

FINANCIAL STATEMENTS

SEARCH FOR COMMON GROUND

**FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

SEARCH FOR COMMON GROUND

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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, 2009 and 2008, 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, 2009 and 2008, 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 22, 2010 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 22, 2010

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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, 2009 AND 2008

ASSETS	2009	2008
CURRENT ASSETS		
Cash and cash equivalents (Note 6)	\$ 2,350,379	\$ 869,312
Grants receivable	20,462,690	18,689,469
Pledges receivable	118,995	173,710
Other receivables (Note 5)	775,431	719,177
Field staff advances	163,577	96,079
Prepaid expenses	109,376	84,423
Total current assets	23,980,448	20,632,170
FURNITURE AND EQUIPMENT		
Furniture and equipment	1,263,121	829,458
Less: Accumulated depreciation and amortization	(657,820)	(407,819)
Net furniture and equipment	605,301	421,639
OTHER ASSETS		
Deposit	30,000	30,000
TOTAL ASSETS	\$ 24,615,749	\$ 21,083,809
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,053,867	\$ 1,310,678
Refundable advance	43,720	7,759
Other accrued expenses (Note 5)	315,467	145,621
Total current liabilities	1,413,054	1,464,058
NET ASSETS		
Unrestricted (Note 7):		
Board-designated for reserve	215,167	351,966
Undesignated	-	51,816
Total unrestricted	215,167	403,782
Temporarily restricted (Note 3)	22,966,527	19,210,468
Permanently restricted (Note 4)	21,001	5,501
Total net assets	23,202,695	19,619,751
TOTAL LIABILITIES AND NET ASSETS	\$ 24,615,749	\$ 21,083,809

SEARCH FOR COMMON GROUND

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND SUPPORT				
Grant revenue	\$ -	\$ 23,428,628	\$ -	\$23,428,628
Contributions	762,859	-	15,500	778,359
Interest	542	-	-	542
Other	89,704	-	-	89,704
In-kind contributions	13,858	-	-	13,858
Net assets released from restrictions - satisfaction of donor-imposed restrictions (Note 3)	-	-	-	-
	<u>19,641,243</u>	<u>(19,641,243)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>20,508,206</u>	<u>3,787,385</u>	<u>15,500</u>	<u>24,311,091</u>
EXPENSES				
Program Services	19,556,490	-	-	19,556,490
Fundraising	118,656	-	-	118,656
Management and General	1,021,675	-	-	1,021,675
	<u>20,696,821</u>	<u>-</u>	<u>-</u>	<u>20,696,821</u>
Changes in net assets before other item	(188,615)	3,787,385	15,500	3,614,270
OTHER ITEM				
De-obligation of funds	-	(31,326)	-	(31,326)
Changes in net assets after other item	(188,615)	3,756,059	15,500	3,582,944
Net assets at beginning of year	<u>403,782</u>	<u>19,210,468</u>	<u>5,501</u>	<u>19,619,751</u>
NET ASSETS AT END OF YEAR	<u>\$ 215,167</u>	<u>\$ 22,966,527</u>	<u>\$ 21,001</u>	<u>\$23,202,695</u>

2008			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 20,312,040	\$ -	\$20,312,040
1,102,341	-	5,501	1,107,842
-	-	-	-
378,061	-	-	378,061
25,598	-	-	25,598
<u>18,857,054</u>	<u>(18,857,054)</u>	<u>-</u>	<u>-</u>
<u>20,363,054</u>	<u>1,454,986</u>	<u>5,501</u>	<u>21,823,541</u>
18,798,312	-	-	18,798,312
124,315	-	-	124,315
1,388,611	-	-	1,388,611
<u>20,311,238</u>	<u>-</u>	<u>-</u>	<u>20,311,238</u>
51,816	1,454,986	5,501	1,512,303
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
51,816	1,454,986	5,501	1,512,303
351,966	17,755,482	-	18,107,448
<u>\$ 403,782</u>	<u>\$ 19,210,468</u>	<u>\$ 5,501</u>	<u>\$19,619,751</u>

SEARCH FOR COMMON GROUND

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2009

Program Services

	<u>Angola</u>	<u>Burundi</u>	<u>Congo</u>	<u>Guinea</u>	<u>Indonesia</u>	<u>Iran</u>	<u>Ivory Coast</u>
Salaries and benefits (Note 9)	\$ 191,483	\$ 144,166	\$ 933,819	\$ 161,283	\$ 233,235	\$ 77,533	\$ 192,520
Consultants and professional services	26,991	35,144	321,883	7,846	115,309	14,000	137,520
Passthroughs and subgrants	1,856	-	28,457	188	3,556	-	48,466
Telephone/internet	11,377	8,349	92,782	13,714	14,452	357	8,989
Office expenses	30,186	38,619	104,659	49,748	-	919	65,101
Miscellaneous	-	-	-	-	-	-	-
Bank charges and other fees	3,475	788	7,284	1,577	1,786	27	702
Printing	10	-	60,373	-	2,260	114	8,029
Postage and delivery	199	-	895	1,530	1,696	133	2,621
Travel	39,748	24,606	109,695	19,525	84,051	48,630	56,152
Conferences and meetings	2,700	-	9,814	2,222	11,076	847	38,189
Research and development	-	-	-	-	-	-	-
TV/video/radio production	29,373	24,246	1,004,496	95,882	45,635	-	21,765
Depreciation and amortization	-	-	-	-	-	-	-
Rent (Note 2)	43,818	8,819	260,970	19,135	22,521	-	40,616
Equipment	3,607	3,674	-	50,587	38,546	-	3,478
Education and seminar	32,218	120,810	260,058	26,234	13,208	75	14,135
Auto expense	7,075	44,701	116,821	19,374	-	-	47,935
Dues and subscriptions	-	-	-	-	170	27	-
Subtotal	424,116	453,922	3,312,006	468,845	587,501	142,662	686,218
Overhead Allocation	115,477	118,218	693,648	126,316	141,970	35,311	158,889
TOTAL	\$ 539,593	\$ 572,140	\$ 4,005,654	\$ 595,161	\$ 729,471	\$ 177,973	\$ 845,107

See accompanying notes to financial statements.

Lebanon	Liberia	Macedonia	Mid East	Morocco	Nepal	Nigeria	Pakistan	Rwanda	Sierra Leone
\$ 118,479	\$ 150,067	\$ 52,682	\$ 441,083	\$ 190,034	\$ 316,122	\$ 25,622	\$ 159	\$ 119,979	\$ 118,667
27,497	10,781	-	128,590	43,142	61,952	11,672	7,929	15,579	-
-	616	-	825,229	13	1,038	-	-	121	1,084
1,387	10,519	6,128	17,692	2,683	8,853	473	259	6,372	7,002
22,680	8,741	11,754	31,490	27,957	31,860	525	-	46,484	13,678
-	-	-	-	-	-	-	-	-	-
135	854	-	1,112	41	790	145	-	2,281	343
-	1,299	-	-	8	538	533	-	-	555
1,914	1,015	-	-	-	1,017	-	-	1,154	-
39,292	89,032	6,308	46,312	53,844	85,401	2,598	5,484	43,937	22,812
1,732	7,044	-	-	-	6,206	1,145	-	705	-
-	-	-	-	-	-	-	-	-	-
79,439	170,695	87,519	11,167	443,619	130,083	-	-	24,347	249,065
-	-	-	-	-	-	-	-	-	-
41,135	9,429	10,224	39,194	3,896	27,157	-	1,304	25,679	-
17,220	10,530	-	4,800	548	9,793	-	-	1,229	-
3,719	-	-	-	107,556	177,646	-	-	15,268	4,968
-	42,656	1,226	-	-	-	638	-	427	24,946
677	-	-	-	-	-	-	-	-	-
355,306	513,278	175,841	1,546,669	873,341	858,456	43,351	15,135	303,562	443,120
88,114	81,187	43,110	466,710	213,006	206,342	6,850	4,268	85,480	47,590
\$ 443,420	\$ 594,465	\$ 218,951	\$ 2,013,379	\$ 1,086,347	\$ 1,064,798	\$ 50,201	\$ 19,403	\$ 389,042	\$ 490,710

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2009

Program Services (Continued)

	Sudan	Syria	Ukraine	United States	Children and Youth	Common Ground Production	General Support	Partners in Humanity
Salaries and benefits (Note 9)	\$ -	\$ 29,267	\$ 7,813	\$ 65,855	\$ 221,053	\$ 464,517	\$ 245,897	\$ 304,952
Consultants and professional services	-	30,000	-	-	-	229,838	25,947	75,148
Pass-throughs and subgrants	-	-	-	-	104,612	1,869,031	-	6,033
Telephone/internet	-	584	-	374	942	138,668	1,584	3,548
Office expenses	(1)	354	70	-	8,384	169,548	493,574	-
Miscellaneous	-	-	-	-	-	-	-	-
Bank charges and other fees	-	-	3	-	5	7,980	-	26
Printing	-	-	-	-	27,072	8,473	-	-
Postage and delivery	-	6	-	630	73	105	599	197
Travel	-	23,319	-	953	45,307	77,440	61,215	20,264
Conferences and meetings	-	-	-	-	452	25,258	12,933	457
Research and development	-	-	-	-	-	-	-	-
TV/video/radio production	-	-	-	-	-	66,978	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-
Rent (Note 2)	-	-	1,000	-	-	70,196	1,186	3,080
Equipment	-	-	203	-	75	25,566	-	-
Education and seminar	-	-	1,200	-	2,817	82,347	1,895	-
Auto expense	-	7,803	-	-	1,835	436	-	-
Dues and subscriptions	-	-	-	-	-	-	170	-
Subtotal	(1)	91,333	10,289	67,812	412,627	3,236,381	845,000	413,705
Overhead Allocation	60	22,833	-	10,620	64,192	352,775	91,331	101,718
TOTAL	\$ 59	\$ 114,166	\$ 10,289	\$ 78,432	\$ 476,819	\$ 3,589,156	\$ 936,331	\$ 515,423

Supporting Services				
Total Program Services	Fundraising	Management and General	Total Supportive Services	Total
\$ 4,806,287	\$ 93,182	\$ 2,838,889	\$ 2,932,071	\$ 7,738,358
1,326,768	2,978	110,433	113,411	1,440,179
2,890,300	-	12,390	12,390	2,902,690
357,088	435	48,070	48,505	405,593
1,156,330	2,285	179,980	182,265	1,338,595
-	-	-	-	-
29,354	347	38,362	38,709	68,063
109,264	48	20,702	20,750	130,014
13,784	350	23,670	24,020	37,804
1,005,925	16,081	243,530	259,611	1,265,536
120,780	2,455	21,241	23,696	144,476
-	-	-	-	-
2,484,309	-	9,488	9,488	2,493,797
-	-	250,001	250,001	250,001
629,359	-	346,819	346,819	976,178
169,856	32	20,129	20,161	190,017
864,154	58	105,123	105,181	969,335
315,873	-	22,623	22,623	338,496
1,044	405	6,240	6,645	7,689
16,280,475	118,656	4,297,690	4,416,346	20,696,821
3,276,015	-	(3,276,015)	(3,276,015)	-
\$ 19,556,490	\$ 118,656	\$ 1,021,675	\$ 1,140,331	\$ 20,696,821

SEARCH FOR COMMON GROUND

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

Program Services

	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.

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

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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 3,582,944	\$ 1,512,303
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	250,001	140,610
(Increase) decrease in:		
Grants receivable	(1,773,221)	(1,118,235)
Pledges receivable	54,715	119,894
Other receivables	(123,752)	(469,042)
Prepaid expenses	(24,953)	(54,618)
Deposit	-	-
Increase (decrease) in:		
Accounts payable	(256,811)	1,115,437
Refundable advance	35,961	(41,223)
Other accrued expenses	169,846	(678,628)
Net cash provided by operating activities	<u>1,914,730</u>	<u>526,498</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>(433,663)</u>	<u>(393,726)</u>
Net cash used by investing activities	<u>(433,663)</u>	<u>(393,726)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	1,200,000	2,325,000
Repayment of note payable	<u>(1,200,000)</u>	<u>(3,325,000)</u>
Net cash used by financing activities	<u>-</u>	<u>(1,000,000)</u>
Net increase (decrease) in cash and cash equivalents	1,481,067	(867,228)
Cash and cash equivalents at beginning of year	<u>869,312</u>	<u>1,736,540</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,350,379</u>	<u>\$ 869,312</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 3,568</u>	<u>\$ 73,716</u>

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Search for Common Ground (the Organization) is an independent, non-profit 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 are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

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 FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the Organization has updated references to GAAP in its financial statements issued for the year ended December 31, 2009. The adoption of FASB ASC 105 did not impact the Organization's financial position or results of operations.

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.

Grant, pledge and other receivables -

Grant, pledge and other receivables approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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

Furniture and equipment -

Fixed assets purchased with a cost of \$5,000 or more are capitalized and shown in 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.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provide guidance for reporting uncertainty in income taxes. For the year ended December 31, 2009, the Organization has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions 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 contributions -

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 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 the 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, 2009 AND 2008

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 FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 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, 2009, the future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2010	\$ 379,103
2011	398,058
2012	417,961
2013	438,859
2014	460,801
2015	116,588
	<u>\$2,211,370</u>

Rental expense, including short-term lease agreements for overseas offices and housing, amounted to \$976,178 and \$1,033,163 for the years ended December 31, 2009 and 2008, respectively.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

3. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2009 and 2008, temporarily restricted net assets consisted of the following:

	<u>2009</u>	<u>2008</u>
Angola	\$ 141,728	\$ 647,183
Burundi	397,232	961,758
CGP Productions	4,847,587	5,748,535
Children and Youth	112,024	491,623
Congo	4,910,387	3,347,154
Guinea	451,278	774,487
Indonesia	1,638,064	178,178
Iran	325,792	236,207
Ivory Coast	1,985,327	710,507
Lebanon	585,296	446,880
Liberia	139,482	314,236
Macedonia	248,671	467,623
Middle East	2,201,586	1,531,912
Morocco	754,698	516,293
Nepal	685,567	454,617
Nigeria	-	81,527
Other Programs	1,062,057	835,710
Pakistan	648,002	-
Partners in Humanity	561,236	594,342
Rwanda	604,016	482,785
Sierra Leone	329,877	11,865
Sudan	-	60
Syria	263,210	171,564
Time restriction	73,410	158,163
Ukraine	-	10,289
United States	-	36,970
TOTAL TEMPORARILY RESTRICTED	<u>\$22,966,527</u>	<u>\$19,210,468</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 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Angola	\$ 539,593	\$ 1,627,712
Burundi	572,140	502,155
CGP Productions	3,589,156	2,527,771
Chad	-	12,023
Children and Youth	476,819	742,738
Congo	4,005,654	4,126,712
Guinea	595,161	280,908
Indonesia	729,471	260,835
Iran	177,973	164,649
Ivory Coast	845,107	102,868
Lebanon	443,420	326,267
Liberia	594,465	1,002,158
Macedonia	218,951	443,872
Middle East	2,013,379	1,659,088
Morocco	1,086,347	550,328
Nepal	1,064,798	693,663
Nigeria	50,201	48,498
Other Programs	936,331	790,296
Pakistan	19,403	-
Partners in Humanity	515,423	702,039
Passage of time	84,753	58,742
Rwanda	389,042	9,049
Sierra Leone	490,710	1,618,137
Sudan	59	48,648
Syria	114,166	166,030
Ukraine	10,289	67,373
United States	78,432	324,495
TOTAL RELEASED FROM RESTRICTIONS	<u>\$19,641,243</u>	<u>\$18,857,054</u>

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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, 2009 and 2008, permanently restricted net assets totaled \$21,001.

5. DUE FROM/TO RELATED PARTY

Included in other receivables and accrued expenses as of December 31, 2009 and 2008 are amounts owed from and due to the European Centre for Common Ground, a related entity. As of December 31, 2009, the amount due from the European Centre for Common Ground approximated \$774,719. As of December 31, 2008, the amount due to the Organization approximated \$679,300.

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 \$924,000 and \$794,000 of cash and cash equivalents held at financial institutions in foreign countries at December 31, 2009 and 2008, 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 2009 and 2008, 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, 2009 and 2008, there was no outstanding balance.

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, 2009 and 2008 totaled \$153,161 and \$138,990, respectively.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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 2009. 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.

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 22, 2010, the date the financial statements were issued.