Gorfine Schiller Gardyn
Certified Public Accountants and Consultants

THE INTERFAITH ALLIANCE FOUNDATION, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
TABLE OF CONTENTS
December 31, 2016 and 2015

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, 2016 and 2015, 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, 2016, 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 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, 2016 and 2015, 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.

Report on Summarized Comparative Information

We have previously audited The Interfaith Alliance Foundation, Inc. and Affiliate's December 31, 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 17, 2016. In our opinion, the summarized comparative information presented in the statements of activities and functional expenses for the year ended December 31, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Gorfine, Schiller & Gardyn, P.A.

June 28, 2017
Owings Mills, Maryland

CONSOLIDATED FINANCIAL STATEMENTS

THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 69,949	$ 72,788
Investments	1,079	540
Contributions and other receivables	82,974	50,887
Prepaid expenses	4,266	11,802
Total current assets	158,268	136,017
OTHER ASSETS		
Deferred compensation plan assets	208,339	198,137
Security deposits	5,000	5,000
Total other assets	213,339	203,137
TOTAL ASSETS	$ 371,607	$ 339,154

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 144,874	$ 62,820
OTHER LIABILITIES		
Deferred compensation plan liability	208,339	198,137
Total liabilities	353,213	260,957
NET ASSETS		
Unrestricted	(47,437)	78,197
Temporarily restricted	65,831	-
Total net assets	18,394	78,197
TOTAL LIABILITIES AND NET ASSETS	$ 371,607	$ 339,154

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, 2016 (With Comparative Totals for 2015)

	2016			2015
	Unrestricted	**Temporarily Restricted**	**Total**	**Total**
REVENUE				
Direct mail contributions	$ 312,293	$ -	$ 312,293	$ 393,946
Foundation grants	119,050	75,000	194,050	88,600
Other contributions and bequests	323,900	-	323,900	212,476
List rental income	4,037	-	4,037	2,916
Other income	5,929	-	5,929	6
Donated services	25,883	-	25,883	25,890
Net assets released from restrictions	9,169	(9,169)	-	-
Total revenue	800,261	65,831	866,092	723,834
FUNCTIONAL EXPENSES				
Program services				
Education, research and civil discourse	443,426	-	443,426	423,998
Grassroots organizing, religious outreach and issue advocacy	102,847	-	102,847	102,785
Total program services	546,273	-	546,273	526,783
Supporting services				
Management and general	227,774	-	227,774	167,923
Fundraising	151,848	-	151,848	140,812
Total supportive services	379,622	-	379,622	308,735
Total functional expenses	925,895	-	925,895	835,518
CHANGES IN NET ASSETS	(125,634)	65,831	(59,803)	(111,684)
NET ASSETS – Beginning of year	78,197	-	78,197	189,881
NET ASSETS – End of year	$ (47,437)	$ 65,831	$ 18,394	$ 78,197

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, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (59,803)	$ (111,684)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	-	144
Donated investments	(506)	-
Gain on investments	(33)	-
Changes in operating assets and liabilities:		
Contributions and other receivables	(32,087)	42,722
Prepaid expenses	7,536	(11,802)
Accounts payable and accrued expenses	82,054	11,439
Net cash used in operating activities	(2,839)	(69,181)
CASH AND CASH EQUIVALENTS – Beginning of year	72,788	141,969
CASH AND CASH EQUIVALENTS – End of year	$ 69,949	$ 72,788

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, 2016 (With Comparative Totals for 2015)

	2016					2015
	Education, Research and Civil Discourse	Grassroots Organizing, Religious Outreach and Issue Advocacy	Management and General	Fundraising	Total	Total
Salaries, payroll taxes and benefits	$ 212,715	$ 81,955	$ 133,214	$ 94,891	$ 522,775	$ 468,472
Professional services	118,313	11,011	52,941	12,568	194,833	157,445
Direct mail	78,840	-	-	34,339	113,179	110,511
Occupancy	16,081	6,078	29,523	7,022	58,704	61,800
Conferences, conventions and events	-	-	-	-	-	9,740
Equipment rental and maintenance	1,312	496	2,409	574	4,791	4,500
Travel	10,929	1,328	74	169	12,500	5,359
Telephone and communications	3,374	1,275	6,194	1,473	12,316	12,442
Depreciation and amortization	-	-	-	-	-	144
Other	1,862	704	3,419	812	6,797	5,105
Total expenses	$ 443,426	$ 102,847	$ 227,774	$ 151,848	$ 925,895	$ 835,518

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 consider 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, 2016 and 2015, 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 for the mapping project and totaled $65,831 and $-0- as of December 31, 2016 and 2015, 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, 2016 and 2015.

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. 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, 2015 in the accompanying consolidated statements of activities and functional expenses are included to provide a basis for comparison with 2016, and present summarized totals only. Accordingly, the 2015 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, 2015, from which the summarized information was derived.

11. Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14 *Not-for-Profit Entities*, which contains significant changes to the financial statements requirements under the *Not-for-Profit Entities* topic of the Accounting Standards Codification. The new standard is effective for the year ending December 31, 2018. The Organization will evaluate the effect that implementation of the new standard will have on its financial position, results of operations and cash flows.

12. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 28, 2017, 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, 2016 and 2015:

	2016	2015
Contributions	$ 82,171	$ 49,846
List rental	803	1,041
	$ 82,974	$ 50,887

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment, at cost, consists of the following as of December 31, 2016 and 2015:

	2016	2015
Office furniture and equipment	$ -	$ 37,688
Communications equipment	-	4,500
Computer equipment	-	11,288
	-	53,476
Less: accumulated depreciation	-	(53,476)
	$ -	$ -

Depreciation expense was $-0- and $144 for the years ended December 31, 2016 and 2015, 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. The Organization did not make any contributions to the 403(b) plan for the years ended December 31, 2016 and 2015.

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, 2016 and 2015, 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, 2016 and 2015, to be contributed to a 457 plan for a current key employee when the plan is established.

NOTE F – LEASE COMMITMENTS

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

Rent expense under these leases was $58,704 and $61,800 for the years ended December 31, 2016 and 2015, respectively.

NOTE G – 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, 2016 and 2015:

	2016	2015
Education, research and civil discourse	$ 23,433	$ 69,615
Fundraising	10,207	18,614
	$ 33,640	$ 88,229

NOTE H – 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, 2016.

NOTE I – MANAGEMENT'S PLAN

Beginning in 2014, the Organization began experiencing cash flow challenges due to the decline of contributions and decline in membership. While cash flow is below what management desires, we have taken measures to increase revenue streams by increasing fundraising efforts and board membership. Board members are committed to supporting the Organization financially. Additionally, a new development director who has been more successful in creating diversity for revenue streams was hired. Management expects to continue increasing these efforts until cash flow improves.