

FINANCIAL STATEMENTS

SEARCH FOR COMMON GROUND

**FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004**

SEARCH FOR COMMON GROUND

CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statements of Financial Position, as of December 31, 2005 and 2004	3
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2005 and 2004	4-5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2005	6-7
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2004	8-9
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2005 and 2004	10
NOTES TO FINANCIAL STATEMENTS	11-15



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 as of December 31, 2005 and 2004, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Search for Common Ground, as of December 31, 2005 and 2004 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 March 7, 2006 on our consideration of Search for Common Ground's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Gelman Rosenberg & Freedman

April 21, 2006

4550 MONTGOMERY AVENUE, SUITE 650 NORTH, BETHESDA, MARYLAND 20814
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFPCA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

SEARCH FOR COMMON GROUND
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2005 AND 2004

	ASSETS	<u>2005</u>	<u>2004</u>
CURRENT ASSETS			
Cash (Notes 5 and 7)		\$ 247,834	\$ 290,462
Field office – cash (Note 5)		594,968	403,739
Grants receivable (Note 5)		6,897,224	9,825,544
Pledges receivable		244,908	247,120
Investments		-	8,258
Other receivables		23,879	-
Other advances		31,916	83,483
Prepaid expenses		29,871	106,014
Due from related parties (Note 4)		-	1,316,479
Total current assets		<u>8,070,600</u>	<u>12,281,099</u>
FURNITURE AND EQUIPMENT			
Furniture and equipment		493,148	493,149
Less: Accumulated depreciation		<u>(380,118)</u>	<u>(322,090)</u>
Net furniture and equipment		<u>113,030</u>	<u>171,059</u>
OTHER ASSETS			
Deposits		<u>32,500</u>	<u>30,000</u>
TOTAL ASSETS		<u>\$8,216,130</u>	<u>\$12,482,158</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ 370,567	\$ 224,808
Other accrued expenses		<u>620,269</u>	<u>240,497</u>
Total current liabilities		<u>990,836</u>	<u>465,305</u>
NET ASSETS			
Unrestricted (Note 7):			
Board designated for reserve		325,000	325,000
Undesignated		<u>16,619</u>	<u>186,623</u>
Total unrestricted		341,619	511,623
Temporarily restricted (Note 3)		<u>6,883,675</u>	<u>11,505,230</u>
Total net assets		<u>7,225,294</u>	<u>12,016,853</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$8,216,130</u>	<u>\$12,482,158</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, 2005 AND 2004

	2005		TOTAL
	Unrestricted	Temporarily Restricted	
REVENUE AND SUPPORT			
Grant revenue	\$ 616,850	\$ 11,257,995	\$11,874,845
Donations and contributions	538,439	-	538,439
Interest	4,717	-	4,717
Other	174,447	-	174,447
In-kind contributions	18,024	-	18,024
Net assets released from restrictions – satisfaction of donor-imposed restrictions (Note 3)	15,755,946	(15,755,946)	-
Total revenue and support	<u>17,108,423</u>	<u>(4,497,951)</u>	<u>12,610,472</u>
EXPENSES			
Program services	16,846,526	-	16,846,526
Management and general	14,838	-	14,838
Fundraising	417,063	-	417,063
Total expenses	<u>17,278,427</u>	<u>-</u>	<u>17,278,427</u>
Changes in net assets before other item	(170,004)	(4,497,951)	(4,667,955)
OTHER ITEMS			
De-obligation of funds and funds returned to donors	-	(123,604)	(123,604)
Changes in net assets	(170,004)	(4,621,555)	(4,791,559)
Net assets at beginning of year	<u>511,623</u>	<u>11,505,230</u>	<u>12,016,853</u>
NET ASSETS AT END OF YEAR	<u>\$ 341,619</u>	<u>\$ 6,883,675</u>	<u>\$ 7,225,294</u>

See accompanying notes to financial statements.

2004		
Unrestricted	Temporarily Restricted	Total
\$ 219,990	\$ 21,677,149	\$21,897,139
273,275	-	273,275
1,612	-	1,612
31,012	-	31,012
-	-	-
13,803,654	(13,803,654)	-
14,329,543	7,873,495	22,203,038
13,477,096	-	13,477,096
763,441	-	763,441
179,486	-	179,486
14,420,023	-	14,420,023
(90,480)	7,873,495	7,783,015
-	-	-
(90,480)	7,873,495	7,783,015
602,103	3,631,735	4,233,838
\$ 511,623	\$ 11,505,230	\$12,016,853

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2005

	Program Services										Liberia and MRU	
	Search USA	Macedonia	Middle East	Morocco	Burundi	Congo	Angola	Indonesia	Ivory Coast	Guinea	Guinea	MRU
Salaries and benefits	\$ 570,424	\$ 340,888	\$ 356,846	\$ 27,610	\$ 893,155	\$ 418,499	\$ 334,255	\$ 111,487	\$ 45,102	\$ 1,372	\$ 1,372	\$ 395,780
Consultants and professional services	476,534	42,381	455,972	10,003	157,144	21,668	33,275	24,045	1,696	1,160	1,160	67,496
Passsthroughs and subgrants	92,358	13,665	246,096	4,323	125,279	35,954	26,724	12,002	992	445	445	32,200
Telephone/internet	11,983	31,871	29,121	2,855	260,430	145,577	123,444	14,587	16,405	3,174	3,174	144,108
Office expense	8,660	637	39,867	36,459	43,083	38,300	2,167	601	4,074	5,973	5,973	60,653
Miscellaneous	7,974	3,418	5,097	184	864	10,495	10,338	6,997	185	345	345	14,110
Bank charges and other fees	-	82,743	1,475	-	14,030	11,763	3,334	5,617	25	168	168	2,746
Printing	1,263	2,529	3,537	412	5,776	24,830	2,461	3,678	805	63	63	2,969
Postage and delivery	1,784	33,285	6,548	11,633	317,871	91,948	175,777	69,333	16,001	6,975	6,975	163,310
Travel	88,747	5,300	156,268	21,934	(7,511)	138	7,973	14,570	165	93	93	45,128
Conferences and meetings	60,504	6,253	59,902	81	25	(1,724)	9,454	15	-	118	118	11,638
Research and development	87	10,913	26,710	-	91,131	85,634	9,300	14,025	3,878	-	-	90,491
TV/video/radio production	1,247	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	42,024	63,029	8,807	140,739	72,083	40,800	10,261	8,338	1,745	1,745	86,398
Rent	22,900	25,927	317,305	890	23,791	99,155	11,711	5,114	20,266	6,938	6,938	36,379
Equipment	5,432	14,893	157	7,062	118,806	5,635	162,204	804	4,195	-	-	48,898
Education and seminar	5,832	21,640	6,215	1,127	223,323	26,021	-	138	1,195	3,813	3,813	170,275
Auto expense	-	-	660	-	-	(23)	-	3	-	-	-	1,636
Dues and subscriptions	53	-	-	-	-	-	-	-	-	-	-	-
Total Direct Expense	1,355,782	678,367	1,796,739	111,489	2,407,936	1,085,953	953,217	293,277	123,322	32,382	32,382	1,374,215
Overhead Allocation	321,978	135,592	381,702	26,444	541,390	266,066	251,694	79,810	31,087	1,759	1,759	351,798
TOTAL EXPENSES	\$ 1,677,760	\$ 813,959	\$ 2,178,441	\$ 137,933	\$ 2,949,326	\$ 1,352,019	\$ 1,204,911	\$ 373,087	\$ 154,409	\$ 34,141	\$ 34,141	\$ 1,726,013

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Services (Continued)				Total Program Services	Supportive Services			Total Supportive Services
	CGP TV and Radio	Iran	Partners in Humanity	Fundraising		Management and General Washington	Management and General Brussels	Total	
Sierra Leone	\$ 257,789	\$ 70,696	\$ 141,572	\$ 200,700	\$ 4,204,901	\$ 1,328,085	\$ 657,223	\$ 2,186,008	\$ 6,390,909
Salaries and benefits	38,235	-	45,050	41,309	1,735,547	317,739	116,477	475,525	2,211,072
Consultants and professional services	649	-	-	-	339,103	-	-	-	339,103
Passthroughs and subgrants	41,806	1,050	8,483	3,253	355,824	71,798	20,665	95,716	451,540
Telephone/Internet	102,319	224,893	94	3,436	1,119,248	61,635	28,857	93,928	1,213,176
Office expense	10,800	247,613	2,850	15,659	466,890	3,066	2,644	21,369	488,259
Miscellaneous	3,484	915	-	520	52,810	69,793	9,715	80,028	132,838
Bank charges and other fees	2,960	-	54	3,731	129,216	12,213	-	15,944	145,160
Printing	5,495	8,522	613	1,678	66,547	16,027	3,789	21,494	88,041
Postage and delivery	47,635	104,424	25,344	21,468	1,326,166	136,723	47,021	205,212	1,531,378
Travel	11,632	653	50	11,269	161,342	42,606	6,527	60,402	221,744
Conferences and meetings	55,127	168	30	-	141,056	71,050	-	71,050	212,106
Research and development	22,267	765,245	-	12,573	1,120,959	3,224	-	15,797	1,136,756
TV/video/radio production	-	-	-	-	-	58,028	-	58,028	58,028
Depreciation expense	-	-	-	-	-	227,198	34,448	262,456	792,205
Rent	32,596	29	-	810	529,749	810	34,448	792,205	897,484
Equipment	90,453	230,642	2,385	1,353	876,388	12,408	7,335	21,096	897,484
Education and seminar	3,827	185	239	566	372,757	5,420	3,725	9,711	382,468
Auto expense	116,939	148	-	1,583	570,834	1,583	-	1,583	572,417
Dues and subscriptions	44	-	35	1,528	2,483	5,697	4,035	11,260	13,743
Total Direct Expense	844,057	2,195,548	218,070	321,436	13,571,820	2,442,710	942,461	3,706,607	17,278,427
Overhead Allocation	248,399	548,707	35,136	95,627	3,274,706	(3,370,333)	-	(3,274,706)	-
TOTAL EXPENSES	\$ 1,092,456	\$ 2,744,255	\$ 136,602	\$ 417,063	\$ 16,846,526	\$ (927,623)	\$ 942,461	\$ 431,901	\$ 17,278,427

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Initiative for Peace in the Middle East	Program Services									
		CGP Production	Congo	Burundi	Angola	Iran	Liberia	Sierra Leone	Search USA		
Salaries and benefits	\$ 366,656	\$ 75,965	\$ 292,343	\$ 908,376	\$ 259,130	\$ 51,055	\$ 307,515	\$ 164,760	\$ 420,771		
Grants and contributions	-	-	-	-	-	-	-	-	-	-	-
Consultants and professional services	65,404	242,426	5,411	277,320	12,274	-	55,129	128,442	406,104		
Telephone/internet	28,833	15,014	36,855	125,652	12,823	301	21,759	39,815	10,741		
Office expense	7,902	40,340	146,368	292,598	139,589	-	92,126	98,554	7,971		
Miscellaneous	10,470	-	13,159	6,662	940	925	10,408	1,538	4,194		
Bank charges and other fees	31,473	704	11,212	1,944	8,547	-	865	2,987	3,755		
Copy and print	2,672	13	4,337	4,204	2,070	-	3,491	7,847	8,043		
Postage and delivery	4,811	13,106	16,612	6,664	2,092	308	359	2,863	2,088		
Travel	220,927	120,842	59,037	455,146	136,281	17,808	39,669	47,933	48,441		
Meetings and conferences	51,458	3,472	-	60,098	8,813	1,925	16,742	26,319	24,388		
Research and development	45	80,735	3,838	1,286	13,101	-	1,367	6,779	139		
TV/video/radio production	10,639	22,665	30,963	93,646	10,500	-	203,995	154,759	-		
Depreciation	-	-	-	-	-	-	-	-	-		
Rent	5,607	8,100	80,980	165,221	87,900	-	49,837	69,645	-		
Equipment	14,834	109,676	91,565	38,447	49,013	-	11,709	94,925	-		
Education and seminars	16,575	1,000	12,056	114,895	116,660	-	1,072	12,772	1,808		
Auto expense	11,717	-	22,237	192,856	221	-	53,810	86,569	-		
Dues and subscriptions	30	-	-	209	-	-	633	63	450		
Total direct expenses	850,053	734,058	826,973	2,745,224	859,954	72,322	870,486	946,570	938,893		
Overhead allocation	203,142	182,460	205,220	673,516	218,160	17,979	216,403	230,468	197,111		
TOTAL EXPENSES	\$1,053,195	\$916,518	\$1,032,193	\$3,418,740	\$1,078,114	\$90,301	\$1,086,889	\$1,177,038	\$1,136,004		

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Services (Continued)										Total
	Morocco	Indonesia	Macedonia	Ivory Coast	Guinea	Partners in Humanity	Program Services	Management and General	Fundraising	Total	
Salaries and benefits	\$ 68,386	\$278,375	\$291,946	\$ -	\$ 46,088	\$ 46,226	\$ 3,577,592	\$ 1,465,637	\$ 92,465	\$ 5,135,694	
Grants and contributions	-	-	-	-	-	-	-	800,000	-	800,000	
Consultants and professional services	16,479	1,126	124,565	-	3,318	52,900	1,390,898	284,393	5,000	1,680,291	
Telephone/internet	7,093	19,641	28,066	356	3,538	924	351,411	36,940	3,322	391,673	
Office expense	-	8,203	30,277	583	10,922	67	875,500	51,544	-	927,044	
Miscellaneous	4,709	25,860	(69,233)	-	-	(400)	9,232	119,783	-	129,015	
Bank charges and other fees	340	2,749	4,700	-	1,354	10	70,640	43,327	-	113,967	
Copy and print	51	53,420	124,984	-	90	159	211,381	13,868	-	225,249	
Postage and delivery	402	18,757	2,386	-	121	26	70,595	20,758	-	91,353	
Travel	19,878	266,879	58,157	6,028	18,563	10,397	1,525,986	127,455	18,190	1,671,631	
Meetings and conferences	34,923	1,291	7,104	98	1,543	10,044	248,218	24,300	5,927	278,445	
Research and development	302	7,959	8,363	-	-	-	123,914	17,554	-	141,468	
TV/video/radio production	-	83,242	92,210	-	43	-	702,662	389	-	703,051	
Depreciation	-	-	-	-	-	-	-	59,729	-	59,729	
Rent	10,184	18,361	37,719	-	17,983	-	551,537	381,331	-	932,868	
Equipment	2,554	10,554	14,714	-	678	-	438,669	11,036	-	449,705	
Education and seminars	2,185	148	3,839	-	283	2,039	285,332	3,354	-	288,686	
Auto expense	1,114	245	5,469	-	16,850	-	391,088	-	-	391,088	
Dues and subscriptions	-	211	-	-	-	-	1,596	3,931	3,539	9,066	
Total direct expenses	168,600	797,021	765,266	7,065	121,374	122,392	10,826,251	3,465,329	128,443	14,420,023	
Overhead allocation	41,914	192,319	209,796	1,756	30,174	30,427	2,650,845	(2,701,888)	51,043	-	
TOTAL EXPENSES	\$210,514	\$989,340	\$975,062	\$8,821	\$151,548	\$152,819	\$13,477,096	\$ 763,441	\$179,486	\$14,420,023	

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$(4,791,559)	\$ 7,783,015
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	58,028	59,729
(Increase) decrease in:		
Field office - cash	(191,229)	(51,190)
Grants receivable	2,928,320	(5,991,107)
Pledges receivable	2,212	(118,845)
Other receivables	(23,879)	96,514
Other advances	51,569	(73,842)
Prepaid expenses	76,143	(37,326)
Due from related parties	1,316,479	-
Deposits	(2,500)	(1,316,479)
Increase (decrease) in:		
Accounts payable	145,758	(108,944)
Other accrued expenses	379,772	60,126
Net cash provided (used) by operating activities	<u>(50,886)</u>	<u>301,651</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(957)
Proceeds from sale of investments	8,258	-
Purchase of furniture and equipment	-	(132,580)
Net cash provided (used) by investing activities	<u>8,258</u>	<u>(133,537)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) from line of credit	-	(250,000)
Net cash used by financing activities	<u>-</u>	<u>(250,000)</u>
Net decrease in cash	(42,628)	(81,886)
Cash at beginning of year	<u>290,462</u>	<u>372,348</u>
CASH AT END OF YEAR	<u>\$ 247,834</u>	<u>\$ 290,462</u>

See accompanying notes to financial statements.

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Search for Common Ground (the Organization) is an independent, nonprofit organization dedicated to finding workable solutions to divisive national and international problems. The Organization's programs aim to channel conflict toward constructive outcomes in order to build a more secure and peaceful world.

Basis of presentation -

The accompanying financial statements have been prepared on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations".

Furniture and equipment -

Furniture and equipment are stated at cost and are being depreciated on the straight-line method over a period of five to seven years, with no salvage value. Expenditures for major repairs and maintenance costs are expensed when incurred.

Classification of net assets -

The net assets of the Organization are reported in two self-balancing groups as follows:

- **Unrestricted net assets** represent the portion of expendable funds that are available for the general support of the Organization's operations.
- **Temporarily restricted net assets** represent amounts that are specifically restricted by donors or grantors for various programs or for future periods.

Grants and donations -

The Organization reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When a stipulated restriction ends or is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. If the donor stipulation is met in the same reporting period in which the contribution is recorded, the Organization reports the contribution as unrestricted.

Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Search for Common Ground is not a private foundation.

SEARCH FOR COMMON GROUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications -

Certain reclassifications have been made to the prior year financial statements in order to conform to the classifications used for the current year.

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 based on the time spent on each program or other activity.

2. LEASE COMMITMENT

On November 13, 2002, the Organization entered into a non-cancelable operating lease for general office space. The lease agreement commenced on April 1, 2003 and will terminate on March 31, 2008. Rent payments are subject to a yearly increase based on the Consumer Price Index or 5%, whichever is greater.

On July 1, 2003, the Organization entered into a two-year lease for office space in Israel to support the Project Director.

At December 31, 2005, the future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2006	\$329,923
2007	346,412
2008	95,721
	<u>\$772,056</u>

Rental expense, including short term lease agreements for overseas offices and housing amounted to approximately \$775,000 and \$915,000 for the years ended December 31, 2005 and 2004, respectively.

SEARCH FOR COMMON GROUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

3. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2005, temporarily restricted net assets consisted of the following:

Time restriction	\$ 130,450
Middle East	974,696
Burundi	536,577
Dialogue of Civilizations	458,108
Congo	1,433,627
Iran	81,795
Liberia	651,466
Sierra Leone	1,167,167
Morocco	120,546
Macedonia	246,807
Ivory Coast	146,447
Sudan	25,000
Guinea	70,670
CGP Productions	215,319
Other Programs	625,000
TOTAL TEMPORARILY RESTRICTED	<u>\$6,883,675</u>

At December 31, 2004, temporarily restricted net assets consisted of the following:

Time restriction	\$ 120,150
Search USA	368,316
Angola	716,156
Middle East	859,515
Burundi	1,534,904
Dialogue of Civilizations	153,659
Congo	2,449,839
Iran	8,397
Liberia	1,156,143
Sierra Leone	155,981
Morocco	124,575
Macedonia	629,431
Ivory Coast	31,056
CGP Productions	1,302,118
Other Programs	1,894,990
TOTAL TEMPORARILY RESTRICTED	<u>\$11,505,230</u>

SEARCH FOR COMMON GROUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

3. TEMPORARILY RESTRICTED NET ASSETS (Continued)

At December 31, 2005, the following is the summary of net assets that were released from donor restrictions by incurring expenses which satisfied the donor-imposed restrictions:

Time restriction pledges	\$ 120,150
Search USA	768,068
Angola	1,036,956
Middle East	2,035,389
Burundi	2,948,327
CGP Productions	1,975,321
Congo	1,350,561
Iran	116,602
Liberia	1,673,176
Dialogue of Civilizations	262,214
Morocco	12,204
Macedonia	736,620
Indonesia	218,909
Ivory Coast	154,409
Sierra Leone	1,043,257
Guinea	33,793
Other Programs	<u>1,269,990</u>
TOTAL RELEASED FROM RESTRICTIONS	<u>\$15,755,946</u>

At December 31, 2004, the following is the summary of net assets that were released from donor restrictions by incurring expenses which satisfied the donor-imposed restrictions:

Time restriction pledges	\$ 127,450
Search USA	945,376
Angola	1,033,473
Middle East	908,427
Burundi	3,418,739
CGP Productions	916,506
Congo	1,032,193
Iran	50,302
Liberia	1,072,402
Dialogue of Civilizations	152,822
Morocco	210,513
Macedonia	798,856
Indonesia	851,155
Ivory Coast	8,821
Other Programs	1,129,600
Sierra Leone	<u>1,147,019</u>
TOTAL RELEASED FROM RESTRICTIONS	<u>\$13,803,654</u>

SEARCH FOR COMMON GROUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

4. CONCENTRATION OF CREDIT RISK

At times during the year, the Organization maintains cash balances at financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes the risk in these situations to be minimal.

Field office cash accounts are maintained in non-U.S. banks and the balances are uninsured.

A substantial portion of the Organization's grants receivable is due from the U.S. Agency for International Development (A.I.D.). A.I.D. reserves the right to terminate or suspend their grants should they determine that such assistance is not in the national interest of the United States.

5. LINE OF CREDIT

In 2003, the Organization entered into a \$500,000 revolving line of credit agreement. Interest will be charged on the outstanding balance at the bank's prime rate (5% at December 31, 2005). As of December 31, 2005 and 2004, the outstanding balance on the line of credit was \$0.

6. UNRESTRICTED NET ASSETS

During 1998, the Organization established a cash reserve fund. This fund was established as an emergency reserve for future cash needs should grant revenue not be sufficient to cover current and future operating needs. No contributions were made to this fund in 2005 and 2004, respectively. The Organization had a total of \$325,000 in board designated net assets as of December 31, 2005 and 2004, respectively.

7. CONTINGENCY

The grants Search for Common Ground 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 2004. 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.