

FINANCIAL STATEMENTS

SEARCH FOR COMMON GROUND

**FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007**

SEARCH FOR COMMON GROUND

CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statements of Financial Position, as of December 31, 2008 and 2007	3
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2008 and 2007	4 - 5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2008	6 - 9
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2007	10 - 13
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2008 and 2007	14
NOTES TO FINANCIAL STATEMENTS	15 - 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 (the Organization) as of December 31, 2008 and 2007, 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 the Organization'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 the Organization, as of December 31, 2008 and 2007 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 26, 2009 on our consideration of the Organization'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 the Organization's 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.

Gelman Rosenberg & Freedman

June 26, 2009

4550 MONTGOMERY AVENUE, SUITE 650 NORTH, BETHESDA, MARYLAND 20814
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRF CPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
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, 2008 AND 2007

ASSETS	2008	2007
CURRENT ASSETS		
Cash	\$ 869,312	\$ 1,736,540
Grants receivable	18,689,469	17,571,234
Pledges receivable	173,710	293,604
Other receivables (Note 5)	719,177	97,704
Field staff advances	96,079	248,510
Prepaid expenses	84,423	29,805
Total current assets	20,632,170	19,977,397
FURNITURE AND EQUIPMENT		
Furniture and equipment	829,458	435,732
Less: Accumulated depreciation and amortization	(407,819)	(267,209)
Net furniture and equipment	421,639	168,523
OTHER ASSETS		
Deposit	30,000	30,000
TOTAL ASSETS	\$21,083,809	\$20,175,920
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable (Note 8)	\$ -	\$ 1,000,000
Accounts payable	1,310,678	195,241
Refundable advance	7,759	48,982
Other accrued expenses (Note 5)	145,621	824,249
Total current liabilities	1,464,058	2,068,472
NET ASSETS		
Unrestricted (Note 7):		
Board designated for reserve	351,966	351,966
Undesignated	51,816	-
Temporarily restricted (Note 3)	19,210,468	17,755,482
Permanently restricted (Note 4)	5,501	-
Total net assets	19,619,751	18,107,448
TOTAL LIABILITIES AND NET ASSETS	\$21,083,809	\$20,175,920

SEARCH FOR COMMON GROUND

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND SUPPORT				
Grant revenue	\$ -	\$ 20,312,040	\$ -	\$20,312,040
Donations and contributions	1,102,341	-	5,501	1,107,842
Interest	-	-	-	-
Other	378,061	-	-	378,061
In-kind contributions	25,598	-	-	25,598
Net assets released from restrictions - satisfaction of donor-imposed restrictions (Note 3)	18,857,054	(18,857,054)	-	-
Total revenue and support	<u>20,363,054</u>	<u>1,454,986</u>	<u>5,501</u>	<u>21,823,541</u>
EXPENSES				
Program Services	18,798,312	-	-	18,798,312
Fundraising	124,315	-	-	124,315
Management and General	1,388,611	-	-	1,388,611
Total expenses	<u>20,311,238</u>	<u>-</u>	<u>-</u>	<u>20,311,238</u>
Changes in net assets	51,816	1,454,986	5,501	1,512,303
Net assets at beginning of year	351,966	17,755,482	-	18,107,448
NET ASSETS AT END OF YEAR	<u>\$ 403,782</u>	<u>\$ 19,210,468</u>	<u>\$ 5,501</u>	<u>\$19,619,751</u>

2007			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 23,822,284	\$ -	\$23,822,284
680,912	-	-	680,912
13,729	-	-	13,729
140,277	-	-	140,277
-	-	-	-
<u>16,970,379</u>	<u>(16,970,379)</u>	<u>-</u>	<u>-</u>
<u>17,805,297</u>	<u>6,851,905</u>	<u>-</u>	<u>24,657,202</u>
17,092,254	-	-	17,092,254
437,319	-	-	437,319
2,311	-	-	2,311
<u>17,531,884</u>	<u>-</u>	<u>-</u>	<u>17,531,884</u>
273,413	6,851,905	-	7,125,318
78,553	10,903,577	-	10,982,130
<u>\$ 351,966</u>	<u>\$ 17,755,482</u>	<u>\$ -</u>	<u>\$18,107,448</u>

SEARCH FOR COMMON GROUND

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2008

	Angola	Burundi	Chad	Congo	Guinea	Indonesia	Iran	Ivory Coast
Salaries and benefits (Note 9)	\$ 385,498	\$ 104,231	\$ 2,417	\$ 670,043	\$ 96,247	\$ 104,807	\$ 68,990	\$ 28,085
Consultants and professional services	21,009	-	3,500	129,213	-	14,307	-	2,232
Passthroughs and subgrants	149,916	6,314	-	32,610	-	-	-	-
Telephone/internet	28,444	12,537	1,511	68,096	4,110	7,187	774	1,901
Office expense	66,832	46	137	46,195	10,157	7,036	3,200	4,361
Miscellaneous	4,030	-	-	48,334	3	-	88	1,212
Bank charges and other fees	9,421	81,814	523	22,619	2,647	411	35	729
Printing	244	-	-	14,928	-	100	101	-
Postage and delivery	297	-	-	612	872	270	445	239
Travel	78,871	29,053	500	23,800	6,565	34,599	58,526	25,364
Conferences and meetings	14,427	-	-	58,313	42	1,014	264	2,423
Research and development	31,367	34,047	-	394,503	2,494	-	167	7,048
TV/video/radio production	30,675	10,603	-	1,132,270	76,823	25,221	-	6,583
Depreciation and amortization	-	-	-	-	-	-	-	-
Rent (Note 2)	198,479	33,327	-	195,530	8,374	18,910	-	3,450
Equipment	3,654	4,560	-	18,190	3,391	4,600	-	106
Education and seminar	239,765	16,881	92	191,939	4,234	-	-	2,527
Auto expense	9,992	43,228	283	145,297	10,406	-	-	3,798
Dues and subscriptions	46	-	-	300	-	-	51	-
Subtotal	1,272,967	376,641	8,963	3,192,792	226,365	218,462	132,641	90,058
Overhead Allocation	354,745	125,514	3,060	933,920	54,543	42,373	32,008	12,810
TOTAL	\$ 1,627,712	\$ 502,155	\$ 12,023	\$ 4,126,712	\$ 280,908	\$ 260,835	\$ 164,649	\$ 102,868

See accompanying notes to financial statements.

Program Services

Lebanon	Liberia	Macedonia	Mid East	Morocco	Nepal	Nigeria	Rwanda	Sierra Leone	Sudan
\$ 65,940	\$ 180,471	\$ 69,765	\$ 295,656	\$ 189,593	\$ 234,967	\$ 2,981	\$ -	\$ 359,986	\$ 6,529
4,477	11,875	2,148	-	31,014	13,873	9,075	-	4,844	2,500
-	-	-	-	-	-	-	-	412,609	-
629	12,212	4,738	17,590	10,053	7,036	1,084	-	38,370	2,445
7,788	12,085	1,011	37,288	25,498	45,755	1,148	1,314	76,223	193
-	4,931	-	-	2,464	-	-	-	21,074	-
16,697	6,660	155	496	2,319	-	746	-	-	165
-	949	-	1,341	25,083	498	-	-	6,181	-
48	9,636	-	-	166	-	-	-	441	-
5,045	190,787	21,456	7,482	40,496	84,413	15,228	2,246	69,443	26,564
-	23,034	-	-	-	6,065	1,127	446	1,810	-
15,000	16,070	4,471	-	20,712	19,529	-	2,448	18,657	-
135,547	193,200	252,514	326,049	9,414	99,694	-	-	208,570	-
-	-	-	-	-	-	-	-	-	-
12,639	15,074	5,084	80,678	2,037	16,913	2,418	-	54,542	-
-	24,277	-	516,647	8,677	22,335	-	-	-	-
-	4,844	-	9,795	85,026	41,353	-	-	47,731	523
-	83,858	2,308	-	-	-	8,157	-	91,976	-
10	-	-	200	-	-	-	-	1,068	-
263,820	789,963	363,650	1,293,222	452,552	592,431	41,964	6,454	1,413,525	38,919
62,447	212,195	80,222	365,866	97,776	101,232	6,534	2,595	204,612	9,729
\$ 326,267	\$ 1,002,158	\$ 443,872	\$ 1,659,088	\$ 550,328	\$ 693,663	\$ 48,498	\$ 9,049	\$ 1,618,137	\$ 48,648

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Services (Continued)					
	Syria	Ukraine	United States	Children and Youth	Partners in Humanity	Common Ground Production
Salaries and benefits (Note 9)	\$ 14,347	\$ 9,332	\$ 207,887	\$ 205,731	\$ 312,440	\$ 377,878
Consultants and professional services	8,750	15,332	7,941	41,271	118,092	59,953
Passthroughs and subgrants	-	-	-	232,553	-	1,198,003
Telephone/internet	43	1,039	1,983	2,439	5,788	47,321
Office expense	-	8,045	14,641	7,078	9,747	48,603
Miscellaneous	294	19,752	-	15,759	6,091	-
Bank charges and other fees	5,194	8,126	-	41	12,504	53,766
Printing	96	-	-	5,303	106	96
Postage and delivery	-	-	1,245	1,335	150	700
Travel	67,163	350	9,375	82,860	94,138	69,323
Conferences and meetings	-	-	16,247	4,945	2,560	26,982
Research and development	-	-	-	1,915	-	190,830
TV/video/radio production	-	-	-	-	11	78,111
Depreciation and amortization	-	-	-	-	-	-
Rent (Note 2)	-	4,107	-	-	-	26,032
Equipment	-	-	-	2,530	-	33,814
Education and seminar	-	1,290	-	8,638	-	12,083
Auto expense	38,698	-	251	-	-	-
Dues and subscriptions	-	-	-	1,062	1,729	51
	134,585	67,373	259,570	613,460	563,356	2,223,546
Subtotal						
Overhead Allocation	31,445	-	64,925	129,278	138,683	304,225
	\$ 166,030	\$ 67,373	\$ 324,495	\$ 742,738	\$ 702,039	\$ 2,527,771
TOTAL						

		Supporting Services				
Other	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total	
\$ 59,261	\$ 4,053,082	\$ 99,185	\$ 2,567,353	\$ 2,666,538	\$ 6,719,620	
63,238	564,644	7,526	359,718	367,244	931,888	
-	2,032,005	-	-	-	2,032,005	
82	277,412	847	147,729	148,576	425,988	
1,210	435,591	104	298,635	298,739	734,330	
588,732	712,764	1,158	300,190	301,348	1,014,112	
-	225,068	97	68,522	68,619	293,687	
66	55,092	199	29,875	30,074	85,166	
-	16,456	364	14,850	15,214	31,670	
36,854	1,080,501	11,585	274,289	285,874	1,366,375	
213	159,912	3,155	21,074	24,229	184,141	
-	759,258	-	3,196	3,196	762,454	
-	2,585,285	-	10,654	10,654	2,595,939	
-	-	-	140,610	140,610	140,610	
-	677,594	-	355,569	355,569	1,033,163	
-	642,781	56	40,020	40,076	682,857	
-	666,721	39	160,453	160,492	827,213	
-	438,252	-	4,117	4,117	442,369	
-	4,517	-	3,134	3,134	7,651	
749,656	15,386,935	124,315	4,799,988	4,924,303	20,311,238	
40,640	3,411,377	-	(3,411,377)	(3,411,377)	-	
\$ 790,296	\$ 18,798,312	\$ 124,315	\$ 1,388,611	\$ 1,512,926	\$ 20,311,238	

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 (Note 9)	\$ 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)

	Iran	Ivory Coast	Liberia	Macedonia	Mid East	Morocco	Nepal	Sierra Leone
\$	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

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 (Note 9)	\$ 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.

Supporting Services						
Other	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total	
\$ 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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,512,303	\$ 7,125,318
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	110,240	64,656
Amortization	30,370	14,770
(Increase) decrease in:		
Grants receivable	(1,118,235)	(5,804,417)
Pledges receivable	119,894	(18,854)
Other receivables	(469,042)	(333,007)
Prepaid expenses	(54,618)	35,556
Deposit	-	1,500
Increase (decrease) in:		
Accounts payable	1,115,437	(197,170)
Refundable advance	(41,223)	48,982
Other accrued expenses	(678,628)	(198,453)
Net cash provided by operating activities	<u>526,498</u>	<u>738,881</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>(393,726)</u>	<u>(163,118)</u>
Net cash used by investing activities	<u>(393,726)</u>	<u>(163,118)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	2,325,000	-
Repayment of note payable	<u>(3,325,000)</u>	<u>-</u>
Net cash used by financing activities	<u>(1,000,000)</u>	<u>-</u>
Net increase (decrease) in cash	(867,228)	575,763
Cash at beginning of year	<u>1,736,540</u>	<u>1,160,777</u>
CASH AT END OF YEAR	<u>\$ 869,312</u>	<u>\$ 1,736,540</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 75,316</u>	<u>\$ 73,716</u>

SEARCH FOR COMMON GROUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

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 the Organization 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.

Foreign currency translation -

The dollar ("dollars") is the functional currency for the Organization's operations. Transactions in currencies other than U.S. dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the date of the Statements of Financial Position.

Investments -

Investments are recorded at market value. Unrealized gains and losses are included in investment income in the Statements of Activities and Changes in Net Assets.

Furniture and equipment -

Fixed assets purchased with a cost of \$5,000 or more are capitalized and shown on the Statements of Financial Position. Fixed assets 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.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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

Uncertain tax positions -

In June 2008, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As deferred by the guidance in FSP FIN 48-3, the Organization is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, the Organization has not implemented those provisions in the 2008 financial statements.

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, the Organization continues to utilize its prior policy of accounting for these positions, following the guidance in SFAS No. 5, *Accounting for Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of December 31, 2008, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets of the Organization are reported in three 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.
- **Temporarily restricted net assets** represent amounts that are specifically restricted by donors or grantors for various programs or for future periods.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Organization.

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.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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

Functional allocation of expenses-

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes 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.

Fair value measurements -

The Organization adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, entitled Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organization accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

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.

At December 31, 2008, the future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2009	\$ 364,785
2010	383,024
2011	402,172
2012	422,271
2013	443,376
Thereafter	583,323
	<u><u>\$2,598,951</u></u>

Rental expense, including short-term lease agreements for overseas offices and housing, amounted to approximately \$1,033,163 and \$787,007 for the years ended December 31, 2008 and 2007, respectively.

SEARCH FOR COMMON GROUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

3. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2008, temporarily restricted net assets consisted of the following:

Time restriction	\$ 158,163
Middle East	1,531,912
Burundi	961,758
Congo	3,347,154
Iran	236,207
Liberia	314,236
Sierra Leone	11,865
Morocco	516,293
Macedonia	467,623
Ivory Coast	710,507
Guinea	774,487
Syria	171,564
Ukraine	10,289
United States	36,970
CGP Productions	5,748,535
Angola	647,183
Nepal	454,617
Children and Youth	491,623
Partners in Humanity	594,342
Indonesia	178,178
Lebanon	446,880
Nigeria	81,527
Rwanda	482,785
Sudan	60
Other Programs	835,710
	<hr/>
TOTAL TEMPORARILY RESTRICTED	<u>\$19,210,468</u>

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	1,324,993
	<hr/>
TOTAL TEMPORARILY RESTRICTED	<u>\$17,755,482</u>

SEARCH FOR COMMON GROUND

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

3. TEMPORARILY RESTRICTED NET ASSETS (Continued)

The following is the summary of net assets that were released from donor restrictions by incurring expenses which satisfied the donor-imposed restrictions for 2008:

Passage of time	\$ 58,742
Angola	1,627,712
Middle East	1,659,088
Burundi	502,155
Chad	12,023
CGP Productions	2,527,771
Congo	4,126,712
Iran	164,649
Liberia	1,002,158
Morocco	550,328
Macedonia	443,872
Indonesia	260,835
Ivory Coast	102,868
Sierra Leone	1,618,137
Syria	166,030
Ukraine	67,373
United States	324,495
Guinea	280,908
Nepal	693,663
Children and Youth	742,738
Partners in Humanity	702,039
Lebanon	326,267
Nigeria	48,498
Rwanda	9,049
Sudan	48,648
Other Programs	790,296
TOTAL RELEASED FROM RESTRICTIONS	<u>\$18,857,054</u>

The following is the summary of net assets that were released from donor restrictions by incurring expenses which satisfied the donor-imposed restrictions for 2007:

Passage of time	\$ 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
TOTAL RELEASED FROM RESTRICTIONS	<u>\$16,970,379</u>

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

4. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted endowments in which the principal is invested in perpetuity and the income is expendable to support the long-term viability of the Organization. As of December 31, 2008 and 2007, permanently restricted net assets totaled \$5,501.

5. DUE FROM/TO RELATED PARTY

Included in other receivables and accrued expenses as of December 31, 2008 and 2007 are amounts owed from and due to the European Centre for Common Ground, a related entity. As of December 31, 2008, the amount due from the European Centre for Common Ground approximated \$679,300. As of December 31, 2007, the amount due to the Organization approximated \$715,019.

6. 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 in their best interest.

The Organization had approximately \$794,000 and \$768,000 of cash and cash equivalents held at financial institutions in foreign countries at December 31, 2008 and 2007, respectively. The majority of funds invested in foreign countries are uninsured.

7. 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. No contributions were made to this fund in 2008 and 2007, respectively.

8. NOTE PAYABLE

The Organization entered into a commercial note agreement from a local financial institution during the 2007 fiscal year. The original terms of the loan stated that the Organization may borrow, repay, and re-borrow until July 31, 2008, to which this note may be extended or renewed by the financial institution. The Organization renewed the note which extends the borrowing period through July 31, 2009. The rate of interest shall be equal to the index plus 2.00% per annum. As of December 31, 2008 and 2007, the Organization owed \$0 and \$1,000,000, respectively.

9. RETIREMENT PLAN

Effective January 1, 1998, the Organization adopted a 403(b) elective deferral contribution plan. The 403(b) plan provides retirement benefits to participating employees who meet the minimum age and services requirements. Employer plan contributions are made at the discretion of management for a various determined percentage. Contributions to the plan during the years ended December 31, 2008 and December 31, 2007 were \$138,990 and \$117,991, respectively.

SEARCH FOR COMMON GROUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

10. CONTINGENCY

The grants the Organization 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 2008. 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.