

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**

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, 2011 and 2010, 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, 2011 and 2010, 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, 2012, 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 audits.

June 26, 2012

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

SEARCH FOR COMMON GROUND
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,497,321	\$ 2,772,862
Grants receivable	19,964,608	18,578,139
Pledges receivable	28,300	84,036
Field staff advances	91,598	209,463
Other receivables (Note 10)	-	201,416
Prepaid expenses	<u>269,696</u>	<u>175,375</u>
Total current assets	<u>22,851,523</u>	<u>22,021,291</u>
FIXED ASSETS		
Furniture and fixtures	219,571	219,571
Office equipment	145,475	130,628
Software and computer equipment	<u>1,174,722</u>	<u>1,166,402</u>
	1,539,768	1,516,601
Less: Accumulated depreciation and amortization	<u>(1,309,081)</u>	<u>(1,017,116)</u>
Net fixed assets	<u>230,687</u>	<u>499,485</u>
OTHER ASSETS		
Deposit	<u>55,755</u>	<u>43,294</u>
TOTAL ASSETS	<u>\$ 23,137,965</u>	<u>\$ 22,564,070</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 951,283	\$ 2,049,379
Other accrued expenses (Note 10)	604,516	332,284
Refundable advance	70,382	96,465
Deposits	<u>9,720</u>	<u>9,720</u>
Total current liabilities	<u>1,635,901</u>	<u>2,487,848</u>
NET ASSETS		
Unrestricted	(954,657)	(50,203)
Temporarily restricted (Note 2)	22,456,721	20,105,424
Permanently restricted (Note 3)	<u>-</u>	<u>21,001</u>
Total net assets	<u>21,502,064</u>	<u>20,076,222</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,137,965</u>	<u>\$ 22,564,070</u>

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
REVENUE				
Grant revenue	\$ -	\$ 22,944,793	\$ -	\$ 22,944,793
Contributions	639,162	-	-	639,162
Interest	3,305	-	-	3,305
Other	142,682	-	-	142,682
In-kind contributions	99,267	-	-	99,267
Net assets released from donor restrictions (Note 2)	<u>19,557,004</u>	<u>(19,557,004)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>20,441,420</u>	<u>3,387,789</u>	<u>-</u>	<u>23,829,209</u>
EXPENSES				
Program Services	19,519,257	-	-	19,519,257
Fundraising	119,974	-	-	119,974
Management and General	<u>1,706,643</u>	<u>-</u>	<u>-</u>	<u>1,706,643</u>
Total expenses	<u>21,345,874</u>	<u>-</u>	<u>-</u>	<u>21,345,874</u>
Changes in net assets before other items	(904,454)	3,387,789	-	2,483,335
OTHER ITEMS				
Transfer of assets to SFCG Endowment Fund (Note 3)	-	-	(21,001)	(21,001)
De-obligation of funds	<u>-</u>	<u>(1,036,492)</u>	<u>-</u>	<u>(1,036,492)</u>
Changes in net assets after other items	(904,454)	2,351,297	(21,001)	1,425,842
Net assets at beginning of year	<u>(50,203)</u>	<u>20,105,424</u>	<u>21,001</u>	<u>20,076,222</u>
NET ASSETS AT END OF YEAR	<u>\$ (954,657)</u>	<u>\$ 22,456,721</u>	<u>\$ -</u>	<u>\$ 21,502,064</u>

See accompanying notes to financial statements.

2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 502,079	\$ 18,425,337	\$ -	\$ 18,927,416
478,990	-	-	478,990
2,379	-	-	2,379
197,255	-	-	197,255
41,802	-	-	41,802
<u>21,286,440</u>	<u>(21,286,440)</u>	<u>-</u>	<u>-</u>
<u>22,508,945</u>	<u>(2,861,103)</u>	<u>-</u>	<u>19,647,842</u>
21,230,730	-	-	21,230,730
202,643	-	-	202,643
<u>1,340,942</u>	<u>-</u>	<u>-</u>	<u>1,340,942</u>
<u>22,774,315</u>	<u>-</u>	<u>-</u>	<u>22,774,315</u>
(265,370)	(2,861,103)	-	(3,126,473)
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(265,370)	(2,861,103)	-	(3,126,473)
<u>215,167</u>	<u>22,966,527</u>	<u>21,001</u>	<u>23,202,695</u>
<u>\$ (50,203)</u>	<u>\$ 20,105,424</u>	<u>\$ 21,001</u>	<u>\$ 20,076,222</u>

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Program Services							
	Angola	Africa Team	Burundi	Common Ground Productions	Children and Youth	Congo	East Timor	Guinea
Salaries and benefits (Note 7)	\$ 60,791	\$ 18,122	\$ 145,879	\$ 210,122	\$ 109,521	\$ 1,251,876	\$ 88,873	\$ 117,329
Consultants and professional services	5,268	1,634	46,721	47,837	1,146	476,221	19,797	35,421
Passthroughs and subgrants	47,441	-	88,986	775,205	-	46,933	-	-
Telephone/internet	2,725	143	19,455	1,324	-	165,940	8,746	20,612
Office expenses	-	-	2,466	1,321	2,389	5,973	-	-
Bank charges and other fees	3,520	-	1,676	-	-	49,841	614	6,454
Printing	-	-	-	-	-	51,965	-	-
Postage and delivery	-	-	-	205	-	45,344	-	1,996
Travel	1,449	13,866	64,698	42,718	6,778	354,572	24,054	27,650
Conferences and meetings	5,369	-	605	-	-	16,316	14,794	24,948
Research and development	20,591	1,574	89,060	28,842	1,000	729,267	411	210,580
TV/video/radio production	1,179	-	9,388	29,474	-	1,214,397	62,696	67,665
Depreciation and amortization	-	-	-	-	-	-	-	-
Rent (Note 6)	11,652	-	42,994	-	134	266,477	15,319	21,854
Equipment	1,763	-	1,666	-	-	57,220	928	12,353
Education and seminar	12,705	54	36,147	100	400	121,289	9,021	10,331
Auto expense	2,020	1,036	11,382	-	-	187,945	-	19,492
Dues and subscriptions	-	-	-	-	-	-	-	-
Subtotal	176,473	36,429	561,123	1,137,148	121,368	5,041,576	245,253	576,685
Overhead allocation	6,599	5,383	85,537	96,346	31,152	947,668	70,739	55,206
TOTAL	\$ 183,072	\$ 41,812	\$ 646,660	\$ 1,233,494	\$ 152,520	\$ 5,989,244	\$ 315,992	\$ 631,891

See accompanying notes to financial statements.

Indonesia	Iran	Ivory Coast	Kenya	Lebanon	Liberia	Macedonia	Middle East	Morocco	Nepal	Nigeria
\$ 321,882	\$ 57,766	\$ 186,569	\$ -	\$ 178,445	\$ 132,297	\$ 1,957	\$ 541,682	\$ 138,898	\$ 335,441	\$ 80,089
63,665	1,362	45,627	10,240	62,989	28,239	841	45,594	15,398	102,212	56,551
38,629	-	400	-	85,010	40,843	-	60,072	24,917	207,172	-
13,179	-	8,954	-	5,250	6,465	970	15,998	6,763	5,155	3,570
-	35	-	-	-	1,169	-	23,252	5,057	287	-
1,161	-	227	-	263	2,259	-	1,212	151	51	251
60,915	-	-	-	98	125	-	10,000	2,127	-	-
9,656	-	-	-	319	-	-	-	-	609	-
71,679	50,351	30,528	-	65,599	33,398	2,199	65,416	19,606	54,655	31,364
95,109	3,886	9,897	-	6,127	80,496	-	9,179	7,279	3,247	-
7,080	-	189,674	-	-	17,526	-	15,000	-	9,358	44,830
94,859	-	67,423	76,451	254,604	124,875	5,051	-	-	20,670	-
-	-	-	-	-	-	-	-	-	-	-
6,699	-	46,319	-	19,896	13,415	65	73,399	10,345	19,607	5,284
39	-	1,957	-	420	12,925	-	-	1,654	207	3,364
6,469	-	7,860	5,650	5,319	26,415	-	20,628	8,418	69,761	-
-	-	15,016	-	-	-	17	-	501	-	1,404
94	14	-	-	383	-	-	-	-	-	-
791,115	113,414	610,451	92,341	684,722	520,447	11,100	881,432	241,114	828,432	226,707
165,651	25,796	82,031	9,234	59,325	61,400	(602)	140,344	41,575	75,901	59,370
\$ 956,766	\$ 139,210	\$ 692,482	\$ 101,575	\$ 744,047	\$ 581,847	\$ 10,498	\$ 1,021,776	\$ 282,689	\$ 904,333	\$ 286,077

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2011

Program Services (Continued)

	General Support	Pakistan	Partners in Humanity	Rwanda	Sierra Leone	Sri Lanka	Syria	Tanzania
Salaries and benefits (Note 7)	\$ 317,946	\$ 162,613	\$ 326,449	\$ 194,910	\$ 127,464	\$ 35,800	\$ 61,193	\$ 27,236
Consultants and professional services	116,405	37,163	117,239	76,720	12,594	21,897	30,261	3,225
Passthroughs and subgrants	-	(46,175)	2,250	-	159,872	3,558	-	-
Telephone/internet	4,995	3,321	26,628	11,866	19,380	1,822	-	-
Office expenses	19	-	792	-	-	-	-	-
Bank charges and other fees	2,203	401	35	202	910	593	-	-
Printing	8,042	7,663	-	-	1,834	-	-	-
Postage and delivery	327	62	31	2,064	-	515	-	894
Travel	86,125	36,001	11,775	45,282	87,753	17,009	16,447	20,804
Conferences and meetings	1,444	3,318	271	221	-	12,546	4,230	-
Research and development	59,587	31,011	-	47,597	17,131	9,007	-	-
TV/video/radio production	5,941	24,493	-	39,216	346,986	7,199	-	5,779
Depreciation and amortization	-	-	-	-	-	-	-	-
Rent (Note 6)	12,525	12,272	-	18,230	27,329	8,106	-	-
Equipment	-	7,385	-	9,789	3,080	3,593	-	-
Education and seminar	6,191	5,275	-	54,721	-	3,341	-	-
Auto expense	11,716	-	-	-	48,490	-	-	-
Dues and subscriptions	-	-	-	-	-	-	-	-
Subtotal	633,466	284,803	485,470	500,818	852,823	124,986	112,131	57,938
Overhead allocation	188,355	80,155	92,460	139,354	120,613	35,781	25,415	11,270
TOTAL	\$ 821,821	\$ 364,958	\$ 577,930	\$ 640,172	\$ 973,436	\$ 160,767	\$ 137,546	\$ 69,208

See accompanying notes to financial statements.

Supporting Services

Tunisia	United States	Western Sahara	Zimbabwe	Total Program Services	Fundraising	Management and General	Total Supportive Services	Total Expenses
\$ 38,611	\$ 158,768	\$ 6,794	\$ 127,953	\$ 5,563,276	\$ 101,354	\$ 2,722,250	\$ 2,823,604	\$ 8,386,880
-	13,065	24,224	17,764	1,537,320	192	594,532	594,724	2,132,044
-	-	-	15,655	1,550,768	-	-	-	1,550,768
1,973	-	93	10,981	366,308	321	57,482	57,803	424,111
-	24,880	-	-	67,640	302	46,445	46,747	114,387
-	-	-	848	72,872	518	159,076	159,594	232,466
-	-	-	-	142,769	789	16,395	17,184	159,953
-	-	23	-	62,045	522	16,670	17,192	79,237
4,659	46,538	31,246	22,054	1,386,273	14,054	199,994	214,048	1,600,321
-	866	5,553	-	305,701	1,797	37,036	38,833	344,534
-	15,784	-	2,941	1,547,851	-	3,509	3,509	1,551,360
-	-	-	84,027	2,542,373	-	239	239	2,542,612
-	-	-	-	-	-	291,965	291,965	291,965
-	-	-	3,556	635,477	-	316,461	316,461	951,938
-	-	-	-	118,343	90	33,750	33,840	152,183
16,773	4,000	-	1,966	432,834	35	63,504	63,539	496,373
4,969	1,988	-	2,992	308,968	-	9,186	9,186	318,154
-	176	14	-	681	-	15,907	15,907	16,588
66,985	266,065	67,947	290,737	16,641,499	119,974	4,584,401	4,704,375	21,345,874
19,875	49,317	14,450	82,058	2,877,758	-	(2,877,758)	(2,877,758)	-
\$ 86,860	\$ 315,382	\$ 82,397	\$ 372,795	\$ 19,519,257	\$ 119,974	\$ 1,706,643	\$ 1,826,617	\$ 21,345,874

SEARCH FOR COMMON GROUND

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

Program Services

	Angola	Burundi	Ivory Coast	Congo	Guinea	Indonesia	Iran
Salaries and benefits (Note 7)	\$ 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 6)	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
TOTAL	\$ 148,518	\$ 712,142	\$ 922,091	\$ 5,275,478	\$ 879,898	\$ 1,107,247	\$ 306,014

See accompanying notes to financial statements.

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
\$ 591,418	\$ 645,818	\$ 452,486	\$ 2,252,699	\$ 236,045	\$ 959,112	\$ 1,240,238	\$ 706,169	\$ 1,078,494

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 and Youth	Common Ground Productions	General Support	Partners in Humanity
Salaries and benefits (Note 7)	\$ 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 6)	-	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
Overhead allocation	29,771	46,811	43,075	30,590	165,497	76,408	113,906
TOTAL	\$ 150,493	\$ 210,314	\$ 445,561	\$ 286,998	\$ 1,189,002	\$ 463,563	\$ 591,893

See accompanying notes to financial statements.

Supporting Services					
Zimbabwe	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)	-
\$ 379,039	\$ 21,230,730	\$ 202,643	\$ 1,340,942	\$ 1,543,585	\$ 22,774,315

SEARCH FOR COMMON GROUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,425,842	\$ (3,126,473)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	291,965	359,296
Permanently restricted contributions	21,001	-
(Increase) decrease in:		
Grants receivable	(1,386,469)	1,884,551
Pledges receivable	55,736	34,959
Field staff advances	117,865	(45,175)
Other receivables	201,416	573,303
Prepaid expenses	(94,321)	(65,999)
Deposit	(12,461)	(13,294)
Increase (decrease) in:		
Accounts payable	(1,098,096)	1,010,444
Other accrued expenses	272,232	16,817
Refundable advance	(26,083)	38,464
Deposits	<u>-</u>	<u>9,070</u>
Net cash (used) provided by operating activities	<u>(231,373)</u>	<u>675,963</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(23,167)	(253,480)
Transfer of assets to SFCG Endowment Fund	<u>(21,001)</u>	<u>-</u>
Net cash used by investing activities	<u>(44,168)</u>	<u>(253,480)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	700,000
Repayment of note payable	<u>-</u>	<u>(700,000)</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(275,541)	422,483
Cash and cash equivalents at beginning of year	<u>2,772,862</u>	<u>2,350,379</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,497,321</u>	<u>\$ 2,772,862</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ -</u>	<u>\$ 2,792</u>

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Search for Common Ground (SFCG) is an independent, nonprofit 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*.

The accompanying financial statements represent the activity of SFCG only.

Cash and cash equivalents -

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

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). SFCG maintains a portion of its cash balances at financial institutions in noninterest-bearing accounts; thereby, all of these cash balances are protected by the FDIC under this Act.

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 \$1,212,839 and \$1,278,910 of cash and cash equivalents held at financial institutions in foreign countries at December 31, 2011 and 2010, 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 date of the Statements of Financial Position.

Grants, pledges and other receivables -

Grants, pledges and other receivables are recorded at net realizable value, which approximates 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, 2011 AND 2010

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

Fixed assets -

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 -

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 provides guidance for reporting uncertainty in income taxes. For the years ended December 31, 2011 and 2010, 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. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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.

Contributed services and materials -

Contributed services and materials consist of legal services and other in-kind gifts. Contributed services and materials are recorded at their fair market value as of the date of the gift.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

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

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 June 26, 2012 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.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Angola	\$ 236,613	\$ 94,000
Africa Team	2,154,589	-
Burundi	463,772	649,584
Common Ground Productions	626,642	2,316,727
Children and Youth	274,237	189,920
Congo (DRC)	2,824,841	5,026,017
East Timor	466,483	389,686
Guinea	77,590	371,174
Indonesia	769,126	1,203,509
Iran	137,504	161,130
Ivory Coast	2,197,822	1,395,600
Kenya	18,425	-
Lebanon	360,975	300,830
Liberia	97,307	438,897
Macedonia	-	12,626
Middle East	289,605	1,025,189
Morocco	511,564	482,303
Nepal	821,605	144,357
Nigeria	565,728	700,000
General Support	613,761	471,548
Pakistan	2,108,813	407,346
Partners in Humanity	587,790	591,124
Rwanda	833,269	667,029
Sierra Leone	1,865,945	2,298,567
Sri Lanka	235,233	-
Syria	27,510	112,717
Tanzania	1,422,589	-
Time Restricted	3,000	44,520
Tunisia	1,381,320	-
United States	154,755	247,489
West Sahara	275,068	-
Zimbabwe	53,240	363,535
	<u>\$ 22,456,721</u>	<u>\$ 20,105,424</u>

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

2. TEMPORARILY RESTRICTED NET ASSETS (Continued)

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

	2011	2010
Angola	\$ 183,072	\$ 148,518
Africa Team	41,812	-
Burundi	646,660	712,142
Common Ground Productions	1,233,494	1,189,002
Children and Youth	152,520	286,998
Congo (DRC)	5,989,244	5,275,478
East Timor	315,992	210,314
Guinea	631,891	879,898
Indonesia	956,766	1,107,247
Iran	139,210	306,014
Ivory Coast	692,482	922,091
Kenya	101,575	-
Lebanon	744,047	591,418
Liberia	581,847	645,818
Macedonia	10,498	236,045
Middle East	1,021,776	2,252,699
Morocco	282,689	452,486
Nepal	904,333	959,112
Nigeria	286,077	-
General Support	821,821	463,563
Pakistan	364,958	1,240,238
Partners in Humanity	577,930	591,893
Rwanda	640,172	706,169
Sierra Leone	973,436	1,078,494
Sri Lanka	160,767	-
Syria	137,546	150,493
Tanzania	69,208	-
Passage of Time	37,747	55,710
Tunisia	86,860	-
United States	315,382	445,561
West Sahara	82,397	-
Zimbabwe	372,795	379,039
	\$ 19,557,004	\$ 21,286,440

3. 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. In 2011, the permanently restricted net assets were transferred to a separate 501(c)(3) entity called Search for Common Ground Endowment Fund, Inc. As of December 31, 2010, permanently restricted net assets totaled \$21,001.

4. NOTE PAYABLE

SFCG entered into a commercial note agreement from a local financial institution during 2007.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

4. NOTE PAYABLE (Continued)

The original terms of the \$2,000,000 loan stated that SFCG could borrow, repay, and re-borrow until July 31, 2009, and that the note could be renewed annually. SFCG renewed the note, which extends the borrowing period through October 1, 2012. The rate of interest is equal to the LIBOR index plus 2.00% per annum. As of December 31, 2011 and 2010, there was no outstanding balance.

5. CONTRIBUTED SERVICES AND MATERIALS

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, 2011 and 2010, SFCG received in-kind contributions in the form of professional legal services and other miscellaneous donations having a fair market value of \$99,267 and \$41,802, respectively.

6. LEASE COMMITMENTS

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. 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, commencing on May 1, 2010.

SFCG entered into an agreement to sublease a portion of its office space, with terms commencing on May 15, 2010 and continuing through May 30, 2013. Additionally, SFCG has other active subleases which are on a month-to-month basis.

The following is a schedule of the future minimum lease payments and rental income:

<u>Year Ended December 31,</u>	<u>Rental Expense</u>	<u>Rental Income</u>	<u>Net</u>
2012	\$ 558,845	\$ (137,573)	\$ 421,272
2013	586,788	(58,013)	528,775
2014	616,127	-	616,127
2015	646,933	-	646,933
2016	<u>272,803</u>	<u>-</u>	<u>272,803</u>
	<u>\$2,681,496</u>	<u>\$ (195,586)</u>	<u>\$2,485,910</u>

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

6. LEASE COMMITMENTS (Continued)

Rental expense (net of income), including short-term lease agreements for overseas offices and housing, amounted to \$951,938 and \$1,167,746 for the years ended December 31, 2011 and 2010, respectively.

7. 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. Contributions to the plan during the years ended December 31, 2011 and 2010 totaled \$98,377 and \$68,942, respectively.

8. 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.

9. 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. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2011. 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.

10. DUE FROM/TO RELATED PARTY

Included in accrued expenses and other receivables as of December 31, 2011 and 2010 are amounts due to and owed from the European Centre for Common Ground, a related entity. The European Centre for Common Ground has some overlapping board members. As of December 31, 2011, the amount due to the European Centre for Common Ground approximated \$141,159. As of December 31, 2010, the amount due to SFCG approximated \$201,416.

11. SUBSEQUENT EVENTS

In preparing these financial statements, SFCG has evaluated events and transactions for potential recognition or disclosure through June 26, 2012, the date the financial statements were issued.