Search for Common Ground and Subsidiary

Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional service corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Search for Common Ground and Subsidiary

Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

Search for Common Ground and Subsidiary

Contents

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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** (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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 consolidated financial position of Search for Common Ground and Subsidiary as of December 31, 2022 and 2021, 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, P.C.

September 13, 2023

Consolidated Financial Statements

Search for Common Ground and Subsidiary

Consolidated Statements of Financial Position

December 31,		**2022**		2021
Assets				
Cash	$	**9,515,626**	$	13,191,540
Grants and contracts receivable		**4,201,377**		4,234,074
Advances and other receivables		**1,345,255**		2,031,814
Prepaid expenses and other current assets		**485,360**		580,256
Fixed assets				
Furniture and fixtures		**226,393**		226,393
Office equipment		**1,396,775**		1,361,220
Software and computer equipment		**145,475**		145,475
Website		**-**		338,191
Vehicles		**24,925**		35,785
Less: accumulated depreciation and amortization		**(1,769,534)**		(1,991,567)
Fixed assets, net		**24,034**		115,497
Operating lease right-of-use assets		**927,004**		-
Deposits		**106,808**		154,918
Total assets	$	**16,605,464**	$	20,308,099
Liabilities and Net Assets				
Liabilities				
Accounts payable	$	**917,965**	$	817,954
Other accrued expenses		**1,891,669**		2,456,465
Other liabilities		**408,061**		643,315
Refundable advances		**7,954,082**		7,214,940
Line of credit		**200,000**		-
Related party promissory note		**-**		421,910
Due to SFCG Affiliate		**523,534**		2,132,438
Operating lease liability		**931,963**		-
Total liabilities		**12,827,274**		13,687,022
Commitments and contingencies				
Net assets				
Without donor restrictions		**2,778,190**		5,671,077
With donor restrictions		**1,000,000**		950,000
Total net assets		**3,778,190**		6,621,077
Total liabilities and net assets	$	**16,605,464**	$	20,308,099

See accompanying notes to the consolidated financial statements.

Search for Common Ground and Subsidiary

Consolidated Statement of Activities and Change in Net Assets

Year Ended December 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Grant and contract revenue	$ 37,350,696	$ -	$ 37,350,696
Contributions	1,268,848	400,000	1,668,848
Other revenue	44,621	-	44,621
Interest	1,829	-	1,829
Net assets released from donor restrictions	350,000	(350,000)	-
Total revenue and support	39,015,994	50,000	39,065,994
Expenses			
Program services:			
Africa programs	16,808,337	-	16,808,337
Asia programs	5,326,316	-	5,326,316
MENA programs	6,173,721	-	6,173,721
Global programs	6,126,517	-	6,126,517
Total program services	34,434,891	-	34,434,891
Supporting services:			
Management and general	5,663,137	-	5,663,137
Fundraising	1,527,954	-	1,527,954
Total supporting services	7,191,091	-	7,191,091
Total expenses	41,625,982	-	41,625,982
Change in net assets before non-operating activity	(2,609,988)	50,000	(2,559,988)
Non-operating activity			
Foreign exchange loss	(282,900)	-	(282,900)
Change in net assets	(2,892,887)	50,000	(2,842,887)
Net assets without donor restrictions, beginning of the year	5,671,077	950,000	6,621,077
Net assets without donor restrictions, end of the year	$ 2,778,190	$ 1,000,000	$ 3,778,190

See accompanying notes to the consolidated financial statements.

Search for Common Ground and Subsidiary

Consolidated Statement of Activities and Change in Net Assets

Year Ended December 31, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
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)	-
Total revenue and support	36,084,135	833,751	36,917,886
Expenses			
Program services:			
Africa programs	12,955,483	-	12,955,483
Asia programs	2,724,648	-	2,724,648
MENA programs	7,322,469	-	7,322,469
Global programs	6,370,845	-	6,370,845
Total program services	29,373,445	-	29,373,445
Supporting services:			
Management and general	5,665,856	-	5,665,856
Fundraising	610,985	-	610,985
Total supporting services	6,276,841	-	6,276,841
Total expenses	35,650,286	-	35,650,286
Change in net assets before non-operating activity	433,849	833,751	1,267,600
Non-operating activity			
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
Net assets, end of the year	$ 5,671,077	$ 950,000	$ 6,621,077

See accompanying notes to the consolidated financial statements.

Search for Common Ground and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022	Program Services					Supporting Services			
	Africa Programs	Asia Programs	MENA Programs	Global Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and benefits	$ 6,214,379	$ 2,408,125	$ 2,598,459	$ 2,676,370	$ 13,897,333	$ 2,995,203	$ 887,154	$ 3,882,357	$ 17,779,690
Subgrants	2,928,280	750,694	933,325	1,840,027	6,452,326	-	-	-	6,452,326
Travel	1,464,238	327,328	228,534	199,725	2,219,825	372,492	37,311	409,803	2,629,628
Consultants and professional services	573,859	853,062	722,560	759,000	2,908,481	702,924	308,795	1,011,719	3,920,200
Program activities	782,828	380,341	1,136,478	182,971	2,482,618	4,567	86,860	91,427	2,574,045
Education and seminars	1,255,053	168,248	156,127	59,795	1,639,223	-	34,789	34,789	1,674,012
Conferences and meetings	391,375	153,680	11,192	71,478	627,725	64,645	13,408	78,053	705,778
Office expenses	1,065,327	69,493	85,972	33,339	1,254,131	261,459	12,709	274,168	1,528,299
Rent	359,404	84,927	110,509	35,563	590,403	259,269	8,958	268,227	858,630
TV, video and radio production	638,953	901	10,836	-	650,690	-	-	-	650,690
Research and development	711,903	38,272	70,285	4,694	825,154	10,661	22,211	32,872	858,026
Equipment	160,427	36,061	7,268	6,435	210,191	11,686	1,589	13,275	223,466
Bank charges and other fees	105,440	35,588	40,233	1,785	183,046	50,080	6,149	56,229	239,275
Interest	-	-	-	-	-	9,520	-	9,520	9,520
Other expenses	121,146	17,409	42,974	203,149	384,678	784,866	97,970	882,836	1,267,514
Professional legal services	35,725	2,187	18,969	1,046	57,927	113,525	-	113,525	171,452
Depreciation and amortization	-	-	-	51,140	51,140	22,240	10,051	32,291	83,431
Total	$ 16,808,337	$ 5,326,316	$ 6,173,721	$ 6,126,517	$ 34,434,891	$ 5,663,137	$ 1,527,954	$ 7,191,091	$ 41,625,982

See accompanying notes to the consolidated financial statements.

Search for Common Ground and Subsidiary

Consolidated Statement of Functional Expenses

	Program Services					Supporting Services			
Year Ended December 31, 2021	Africa Programs	Asia Programs	MENA Programs	Global Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and benefits	$ 5,123,899	$ 1,245,956	$ 2,854,265	$ 2,665,888	$ 11,890,008	$ 3,565,233	$ 422,892	$ 3,988,125	$ 15,878,133
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	1,552,351	129,633	1,692	131,325	1,683,676
Consultants / professional services	592,900	141,870	744,520	1,168,622	2,647,912	818,388	123,996	942,384	3,590,296
Program activities	871,574	224,343	892,452	232,946	2,221,315	19,873	1,350	21,223	2,242,538
Education and seminars	646,171	97,940	210,959	38,512	993,582	7,431	382	7,813	1,001,395
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	361,051	834,970
TV, video and radio production	492,054	27,008	35,007	4,940	559,009	-	-	-	559,009
Research and development	568,959	27,498	85,316	56,031	737,804	13,210	1,109	14,319	752,123
Equipment	240,029	11,594	60,321	11,602	323,546	8,808	1,449	10,257	333,803
Bank charges and other fees	68,947	11,003	23,888	1,287	105,125	70,994	214	71,208	176,333
Interest	-	-	-	-	-	3,253	-	3,253	3,253
Other expenses	55,044	7,676	32,174	11,788	106,682	263,861	347	264,208	370,890
Professional legal services	17,309	529	21,422	112	39,372	29,282	3,859	33,141	72,513
Depreciation and amortization	-	-	-	53,247	53,247	3,999	10,697	14,696	67,943
Total	$12,955,483	$ 2,724,648	$ 7,322,469	$ 6,370,845	$ 29,373,445	$ 5,665,856	$ 610,985	$ 6,276,841	$ 35,650,286

See accompanying notes to the consolidated financial statements.

Search for Common Ground and Subsidiary

Consolidated Statements of Cash Flows

Years Ended December 31,	**2022**	2021
Cash flows from operating activities:		
Change in net assets	**$ (2,842,887)**	$ 2,153,389
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Amortization of operating lease right-of-use assets	**836,526**	-
Depreciation and amortization	**83,431**	67,942
Forgiveness of Payroll Protection Plan loan	**-**	(1,074,391)
Bad debt expense	**-**	221,460
Loss on disposal of fixed assets	**16,064**	-
(Increase) decrease in assets		
Grants and contracts receivable	**32,697**	1,506,404
Advances and other receivables	**686,559**	(1,072,546)
Prepaid expenses and other current assets	**94,896**	(256,977)
Deposits	**48,110**	10,906
Increase (decrease) in liabilities		
Accounts payable	**100,011**	(292,829)
Other accrued expenses	**(564,796)**	(188,009)
Refundable advances	**739,142**	301,446
Other liabilities	**(198,144)**	152,154
Due to SFCG Affiliate	**(1,608,904)**	2,617,067
Principal reduction in operating lease liabilities	**(868,677)**	-
Net cash (used in) provided by operating activities	**(3,445,972)**	4,146,016
Cash flows from investing activities:		
Purchase of fixed assets	**(8,032)**	-
Net cash used in investing activities	**(8,032)**	-
Cash flows from financing activities:		
(Repayment) proceeds of related party promissory note	**(421,910)**	421,910
Proceeds (repayment) from line of credit	**200,000**	(100,000)
Repayment of note payable	**-**	(25,000)
Net cash (used in) provided by financing activities	**(221,910)**	296,910
Net (decrease) increase in cash and cash equivalents	**(3,675,914)**	4,442,926
Cash and cash equivalents at beginning of year	**13,191,540**	8,748,614
Cash and cash equivalents at end of year	**$ 9,515,626**	$ 13,191,540
Supplemental disclosure of cash flow information		
Right-of-use assets obtained in exchange for new operating lease liabilities	**$ 1,763,530**	$ -
Non-cash change in deferred rent	**$ 37,110**	$ -
Interest paid	**$ 2,410**	$ 1,779

See accompanying notes to the consolidated financial statements.

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 consolidated statements 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.

These consolidated financial statements do not include Search for Common Ground Belgium, based in Brussels, Belgium (see Note 7).

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 held in the U.S. 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 $6,949,144 and $8,835,391 as of December 31, 2022 and 2021, 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 held $2,234,260 and $3,857,135 of cash and cash equivalents held at financial institutions in foreign countries as of December 31, 2022 and 2021, 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 the consolidated statements of activities 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 consolidated 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. This funding is subject to contractual conditions, 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.

Advances and other receivables

Advances and other receivables consist primarily of advances to the Organization’s subgrantees for future program implementation and to the Organization employees to cover future travel expenses. These balances are receivable in less than one year. An allowance for doubtful accounts is provided based upon management’s assessment of subgrantees and prior collection history. As of December 31, 2022 and 2021, management had concluded that all balances are fully collectible and an allowance for doubtful accounts was not recorded.

Fixed assets

Fixed assets purchased with a cost of $5,000 or more are capitalized and shown in the consolidated statements 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, 2022 and 2021 totaled $83,431 and $67,942, 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.

Leases

Leases arise from contractual obligations that convey the right to control the use of identified fixed asset for a period of time in exchange for consideration. At the inception of the contract, the Organization determines if an arrangement contains a lease based on whether there is an identified asset and whether the Organization controls the use of the identified asset. The Organization also determines whether the lease classification is an operating or financing lease at the commencement date.

A right-of-use asset represents the Organization’s right to use an underlying asset and a lease liability represents the Organization’s obligation to make payments during the lease term. Right-of-use assets are recorded and recognized at commencement for the lease liability amount, adjusted for initial direct costs incurred and lease incentives received. Lease liabilities are recorded at the present value of the future lease payments over the lease term at commencement. The implicit rates for the Organization’s leases are not readily determinable; therefore, the Organization has elected to use a risk-free discount rate at the lease commencement date for all new leases and at January 1, 2022 (the Adoption Date) for any existing leases.

The Organization’s real estate and office space-related operating leases typically include non-lease components such as common-area maintenance costs, utilities, and other maintenance costs. The Organization has elected to include non-lease components with lease payments for the purpose of calculating lease right-of-use assets and liabilities to the extent that they are fixed. Non-lease components that are neither fixed nor variable based on an index or rate are expensed as incurred as variable lease payments.

The Organization’s lease terms may include options to extend or terminate the lease. The Organization generally uses the base, non-cancelable, lease term when recognizing the lease assets and liabilities, unless it is reasonably certain that the Organization will exercise those options. The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As a matter of policy, the Organization has elected to exclude leases with terms of 12 months or less (Short-Term) from the date of the statements of financial position. Short-Term lease expense is recognized on a straight-line basis over the expected term of the lease. The Organization had Short-Term leases expense amounting to $119,951 for the year ended December 31, 2022.

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). The Organization 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. SFCG and Soliya are no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2019. There were no material interest or penalties recorded for the years ended December 31, 2022 and 2021.

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's U.S. Government revenues are derived primarily from awards with U.S. Department of State, U.S. Agency for International Development (USAID) U.S Department of Homeland Security and Department of Health and Human Services. These grants and contracts include provisions relating to the reimbursement of direct costs 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.

The Organization has grants and awards which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. The Organization has $40,152,726 and $46,812,088 in conditional grants and awards outstanding on December 31, 2022 and 2021, respectively, and anticipates recognizing the revenue over the next four years.

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 consolidated 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 Adopted

On January 1, 2022, management adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842) (ASU 2016-02), and the additional ASUs issued to clarify and update the guidance in ASU 2016-02 (collectively, Accounting Standards Codification (ASC) Topic 842). ASC Topic 842 modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. Management adopted ASC Topic 842 using the modified retrospective transition method, under which amounts in prior periods presented herein were not restated. For contracts existing at the time of adoption, management elected the practical expedient and did not reassess (i) whether any are or contain leases, (ii) lease classification, and (iii) initial direct costs.

The adoption of ASC Topic 842 resulted in the following as of the adoption date of January 1, 2022:

Recognition of:		
Operating lease right-of-use assets	$	1,763,530
Operating lease liabilities	$	1,800,640
Derecognition of:		
Deferred rent	$	37,110

In 2022, management adopted FASB ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. In an effort to improve transparency in reporting nonprofit gifts-in-kind, the ASU requires not-for-profit organizations to change the financial statement presentation and disclosure of contributed nonfinancial assets. Under the new requirements, gifts-in-kind are to be presented as a separate line item, and include enhanced disclosures about the valuation of those contributions, description of any donor-imposed restrictions, and description of the valuation techniques and inputs used to arrive at a fair value measure. The adoption of the ASU had no material impact on the Organization's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform* (Topic 848), *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This guidance has been subsequently updated by ASU 2021-01. The ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The ASU applies only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of the reference rate reform. The Organization implemented this ASU during the year ended December 31, 2022 on a prospective basis. The adoption of the ASU had no material impact on the Organization's consolidated financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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:

December 31,		2022		2021
Financial assets at year-end:				
Cash and cash equivalents	$	**9,515,626**	$	13,191,540
Grants and contracts receivable		**4,201,377**		4,234,074
Advances and other receivables		**1,345,255**		2,031,814
Total financial assets		**15,062,258**		19,457,428
Less amounts not available to be used for general expenditures withing one year:				
Net assets with donor restrictions		**(1,000,000)**		(950,000)
Refundable advances		**(7,954,082)**		(7,214,940)
Related party promissory note		**-**		(421,910)
Due to SFCG affiliate		**(523,534)**		(2,132,438)
		(9,477,616)		(10,719,288)
Financial assets available to meet cash needs for general expenditures within one year	$	**5,584,642**	$	8,738,140

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, 2022, the Organization has financial assets equal to approximately one and a half months of operating expenses.

3. Leases

Operating Leases

The Organization signed a three-year lease agreement for new office space in Washington, DC 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 non-cancelable lease arrangements which expire at various dates through 2025.

All lease agreements for the year ended December 31, 2022 are accounted for under ASC Topic 842; for the year ended December 31, 2021, all leases were accounted for under the previous lease standard.

The Organization assesses contracts at inception to determine whether an arrangement includes a lease, which conveys the Organization's right to control the use of an identified asset for a period of time in exchange for consideration. The Organization has operating leases for office space for its global centers for which a right-of-use asset and a lease liability are recorded in the accompanying consolidated statements of financial position in accordance with ASC Topic 842. The Organization measures its lease assets and liabilities using a risk-free rate of return selected based on the term of the lease.

The Organization considered the likelihood of exercising renewal or termination terms in measuring the right-of-use assets and lease liabilities. If the Organization is reasonably certain to exercise these renewal options at lease inception, the options are considered in determining the lease term, and payments associated with the option years.

The Organization has recorded the right of use of asset balance of $927,004 in the accompanying consolidated statement of financial position as of December 31, 2022.

The maturity of the lease liability under the Organization's operating leases as of December 31, 2022 is as follows:

Year Ending December 31,		
2023	$	840,767
2024		259,466
2025		25,491
Total lease payments		1,125,724
Less interest		(193,761)
Present value of lease liabilities	$	931,963

Supplemental quantitative information related to operating leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$	814,355
Weighted-average remaining lease term – operating leases (years)		1.49
Weighted-average discount rate – operating leases		0.98%

Previous lease standard - fiscal year ended December 31, 2021

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 for the year ended December 31, 2021.

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 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. SFCG renewed the agreement subsequent to year-end with a new expiration date of March 31, 2024. Amounts outstanding under the line-of-credit agreement will bear interest at the daily Bloomberg Short-Term Bank Yield Index rate plus 2.50%. There were no outstanding balances at December 31, 2022 and 2021, respectively.

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, 2022 and 2021 amounted to 10.25% and 3.25%, respectively. Soliya had no outstanding balance at December 31, 2021. Soliya borrowed and had an outstanding balance of $200,000 at December 31, 2022. The Soliya unsecured line of credit is payable on demand from the Lender.

5. Net Assets with Donor Restrictions

Net assets with donor restrictions are available based upon satisfaction of time restrictions of $1,000,000 and $950,000 as of December 31, 2022 and 2021, respectively.

For the years ended December 31, 2022 and 2021, 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:

Years Ended December 31,		**2022**		2021
Satisfaction of Time Restrictions:	**$**	**350,000**	$	-
Satisfaction of Purpose Restrictions:				
Peace and Stabilization Operations Program		**-**		116,249
	$	**350,000**	$	116,249

6. 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.

7. Related Party Transactions

Related Party Promissory Note

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, 2022 and 2021, SFCG had an outstanding balance on the note totaling $0 and $421,910, respectively. SFCG incurred interest expense of $2,410 and $1,779 for the years ended December 31, 2022 and 2021, respectively, related to the related party promissory note.

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. The two organizations also make cash transfers or payments to field offices for the other. As of December 31, 2022 and 2021, the amount due to SFCG-B totaled $523,534 and $2,132,438, respectively.

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 year ended December 31, 2021, Soliya billed and received $332,152, for the services provided related to these programs. These agreements ended during the year ended December 31, 2021.

8. 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, 2022 and 2021 totaled $124,868 and $116,314, respectively.

9. Subsequent Events

The Organization has evaluated subsequent events for recognition and disclosure through September 13, 2023, 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 consolidated financial statements except as noted below and in Note 4.

On March 7, 2023, SFCG signed an Affiliation Agreement with The Preemptive Love Coalition (PLC), a Texas nonprofit corporation. The agreement made SFCG the sole member of PLC.