

**FINANCIAL STATEMENTS**

**SEARCH FOR COMMON GROUND**

**FOR THE YEARS ENDED  
DECEMBER 31, 2010 AND 2009**

# 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 (SFCG) as of December 31, 2010 and 2009, 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 SFCG'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SFCG's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 SFCG as of December 31, 2010 and 2009, 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 September 27, 2011, on our consideration of SFCG'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.

*Gelman Rosenberg & Freedman*

September 27, 2011

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## SEARCH FOR COMMON GROUND

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2010 AND 2009

	<b>ASSETS</b>	
	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 6)	\$ 2,772,862	\$ 2,350,379
Grants receivable	18,578,139	20,462,690
Pledges receivable	84,036	118,995
Other receivables (Note 5)	202,127	775,431
Field staff advances	208,751	163,577
Prepaid expenses	175,375	109,376
	<hr/>	<hr/>
Total current assets	22,021,290	23,980,448
<b>FURNITURE AND EQUIPMENT</b>		
Furniture and fixtures	219,571	219,571
Office equipment	130,628	111,780
Software and computer equipment	1,166,402	931,770
	<hr/>	<hr/>
	1,516,601	1,263,121
Less: Accumulated depreciation and amortization	(1,017,116)	(657,820)
	<hr/>	<hr/>
Net furniture and equipment	499,485	605,301
<b>OTHER ASSETS</b>		
Deposit	43,000	30,000
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 22,563,775</b>	<b>\$ 24,615,749</b>
	<hr/>	<hr/>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,100,958	\$ 1,053,217
Refundable advance	44,885	43,720
Other accrued expenses (Note 5)	332,284	315,467
Security deposits	9,426	650
	<hr/>	<hr/>
Total current liabilities	2,487,553	1,413,054
<b>NET ASSETS</b>		
Unrestricted (Note 7)	(50,203)	215,167
Temporarily restricted (Note 3)	20,105,424	22,966,527
Permanently restricted (Note 4)	21,001	21,001
	<hr/>	<hr/>
Total net assets	20,076,222	23,202,695
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 22,563,775</b>	<b>\$ 24,615,749</b>
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See accompanying notes to financial statements.

**SEARCH FOR COMMON GROUND**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUE AND SUPPORT</b>				
Grant revenue	\$ 502,079	\$ 18,425,337	\$ -	\$18,927,416
Contributions	478,990	-	-	478,990
Interest	2,379	-	-	2,379
Other	197,255	-	-	197,255
In-kind contributions (Note 11)	41,802	-	-	41,802
Net assets released from restrictions - satisfaction of donor-imposed restrictions (Note 3)	<u>21,286,440</u>	<u>(21,286,440)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>22,508,945</u>	<u>(2,861,103)</u>	<u>-</u>	<u>19,647,842</u>
<b>EXPENSES</b>				
Program Services	21,230,730	-	-	21,230,730
Fundraising	202,643	-	-	202,643
Management and General	<u>1,340,942</u>	<u>-</u>	<u>-</u>	<u>1,340,942</u>
Total expenses	<u>22,774,315</u>	<u>-</u>	<u>-</u>	<u>22,774,315</u>
Changes in net assets before other item	(265,370)	(2,861,103)	-	(3,126,473)
<b>OTHER ITEM</b>				
De-obligation of funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets after other item	(265,370)	(2,861,103)	-	(3,126,473)
Net assets at beginning of year	<u>215,167</u>	<u>22,966,527</u>	<u>21,001</u>	<u>23,202,695</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ (50,203)</u></b>	<b><u>\$ 20,105,424</u></b>	<b><u>\$ 21,001</u></b>	<b><u>\$20,076,222</u></b>

2009			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 3,330,235	\$ -	\$ 23,330,235
762,859	-	15,500	778,359
542	-	-	542
89,704	-	-	89,704
13,858	-	-	13,858
<u>19,542,850</u>	<u>(19,542,850)</u>	<u>-</u>	<u>-</u>
<u>20,409,813</u>	<u>3,787,385</u>	<u>15,500</u>	<u>24,212,698</u>
19,458,038	-	-	19,458,038
118,655	-	-	118,655
<u>1,021,735</u>	<u>-</u>	<u>-</u>	<u>1,021,735</u>
<u>20,598,428</u>	<u>-</u>	<u>-</u>	<u>20,598,428</u>
(188,615)	3,787,385	15,500	3,614,270
<u>-</u>	<u>(31,326)</u>	<u>-</u>	<u>(31,326)</u>
(188,615)	3,756,059	15,500	3,582,944
<u>403,782</u>	<u>19,210,468</u>	<u>5,501</u>	<u>19,619,751</u>
<u><b>\$ 215,167</b></u>	<u><b>\$ 22,966,527</b></u>	<u><b>\$ 21,001</b></u>	<u><b>\$ 23,202,695</b></u>

**SEARCH FOR COMMON GROUND**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**Program Services**

	<b>Angola</b>	<b>Burundi</b>	<b>Ivory Coast</b>	<b>Congo</b>	<b>Guinea</b>	<b>Indonesia</b>	<b>Iran</b>
Salaries and benefits (Note 9)	\$ 53,139	\$ 214,361	\$ 229,062	\$ 1,318,656	\$ 150,829	\$ 312,672	\$ 88,700
Consultants and professional services	800	9,543	104,585	49,937	11,458	113,197	27,066
Passthroughs and subgrants	-	-	-	24,526	-	13,298	50,350
Telephone/internet	4,903	22,926	12,423	158,669	24,949	16,553	608
Office expenses	24,553	65,609	86,844	367,633	59,309	9,513	489
Bank charges and other fees	1,258	730	1,051	25,792	594	4,952	35
Printing	-	-	-	3,299	1,236	18,746	2
Postage and delivery	224	-	1,882	9,872	229	2,998	105
Travel	10,365	66,004	37,636	177,644	49,566	132,586	86,843
Conferences and meetings	-	639	21,111	7,797	13,380	65,222	1,036
Research and development	5,087	39,642	124,096	416,937	135,212	4,138	-
TV/video/radio production	1,718	20,131	65,560	1,052,018	194,833	79,501	-
Depreciation and amortization	-	-	-	-	-	-	-
Rent (Note 2)	11,571	23,602	21,493	372,815	21,915	50,410	-
Equipment	2,393	351	1,563	7,924	27,423	6,884	-
Education and seminar	1,385	89,382	7,149	199,317	30,749	10,603	195
Auto expense	724	30,124	41,988	204,572	5,976	-	-
Dues and subscriptions	-	-	-	-	7,026	-	219
Subtotal	118,120	583,044	756,443	4,397,408	734,684	841,273	255,648
Overhead Allocation	30,398	129,098	165,648	878,070	145,214	265,974	50,366
<b>TOTAL</b>	<b>\$ 148,518</b>	<b>\$ 712,142</b>	<b>\$ 922,091</b>	<b>\$ 5,275,478</b>	<b>\$ 879,898</b>	<b>\$ 1,107,247</b>	<b>\$ 306,014</b>

Lebanon	Liberia	Morocco	Middle East	Macedonia	Nepal	Pakistan	Rwanda	Sierra Leone
\$ 168,192	\$ 133,993	\$ 174,862	\$ 533,140	\$ 46,772	\$ 293,838	\$ 118,566	\$ 157,770	\$ 219,173
7,451	9,700	-	280,581	-	60,192	19,133	3,918	34,071
-	242,613	10,302	820,715	-	39,636	82,500	-	67,035
6,117	13,191	14,154	8,479	8,836	5,048	3,543	11,457	25,235
6,733	13,604	14,910	33,038	9,633	44,016	47,813	70,794	52,518
434	2,370	16	1,978	-	164	-	4,288	1,424
536	6,867	-	-	-	-	8,388	-	-
1,080	-	-	-	-	1,730	244	1,009	-
42,782	39,471	44,909	66,493	5,842	87,238	99,733	84,786	1,743
569	13,297	-	5,272	-	6,380	6,203	-	558
20,150	7,545	4,675	-	-	34,999	18,237	96,166	7,533
177,937	107,447	-	-	106,757	83,909	578,047	46,718	455,769
-	-	-	-	-	-	-	-	-
31,796	18,197	5,769	35,145	8,781	45,833	22,999	40,793	30,644
797	2,632	3,032	-	-	17,635	-	9,796	6,223
2,003	-	96,531	-	-	81,663	6,416	14,097	5,090
-	4,916	-	-	2,004	-	-	13,433	53,016
935	-	-	-	-	-	-	-	-
467,512	615,843	369,160	1,784,841	188,625	802,281	1,011,822	555,025	960,032
123,906	29,975	83,326	467,858	47,420	156,831	228,416	151,144	118,462
<b>\$ 591,418</b>	<b>\$ 645,818</b>	<b>\$ 452,486</b>	<b>\$ 2,252,699</b>	<b>\$ 236,045</b>	<b>\$ 959,112</b>	<b>\$ 1,240,238</b>	<b>\$ 706,169</b>	<b>\$ 1,078,494</b>

See accompanying notes to financial statements.



**SEARCH FOR COMMON GROUND**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Program Services (Continued)						
	Syria	East Timor	United States	Children & Youth	Common Ground Production	General Support	Partners in Humanity
Salaries and benefits (Note 9)	\$ 42,153	\$ 36,139	\$ 105,009	\$ 113,004	\$ 297,119	\$ 222,335	\$ 322,315
Consultants and professional services	30,000	2,890	4,000	41,400	31,657	52,893	72,702
Passthroughs and subgrants	-	-	285,000	50,000	545,827	-	12,733
Telephone/internet	144	5,269	-	1,238	-	1,035	19,773
Office expenses	243	8,560	1,251	3,947	10,685	4,845	1,722
Bank charges and other fees	-	616	-	-	170	-	25
Printing	-	-	-	15,435	8,700	-	131
Postage and delivery	75	1,475	-	-	-	37	348
Travel	39,766	24,604	5,858	23,266	76,430	73,114	46,826
Conferences and meetings	3,339	636	1,100	-	3,168	11,132	1,412
Research and development	-	8,391	268	2,450	27,291	11,680	-
TV/video/radio production	-	13,273	-	1,818	-	10,029	-
Depreciation and amortization	-	-	-	-	-	-	-
Rent (Note 2)	-	11,141	-	-	-	-	-
Equipment	-	43,128	-	-	-	-	-
Education and seminar	-	7,381	-	2,352	22,458	-	-
Auto expense	5,002	-	-	1,498	-	-	-
Dues and subscriptions	-	-	-	-	-	55	-
Subtotal	120,722	163,503	402,486	256,408	1,023,505	387,155	477,987
	29,771	46,811	43,075	30,590	165,497	76,408	113,906
<b>TOTAL</b>	<b>\$ 150,493</b>	<b>\$ 210,314</b>	<b>\$ 445,561</b>	<b>\$ 286,998</b>	<b>\$ 1,189,002</b>	<b>\$ 463,563</b>	<b>\$ 591,893</b>

Zimbabwe	Supporting Services				
	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
\$ 82,230	\$ 5,434,029	\$ 160,716	\$ 2,990,703	\$ 3,151,419	\$ 8,585,448
-	967,174	2,769	420,279	423,048	1,390,222
-	2,244,535	-	-	-	2,244,535
761	365,311	835	60,107	60,942	426,253
2,118	940,380	10,321	84,272	94,593	1,034,973
1,599	47,496	629	159,568	160,197	207,693
-	63,340	772	14,916	15,688	79,028
-	21,308	554	24,325	24,879	46,187
14,731	1,338,236	20,333	226,515	246,848	1,585,084
-	162,251	4,059	20,373	24,432	186,683
-	964,497	-	12,518	12,518	977,015
167,756	3,163,221	-	7,798	7,798	3,171,019
-	-	-	359,296	359,296	359,296
16,772	769,676	-	398,070	398,070	1,167,746
-	129,781	24	29,110	29,134	158,915
5,416	582,187	1,631	167,746	169,377	751,564
3,291	366,544	-	11,629	11,629	378,173
-	8,235	-	16,246	16,246	24,481
294,674	17,568,201	202,643	5,003,471	5,206,114	22,774,315
84,365	3,662,529	-	(3,662,529)	(3,662,529)	-
<b>\$ 379,039</b>	<b>\$ 21,230,730</b>	<b>\$ 202,643</b>	<b>\$ 1,340,942</b>	<b>\$ 1,543,585</b>	<b>\$ 22,774,315</b>

**SEARCH FOR COMMON GROUND**

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

**Program Services**

	<b>Angola</b>	<b>Burundi</b>	<b>Ivory Coast</b>	<b>Congo</b>	<b>Guinea</b>	<b>Indonesia</b>	<b>Iran</b>
Salaries and benefits (Note 9)	\$ 182,410	\$ 144,166	\$ 192,048	\$ 848,622	\$ 161,283	\$ 220,450	\$ 77,533
Consultants and professional services	-	1,900	13,709	50,689	1,634	106,048	14,000
Passthroughs and subgrants	1,856	-	48,466	28,457	189	4,195	-
Telephone/internet	11,377	8,349	8,989	86,889	13,714	13,543	357
Office expenses	42,439	38,618	65,802	272,989	54,337	19,637	918
Bank charges and other fees	3,186	788	-	7,284	1,577	1,144	27
Printing	10	-	8,029	60,373	-	2,018	114
Postage and delivery	199	-	2,621	895	1,530	1,454	133
Travel	39,748	24,606	56,152	109,695	19,525	84,050	48,630
Conferences and meetings	2,700	-	38,190	9,814	2,223	11,076	847
Research and development	26,991	33,244	123,811	249,165	6,211	9,260	-
TV/video/radio production	29,373	24,246	21,558	964,997	91,292	45,635	-
Depreciation and amortization	-	-	-	-	-	-	-
Rent (Note 2)	40,926	8,819	40,616	245,258	19,135	18,279	-
Equipment	3,607	3,674	3,478	-	50,587	38,546	-
Education and seminar	32,218	120,810	14,135	260,058	26,234	11,996	75
Auto expense	7,075	44,701	47,935	116,821	19,374	-	-
Dues and subscriptions	-	-	-	-	-	170	27
<b>Subtotal</b>	<b>424,115</b>	<b>453,921</b>	<b>685,539</b>	<b>3,312,006</b>	<b>468,845</b>	<b>587,501</b>	<b>142,661</b>
Overhead Allocation	115,477	118,219	159,568	693,648	126,316	141,970	35,311
<b>TOTAL</b>	<b>\$ 539,592</b>	<b>\$ 572,140</b>	<b>\$ 845,107</b>	<b>\$ 4,005,654</b>	<b>\$ 595,161</b>	<b>\$ 729,471</b>	<b>\$ 177,972</b>

	Lebanon	Liberia	Morocco	Middle East	Macedonia	Nepal	Nigeria	Pakistan	Rwanda
\$	116,407	\$ 150,067	\$ 190,034	\$ 441,084	\$ 52,682	\$ 309,127	\$ 25,622	\$ -	\$ 119,979
	26,706	6,232	31,356	128,590	-	43,093	11,672	-	4,073
	-	616	13	825,228	-	1,038	-	-	121
	1,223	10,519	2,683	17,692	6,128	8,853	473	-	6,372
	27,288	8,151	46,631	40,513	11,754	39,964	-	-	47,037
	-	1,443	-	1,112	-	745	27	-	1,728
	-	1,299	8	-	-	539	533	-	-
	1,914	1,015	-	-	-	1,017	-	-	1,154
	39,266	89,032	53,844	46,312	6,308	85,401	3,241	7,635	43,937
	1,732	7,044	-	-	-	6,206	1,145	-	705
	-	4,549	11,786	-	-	18,060	-	7,500	11,507
	79,439	170,695	424,985	11,167	87,519	130,083	-	-	24,347
	-	-	-	-	-	-	-	-	-
	39,732	9,430	3,896	30,172	10,224	26,891	-	-	25,679
	17,203	10,530	548	4,800	-	9,793	-	-	1,229
	3,719	-	107,556	-	-	177,646	-	-	15,268
	-	42,656	-	-	1,226	-	638	-	427
	677	-	-	-	-	-	-	-	-
	355,306	513,278	873,340	1,546,670	175,841	858,456	43,351	15,135	303,563
	88,114	81,187	213,006	466,710	43,111	206,343	6,850	4,268	85,479
<b>\$</b>	<b>443,420</b>	<b>\$ 594,465</b>	<b>\$ 1,086,346</b>	<b>\$ 2,013,380</b>	<b>\$ 218,952</b>	<b>\$ 1,064,799</b>	<b>\$ 50,201</b>	<b>\$ 19,403</b>	<b>\$ 389,042</b>

## SEARCH FOR COMMON GROUND

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

	Program Services (Continued)					
	Sierra Leone	Syria	Ukraine	United States	Children & Youth	Common Ground Production
Salaries and benefits (Note 9)	\$ 108,449	\$ 29,266	\$ 7,813	\$ 65,855	\$ 221,053	\$ 452,768
Consultants and professional services	-	30,000	-	-	-	112,950
Passthroughs and subgrants	1,084	-	-	-	106,155	1,815,785
Telephone/internet	5,587	584	-	231	942	136,849
Office expenses	19,794	355	70	91	6,841	93,745
Bank charges and other fees	6,225	-	3	-	5	83,794
Printing	555	-	-	-	27,072	8,473
Postage and delivery	-	6	-	630	73	105
Travel	22,812	23,319	-	867	45,307	77,440
Conferences and meetings	-	-	-	138	452	25,258
Research and development	-	-	-	-	-	103,438
TV/video/radio production	248,700	-	-	-	-	59,546
Depreciation and amortization	-	-	-	-	-	-
Rent (Note 2)	-	-	1,000	-	-	59,488
Equipment	-	-	203	-	75	25,566
Education and seminar	4,968	-	1,200	-	2,817	82,347
Auto expense	24,946	7,803	-	-	1,835	436
Dues and subscriptions	-	-	-	-	-	-
Subtotal	443,120	91,333	10,289	67,812	412,627	3,137,988
Overhead Allocation	47,590	22,833	-	10,620	64,192	352,775
<b>TOTAL</b>	<b>\$ 490,710</b>	<b>\$ 114,166</b>	<b>\$ 10,289</b>	<b>\$ 78,432</b>	<b>\$ 476,819</b>	<b>\$ 3,490,763</b>

Supporting Services						
General Support	Partners in Humanity	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
\$ 233,213	\$ 304,952	\$ 4,654,883	\$ 93,182	\$ 2,983,138	\$ 3,076,320	\$ 7,731,203
21,318	75,148	679,118	2,978	143,008	145,986	825,104
-	7,508	2,840,711	-	12,390	12,390	2,853,101
1,174	3,548	346,076	435	57,120	57,555	403,631
508,680	2,089	1,347,743	2,284	59	2,343	1,350,086
-	26	109,114	347	-	347	109,461
-	-	109,023	48	20,945	20,993	130,016
599	197	13,542	350	22,205	22,555	36,097
61,215	19,779	1,008,121	16,081	244,041	260,122	1,268,243
12,933	457	120,920	2,455	21,241	23,696	144,616
4,485	-	610,007	-	4,654	4,654	614,661
-	-	2,413,582	-	12,068	12,068	2,425,650
-	-	-	-	250,001	250,001	250,001
-	-	579,545	-	371,536	371,536	951,081
-	-	169,839	32	20,146	20,178	190,017
1,895	-	862,942	58	106,275	106,333	969,275
-	-	315,873	-	22,623	22,623	338,496
170	-	1,044	405	6,240	6,645	7,689
845,682	413,704	16,182,083	118,655	4,297,690	4,416,345	20,598,428
90,649	101,719	3,275,955	-	(3,275,955)	(3,275,955)	-
<b>\$ 936,331</b>	<b>\$ 515,423</b>	<b>\$ 19,458,038</b>	<b>\$ 118,655</b>	<b>\$ 1,021,735</b>	<b>\$ 1,140,390</b>	<b>\$ 20,598,428</b>

**SEARCH FOR COMMON GROUND**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$(3,126,473)	\$ 3,582,944
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	359,296	250,001
(Increase) decrease in:		
Grants receivable	1,884,551	(1,773,221)
Pledges receivable	34,959	54,715
Other receivables	528,130	(123,752)
Prepaid expenses	(65,999)	(24,953)
Deposit	(13,000)	-
Increase (decrease) in:		
Accounts payable	1,047,741	(256,811)
Refundable advance	1,165	35,961
Other accrued expenses	16,817	169,846
Security deposits	8,776	-
Net cash provided by operating activities	<u>675,963</u>	<u>1,914,730</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	<u>(253,480)</u>	<u>(433,663)</u>
Net cash used by investing activities	<u>(253,480)</u>	<u>(433,663)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	700,000	1,200,000
Repayment of note payable	<u>(700,000)</u>	<u>(1,200,000)</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	422,483	1,481,067
Cash and cash equivalents at beginning of year	<u>2,350,379</u>	<u>869,312</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>\$ 2,772,862</b></u>	<u><b>\$ 2,350,379</b></u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest Paid	<u><b>\$ 2,792</b></u>	<u><b>\$ 3,568</b></u>

See accompanying notes to financial statements.

**SEARCH FOR COMMON GROUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

Search for Common Ground (SFCG) is an independent, non-profit organization dedicated to finding workable solutions to divisive national and international problems. SFCG'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 SFCG only. The financial statements of SFCG have been combined with the European Centre for Common Ground in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

Cash and cash equivalents -

SFCG 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, SFCG 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.

SFCG had approximately \$1,279,000 and \$924,000 of cash and cash equivalents held at financial institutions in foreign countries at December 31, 2010 and 2009, respectively. The majority of funds invested in foreign countries are uninsured.

Foreign currency translation -

The dollar ("dollars") is the functional currency for SFCG'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 September 27, 2011 of the Statements of Financial Position.

Grant, pledges and other receivables -

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

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.



## SEARCH FOR COMMON GROUND

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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

##### Income taxes -

SFCG 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. SFCG 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 years ended December 31, 2010 and 2009, SFCG 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 SFCG 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 SFCG'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 SFCG.

##### Grants and contributions -

SFCG 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, SFCG 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 September 27, 2011 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 Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**SEARCH FOR COMMON GROUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

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

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 -

SFCG 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. SFCG 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, SFCG 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, 2009 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, SFCG entered into an agreement with the owner of the building to transfer the subleases to the owner of the building. SFCG leases offices and guest houses in several foreign countries under short-term lease agreements.

During the year ended December 31, 2010, SFCG entered into a six-year lease for additional office space on the fourth floor of the current building, commencing on May 1, 2010.

At December 31, 2010, the future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2011	\$ 517,234
2012	558,845
2013	586,788
2014	616,127
2015	646,933
2016	272,803
	<u><b>\$3,198,730</b></u>

Rental expense, including short-term lease agreements for overseas offices and housing, amounted to \$1,167,746 and \$951,081 for the years ended December 31, 2010 and 2009, respectively.

## SEARCH FOR COMMON GROUND

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

#### 3. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2010 and 2009, temporarily restricted net assets consisted of the following:

	<u>2010</u>	<u>2009</u>
Angola	\$ 94,000	\$ 141,728
Burundi	649,584	397,232
Ivory Coast	1,395,600	1,985,327
Congo (DRC)	5,026,017	4,910,387
Guinea	371,174	451,278
Indonesia	1,203,509	1,638,064
Iran	161,130	325,792
Lebanon	300,830	585,296
Liberia	438,897	139,482
Morocco	482,303	754,698
Middle East	1,025,189	2,201,586
Macedonia	12,626	248,671
Nepal	144,357	685,567
Nigeria	700,000	-
Pakistan	407,346	648,002
Rwanda	667,029	604,016
Sierra Leone	2,298,567	329,877
Syria	112,717	263,210
East Timor	389,686	-
United States	247,489	-
Children & Youth	189,920	112,024
Common Ground Production	2,316,727	4,847,587
General Support	471,548	1,062,057
Partners in Humanity	591,124	561,236
Zimbabwe	363,535	-
Time Restricted	44,520	73,410
<b>TOTAL TEMPORARILY RESTRICTED</b>	<b><u>\$20,105,424</u></b>	<b><u>\$22,966,527</u></b>

The following is the summary of net assets that were released from donor restrictions by incurring expenses, which satisfied the donor-imposed restrictions for 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Angola	\$ 148,518	\$ 539,592
Burundi	712,142	572,140
Ivory Coast	922,091	845,107
Congo (DRC)	5,275,478	4,005,654
Guinea	879,898	595,161
Indonesia	1,107,247	729,471
Iran	306,014	177,972
Lebanon	591,418	443,420
Liberia	645,818	594,465
Morocco	452,486	1,086,346
Middle East	2,252,699	2,013,380
Macedonia	236,045	218,952
Nepal	959,112	1,064,799
Nigeria	-	50,201
Pakistan	1,240,238	19,403
Rwanda	706,169	389,042
Sierra Leone	1,078,494	490,710
Syria	150,493	114,166
East Timor	210,314	-
Ukraine	-	10,289
United States	445,561	78,432
Children & Youth	286,998	476,819
Common Ground Production	1,189,002	3,490,763
General Support	463,563	936,331
Partners in Humanity	591,893	515,423
Zimbabwe	379,039	-
Passage of Time	55,710	84,812
<b>TOTAL RELEASED FROM RESTRICTIONS</b>	<b><u>\$21,286,440</u></b>	<b><u>\$19,542,850</u></b>

## SEARCH FOR COMMON GROUND

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

#### 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 SFCG. As of December 31, 2010 and 2009, permanently restricted net assets totaled \$21,001.

#### 5. DUE FROM/TO RELATED PARTY

Included in other receivables and accrued expenses as of December 31, 2010 and 2009 are amounts owed from and due to the European Centre for Common Ground, a related entity. As of December 31, 2010, the amount due from the European Centre for Common Ground approximated \$201,416. As of December 31, 2009, the amount due to SFCG approximated \$774,719.

#### 6. CONCENTRATION OF CREDIT RISK

A substantial portion of SFCG'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.

#### 7. UNRESTRICTED NET ASSETS

During 1998, SFCG 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. As of December 31, 2010, SFCG had a deficit in unrestricted net assets in the amount of \$50,203.

#### 8. NOTE PAYABLE

SFCG entered into a commercial note agreement from a local financial institution during the 2007 fiscal year. The original terms of the loan stated that SFCG may borrow, repay, and re-borrow until July 31, 2009, to which this note may be extended or renewed by the financial institution. SFCG renewed the note, which extends the borrowing period through August 26, 2011. The rate of interest shall be equal to the index plus 2.00% per annum. As of December 31, 2010 and 2009, there was no outstanding balance.

#### 9. RETIREMENT PLAN

Effective January 1, 1998, SFCG 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, 2010 and 2009 totaled \$68,942 and \$117,225, respectively.

#### 10. CONTINGENCY

The grants SFCG 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.

## SEARCH FOR COMMON GROUND

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

#### 10. CONTINGENCY (Continued)

Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2010. 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. IN-KIND CONTRIBUTIONS

In-kind contributions are recognized as support and expense in the Statements of Activities and Changes in Net Assets in accordance with FASB ASC 958-605-15-2, *Revenue Recognition-Contributions Received*, if the contributed items (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by SFCG. During the years ended December 31, 2010 and 2009, SFCG received in-kind contributions in the form of professional legal services having a fair market value of \$41,802 and \$13,858, respectively.

#### 12. SUBSEQUENT EVENTS

In preparing these financial statements, SFCG has evaluated events and transactions for potential recognition or disclosure through September 27, 2011, the date the financial statements were issued