



Gorfine Schiller Gardyn

Certified Public Accountants and Consultants



**INTERFAITH
ALLIANCE**

PROTECTING FAITH AND FREEDOM

**THE INTERFAITH ALLIANCE
FOUNDATION, INC.
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
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*December 31, 2019 and 2018***

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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, 2019 and 2018, the related consolidated statements of cash flows for the years then ended, the related consolidated statement of activities and functional expenses for the year ended December 31, 2019, 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 consolidated financial position of The Interfaith Alliance Foundation, Inc. and Affiliate as of December 31, 2019 and 2018, 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, 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 29, 2019. In our opinion, the summarized comparative information presented in the consolidated statement of activities and functional expenses for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Morfin, Schiller & Galdyn, P.A.

August 24, 2020
Owings Mills, Maryland

CONSOLIDATED FINANCIAL STATEMENTS

**THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 435,722	\$ 188,855
Investments at fair value	5,680	2,943
Contributions and other receivables	55,528	128,831
Pledges receivable	220,761	-
Prepaid expenses	12,436	-
Total current assets	<u>730,127</u>	<u>320,629</u>
OTHER ASSETS		
Security deposits	<u>5,000</u>	<u>5,018</u>
TOTAL ASSETS	<u>\$ 735,127</u>	<u>\$ 325,647</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 42,833	\$ 23,893
OTHER LIABILITIES		
Employee benefits payable	<u>13,500</u>	<u>46,500</u>
Total liabilities	<u>56,333</u>	<u>70,393</u>
NET ASSETS		
Net assets without donor restrictions	566,294	(38,513)
Net assets with donor restrictions	<u>112,500</u>	<u>293,767</u>
Total net assets	<u>678,794</u>	<u>255,254</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 735,127</u>	<u>\$ 325,647</u>

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, 2019 (With Comparative Totals for 2018)**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Direct mail contributions	\$ 240,836	\$ -	\$ 240,836	\$ 322,927
Foundation grants	914,761	-	914,761	259,332
Other contributions and bequests	212,268	-	212,268	418,121
Events	14,390	-	14,390	-
List rental income	1,235	-	1,235	2,029
Other income	89,110	-	89,110	73,608
Donated services	25,913	-	25,913	25,962
Net assets released from restrictions	181,267	(181,267)	-	-
Total revenue	<u>1,679,780</u>	<u>(181,267)</u>	<u>1,498,513</u>	<u>1,101,979</u>
FUNCTIONAL EXPENSES				
Program services:				
Education, research and civil discourse	671,117	-	671,117	559,666
Grassroots organizing, religious outreach and issue advocacy	148,922	-	148,922	109,179
Total program services	<u>820,039</u>	<u>-</u>	<u>820,039</u>	<u>668,845</u>
Supporting services:				
Management and general	117,477	-	117,477	143,945
Fundraising	137,457	-	137,457	63,823
Total supporting services	<u>254,934</u>	<u>-</u>	<u>254,934</u>	<u>207,768</u>
Total functional expenses	<u>1,074,973</u>	<u>-</u>	<u>1,074,973</u>	<u>876,613</u>
CHANGES IN NET ASSETS	604,807	(181,267)	423,540	225,366
NET ASSETS – Beginning of year	<u>(38,513)</u>	<u>293,767</u>	<u>255,254</u>	<u>29,888</u>
NET ASSETS – End of year	<u>\$ 566,294</u>	<u>\$ 112,500</u>	<u>\$ 678,794</u>	<u>\$ 255,254</u>

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, 2019 and 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 423,540	\$ 225,366
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Gain on investments	(2,737)	(201)
Changes in operating assets and liabilities:		
Contributions and other receivables	73,303	(14,546)
Pledges receivable	(220,761)	-
Prepaid expenses	(12,436)	4,440
Accounts payable and accrued expenses	18,940	(49,814)
Employee benefits payable	(33,000)	6,000
Security deposits	18	(18)
Net cash provided by operating activities	246,867	171,227
CASH AND CASH EQUIVALENTS – Beginning of year	188,855	17,628
CASH AND CASH EQUIVALENTS – End of year	\$ 435,722	\$ 188,855

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, 2019 (With Comparative Totals for 2018)

	<u>2019</u>					<u>2018</u>
	<u>Education, Research and Civil Discourse</u>	<u>Grassroots Organizing, Religious Outreach and Issue Advocacy</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries, payroll taxes and benefits	\$ 383,957	\$ 112,494	\$ 80,802	\$ 68,876	\$ 646,129	\$ 541,054
Professional services	129,886	2,124	4,242	25,683	161,935	145,870
Direct mail	52,644	-	-	32,006	84,650	77,116
Occupancy	47,732	13,987	27,937	8,564	98,220	76,120
Conferences, conventions and events	-	-	-	-	-	3,367
Equipment rental and maintenance	2,107	82	163	50	2,402	2,301
Travel	16,494	18,377	620	1,140	36,631	6,284
Telephone and communications	25,796	1,579	3,155	967	31,497	13,792
Other	12,501	279	558	171	13,509	10,709
Total expenses	<u>\$ 671,117</u>	<u>\$ 148,922</u>	<u>\$ 117,477</u>	<u>\$ 137,457</u>	<u>\$ 1,074,973</u>	<u>\$ 876,613</u>

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

**THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
*December 31, 2019 and 2018***

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 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, 2019 and 2018, all amounts are due within one year and are deemed fully collectible. Therefore, no allowance is considered necessary by management.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

5. Pledges Receivable

Pledges discounted to net present value with an interest rate of 1.92%, less an allowance for uncollectible amounts, are recorded as contribution revenue and receivables in the year pledged. All amounts as of December 31, 2019 and 2018 are considered fully collectible therefore, no allowance is considered necessary by management. Pledges receivable, net for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Amounts due within 1 year	\$ 225,000	\$ -
Less: discount to present value	<u>(4,239)</u>	<u>-</u>
Pledges receivable, net	<u>\$ 220,761</u>	<u>\$ -</u>

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 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, 2019 and 2018.

8. 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.

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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

10. 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.

11. Comparative Summarized Data

The amounts presented for the year ended December 31, 2018 in the accompanying consolidated statement of activities and functional expenses are included to provide a basis for comparison with 2019, and present summarized totals only. Accordingly, the 2018 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, 2018, from which the summarized information was derived.

12. Changes in Accounting Principle

In June of 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 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 Organization adopted the new standard effective January 1, 2019, using the full retrospective method. There were no changes to the Organization's consolidated financial statements upon adoption of this new standard.

13. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 and all related amendments serve to supersede most existing revenue recognition guidance and requires that revenue recognition be determined by applying a 5 step process. In May 2020, the FASB voted to extend the effective date of ASU 2014-09 to reporting periods beginning after December 15, 2019. Therefore, 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 statements.

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, as amended by subsequent Accounting Standards Updates, is effective for the year ending December 31, 2021. The Organization will evaluate the effect that implementation of the new standard will have on its financial position.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

14. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 24, 2020, the date the financial statements were available to be issued.

NOTE C – CONTRIBUTIONS AND OTHER RECEIVABLES

Contributions and other receivables consisted of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Contributions	\$ 55,425	\$ 128,042
List rental	<u>103</u>	<u>789</u>
	<u>\$ 55,528</u>	<u>\$ 128,831</u>

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, 2019 and 2018.

457 Plan

The Organization maintained a Section 457 deferred compensation plan for a former employee who closed the account during 2018. The Organization accrued a benefit payable for a current key employee to be contributed to a 457 plan in the current key employee's name when the plan is established. The Organization also accrued \$13,500 for the years ended December 31, 2019 and 2018 for this future contribution.

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 until April 30, 2019. The lease was amended on September 10, 2019 to lease office space on a yearly basis at \$9,250 per month.

Rent expense under these leases was \$98,220 and \$76,120 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Education, research and civil discourse	\$ 19,479	\$ 29,403
Fundraising	<u>11,843</u>	<u>13,320</u>
	<u>\$ 31,322</u>	<u>\$ 42,723</u>

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, 2019.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions had the following purposes and time restrictions as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Arcus - development education classes	\$ -	\$ 51,267
Policy personnel	112,500	187,500
Timing restricted	<u>-</u>	<u>55,000</u>
	<u>\$ 112,500</u>	<u>\$ 293,767</u>

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 435,722	\$ 188,855
Investments	5,680	2,943
Contributions and other receivables	<u>276,289</u>	<u>128,831</u>
Total financial assets available within one year	717,691	320,629
Less contributions with donor restrictions for specific purposes	<u>(112,500)</u>	<u>(238,767)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 605,191</u>	<u>\$ 81,862</u>

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 2020 to support the Organization and if necessary expenses and programs can be reduced to ensure cash is available to meet funding needs.

NOTE J – COVID-19 IMPACT

The Organization’s business is operating in an environment in which a pandemic exists in relation to the novel coronavirus, COVID-19. As a result of the pandemic, the Organization is evaluating its options as they relate to various government stimulus programs passed by Congress in March 2020. As of the date of these financial statements, the Organization does not have any additional liabilities resulting from COVID-19 and its operations have not been significantly impacted by the virus. The impact of COVID-19 on future financial conditions and results of operations cannot be reasonably estimated.