

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2014**

SEARCH FOR COMMON GROUND

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Search for Common Ground (SFCG), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited SFCG's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Non-U.S. Governmental Grants on pages 16 - 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



January 5, 2017

SEARCH FOR COMMON GROUND
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,164,655	\$ 4,160,017
Grants and contracts receivable	27,752,000	27,411,805
Pledges receivable	38,630	46,863
Advances and other receivables, net of allowance for doubtful accounts of \$237,893 in 2015	644,008	357,172
Prepaid expenses	236,510	262,331
Other current assets	<u>11,671</u>	<u>-</u>
Total current assets	<u>33,847,474</u>	<u>32,238,188</u>
FIXED ASSETS		
Furniture and fixtures	224,858	224,858
Office equipment	145,475	145,475
Software and computer equipment	<u>1,255,496</u>	<u>1,245,822</u>
	1,625,829	1,616,155
Less: Accumulated depreciation and amortization	<u>(1,617,397)</u>	<u>(1,612,306)</u>
Net fixed assets	<u>8,432</u>	<u>3,849</u>
OTHER ASSETS		
Deposit	<u>82,551</u>	<u>80,704</u>
TOTAL ASSETS	<u>\$ 33,938,457</u>	<u>\$ 32,322,741</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit	\$ -	\$ 4,000,000
Notes payable	3,520,000	-
Capital lease obligated	-	1,713
Accounts payable	547,352	865,176
Other accrued expenses	958,253	816,307
Refundable advance	1,076,009	759,455
Provision for loss	385,699	-
Recoverable grant	160,527	-
Due to SFCG Affiliate	<u>1,182,703</u>	<u>1,267,336</u>
Total current liabilities	<u>7,830,543</u>	<u>7,709,987</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	<u>48,000</u>	<u>-</u>
Total liabilities	<u>7,878,543</u>	<u>7,709,987</u>
NET ASSETS		
Unrestricted deficit	(7,238,820)	(7,460,700)
Temporarily restricted	<u>33,298,734</u>	<u>32,073,454</u>
Total net assets	<u>26,059,914</u>	<u>24,612,754</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,938,457</u>	<u>\$ 32,322,741</u>

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Grant and contract revenue	\$ -	\$ 23,859,823	\$ 23,859,823	\$ 22,077,337
Contributions	2,138,907	-	2,138,907	1,049,397
Interest	11	-	11	1,124
Other revenue	246,484	-	246,484	249,099
In-kind contributions	2,000	-	2,000	23,978
Net assets released from donor restrictions	<u>22,634,543</u>	<u>(22,634,543)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>25,021,945</u>	<u>1,225,280</u>	<u>26,247,225</u>	<u>23,400,935</u>
EXPENSES				
Program Services	19,058,767	-	19,058,767	20,747,781
Management and General	4,562,507	-	4,562,507	5,043,783
Fundraising	188,892	-	188,892	243,914
Unrestricted	<u>989,899</u>	<u>-</u>	<u>989,899</u>	<u>1,654,933</u>
Total expenses	<u>24,800,065</u>	<u>-</u>	<u>24,800,065</u>	<u>27,690,411</u>
Change in net assets before other item	221,880	1,225,280	1,447,160	(4,289,476)
OTHER ITEM				
Due to donor for closed grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,835</u>
Change in net assets	221,880	1,225,280	1,447,160	(4,246,641)
Net assets at beginning of year	<u>(7,460,700)</u>	<u>32,073,454</u>	<u>24,612,754</u>	<u>28,859,395</u>
NET ASSETS AT END OF YEAR	<u>\$ (7,238,820)</u>	<u>\$ 33,298,734</u>	<u>\$ 26,059,914</u>	<u>\$ 24,612,754</u>

SEARCH FOR COMMON GROUND

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015				
	Program Services				
	Africa Programs	Asia Programs	MENA Programs	Global Programs	Total Program Services
Salaries and benefits	\$ 3,594,842	\$ 985,056	\$ 1,748,197	\$ 944,046	\$ 7,272,141
Consultants and professional services	224,031	205,629	178,284	335,370	943,314
Passthroughs and subgrants	874,768	377,308	331,752	-	1,583,828
Equipment	162,213	9,770	20,603	12,483	205,069
Travel	1,018,969	197,119	255,861	164,719	1,636,668
TV/video/radio production	568,645	49,290	275,561	328,402	1,221,898
Education and seminar	1,071,585	287,616	375,239	67,305	1,801,745
Professional legal services	-	-	-	-	-
Research and development	761,443	71,946	68,844	43,644	945,877
Vehicle expenses	228,968	-	22,068	11,903	262,939
Rent	400,158	118,050	126,788	25,118	670,114
Office expenses	467,820	120,463	203,322	75,726	867,331
Telephone/internet	258,627	17,667	40,492	15,968	332,754
Printing	10,975	12,415	7,890	23,914	55,194
Postage and delivery	9,444	40,751	133	305	50,633
Conferences and meetings	242,568	312,357	183,261	164,794	902,980
Dues and subscriptions	-	672	2,987	417	4,076
Bank charges and other fees	136,176	49,014	53,509	1,200	239,899
Depreciation and amortization	3,225	-	-	615	3,840
Related party contributions	-	-	-	-	-
Other expenses	7,861	27,326	8,957	14,323	58,467
Bad debt	-	-	-	-	-
Subtotal	10,042,318	2,882,449	3,903,748	2,230,252	19,058,767
Overhead allocation	2,380,029	683,140	925,188	528,570	4,516,927
TOTAL	\$ 12,422,347	\$ 3,565,589	\$ 4,828,936	\$ 2,758,822	\$ 23,575,694

						2014
Supporting Services						
Management and General	Fundraising	Unrestricted	Total Supporting Services	Total Expenses	Total Expenses	
\$ 2,590,354	\$ 71,445	\$ 470,320	\$ 3,132,119	\$ 10,404,260	\$ 10,442,132	
300,835	28,455	140	329,430	1,272,744	1,632,563	
-	-	-	-	1,583,828	1,593,816	
63,198	2,839	-	66,037	271,106	585,582	
252,414	10,644	26,539	289,597	1,926,265	2,000,267	
-	-	385	385	1,222,283	1,601,358	
2,030	-	-	2,030	1,803,775	1,869,689	
413,217	-	28,799	442,016	442,016	306,977	
-	-	-	-	945,877	1,760,903	
-	-	-	-	262,939	261,504	
496,691	-	-	496,691	1,166,805	1,184,698	
328,540	8,928	20,139	357,607	1,224,938	1,291,012	
44,882	7	83	44,972	377,726	441,953	
14,275	19,656	-	33,931	89,125	88,244	
6,447	4,723	263	11,433	62,066	49,662	
3,834	32,091	4,697	40,622	943,602	894,830	
9,571	5,043	79	14,693	18,769	19,461	
32,786	5,061	160,587	198,434	438,333	305,418	
1,251	-	-	1,251	5,091	27,607	
-	-	-	-	-	1,275,000	
2,182	-	-	2,182	60,649	57,735	
-	-	277,868	277,868	277,868	-	
4,562,507	188,892	989,899	5,741,298	24,800,065	27,690,411	
(4,561,694)	44,767	-	-	-	-	
\$ 813	\$ 233,659	\$ 989,899	\$ 5,741,298	\$ 24,800,065	\$ 27,690,411	

SEARCH FOR COMMON GROUND

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,447,160	\$ (4,246,641)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	5,091	27,607
Provision for loss	385,699	-
Change in allowance for doubtful accounts	11,297	226,596
(Increase) decrease in:		
Grants and contracts receivable	(340,195)	672,260
Pledges receivable	8,233	(46,863)
Advances and other receivables	(298,133)	389,278
Prepaid expenses	25,821	(151,484)
Other current assets	(11,671)	-
Deposit	(1,847)	(18,415)
Increase (decrease) in:		
Accounts payable	(317,824)	140,981
Other accrued expenses	141,946	12,005
Refundable advance	316,554	(442)
Due to SFCG Affiliate	<u>(84,633)</u>	<u>2,078,207</u>
Net cash provided (used) by operating activities	<u>1,287,498</u>	<u>(916,911)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(9,674)</u>	<u>-</u>
Net cash used by investing activities	<u>(9,674)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	68,000	-
Repayment of notes payable	(500,000)	-
Proceeds from line of credit	-	7,966,797
Repayment of line of credit	-	(5,021,797)
Proceeds from recoverable grant	160,527	-
Payments on capital lease	<u>(1,713)</u>	<u>(20,277)</u>
Net cash (used) provided by financing activities	<u>(273,186)</u>	<u>2,924,723</u>
Net increase in cash and cash equivalents	1,004,638	2,007,812
Cash and cash equivalents at beginning of year	<u>4,160,017</u>	<u>2,152,205</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,164,655</u>	<u>\$ 4,160,017</u>

SEARCH FOR COMMON GROUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	<u>2015</u>	<u>2014</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	\$ <u>148,352</u>	\$ <u>77,293</u>
SCHEDULE OF NONCASH FINANCING TRANSACTIONS		
Conversion of Line of Credit to a Term Loan	\$ <u>4,000,000</u>	\$ <u>-</u>

SEARCH FOR COMMON GROUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with SFCG's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

The accompanying financial statements represent the activity of SFCG only. For the year ended December 31, 2015, the financial statements of Search for Common Ground Belgium have been combined with SFCG in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. The consolidated financial statements are available at the SFCG's headquarters.

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.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, SFCG maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

SFCG had \$4,520,977 of cash and cash equivalents held at financial institutions in foreign countries at December 31, 2015. The majority of funds invested in foreign countries are uninsured.

Foreign currency translation -

The United States dollar ("Dollars") is the functional currency for SFCG's operations. Transactions in currencies other than U.S. Dollars are translated into Dollars at the historical rate of exchange during the month of the transaction. All assets and liabilities denominated in non-U.S. currency are translated into Dollars based on the historical rate of exchange.

Receivables -

Receivables approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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 Statement of Financial Position. Fixed assets are depreciated/amortized 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. Depreciation and amortization expense for the year ended December 31, 2015 totaled \$5,091.

Search for Common Ground also purchases equipment for its various programs with funding received from the U.S. Government. Under the terms of these agreements, title to equipment remains with Search for Common Ground, but the donor generally retains control of the equipment until disposition at the end of the award period. Therefore, equipment purchased under these programs are expensed when incurred and such assets are not reflected as capital assets in the accompanying Statement of Financial Position.

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 -

For the year ended December 31, 2015, SFCG has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has 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. There were no permanently restricted net assets at December 31, 2015.

Grants, contracts 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 Statement of Activities and Change in 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.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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

Grants, contracts and contributions (continued) -

SFCG receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs.

This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

In-kind contributions -

In-kind contributions are recognized as support and expense in the Statement of Activities and Change in Net Assets in accordance with FASB ASC 958-605-15-2, *Revenue Recognition-Contributions Received*, if the contributions (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by SFCG.

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.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets.

2. CAPITAL LEASE OBLIGATION

In 2012, SFCG entered into a capital lease obligation for a copier, which expired in January 2015. The cost of the leased asset was \$60,000, which is included in software and computer equipment on the Statement of Financial Position.

As of December 31, 2015, the copier was fully depreciated.

Total interest expense for the year ended December 31, 2015 was \$1,180.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015:

Africa Programs	\$ 17,618,117
Asia Programs	3,185,919
MENA Programs	9,059,367
Global Programs	<u>3,435,331</u>
	<u>\$ 33,298,734</u>

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

3. 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:

Africa Programs	\$ 12,333,073
Asia Programs	3,345,477
MENA Programs	4,563,000
Global Programs	<u>2,392,993</u>
	<u>\$ 22,634,543</u>

4. DEBT OBLIGATIONS

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. On February 11, 2014, SFCG amended the note, which extends the borrowing period through January 31, 2015 and increased the loan amount to \$4,000,000. The rate of interest is equal to the LIBOR index plus 2.00% per annum. The note payable is collateralized by grants and contracts receivable. The loan agreement requires compliance with certain financial loan covenants, which have not been met.

In February 2015, the line of credit, with an outstanding balance of \$4,000,000, was converted to a loan. The loan had an original maturity date of July 31, 2015 and incurred interest equal to the Index plus 3.00% per annum. This note represents a renewal and/or amendment to the original line of credit.

A temporary extension was agreed upon in July 2015, which extended the maturity date until October 31, 2015. However, on November 24, 2015, a forbearance agreement was reached extending the maturity date until June 1, 2016 and forgiving \$2,500,000 of the outstanding principal, contingent upon timely principal reduction payments being made and no defaults under the agreed upon terms. In February of 2016, SFCG met all obligations with the repayment of the required remaining principal and terms of the forbearance agreement and therefore the portion of loan was forgiven.

As of December 31, 2015, outstanding borrowings aggregated \$3,500,000. During the year ended December 31, 2015, SFCG incurred interest expense totaling \$147,172.

Additionally, in July of 2015 SFCG entered into a borrowing arrangement with SFCG Foundation. The arrangement totaled \$68,000 and is to be repaid in predetermined installments with a term commencing on July 10, 2015 and continuing through July 10, 2018. Interest on the arrangement is 1.5% per annum. Total amount due as of December 31, 2015 was \$68,000.

5. RECOVERABLE GRANT

SFCG entered into a recoverable grant agreement with a related party during the year ended December 31, 2015. The purpose of the recoverable grant is the discharge of SFCG's indebtedness and the recapitalization of SFCG's existing grants. The recoverable grant totaled \$160,527 and is included on the Statement of Financial Position at year end.

SEARCH FOR COMMON GROUND

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

6. LEASE COMMITMENTS

On November 13, 2002, SFCG entered into a five-year, non-cancelable operating lease for general office space. Since the original termination date, SFCG has amended the lease on various occasions with the current amendment to the lease extending lease commitments through May 30, 2018. 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.

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

Year Ending December 31,

2016	\$	502,240
2017		527,352
2018		<u>224,178</u>
	\$	<u>1,253,770</u>

Rental expense, including short-term lease agreements for overseas offices and housing, amounted to \$1,166,805 for the year ended December 31, 2015.

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 year ended December 31, 2015 totaled \$73,837.

8. CONCENTRATION OF RECEIVABLES

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

SFCG receives grants from various agencies of the United States Government. For fiscal years through December 31, 2014, such grants were subject to audit under the provisions of OMB Circular A-133. Beginning for fiscal year ended December 31, 2015, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

9. CONTINGENCY (Continued)

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2015. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

In addition, the United States Agency for International Development (USAID) approves indirect cost rates annually. The rates have been finalized for the year ended December 31, 2014. Based on calculations for the year ended 2015, those rates may be much lower than the approved provisional rates used in previous years.

Accordingly, SFCG has a refundable advance totaling \$1,076,009 for the year ended December 31, 2015, for programs that have ended where the indirect rate charged to Federal donors were overbilled based on using a higher rate. That amount is shown as a reduction in temporarily restricted net assets on the Statement of Activities and Change in Net Assets.

10. RELATED PARTY

Search for Common Ground Belgium has overlapping Board of Directors and common management. Additionally, SFCG provides various administrative services to Search for Common Ground Belgium. As of December 31, 2015, the amount due to Search for Common Ground Belgium totaled \$1,182,703.

11. SUBSEQUENT EVENTS

In preparing these financial statements, SFCG has evaluated events and transactions for potential recognition or disclosure through January 5, 2017, the date the financial statements were issued.

In 2014, non-profit organizations Search for Common Ground and Soliya have agreed in principle to combine all operations and programs under Search for Common Ground. Following initiation of a mutual due diligence process, in December 2013, the Soliya Board and the Executive Committee of the Search for Common Ground Board each approved a Term Sheet outlining their intention to combine the two organizations and the main elements of their planned integration. This intention was subsequently publicly announced via press release on February 5, 2014. Over the past year, leadership from both Boards and staff executive teams engaged in negotiations on the legal method of combining the two and on planning for the integration at Board, management, financial, administrative and programmatic levels. On September 11, 2015, Search for Common Ground's Board approved for Search for Common Ground to become the sole member of Soliya, effective September 11, 2015. The asset transfer was put on hold.

During the year, SFCG entered into a forbearance agreement with SunTrust bank relating to a revolving line of credit of \$4,000,000, which matured for repayment on October 31, 2015, wherein the bank agreed to reduce the obligation from \$4,000,000 to \$1,500,000, with interest and extended maturity date till June 1, 2016, subject to SFCG meeting its obligation. SFCG has since settled the obligation.

SFCG entered into an agreement with one of its directors to receive grant and loan funds of \$6,800,000 to discharge its indebtedness and recapitalize existing grants.

SUPPLEMENTAL INFORMATION

SEARCH FOR COMMON GROUND

SCHEDULE OF EXPENDITURES OF NON-U.S. GOVERNMENTAL GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Granting Agency	Award or Contract Number	Program Title	Total Expenditures 2015
Alliance for Peacebuilding	SFCG MOU PEC	Peacebuilding Evaluation Consortium - Phase II	\$ 50,462
Asian Football Dev Project	N/A	Asian Football Development Project	33,825
ATOS	N/A	DRC Evidence, Analysis and Coordination Programme (EACP)	90,664
Bahrain Foundation for Reconciliation and Civil Discourse	N/A	Youth Leadership Development and Training of Trainers for Youth Initiative Workshops in Bahrain	9,098
Bahrain Foundation for Reconciliation and Civil Discourse	N/A	Common Ground Youth Leadership and Conflict Sensitive Media Training in Bahrain	9,902
Barrick Gold	N/A	ACACIA Contract	690,189
Bertha Foundation	N/A	Common Ground Production	11,109
Bezos Family Foundation	N/A	Battle for Humanity	206,558
Canadian Foreign Affairs	CTCBP 2014-555 (e)	Bottom-up Approach to Countering Violent Extremism in Tunisia	16,487
Cooperative for Assistance and Relief Everywhere, Inc.	40051652	Subcontract Arrangement with Search for Common Ground (SFCG) Measuring for Impact in Conflict, Crime	34
Carnegie Corporation of New York	bd 12016.R01	Peacebuilding Evaluation Consortium	16,966
Concern Worldwide	CSL002DFID-2014	Production of Rdio Drama Series to Convey Health Messages	4,854
Denmark Government	104.Pakistan.17-4-4	Pakistan Peace Initiative - Provincial Visions of Peace	66,002
Denmark Government	46.H.1-6-0-4-28	Towards a Peaceful Political Settlement: Increasing Communication and Effectiveness Among Peacebuild	124,484
Dutch Government	25590/SAA0117586	The Team, Promoting Citizenship and Social Coherence and Gender Equality	257,308
Dutch Government	25033	Supporting Womens Participation and Effective Leadership in Democratic Institutions in a Pre Electio	180,976
Dutch Government	24348	Strengthening Citizen Participation on Critical Social Issues to Prevent Conflict: Palestinian Terri & Great Lakes	660,640
Dynatec	N/A	The Supporting Information Flow and Good Governance around Ambatovy Sites	108,227
British Foreign Commonwealth Office, British Government	N/A	Mock Tunisian Local and National Government Program	406
British Foreign Commonwealth Office, British Government	N/A	Strengthening Capacity to Prevent Violent Religious Extremism	238,734
Gill Foundation	N/A	Search for Common Ground	2,625
Howard Buffet Foundation	N/A	Replacing Violence by Ideas: Engaging Key Stakeholders for Peaceful, Constructive Change in the Ter	283
Howard Buffet Foundation	N/A	Promoting Peaceful Cross-Border Trade in the Democratic Republic of the Congo and Rwanda	58,663
Humanity United Fund	BP10852/15PROJ	Humanity United - To Support Burundi Rapid Response	130,612
National Democratic Institute for Intl. Affairs	N/A	Search for Common Ground	24,669
IOM	fata/pk10-2014/001	Womens Initiativer for Learning and Leadership	104,438
IOM	OIM/RABT/CONT/2014/138	Favorable Opportunities to Reinforce Self Advancement for Todays Youths	201,888
Kellogg	P3023397	Search for Common Ground	115,050
Norwegian Government	MEU-12/0037	Search for Common Ground	4,193
Nuclear Threat Initiative	2115	Middle East Consortium on Infectious Disease Surveillance (MECIDS) Secretariat Support	83,626
Nuclear Threat Initiative	2118	Middle East Consortium on Infectious Disease Surveillance (MECIDS) Palestinian Authority Country Coc	36,296
Nuclear Threat Initiative	2113	MECIDS Secretariat Support for Executive Board Meetings and Training Activities - This is an Open Da	19,228

SEARCH FOR COMMON GROUND

**SCHEDULE OF EXPENDITURES OF NON-U.S. GOVERNMENTAL GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Granting Agency	Award or Contract Number	Program Title	Total Expenditures 2015
One World Dialogue	N/A	A Universal Code on Holy Sites Phase III	\$ 24,169
Open Society Initiative	2666	Soutien a la participation active de la societe civile ivoirienne dans la gouvernance locale et les	36,345
Open Society Initiative	2522	Equitable Land Rights Promotion in Three Districts in Sierra Leone	56,883
PeaceNexus Fund	121	Organisational Development (OD) Support	15,145
PeaceNexus Fund	PBSO.3.SFCG.01102015	UN PBSO - Support to development of ME Training Tool	3,698
Ploughshares Fund	N/A	Transform the Way the World Deals with Conflict, Away from Adversarial Approaches Toward Cooperative	16,003
Rational Games	N/A	Search for Common Ground On-Line Board Game in Lebanon - Pilot Program	7,865
Rockefeller Brothers Foundation	14-203	US-IRAN program	34,754
Silicon Valley Community Foundation	2014-133418	Open for Business : Bridge Proposal	88,109
Skoll Foundation	15-02947	Skoll Global Threats Fund	18,247
Swedish International Development Cooperation Agency	51030012	Strengthening Peace and Security in Conflict and Post-Conflict Countries in Africa: Regional Approa	63,562
Swedish International Development Cooperation Agency	52090059	Strengthening the Capacity of CSO to Promote Sustainable Governance in Liberia 2012-2015	687,746
Tenke Fungurume Mining S.A.	34581400303-001	Building Trust and Enhancing Collaboration Amongst TFM Project Stakeholders	203,030
The Economist	N/A	IFC Gender Business Case in the Agriculture and Extractive Industries	23,337
United Nations Women	82099	Strengthening Implementation of Women, Peace and Security in Nepal: Inception Phase	860
United Nations Development Fund for Women	PCA-NPL-2013-006	Search for Common Ground	147,919
United Nations International Children's Fund	UDF-SUD-10-366	Supporting the Role of Women Leaders in Sudan and South Sudan in Post-separation Period	32,671
United Nations International Children's Fund	100072052	Search for Common Ground (PBEA-UNICEF-ILT) Phase I	126
United Nations International Children's Fund	N/A	Improve the Lives of Children and Women in Pakistan	8,570
United Nations International Children's Fund	N/A	Dappui a la responsabilite sociale des jeunes pour la consolidation de al paix en Republic de Guinee	329,198
United Nations International Children's Fund	2013 PCA FC100072052	Search for Common Ground (PBEA-UNICEF-ILT) Phase II	164,965
World Bank	7171974	Micro Level Conflict Analysis of Five states in North East Nigeria to Inform Implemenation of the Co	44,575
Various Donors	N/A	N/A	697,295
Other Department Expenses	N/A	N/A	1,914,000
TOTAL			\$ 8,177,568