organization will evaluate the effect that implementation of the new standard will have on its financial position, results of operations and cash flows.

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Accounting for Leases*, which requires that all lease greater than twelve months be presented on the statements of financial position. The new standard is effective for the year ending December 31, 2020. The Organization will evaluate the effect that implementation of the new standard will have on its financial position.

13. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 29, 2019, 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, 2018 and 2017:

	2018	2017
Contributions	$ 128,042	$ 113,710
List rental	789	575
	$ 128,831	$ 114,285

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, 2018 and 2017.

457 Plan

The Organization maintained 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, 2018 and 2017, respectively, and the former employee closed the account during 2018. 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 $6,000 and $13,500 for the years ended December 31, 2018 and 2017, respectively, to be contributed to a 457 plan for a current key employee when the plan is established.

NOTE E – LEASE COMMITMENTS

The Organization leased office space on a month-to-month basis at $5,150 per month until April 30, 2018. On May 1, 2018, the Organization entered in to a lease for new office space on a yearly basis at $7,100 per month.

Rent expense under these leases were $76,120 and $57,096 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017:

	2018	2017
Education, research and civil discourse	$ 29,403	$ 22,081
Fundraising	13,320	12,674
	$ 42,723	$ 34,755

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, 2018.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions had the following purposes and time restrictions as of December 31, 2018 and 2017:

	2018	2017
Arcus - development education classes	$ 51,267	$ 66,600
Policy personnel	187,500	-
Timing restricted	55,000	-
	$ 293,767	$ 66,600

NOTE I – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of December 31, 2018 and 2017:

	2018	2017
Cash and cash equivalents	$ 188,855	$ 17,628
Investments	2,943	2,742
Contributions and other receivables	128,831	114,285
Total financial assets available within one year	320,629	134,655
Less contributions with donor restrictions for specific purposes	(238,767)	(66,600)
Financial assets available to meet cash needs for general expenditures within one year	$ 81,862	$ 68,055

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management is focused on sustaining the financial liquidity of the Organization throughout the year. This is done through monitoring and reviewing the Organization's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of the Organization's cash flow related to various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. The Organization will continue its efforts for fundraising throughout 2019 to support the Organization and if necessary expenses and programs can be reduced to ensure cash is available to meet funding needs.