



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, 2022 AND 2021

**THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
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*December 31, 2022 and 2021***

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
The Interfaith Alliance Foundation, Inc. and Affiliate
Washington, D.C.**

Report on the Consolidated Financial Statements

Opinion

We have audited the 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, 2022 and 2021, 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, 2022, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Interfaith Alliance Foundation, Inc. and Affiliate as of December 31, 2022 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued or when applicable, one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Interfaith Alliance Foundation, Inc. and Affiliate's December 31, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Morfin, Schiller & Gadsen, P.A.

July 13, 2023
Owings Mills, Maryland

CONSOLIDATED FINANCIAL STATEMENTS

**THE INTERFAITH ALLIANCE FOUNDATION, INC.
AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021**

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 738,020	\$ 618,286
Investments	8,897	9,323
Contributions and other receivables	41,814	119,127
Pledges receivable	25,000	-
Prepaid expenses	<u>9,001</u>	<u>5,479</u>
Total current assets	822,732	752,215
OTHER ASSETS		
Right of use asset - operating lease	257,094	-
Security deposits	<u>4,713</u>	<u>3,400</u>
Total other assets	<u>261,807</u>	<u>3,400</u>
TOTAL ASSETS	<u>\$ 1,084,539</u>	<u>\$ 755,615</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 46,211	\$ 29,649
Current portion lease liability - operating lease	<u>46,428</u>	<u>-</u>
Total current liabilities	92,639	29,649
OTHER LIABILITIES		
Lease liability - operating lease, net of current portion	<u>220,563</u>	<u>-</u>
Total liabilities	<u>313,202</u>	<u>29,649</u>
NET ASSETS		
Net assets without donor restrictions	755,778	690,966
Net assets with donor restrictions	<u>15,559</u>	<u>35,000</u>
Total net assets	<u>771,337</u>	<u>725,966</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,084,539</u>	<u>\$ 755,615</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, 2022 (With Comparative Totals for 2021)**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Direct mail contributions	\$ 200,363	\$ -	\$ 200,363	\$ 221,683
Foundation grants	563,800	335,000	898,800	760,000
Leadership donors	152,619	-	152,619	64,704
Online giving	87,328	-	87,328	81,556
Events	250	-	250	-
Other income	11,658	-	11,658	385
Planned gifts and bequests	48,237	-	48,237	213,762
Donated services	-	-	-	12,000
Donated securities	1,189	-	1,189	2,173
Net assets released from restrictions	354,441	(354,441)	-	-
Total revenue	1,419,885	(19,441)	1,400,444	1,356,263
FUNCTIONAL EXPENSES				
Program services:				
Education, research and civil discourse	687,375	-	687,375	598,747
Grassroots organizing, religious outreach and issue advocacy	147,405	-	147,405	125,890
Total program services	834,780	-	834,780	724,637
Supporting services:				
Management and general	363,257	-	363,257	240,963
Fundraising	157,036	-	157,036	88,817
Total supporting services	520,293	-	520,293	329,780
Total functional expenses	1,355,073	-	1,355,073	1,054,417
CHANGES IN NET ASSETS	64,812	(19,441)	45,371	301,846
NET ASSETS – Beginning of year	690,966	35,000	725,966	424,120
NET ASSETS – End of year	\$ 755,778	\$ 15,559	\$ 771,337	\$ 725,966

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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 45,371	\$ 301,846
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Loss (gain) on investments	426	(2,167)
Changes in operating assets and liabilities:		
Contributions and other receivables	77,313	(72,744)
Pledges receivable	(25,000)	-
Prepaid expenses	(3,522)	(1,194)
Right of use asset for operating leases, net	9,897	-
Accounts payable and accrued expenses	16,562	(278)
Salaries payable	-	(13,500)
Security deposits	<u>(1,313)</u>	<u>-</u>
Net cash provided by operating activities	119,734	211,963
CHANGES IN CASH AND CASH EQUIVALENTS	119,734	211,963
CASH AND CASH EQUIVALENTS – Beginning of year	<u>618,286</u>	<u>406,323</u>
CASH AND CASH EQUIVALENTS – End of year	<u>\$ 738,020</u>	<u>\$ 618,286</u>

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, 2022 (With Comparative Totals for 2021)

	<u>2022</u>				<u>2021</u>	
	Education, Research and Civil Discourse	Grassroots Organizing, Religious Outreach and Issue Advocacy	Management and General	Fundraising	Total	Total
Salaries, payroll taxes and benefits	\$ 436,483	\$ 89,910	\$ 243,906	\$ 84,763	\$ 855,062	\$ 724,013
Professional services	135,304	27,871	75,608	26,275	265,058	138,199
Direct mail	37,309	-	-	30,798	68,107	63,792
Occupancy	22,129	4,558	12,366	4,297	43,350	36,000
Advertising	2,106	434	1,177	408	4,125	826
Equipment rental and maintenance	4,176	860	2,333	811	8,180	6,286
Travel	11,166	2,300	6,240	2,168	21,874	1,636
Telephone and communications	14,017	2,887	7,833	2,722	27,459	20,746
Executive search	-	-	-	-	-	25,000
Field operations	-	13,500	-	-	13,500	15,000
Other	24,685	5,085	13,794	4,794	48,358	22,919
Total expenses	<u>\$ 687,375</u>	<u>\$ 147,405</u>	<u>\$ 363,257</u>	<u>\$ 157,036</u>	<u>\$ 1,355,073</u>	<u>\$ 1,054,417</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, 2022 and 2021***

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 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, 2022 and 2021, all amounts are due within one year and are deemed fully collectible. Therefore, no allowance is considered necessary by management.

5. Pledges Receivable

Pledges are discounted to net present value with an applicable interest rate, less an allowance for uncollectible amounts, and are recorded as contribution revenue and receivables in the year pledged. As of December 31, 2022, there were \$25,000 in pledges receivable due to be collected quarterly by the end of 2023.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

6. Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

7. Net Asset Classification

The Organization follows Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, *Not-for Profit Entities* (FASB ASC 958). 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, 2022 and 2021.

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 measurable. 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 the salary allocation. 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. 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, 2021 in the accompanying consolidated statement of activities and functional expenses are included to provide a basis for comparison with 2022, and present summarized totals only. Accordingly, the 2021 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, 2021, from which the summarized information was derived.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

12. Reclassifications

Certain reclassifications have been made to the prior financial statements to conform to the current year presentation.

13. Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Accounting for Leases* (Topic 842), which requires that all leases greater than twelve months be presented on the statements of financial position. The Organization adopted ASC 842 effective January 1, 2022, using the modified retrospective method. Using this method, the new standard is applied only to the most current period presented and the cumulative effect of applying the new standard to existing lease agreements is recognized at the date of initial application. Under this adoption method, reporting periods beginning after January 1, 2022 are presented under the new standard, while prior period amounts are not adjusted. There was no impact at January 1, 2022, see Note D. The Organization has elected a package of practical expedients permitted in ASC 842. Accordingly, the Organization accounted for its existing operating leases as operating leases under the new guidance, without reassessing whether the contract contains a lease under ASC 842 and without reassessing whether classification of the operating lease would be different in accordance with ASC 842. The Organization also elected to use the risk-free rate to calculate the right of use asset and liability.

14. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 13, 2023, the date the financial statements were available to be issued.

NOTE C – 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 may make discretionary matching contributions to participating employees. The Organization contributed \$15,830 and \$13,514 to the 403(b) plan for the years ended December 31, 2022 and 2021.

NOTE D – LEASE COMMITMENTS

Starting in September 2020, the Organization rented office space for \$3,000 per month, on a year-to-year basis. In November 2022, the Organization entered into a new lease for office space with a five year term and monthly rental payments of \$4,713 which increase 4% annually throughout the lease term.

NOTE D – LEASE COMMITMENTS - Continued

The future minimum annual rental payments required under the lease are as follows for the years ending December 31:

2023	\$	56,934
2024		59,211
2025		61,579
2026		64,042
2027		<u>55,136</u>
Total future payments		296,902
Less: amount representing interest		<u>(29,911)</u>
Lease liability for operating lease		266,991
Less: current maturities		<u>(46,428)</u>
	\$	<u><u>220,563</u></u>

The present value of the remaining lease payments were discounted using the risk-free rate of 4.27%.

Included on the balance sheet is a right of use asset of \$265,101, net of accumulated amortization of \$8,007 as of December 31, 2022.

Rent expense under the lease was \$43,350 and \$36,000 for the years ended December 31, 2022 and 2021, respectively.

NOTE E – 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:

	<u>2022</u>	<u>2021</u>
Education, research and civil discourse	\$ 37,309	\$ 34,684
Fundraising	<u>30,798</u>	<u>29,108</u>
	<u>\$ 68,107</u>	<u>\$ 63,792</u>

NOTE F – 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. As of December 31, 2022, approximately \$287,000 exceeded the FDIC insurance limits. The Organization does not believe that it is exposed to any significant risks on such deposits.

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions had the following restrictions as of December 31:

	<u>2022</u>	<u>2021</u>
Field operation and expansion	\$ 15,559	\$ 35,000

NOTE H – 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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 738,020	\$ 618,286
Investments	8,897	9,323
Contributions and other receivables	41,814	119,127
Pledges receivable	<u>25,000</u>	<u>-</u>
Total financial assets available within one year	813,731	746,736
Less contributions with donor restrictions for specific purposes	<u>(15,559)</u>	<u>(35,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 798,172</u>	<u>\$ 711,736</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 2023 to support the Organization and if necessary expenses and programs can be reduced to ensure cash is available to meet funding needs.