



# Search for Common Ground and Subsidiary

## Consolidated Financial Statements Years Ended December 31, 2021 and 2020

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



## **Search for Common Ground and Subsidiary**

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**Consolidated Financial Statements**  
Years Ended December 31, 2021 and 2020

# Search for Common Ground and Subsidiary

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## Independent Auditor's Report

Board of Directors  
Search for Common Ground and Subsidiary  
Washington, D.C.

### *Opinion*

We have audited the consolidated financial statements of the **Search for Common Ground and Subsidiary** (collectively, referred to as SFCG or the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.



### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*BDO USA, LLP*

August 3, 2022

## **Consolidated Financial Statements**

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# Search for Common Ground and Subsidiary

## Consolidated Statements of Financial Position

December 31,	2021	2020
<b>Assets</b>		
Cash	\$ 13,191,540	\$ 8,748,614
Grants and contracts receivable	924,231	2,652,095
Advances and other receivables, net	2,031,814	959,268
Prepaid expenses and other current assets	580,256	323,279
<b>Fixed assets</b>		
Furniture and fixtures	226,393	233,737
Office equipment	1,361,220	1,361,220
Software and computer equipment	145,475	145,475
Website	338,191	338,191
Vehicles	35,785	35,785
Less: accumulated depreciation and amortization	(1,991,567)	(1,930,969)
<b>Fixed assets, net</b>	<b>115,497</b>	<b>183,439</b>
Due from SFCG Affiliate	-	484,629
Deposits	154,918	165,824
<b>Total assets</b>	<b>\$ 16,998,256</b>	<b>\$ 13,517,148</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 817,954	\$ 1,110,783
Other accrued expenses	2,456,465	2,644,474
Paycheck Protection Program note payable	-	1,074,391
Other liabilities	643,315	491,161
Refundable advances	3,905,097	3,603,651
Line of credit	-	100,000
Note payable	-	25,000
Related party promissory note	421,910	-
Due to SFCG affiliate	2,132,438	-
<b>Total liabilities</b>	<b>10,377,179</b>	<b>9,049,460</b>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Without donor restrictions	5,671,077	4,351,439
With donor restrictions	950,000	116,249
<b>Total net assets</b>	<b>6,621,077</b>	<b>4,467,688</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,998,256</b>	<b>\$ 13,517,148</b>

*See accompanying notes to the consolidated financial statements.*

# Search for Common Ground and Subsidiary

## Consolidated Statement of Activities and Change in Net Assets

<i>Year Ended December 31, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Grant and contract revenue	\$ 32,176,893	\$ -	\$ 32,176,893
Contributions	3,773,989	950,000	4,723,989
Other income	15,602	-	15,602
Interest	1,402	-	1,402
Net assets released from donor restrictions	116,249	(116,249)	-
<b>Total revenue and support</b>	<b>36,084,135</b>	<b>833,751</b>	<b>36,917,886</b>
<b>Expenses</b>			
Program services:			
Africa programs	15,744,902	-	15,744,902
Asia programs	3,287,029	-	3,287,029
MENA programs	8,598,839	-	8,598,839
Global programs	6,779,609	-	6,779,609
<b>Total program services</b>	<b>34,410,379</b>	<b>-</b>	<b>34,410,379</b>
Supporting services:			
Management and general	628,922	-	628,922
Fundraising	610,985	-	610,985
<b>Total supporting services</b>	<b>1,239,907</b>	<b>-</b>	<b>1,239,907</b>
<b>Total expenses</b>	<b>35,650,286</b>	<b>-</b>	<b>35,650,286</b>
Change in net assets before non-operating activity	433,849	833,751	1,267,600
<b>Non-operating activity</b>			
Forgiveness of Payroll Protection Program loan	1,074,391	-	1,074,391
Foreign exchange loss	(188,602)	-	(188,602)
Change in net assets	1,319,638	833,751	2,153,389
Net assets, beginning of the year	4,351,439	116,249	4,467,688
<b>Net assets, end of the year</b>	<b>\$ 5,671,077</b>	<b>\$ 950,000</b>	<b>\$ 6,621,077</b>

*See accompanying notes to the consolidated financial statements.*



# Search for Common Ground and Subsidiary

## Consolidated Statement of Activities and Change in Net Assets

<i>Year Ended December 31, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Grant and contract revenue	\$ 26,083,071	\$ 150,000	\$ 26,233,071
Contributions	4,534,904	-	4,534,904
Other income (loss)	21,177	-	21,177
Interest	1,379	-	1,379
Net assets released from donor restrictions	33,751	(33,751)	-
<b>Total revenue and support</b>	<b>30,674,283</b>	<b>116,249</b>	<b>30,790,532</b>
<b>Expenses</b>			
Program services:			
Africa programs	14,001,357	-	14,001,357
Asia programs	2,336,256	-	2,336,256
MENA programs	2,971,045	-	2,971,045
Global programs	8,448,898	-	8,448,898
Total program services	27,757,557	-	27,757,557
Supporting services:			
Management and general	50,684	-	50,684
Fundraising	874,465	-	874,465
Total supporting services	925,148	-	925,148
<b>Total expenses</b>	<b>28,682,705</b>	<b>-</b>	<b>28,682,705</b>
Change in net assets before non-operating activity	1,991,578	116,249	2,107,827
<b>Non-operating activity</b>			
Foreign exchange loss	(12,198)	-	(12,198)
Change in net assets	1,979,380	116,249	2,095,629
Net assets without donor restrictions, beginning of the year	2,372,059	-	2,372,059
<b>Net assets without donor restrictions, end of the year</b>	<b>\$ 4,351,439</b>	<b>\$ 116,249</b>	<b>\$ 4,467,688</b>

*See accompanying notes to the consolidated financial statements.*

## Search for Common Ground and Subsidiary

### Consolidated Statement of Functional Expenses

<i>Year Ended December 31, 2021</i>	Program Services					Supporting Services			Total Expenses
	Africa Programs	Asia Programs	MENA Programs	Global Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 5,123,899	\$ 1,245,956	\$ 2,854,265	\$ 2,665,888	\$ 11,890,009	\$ 3,565,233	\$ 422,892	\$ 3,988,125	\$ 15,878,134
Subgrants	1,525,102	642,551	1,814,358	1,927,584	5,909,595	3,717	-	3,717	5,913,312
Travel	1,121,036	78,545	289,610	63,160	1,552,352	129,633	1,692	131,325	1,683,677
Consultants / professional services	592,900	141,870	744,520	1,168,622	2,647,911	818,388	123,996	942,383	3,590,295
Program activities	871,574	224,343	892,452	232,946	2,221,314	19,873	1,350	21,223	2,242,538
Education and seminars	646,171	97,940	210,959	38,512	993,583	7,431	382	7,813	1,001,396
Conferences and meetings	640,404	123,502	7,958	70,990	842,854	82,462	400	82,862	925,716
Office expenses	718,023	36,026	135,975	27,100	917,124	296,701	30,558	327,259	1,244,383
Rent	274,032	48,607	114,244	37,036	473,919	349,011	12,040	361,052	834,971
TV, video and radio production	492,054	27,008	35,007	4,940	559,010	-	-	-	559,010
Research and development	568,959	27,498	85,316	56,031	737,804	13,210	1,109	14,318	752,122
Equipment	240,029	11,594	60,321	11,602	323,545	8,808	1,449	10,257	333,802
Bank charges and other fees	68,947	11,003	23,888	1,287	105,124	70,994	214	71,208	176,333
Interest	-	-	-	-	-	3,253	-	3,253	3,253
Other expenses	55,044	6,133	32,174	11,788	105,139	43,943	347	44,290	149,430
Professional legal services	17,309	529	21,422	112	39,371	29,282	3,859	33,141	72,512
Depreciation and amortization	-	-	-	53,247	53,247	3,999	10,697	14,695	67,942
Bad debt expense and provisions	-	1,543	-	-	1,543	219,917	-	219,917	221,460
	12,955,484	2,724,649	7,322,468	6,370,844	29,373,445	5,665,855	610,985	6,276,840	35,650,286
Overhead allocation	2,789,418	562,380	1,276,370	408,764	5,036,933	(5,036,933)	-	(5,036,933)	-
<b>Total</b>	<b>\$ 15,744,902</b>	<b>\$ 3,287,029</b>	<b>\$ 8,598,839</b>	<b>\$ 6,779,609</b>	<b>\$ 34,410,379</b>	<b>\$ 628,922</b>	<b>\$ 610,985</b>	<b>\$ 1,239,907</b>	<b>\$ 35,650,286</b>

*See accompanying notes to the consolidated financial statements.*

## Search for Common Ground and Subsidiary

### Consolidated Statement of Functional Expenses

<i>Year Ended December 31, 2020</i>	Program Services					Supporting Services			Total Expenses
	Africa Programs	Asia Programs	MENA Programs	Global Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 4,825,499	\$ 1,000,755	\$ 1,729,487	\$ 3,185,150	\$ 10,740,890	\$ 2,822,788	\$ 506,413	\$ 3,329,201	\$ 14,070,091
Subgrants	723,373	249,539	1,772	2,619,059	3,593,742	-	-	-	3,593,742
Travel	727,155	100,432	41,159	233,358	1,102,104	99,327	3,801	103,128	1,205,232
Consultants and professional services	222,586	62,953	165,127	1,136,753	1,587,418	601,521	322,925	924,446	2,511,864
Program activities	1,108,967	72,375	23,362	497,806	1,702,510	28,114	3,580	31,694	1,734,204
Education and seminars	541,033	95,183	10,232	46,927	693,375	1,352	-	1,352	694,727
Conferences and meetings	656,437	119,171	22,364	9,995	807,967	-	-	-	807,967
Office expenses	721,557	28,045	18,937	123,194	891,734	281,146	3,196	284,342	1,176,076
Rent	277,581	54,967	11,076	126,332	469,956	298,299	11,848	310,147	780,102
TV, video and radio production	964,988	101,924	-	11,746	1,078,658	-	-	-	1,078,658
Research and development	293,407	42,210	1,304	81,063	417,984	11,442	787	12,229	430,213
Equipment	106,238	11,014	1,549	23,838	142,638	-	1,323	1,323	143,961
Bank charges and other fees	72,642	7,584	216	8,238	88,680	66,691	959	67,649	156,329
Interest	-	-	-	-	-	5,722	-	5,722	5,722
Other expenses	22,191	5,544	3,793	18,990	50,518	9,709	6,729	16,438	66,956
Professional legal services	24,978	-	1,177	24,631	50,786	66,383	-	66,383	117,169
Depreciation and amortization	-	-	-	48,457	48,457	48,329	12,905	61,234	109,691
	11,288,631	1,951,697	2,031,554	8,195,537	23,467,418	4,340,822	874,465	5,215,287	28,682,705
Overhead allocation	2,712,726	384,560	939,491	253,362	4,290,139	(4,290,139)	-	(4,290,139)	-
<b>Total</b>	<b>\$ 14,001,357</b>	<b>\$ 2,336,256</b>	<b>\$ 2,971,045</b>	<b>\$ 8,448,898</b>	<b>\$ 27,757,557</b>	<b>\$ 50,684</b>	<b>\$ 874,465</b>	<b>\$ 925,148</b>	<b>\$ 28,682,705</b>

*See accompanying notes to the consolidated financial statements.*

# Search for Common Ground and Subsidiary

## Consolidated Statements of Cash Flows

Year Ended December 31,	2021	2020
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,153,389	\$ 2,095,629
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation and amortization	67,942	109,691
Forgiveness of Payroll Protection Program loan	(1,074,391)	-
Bad debt expense	221,460	-
<b>(Increase) decrease in assets</b>		
Grants and contracts receivable	1,506,404	222,263
Advances and other receivables	(1,072,546)	581,801
Prepaid expenses and other current assets	(256,977)	99,985
Deposits	10,906	(24,893)
<b>Increase (decrease) in liabilities</b>		
Accounts payable	(292,829)	94,128
Other accrued expenses	(188,009)	442,956
Refundable advances	301,446	263,070
Other liabilities	152,154	101,011
Due to SFCG Affiliate	2,617,067	(1,264,463)
<hr/>		
<b>Net cash provided by operating activities</b>	<b>4,146,016</b>	<b>2,721,178</b>
<hr/>		
<b>Cash flows from financing activities:</b>		
Proceeds from related party promissory note	421,910	100,000
Payroll Protection Program loan proceeds	-	1,074,391
Repayment on line of credit	(100,000)	(200,000)
Repayment of note payable	(25,000)	(25,000)
Repayment on promissory note	-	(694,329)
<hr/>		
<b>Net cash provided by financing activities</b>	<b>296,910</b>	<b>255,062</b>
<hr/>		
Net increase in cash and cash equivalents	4,442,926	2,976,240
Cash and cash equivalents at beginning of year	8,748,614	5,772,374
<hr/>		
<b>Cash and cash equivalents at end of year</b>	<b>\$ 13,191,540</b>	<b>\$ 8,748,614</b>
<hr/>		
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	\$ 1,779	\$ 15,927

*See accompanying notes to the consolidated financial statements.*

# Search for Common Ground and Subsidiary

## Notes to the Consolidated Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies

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.

Soliya, Inc. (Soliya) was incorporated as a New York not-for-profit corporation in July 2002 and is a wholly owned subsidiary of SFCG. Soliya's mission is global but Soliya's current focus is on strengthening relationships and fostering cooperation between youth from Western and predominately Muslim societies. Rising cultural and religious tensions within and between these societies play a major role in preventing people worldwide from working collaboratively to find mutually beneficial solutions to global challenges. Soliya aims to bridge this divide by directly connecting young adults from diverse communities and empowering them to use the latest in new media and communication technologies to share their voices, build respectful relationships and inspire understanding.

#### Organization Operating Structure

SFCG and Soliya's operational structure includes the following program and supporting services, which are included in the accompanying statement of activities:

##### Program Services

*Program services* are performed on both a regional scale including Africa, Asia, the Middle East and North Africa (MENA), as well as through cross jurisdictional global programs. These program services involve partnering with people around the world to ignite shared solutions to destructive conflicts. These services operate at all levels of society to build sustainable peace through three main avenues: dialogue, media and community outreach.

##### Supporting Services

The *Management and General* category include the functions necessary to provide core mission support and proper administrative functioning of SFCG and Soliya.

*Fundraising* includes expenditures which provide the structure necessary to encourage and secure financial resources for SFCG and Soliya's worldwide operations and programs.

#### Basis of Presentation

The accompanying consolidated financial statements of SFCG and Soliya (collectively, the "Organization") are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and have been prepared on the accrual basis of accounting, whereby revenue and support are recognized when earned and expenses are recognized when incurred.

The accompanying consolidated financial statements represent the activity of the Organization's United States operations only. These consolidated financial statements do not include Search for Common Ground Belgium, based in Brussels, Belgium (see Note 8).

# Search for Common Ground and Subsidiary

## Notes to the Consolidated Financial Statements

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### *Cash and cash equivalents*

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

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. Amounts held in excess of the FDIC limits were \$8,835,391 and \$6,015,643 as of December 31, 2021 and 2020, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

The Organization has operations in many countries throughout the world, many of which have politically and economically volatile environments and whose governments are still in development stages. As a result, the Organization may have financial risks associated with these operations including, but not limited to, such matters as the assessment of additional local taxes and foreign currency risk. The Organization had \$3,857,135 and \$2,186,313 of cash and cash equivalents held at financial institutions in foreign countries as of December 31, 2021 and 2020, respectively. The majority of funds invested in foreign countries are uninsured. The Organization limits financial risk of cash held in foreign countries by considering banking stability, and attempting, when possible, to limit advances of cash to international locations.

### *Foreign currency*

The U.S. Dollar is the functional currency for the Organization's worldwide 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. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Statements of Financial Position.

### *Grants and contracts receivable*

The Organization receives funding from grants and contracts received from 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 the performance of program activities and/or from incurring qualifying expenses for programs. These balances are all receivable in less than one year and are carried at their net realizable value, which approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

### *Fixed assets*

Fixed assets purchased with a cost of \$5,000 or more are capitalized and shown in the Consolidated 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. Depreciation and amortization expense for the years ended December 31, 2021 and 2020 totaled \$67,942 and \$109,691, respectively. The cost of maintenance and repairs is recorded as expenses are incurred.

The Organization 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 the Organization, but the donor generally retains control of the equipment until disposition at the end of the award period. Therefore, equipment purchased under these U.S. Government programs are expensed when incurred and such assets are not reflected as capital assets in the accompanying Consolidated Statements of Financial Position.

# Search for Common Ground and Subsidiary

## Notes to the Consolidated Financial Statements

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### *Income taxes*

SFCG and Soliya are both exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and are not private foundations under Section 509(a)(1). SFCG is only subject to tax on unrelated business income.

The Organization recognizes the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The effects of a tax position cannot be recognized in the consolidated financial statements unless it is “more-likely-than-not” to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that SFCG is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. As of December 31, 2021 and 2020, there were certain tax positions for which a liability was recorded related to international tax matters. SFCG and Soliya are no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2018. There were no material interest or penalties recorded for the years ended December 31, 2021 and 2020.

The Organization does not believe there are any unrecognized tax benefits that should be recorded.

### *Net asset classification*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or grantor) restrictions are recorded as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets subject to donor-imposed stipulations. This includes net assets expected to be met either by actions of the Organization and/or the passage of time and net assets subject where the principal amount must be maintained in perpetuity.

### *Grants, contracts and contributions*

Revenue from grants and contracts are considered contributions since the donor does not receive commensurate value for the consideration received by the Organization; rather, the purpose of an arrangement is for the benefit of the general public. These arrangements are governed by various stipulations that are related to the purpose of the agreement and regulations of the government or donor providing the support. Revenue is recognized when qualified expenditures are incurred, or a milestone or other deliverable is satisfied and conditions or the grant agreement are met. In the event the Organization’s expenses under a contract exceed specified ceilings in the contract, the Organization’s net assets without donor restrictions absorb excess direct and indirect costs. The Organization has \$46,812,088 and \$61,787,433 in conditional grants and awards outstanding on December 31, 2021 and 2020, respectively.

The Organization’s U.S. Government revenues are derived primarily from awards with U.S. Department of State, U.S. Agency for International Development (USAID) and U.S. Institute for Peace. These grants and contracts include provisions relating to the reimbursement of direct costs

# Search for Common Ground and Subsidiary

## Notes to the Consolidated Financial Statements

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and indirect expenses at provisional rates. The recoveries billable during the year at the provisional rates are adjusted at year-end based on the final actual indirect cost rates for the year. Any variance between the actual indirect cost rate and the final negotiated indirect cost rate is recorded as an adjustment to revenue in the year the final rate is negotiated.

Allowable expenses incurred in excess of cumulative reimbursements are reported as grants and contracts receivable. Cash received in excess of allowable expenditures is reported as refundable donor advances.

### ***Use of estimates***

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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 Consolidated Statements of Activities and Change in Net Assets. Expenses that can be identified with a specific program or support service are charged directly according to their natural expenditure classifications. Management and general expenses include those costs that are not directly identifiable with any specific function, but which provide for the overall support and direction to the Organization. Certain costs have been allocated among the programs and supporting services benefited. Those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis, such as square footage or usage rate.

### ***Recent Accounting Pronouncements Not Yet Adopted***

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842). This update, along with several other clarifying ASU’s, establishes a comprehensive leasing standard. These updates require the recognition of lease assets and lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The guidance also expands the required quantitative and qualitative lease disclosures as well as provides entities with an additional (and optional) transition method to adopt the new standard. The new leasing standard is effective for the Organization’s year ended December 31, 2022. Management is currently evaluating the impact of the new leasing standard on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU was issued to increase transparency on how contributed nonfinancial assets (also referred to as gifts-in-kind) received by nonprofits are to be used and how they are valued. The ASU states that contributed nonfinancial assets be presented on a separate item in the statement of activities apart from contributions of cash and other financial assets. The ASU also outlines specific disclosures that must be made regarding the contributed nonfinancial assets. The ASU is effective for fiscal years after June 15, 2021. Early adoption is permitted. Management is evaluating the potential impact of this guidance on its consolidated financial statements.



# Search for Common Ground and Subsidiary

## Notes to the Consolidated Financial Statements

### 2. Liquidity and Availability

Financial assets available for use for general expenditures within one year of the Consolidated Statement of Financial Position date comprise the following:

<i>December 31,</i>	<b>2021</b>	<b>2020</b>
Financial assets at year-end:		
Cash and cash equivalents	\$ 13,191,540	\$ 8,748,614
Grants and contracts receivable	924,231	2,652,095
Advances and other receivables	2,031,814	959,268
<b>Total financial assets</b>	<b>16,147,585</b>	<b>12,359,977</b>
Less amounts not available to be used for general expenditures within one year:		
Line of credit	-	(100,000)
Note payable	-	(25,000)
Net assets with donor restriction	(950,000)	(116,249)
Refundable advances	(3,905,097)	(3,603,651)
Related party promissory note	(421,910)	-
Due to SFCG affiliate	(2,132,438)	-
	<b>(7,409,445)</b>	<b>(3,844,900)</b>
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 8,738,140</b>	<b>\$ 8,515,077</b>

The Organization is substantially supported by grants, contracts and contributions. Grants and contracts funds cannot be accessed until the expenditures are incurred. The Organization is obligated to spend refundable advances in accordance with its contractual obligations over the next 12 months and therefore those assets are not available to meet general cash needs. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2021, the Organization has financial assets equal to approximately five months of operating expenses.

### 3. Leases

#### *Operating Leases*

The Organization signed a three-year lease agreement for new office space which commenced on November 1, 2018, with an initial termination date of October 31, 2021. This Agreement was renewed for a further term of three years with monthly base rent for first 12 months of \$17,761. The Organization also leases offices and guest houses in several foreign countries under short-term lease agreements of less than one year.

Rental expense, including short-term lease agreements for overseas offices and housing, amounted to \$834,971 and \$780,102 for the years ended December 31, 2021 and 2020, respectively.

# Search for Common Ground and Subsidiary

## Notes to the Consolidated Financial Statements

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

*Year Ending December 31,*

2022	\$	214,558
2023		223,141
2024		192,108
	\$	214,558

#### 4. Line of Credit

SFCG entered into a \$1,000,000 line of credit agreement with a financial institution in March 2020. The line of credit renews annually with an interest rate of LIBOR daily floating rate plus 2.75 percentage points. The line of credit agreement expires on February 9, 2023. There were no outstanding balances at December 31, 2021 and 2020, respectively. See Note 11.

Soliya has an unsecured line of credit of \$200,000 with a financial institution. Interest is payable at 2.75% plus the prime rate, which at December 31, 2021 and 2020 amounted to 3.25% and 7.50%, respectively. Soliya borrowed and had an outstanding balance of \$100,000 at December 31, 2020, which was repaid during 2021. The Soliya unsecured line of credit is payable on demand from the Lender. There is no outstanding balance on December 31, 2021.

#### 5. Note Payable

Soliya entered into a three-year note payable agreement on May 10, 2018 totaling \$75,000 with an independent not-for-profit organization. The note payable bears no interest. As of December 31, 2021 and 2020, the outstanding balance on the note payable was \$0 and \$25,000, respectively. The note terminated upon final payment made during 2021.

#### 6. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

<i>December 31,</i>	2021	2020
<i>Subject to expenditures for specific purposes:</i>		
Peace and Stabilization Operations Program	\$ -	\$ 116,249
<i>Subject to satisfaction of time restrictions</i>	950,000	-
	\$ 950,000	\$ 116,249

For the years ended December 31, 2021 and 2020, donor restrictions were met by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

<i>Year Ended December 31,</i>	2021	2020
<i>Satisfaction of Purpose Restrictions:</i>		
Peace and Stabilization Operations Program	\$ 116,249	\$ 33,751
	\$ 116,249	\$ 33,751

# Search for Common Ground and Subsidiary

## Notes to the Consolidated Financial Statements

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### 7. Commitments and Contingencies

In the course of normal business operations, the Organization is faced with routine legal matters. In the opinion of management, all matters are adequately covered by insurance or the costs have been accrued.

U.S. Government grants and contracts are subject to audit by various governmental agencies. Management believes, any potential disallowed costs would not be material to the consolidated financial statements. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2018.

### 8. Related Party Transactions

#### *Related Party Promissory Notes*

In February 2018, SFCG signed a promissory note with a board member in the amount of \$3,000,000 as a letter of credit option with an initial maturity date of February 9, 2023. On October 15, 2019, the note was amended to include a maximum of line of credit for general management needs of \$500,000, the remaining available balance must be used for specific grant needs. The note accrues simple interest, equal to the LIBOR rate plus the rate margin. As of December 31, 2021 and 2020, SFCG had an outstanding balance on the note totaling \$421,910 and \$0, respectively. SFCG incurred interest expense of \$1,779 and \$10,670 for the years ended December 31, 2021 and 2020, respectively, related to the related party promissory note.

#### *Related Party Contribution*

During the year ended December 31, 2020, SFCG received pledges from two board members totaling \$1,750,000. These pledges are recorded as unconditional contributions in the Consolidated Statement of Activities.

#### *Related Party Administrative Function*

The SFCG's Chief Executive Officer is a member of the Board of Directors of Search for Common Ground Belgium (SFCG-B), however SFCG does not have control of the management or activities of SFCG-B. SFCG provides various administrative services to SFCG-B. As of December 31, 2021, the amount due to Search for SFCG-B totaled \$2,132,438. As of December 31, 2020, the amount due from SFCG-B totaled \$484,629.

#### *Related Party Fixed Grant Awards*

During 2020, Soliya entered into two agreements with SFCG-B to provide services for the *Erasmus+ Virtual Exchange* and the *First Year Connect* programs. For the years ended December 31, 2021 and 2020, Soliya billed and received \$332,152 and \$563,561, respectively, for the services provided related to these programs.

### 9. Retirement Plan

Effective January 1, 1998, SFCG adopted a 403(b) elective deferral contribution plan (the Plan). The 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, 2021 and 2020 totaled \$116,314 and \$95,990, respectively.

# Search for Common Ground and Subsidiary

## Notes to the Consolidated Financial Statements

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### 10. COVID-19 and CARES Act

On January 30, 2020, the World Health Organization (WHO) announced a new strain of coronavirus. As a result of the risks to the international community as the virus has spread globally beyond its point of origin, on March 11, 2020, the WHO declared the novel coronavirus a global pandemic.

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of the Organization will depend on certain developments, including the duration and spread of the outbreak. COVID-19 presents potential material uncertainty and risk with respect to the Organization, its performance, and its financial results. The Organization's programmatic activity generally continued despite COVID-19 related closure as employees were able to remain active through alternative work arrangements, however certain categories of expenses including meetings, supplies and travel were reduced with event and travel restrictions.

On March 27, 2020, the President of the United States signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property. The Organization obtained funds from the Small Business Administration (SBA) Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. SFCG applied for and received a SBA Paycheck Protection Program loan totaling \$934,407, which was forgiven during 2021 and recorded within the Statements of Activities. Soliya applied for, and received, an SBA Paycheck Protection Program loan totaling \$139,984, which was forgiven during 2021 and which is also recorded within the Statements of Activities.

### 11. Subsequent Events

The Organization has evaluated subsequent events for recognition and disclosure through August 3, 2022, the date the consolidated financial statements were available to be issued. Except as noted below, The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements:

The Organization entered into a new line-of-credit agreement with a financial institution with availability of up to \$2 million. The agreement was signed in June 2022 with an expiration date of June 9, 2023. Amounts outstanding under the new line-of-credit agreement will bear interest at the daily Bloomberg Short-Term Bank Yield Index rate plus 2.50%.