

FINANCIAL STATEMENTS

SEARCH FOR COMMON GROUND

**FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**

SEARCH FOR COMMON GROUND

CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	3
EXHIBIT A - Statements of Financial Position, as of December 31, 2007 and 2006	4
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2007 and 2006	5 - 6
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2007	7 - 10
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2006	11 - 14
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2007 and 2006	15
NOTES TO FINANCIAL STATEMENTS	16 - 21



GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Search for Common Ground
Washington, D.C.

We have audited the accompanying statements of financial position of Search for Common Ground as of December 31, 2007 and 2006, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Search for Common Ground's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Search for Common Ground, as of December 31, 2007 and 2006 and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2008 on our consideration of Search for Common Ground's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

June 27, 2008

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

SEARCH FOR COMMON GROUND
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2007 AND 2006

ASSETS	2007	2006
CURRENT ASSETS		
Cash	\$ 1,736,540	\$ 1,160,777
Grants receivable (Note 5)	17,571,234	11,766,817
Pledges receivable	293,604	274,750
Other receivables	97,704	13,207
Field staff advances	248,510	-
Prepaid expenses	29,805	65,361
Total current assets	19,977,397	13,280,912
FURNITURE AND EQUIPMENT		
Furniture and equipment	435,732	272,614
Less: Accumulated depreciation and amortization	(267,209)	(187,783)
Net furniture and equipment	168,523	84,831
OTHER ASSETS		
Deposit	30,000	31,500
TOTAL ASSETS	\$20,175,920	\$13,397,243
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable (Note 7)	\$ 1,000,000	\$ 1,000,000
Accounts payable	195,241	392,411
Refundable advance	48,982	-
Other accrued expenses (Note 4)	824,249	1,022,702
Total current liabilities	2,068,472	2,415,113
NET ASSETS		
Unrestricted (Note 6):		
Board designated for reserve	351,966	78,553
Total unrestricted	351,966	78,553
Temporarily restricted (Note 3)	17,755,482	10,903,577
Total net assets	18,107,448	10,982,130
TOTAL LIABILITIES AND NET ASSETS	\$20,175,920	\$13,397,243

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grant revenue	\$ -	\$ 23,822,284	\$23,822,284
Donations and contributions	680,912	-	680,912
Interest	13,729	-	13,729
Other	140,277	-	140,277
Net assets released from restrictions - satisfaction of donor-imposed restrictions (Note 3)	16,970,379	(16,970,379)	-
Total revenue and support	<u>17,805,297</u>	<u>6,851,905</u>	<u>24,657,202</u>
EXPENSES			
Program Services	17,092,254	-	17,092,254
Fundraising	437,319	-	437,319
Management and General	2,311	-	2,311
Total expenses	<u>17,531,884</u>	<u>-</u>	<u>17,531,884</u>
Changes in net assets	273,413	6,851,905	7,125,318
Net assets at beginning of year	<u>78,553</u>	<u>10,903,577</u>	<u>10,982,130</u>
NET ASSETS AT END OF YEAR	<u>\$ 351,966</u>	<u>\$ 17,755,482</u>	<u>\$18,107,448</u>

See accompanying notes to financial statements.

2006		
Unrestricted	Temporarily Restricted	Total
\$ 712,105	\$ 18,007,593	\$ 18,719,698
1,395,517	-	1,395,517
12,983	-	12,983
158,337	-	158,337
<u>13,987,691</u>	<u>(13,987,691)</u>	<u>-</u>
<u>16,266,633</u>	<u>4,019,902</u>	<u>20,286,535</u>
15,821,173	-	15,821,173
348,547	-	348,547
359,979	-	359,979
<u>16,529,699</u>	<u>-</u>	<u>16,529,699</u>
(263,066)	4,019,902	3,756,836
<u>341,619</u>	<u>6,883,675</u>	<u>7,225,294</u>
<u>\$ 78,553</u>	<u>\$ 10,903,577</u>	<u>\$ 10,982,130</u>

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Program Services					
	Angola	Burundi	Chad	Congo	Guinea	Indonesia
Salaries and benefits	\$ 298,001	\$ 306,739	\$ 1,875	\$ 472,978	\$ 77,189	\$ 32
Consultants and professional services	10,979	26,695	-	180,597	396	-
Passthroughs and subgrants	9,900	-	-	36,046	-	-
Telephone/internet	13,996	28,642	190	55,786	6,402	-
Office expense	29,214	30,250	3,169	114,039	12,376	-
Miscellaneous	445	61,148	-	(71,818)	6,503	(479)
Bank charges and other fees	10,893	197	131	10,413	3,787	(27)
Printing	-	794	-	32,287	279	-
Postage and delivery	1,011	805	-	11,318	167	-
Travel	75,851	40,358	14,764	68,999	9,136	69
Conferences and meetings	20,554	334	-	98,415	1,043	-
Research and development	63,476	4,311	-	103,496	6,911	-
TV/video/radio production	24,362	37,303	-	454,503	38,644	-
Depreciation and amortization	-	-	-	-	-	-
Rent (Note 2)	101,733	30,326	-	122,741	7,485	-
Equipment	26,590	575	-	102,943	16,547	-
Education and seminar	139,102	114,114	1,652	102,569	7,262	-
Auto expense	39,240	42,226	1,514	77,077	15,700	-
Dues and subscriptions	-	-	-	20	31	-
Subtotal	865,347	724,817	23,295	1,972,409	209,858	(405)
Overhead Allocation	263,089	184,805	8,354	550,758	50,379	-
TOTAL	\$ 1,128,436	\$ 909,622	\$ 31,649	\$ 2,523,167	\$ 260,237	\$ (405)

See accompanying notes to financial statements.

<u>Iran</u>	<u>Ivory Coast</u>	<u>Liberia</u>	<u>Macedonia</u>	<u>Mid East</u>	<u>Morocco</u>	<u>Nepal</u>	<u>Sierra Leone</u>
\$ 54,140	\$ 70,186	\$ 288,259	\$ 72,565	\$ 225,044	\$ 83,321	\$ 89,066	\$ 517,631
16,648	20,545	36,422	3,860	571,383	31,288	13,151	78,060
-	-	-	4,224	49,037	-	-	26,000
373	13,160	13,630	2,612	24,792	5,226	4,460	30,745
-	6,834	43,092	2,357	17,772	14,975	8,904	134,777
659	10,801	74,544	91	8,581	3,496	4,108	449,607
-	1,078	9,766	3,540	1,354	3,008	2,695	6,176
66	1,710	1,284	211	-	7,193	1,070	8,282
109	780	7,370	81	888	402	1,574	1,634
17,049	47,102	54,709	3,838	28,695	94,886	18,871	173,714
6,695	51	15,681	1,401	20,242	4,318	308	7,800
-	62,507	9,154	6,661	10,000	2,189	772	63,442
-	18,994	99,581	57,181	227,201	1,993	14,038	701,476
-	-	-	-	-	-	-	-
-	5,029	11,067	3,558	34,516	4,533	2,456	70,012
-	2,848	26,883	-	1,288	3,025	15,489	89,136
1,529	4,608	2,434	312	1,407	69,554	16,861	132,840
-	8,599	135,658	82	430	598	-	415,390
-	-	284	-	432	73	-	-
97,268	274,832	829,818	162,574	1,223,062	330,078	193,823	2,906,722
21,332	48,596	243,669	3,680	277,075	57,078	18,779	883,103
\$ 118,600	\$ 323,428	\$ 1,073,487	\$ 166,254	\$ 1,500,137	\$ 387,156	\$ 212,602	\$ 3,789,825

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Services (Continued)					
	Syria	Ukraine	United States	Children and Youth	Partners in Humanity	Common Ground Production
Salaries and benefits	\$ 27,761	\$ 5,323	\$ 251,943	\$ 160,969	\$ 222,381	\$ 311,464
Consultants and professional services	-	13,348	18,966	63,684	62,983	551,693
Passthroughs and subgrants	-	-	-	-	-	301,245
Telephone/internet	-	745	2,585	5,448	3,849	24,590
Office expense	-	5,935	96	7,911	1,330	132,415
Miscellaneous	-	49,677	296	16,598	177	17,532
Bank charges and other fees	-	(767)	-	87	55	1,728
Printing	-	4,065	(18)	1,382	2	136
Postage and delivery	-	15	853	564	161	8,417
Travel	23,011	19,889	10,671	95,264	9,034	87,357
Conferences and meetings	-	-	673	7,260	179	2,526
Research and development	-	794	88	78,800	-	33,416
TV/video/radio production	-	-	-	18,864	11	799,745
Depreciation and amortization	-	-	-	-	-	-
Rent (Note 2)	-	-	-	-	-	89,083
Equipment	-	2,246	-	1,822	-	25,221
Education and seminar	-	2,063	-	29,658	70	8,871
Auto expense	-	-	2,560	1,851	-	14,656
Dues and subscriptions	-	-	-	361	1,277	1,585
Subtotal	50,772	103,333	288,713	490,523	301,509	2,411,680
Overhead Allocation	9,701	-	71,659	85,766	74,955	533,955
TOTAL	\$ 60,473	\$ 103,333	\$ 360,372	\$ 576,289	\$ 376,464	\$ 2,945,635

See accompanying notes to financial statements.

Other	Total Program Services	Supporting Services			Total
		Fundraising	Management and General	Total Supporting Services	
\$ 55,258	\$ 3,592,125	\$ 331,542	\$ 1,463,287	\$ 1,794,829	\$ 5,386,954
	-				
123,257	1,823,955	12,826	630,514	643,340	2,467,295
-	426,452	-	20,000	20,000	446,452
535	237,766	5,775	86,483	92,258	330,024
680	566,126	2,407	324,441	326,848	892,974
1,756	633,722	7,734	153,928	161,662	795,384
-	54,114	842	(3,324)	(2,482)	51,632
-	58,743	8,710	62,154	70,864	129,607
167	36,316	2,518	9,735	12,253	48,569
51,373	944,640	29,430	126,013	155,443	1,100,083
7,168	194,648	23,981	43,931	67,912	262,560
-	446,017	3,906	1,022	4,928	450,945
-	2,493,896	1,692	811	2,503	2,496,399
-	-	-	79,426	79,426	79,426
-	482,539	-	304,468	304,468	787,007
-	314,613	11	5,938	5,949	320,562
5,299	640,205	568	69,971	70,539	710,744
-	755,581	4,486	5,140	9,626	765,207
-	4,063	891	5,106	5,997	10,060
245,493	13,705,521	437,319	3,389,044	3,826,363	17,531,884
-	3,386,733	-	(3,386,733)	(3,386,733)	-
\$ 245,493	\$ 17,092,254	\$ 437,319	\$ 2,311	\$ 439,630	\$ 17,531,884

SEARCH FOR COMMON GROUND

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Services					
	Angola	Burundi	Congo	Guinea	Indonesia	Iran
Salaries and benefits	\$ 213,023	\$ 417,312	\$ 330,716	\$ 8,099	\$ 39,736	\$ 66,257
Consultants and professional services	200	54,795	158,813	8,721	4,161	15,000
Passthroughs and subgrants	168	9	8,136	515	-	36
Telephone/internet	15,351	101,479	47,495	2,188	1,871	1,041
Office expense	32,127	35,932	66,613	4,217	4,396	1,916
Miscellaneous	76,985	(29,685)	44,162	(32,072)	135,797	96
Bank charges and other fees	6,534	1,346	14,193	1,222	30	65
Printing	66	3,454	72,960	83	162	46
Postage and delivery	3,908	258	30,171	58	1,007	500
Travel	47,308	92,909	101,659	8,698	10,426	29,343
Conferences and meetings	13,284	7,769	11,504	275	204	4,175
Research and development	17,109	150	10,848	-	-	-
TV/video/radio production	24,090	40,409	165,220	3,867	-	-
Depreciation	-	-	-	-	-	-
Rent (Note 2)	62,037	99,068	94,725	2,855	260	-
Equipment	24,760	16,089	59,110	12,365	-	-
Education and seminar	35,442	100,855	43,305	51	-	994
Auto expense	50,314	132,515	37,875	15,165	-	-
Dues and subscriptions	-	-	35	18	214	-
	622,706	1,074,664	1,297,540	36,325	198,264	119,469
Subtotal						
Overhead Allocation	172,151	378,659	413,110	20,721	15,547	29,712
TOTAL	\$ 794,857	\$ 1,453,323	\$ 1,710,650	\$ 57,046	\$ 213,811	\$ 149,181

See accompanying notes to financial statements.

Ivory Coast	Liberia	Macedonia	Mid East	Morocco	Nepal	Sierra Leone	Ukraine
\$ 66,255	\$ 291,754	\$ 260,173	\$ 321,694	\$ 46,400	\$ -	\$ 455,026	\$ -
8,465	26,663	17,752	1,096,426	10,839	291	17,045	-
-	-	13	114,612	6,155	-	97,074	-
6,891	16,053	12,537	28,378	5,290	16	39,784	-
1,977	43,030	16,001	12,793	7,199	-	88,722	-
(22,012)	25,013	27,095	39,479	29,164	58	49,508	46,120
(578)	(4,735)	24,088	3,530	(108)	-	2,599	-
119	3,557	29,101	901	29	-	1,940	-
345	4,036	1,374	1,123	847	-	3,312	-
15,925	79,840	19,944	53,515	25,966	1,888	88,572	-
1,335	20,213	5,080	27,564	5,357	-	4,034	-
9,536	50,801	14,545	5,000	687	-	92,819	-
4,982	107,742	8,197	-	-	-	114,491	-
-	-	-	-	-	-	-	-
(552)	29,005	28,788	47,660	5,365	-	55,280	-
2,665	24,764	4,110	118,965	634	-	92,474	-
15,459	(4,973)	4,141	428	12,328	21	25,943	-
7,952	117,535	4,727	4,183	921	35	210,789	-
-	558	-	595	35	-	392	-
118,764	830,856	477,666	1,876,846	157,108	2,309	1,439,804	46,120
46,905	283,732	112,195	493,338	39,687	560	440,364	-
\$ 165,669	\$ 1,114,588	\$ 589,861	\$ 2,370,184	\$ 196,795	\$ 2,869	\$ 1,880,168	\$ 46,120

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Services (Continued)				
	United States	Children and Youth	Partners in Humanity	Common Ground Production	Total Program Services
Salaries and benefits	\$ 593,656	\$ 72,536	\$ 167,593	\$ 634,463	\$ 3,984,693
Consultants and professional services	73,457	21,861	121,939	446,330	2,082,758
Passthroughs and subgrants	192,428	25,998	696	443,258	889,098
Telephone/internet	8,331	9,949	870	68,928	366,452
Office expense	1,388	6,974	503	245,207	568,995
Miscellaneous	(190)	4,687	196	97,906	492,307
Bank charges and other fees	27	169	3,139	(17,908)	33,613
Printing	6,516	1,291	8,042	9,235	137,502
Postage and delivery	1,849	477	287	17,220	66,772
Travel	40,798	122,681	35,521	137,018	912,011
Conferences and meetings	9,984	8,274	4,176	848	124,076
Research and development	14	-	-	109,558	311,067
TV/video/radio production	-	-	-	82,676	551,674
Depreciation	-	-	-	-	-
Rent (Note 2)	20,000	-	-	75,134	519,625
Equipment	895	1,842	2,013	141,585	502,271
Education and seminar	1,018	6,209	443	10,246	251,910
Auto expense	-	94	-	49,921	632,026
Dues and subscriptions	605	-	832	7,192	10,476
	950,776	283,042	346,250	2,558,817	12,437,326
Subtotal					
Overhead Allocation	236,363	62,375	89,318	549,110	3,383,847
	236,363	62,375	89,318	549,110	3,383,847
TOTAL	\$ 1,187,139	\$ 345,417	\$ 435,568	\$ 3,107,927	\$ 15,821,173

See accompanying notes to financial statements.

Supporting Services			
Fundraising	Management and General	Total Supporting Services	Total
\$ 282,733	\$ 1,501,066	\$ 1,783,799	\$ 5,768,492
2,154	406,061	408,215	2,490,973
-	430,000	430,000	1,319,098
2,460	80,341	82,801	449,253
1,185	384,829	386,014	955,009
1,116	4,338	5,454	497,761
-	101,728	101,728	135,341
3,704	19,776	23,480	160,982
3,968	40,210	44,178	110,950
38,657	245,167	283,824	1,195,835
10,609	16,490	27,099	151,175
36	283	319	311,386
-	(576)	(576)	551,098
-	53,773	53,773	53,773
-	342,051	342,051	861,676
27	30,996	31,023	533,294
488	79,888	80,376	332,286
-	3,841	3,841	635,867
1,410	3,564	4,974	15,450
348,547	3,743,826	4,092,373	16,529,699
-	(3,383,847)	(3,383,847)	-
\$ 348,547	\$ 359,979	\$ 708,526	\$ 16,529,699

SEARCH FOR COMMON GROUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 7,125,318	\$ 3,756,836
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	64,656	53,773
Amortization	14,770	-
(Increase) decrease in:		
Grants receivable	(5,804,417)	(4,869,593)
Pledges receivable	(18,854)	(29,842)
Other receivables	(333,007)	42,588
Prepaid expenses	35,556	(35,490)
Deposit	1,500	1,000
Increase (decrease) in:		
Accounts payable	(197,170)	21,844
Refundable advance	48,982	
Other accrued expenses	(198,453)	402,433
Net cash provided (used) by operating activities	738,881	(656,451)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(163,118)	(25,574)
Net cash used by investing activities	(163,118)	(25,574)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	1,000,000
Net cash provided by financing activities	-	1,000,000
Net increase in cash	575,763	317,975
Cash at beginning of year	1,160,777	842,802
CASH AT END OF YEAR	\$ 1,736,540	\$ 1,160,777

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Search for Common Ground (the Organization) is an independent, nonprofit organization dedicated to finding workable solutions to divisive national and international problems. The Organization's programs aim to channel conflict toward constructive outcomes in order to build a more secure and peaceful world.

Basis of presentation -

The accompanying financial statements have been prepared on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations".

Combined financial statements -

The accompanying financial statements represent the activity of Search for Common Ground only. The financial statements of the organization have been combined with the European Centre for Common Ground in accordance with Statement of Position (SOP) No. 94-3, "Reporting of Related Entities by Not-for-Profit Organizations."

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, the Organization maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Furniture and equipment -

Furniture and equipment purchased with a cost of \$5,000 or more are capitalized and shown on the statement of financial position. Furniture and equipment are depreciated on the straight-line method over the estimated useful lives of the related assets, generally five to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

Net asset classification -

The net assets of the Organization are reported in two self-balancing groups as follows:

- **Unrestricted net assets** represent the portion of expendable funds that are available for the general support of the Organization's operations.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Net asset classification (continued) -

- **Temporarily restricted net assets** represent amounts that are specifically restricted by donors or grantors for various programs or for future periods.

Grants and donations -

The Organization reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When a stipulated restriction ends or is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. If the donor stipulation is met in the same reporting period in which the contribution is recorded, the Organization reports the contribution as unrestricted.

Use of estimates -

The preparation of financial statements in conformity 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications -

Certain reclassifications have been made to the prior year financial statements in order to conform to the classifications used for the current year.

2. LEASE COMMITMENT

On November 13, 2002, the Organization entered into a five year non-cancelable operating lease for general office space. The lease agreement commenced on April 1, 2003 and was renewed on March 31, 2008 for seven more years. Rent payments are subject to a yearly increase based on the Consumer Price Index or 5%, whichever is greater and all other lease terms and conditions remain the same. In November 2006, the Organization entered into an agreement with the owner of the building to transfer the subleases to the owner of the building. The rent has been reduced to \$27,322 per month.

SEARCH FOR COMMON GROUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

2. LEASE COMMITMENT (Continued)

At December 31, 2007, the future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2008	\$ 345,668
2009	364,785
2010	383,024
2011	402,172
2012	422,271
Thereafter	<u>1,026,699</u>
	<u>\$2,944,619</u>

Rental expense, including short term lease agreements for overseas offices and housing amounted to approximately \$787,007 and \$861,676 for the years ended December 31, 2007 and 2006, respectively.

3. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2007 temporarily restricted net assets consisted of the following:

Time restriction	\$ 216,905
Middle East	1,313,709
Burundi	731,365
Chad	12,021
Congo	5,432,068
Iran	207,828
Liberia	1,192,934
Sierra Leone	1,231,892
Morocco	862,718
Macedonia	911,495
Ivory Coast	27,033
Guinea	205,337
Syria	44,502
Ukraine	62,662
United States	75,550
CGP Productions	2,040,977
Angola	364,833
Nepal	521,944
Children and Youth	297,162
Partners in Humanity	677,554
Other Programs	<u>1,324,993</u>
TOTAL TEMPORARILY RESTRICTED	<u>\$17,755,482</u>

SEARCH FOR COMMON GROUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

3. TEMPORARILY RESTRICTED NET ASSETS (Continued)

At December 31, 2006, temporarily restricted net assets consisted of the following:

Time restriction	\$ 69,205
Middle East	699,861
Burundi	252,308
Congo	2,260,650
Iran	46,720
Liberia	1,212,161
Sierra Leone	3,867,049
Morocco	393,403
Macedonia	68,096
Ivory Coast	148,395
Guinea	27,001
CGP Productions	605,458
Angola	778,483
Nepal	53,637
Other Programs	421,150
	<hr/>
TOTAL TEMPORARILY RESTRICTED	<u>\$10,903,577</u>

At December 31, 2007, the following is the summary of net assets that were released from donor restrictions by incurring expenses which satisfied the donor-imposed restrictions:

Time restriction	\$ 102,792
Angola	1,072,253
Middle East	1,506,567
Burundi	404,438
Chad	31,649
CGP Productions	2,683,120
Congo	2,587,698
Iran	99,057
Liberia	1,021,398
Morocco	378,980
Macedonia	237,756
Indonesia	379
Ivory Coast	329,492
Sierra Leone	3,731,564
Syria	60,474
Ukraine	69,276
United States	350,337
Guinea	253,853
Nepal	184,710
Children and Youth	582,127
Partners in Humanity	378,183
Other Programs	904,276
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TOTAL RELEASED FROM RESTRICTIONS	<u>\$16,970,379</u>

SEARCH FOR COMMON GROUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

3. TEMPORARILY RESTRICTED NET ASSETS (Continued)

At December 31, 2006, the following is the summary of net assets that were released from donor restrictions by incurring expenses which satisfied the donor-imposed restrictions:

Time restriction	\$ 61,245
Search USA	315,900
Angola	677,092
Middle East	1,958,565
Burundi	1,619,148
CGP Productions	3,251,757
Congo	1,495,865
Iran	147,157
Liberia	1,069,963
Morocco	175,745
Macedonia	379,778
Indonesia	76,909
Ivory Coast	181,949
Sierra Leone	1,773,474
Guinea	70,260
Other Programs	<u>732,884</u>
TOTAL RELEASED FROM RESTRICTIONS	<u><u>\$13,987,691</u></u>

4. DUE TO RELATED PARTY

Included in other accrued expenses are amounts due to the European Centre for Common Ground, a related entity. As of December 31, 2007 and 2006, the total amounts due are approximately \$715,019 and \$799,224, respectively.

5. CONCENTRATION OF CREDIT RISK

A substantial portion of the Organization's grant receivable is due from various governments. These governments reserve the right to terminate or suspend their grants should they determine that such assistance is not to their best interest.

6. UNRESTRICTED NET ASSETS

During 1998, the Organization established a cash reserve fund. This fund was established as an emergency reserve for future cash needs should grant revenue not be sufficient to cover current and future operating needs. The Organization had a total of \$351,966 and \$78,553 in board designated net assets as of December 31, 2007 and 2006, respectively.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

7. NOTE PAYABLE

During 2007, the Organization paid off the old line of credit. A new revolving loan with a total credit line of \$2,000,000 from a local financial institution was opened December 2007. Search for Common Ground may borrow, repay and re-borrow until July 31, 2008, in to which this note may be extended or renewed by the financial institution. The rate of interest shall be equal to the index plus 2.00% per annum. As of December 31, 2007 and 2006, respectively, the Organization owed \$1,000,000 and \$1,000,000.

8. CONTINGENCY

The grants Search for Common Ground receives from the United States government are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the federal grants is based upon the allowance of costs reported to and accepted by the U.S. government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2007. Until such audits have been accepted by the U.S. government, there exists a contingency to refund an amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.