Search for Common Ground and Subsidiary

Consolidated Financial Statements
Year Ended December 31, 2019

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Year Ended December 31, 2019

Search for Common Ground and Subsidiary

Contents

Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive
Suite 800
McLean, VA 22102

Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Search for Common Ground and Subsidiary (collectively, referred to as SFCG or the Organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statement of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Emphasis-of-Matter

As discussed in Note 2 to the consolidated financial statements, Search for Common Ground and Subsidiary changed its method for revenue recognition as a result of the adoption of the amendments to the Financial Accounting Standards Board Accounting Standards Codification resulting from Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers,* and *ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* effective January 1, 2019. Our opinion is not modified with respect to these matters.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Search for Common Ground and Subsidiary as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

November 20, 2020

Consolidated Financial Statements

Search for Common Ground and Subsidiary

Consolidated Statement of Financial Position

December 31,		2019
Assets		
Cash	$	5,772,374
Grants and contracts receivable		2,874,358
Advances and other receivables, net		1,541,069
Prepaid expenses and other current assets		423,264
Fixed assets		
Furniture and fixtures		233,736
Office equipment		1,361,220
Software and computer equipment		145,475
Website		338,191
Vehicles		35,785
Less: accumulated depreciation and amortization		(1,821,277)
Net fixed assets		293,130
Deposits		140,931
Total assets	$	11,045,126
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	1,016,655
Other accrued expenses		2,201,518
Other liabilities		390,150
Refundable advances		3,340,581
Line of credit		200,000
Note payable		50,000
Related party promissory note		694,329
Due to SFCG Affiliate		779,834
Total liabilities		8,673,067
Commitments and contingencies		
Net assets, without donor restrictions		2,372,059
Total liabilities and net assets	$	11,045,126

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, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Grant and contract revenue	$ 22,376,391	$ 42,525	$ 22,418,916
Contributions	2,802,300	-	2,802,300
Other revenue	26,476	-	26,476
Interest	8,713	-	8,713
Net assets released from donor restrictions	112,815	(112,815)	-
Total revenue and support	25,326,695	(70,290)	25,256,405
Expenses			
Program services:			
Africa programs	12,586,364	-	12,586,364
Asia programs	3,140,872	-	3,140,872
MENA programs	4,230,072	-	4,230,072
Global programs	5,478,138	-	5,478,138
Total program services	25,435,446	-	25,435,446
Supporting services:			
Management and general	1,185,588	-	1,185,588
Fundraising	1,976,807	-	1,976,807
Total supporting services	3,162,395	-	3,162,395
Total expenses	28,597,841	-	28,597,841
Change in net assets before non-operating activity	(3,271,146)	(70,290)	(3,341,436)
Non-operating activity			
Foreign exchange loss	(23,556)	-	(23,556)
Change in net assets	(3,294,702)	(70,290)	(3,364,992)
Net assets without donor restrictions, beginning of the year	5,666,761	29,204,633	34,871,394
Cumulative effect of a change in accounting principle related to revenue recognition	-	(29,134,343)	(29,134,343)
Net assets without donor restrictions, end of the year	$ 2,372,059	$ -	$ 2,372,059

See accompanying notes to the consolidated financial statements.

Search for Common Ground and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019	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	$ 4,137,710	$ 1,063,592	$ 1,732,918	$ 1,457,835	$ 8,392,055	$ 3,705,113	$ 934,829	$ 4,639,942	$ 13,031,997
Subgrants	390,335	157,993	188,413	2,647,471	3,384,212	-	-	-	3,384,212
Travel	697,004	225,338	342,466	173,099	1,437,907	501,727	112,432	614,159	2,052,066
Consultants and professional services	255,368	244,944	308,226	664,867	1,473,405	701,150	637,011	1,338,161	2,811,566
Program activities	1,047,860	119,336	170,247	9,559	1,347,002	66,612	37,298	103,910	1,450,912
Education and seminars	707,868	94,602	71,201	6,920	880,591	32,385	199	32,584	913,175
Conferences and meetings	275,395	328,282	35,711	32,785	672,173	10,046	178,419	188,465	860,638
Office expenses	641,766	38,192	67,051	67,994	815,003	195,606	9,539	205,145	1,020,148
Rent	326,604	72,449	131,085	53	530,191	303,271	-	303,271	833,462
TV, video and radio production	738,383	113,284	38,173	41,269	931,109	321	1,140	1,461	932,570
Research and development	221,768	35,006	44,637	15,590	317,001	21,036	9,640	30,676	347,677
Equipment	295,829	5,159	34,820	35,434	371,242	32,098	16,833	48,931	420,173
Bank charges and other fees	83,324	15,984	6,950	705	106,963	61,470	2,592	64,062	171,025
Interest	-	-	-	14,375	14,375	-	-	-	14,375
Other expenses	10,263	10,476	9,034	277	30,050	5,449	26,357	31,806	61,856
Professional legal services	25,861	10,682	21,182	7,104	64,829	131,218	540	131,758	196,587
Depreciation and amortization	-	-	-	34,262	34,262	51,162	9,978	61,140	95,402
	9,855,338	2,535,319	3,202,114	5,209,599	20,802,370	5,818,664	1,976,807	7,795,471	28,597,841
Overhead allocation	2,731,026	605,553	1,027,958	268,539	4,633,076	(4,633,076)	-	(4,633,076)	-
Total	$ 12,586,364	$ 3,140,872	$ 4,230,072	$ 5,478,138	$ 25,435,446	$ 1,185,588	$ 1,976,807	$ 3,162,395	$ 28,597,841

See accompanying notes to the consolidated financial statements.

Search for Common Ground and Subsidiary

Consolidated Statement of Cash Flows

Year Ended December 31,	2019
Cash flows from operating activities:	
Change in net assets	$ (3,364,992)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	95,402
(Increase) decrease in assets	
Grants and contracts receivable	(998,570)
Advances and other receivables	(1,396,178)
Prepaid expenses and other current assets	(113,804)
Deposits	(6,357)
Increase (decrease) in liabilities	
Accounts payable	576,747
Other accrued expenses	437,945
Refundable advances	3,125,353
Other liabilities	(114,975)
Due to SFCG Affiliate	60,722
Net cash used in operating activities	(1,698,707)
Cash flows from investing activities:	
Purchase of fixed assets	(123,019)
Cash flows from financing activities:	
Proceeds from line of credit	200,000
Proceeds from promissory note	500,000
Repayment on promissory note	(354,981)
Net cash provided by financing activities	345,019
Net decrease in cash and cash equivalents	(1,476,707)
Cash and cash equivalents at beginning of year	7,249,081
Cash and cash equivalents at end of year	$ 5,772,374
Supplemental disclosure of cash flow information	
Interest paid	$ 29,874

See accompanying notes to the consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Search for Common Ground (SFCG) was incorporated in Washington, D.C. in March 1982. 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 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.

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 $1,940,139 at December 31, 2019. 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 various 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 $3,325,671 of cash and cash equivalents held at financial institutions in foreign countries at December 31, 2019. 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 translation

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 Statement 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 year ended December 31, 2019 totaled $47,171. 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 Statement of Financial Position.

Income taxes

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

The Organization has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 740-10, *Income Taxes* (ASC 740-10). Under ASC 740-10, an organization must recognize 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 implementation of ASC 740-10 had no impact on the consolidated financial statements. The Organization does not believe there are any unrecognized tax benefits that should be recorded. SFCG and Soliya are no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2016.

There were no material interest or penalties recorded for the years ended December 31, 2019.

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 and Soliya 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, 2019, there were certain tax positions for which a liability was recorded related to international tax matters.

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 certain 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. The Organization did not have any net assets with donor restrictions as of December 31, 2019.

Grants, contracts and contributions

Historically, contribution revenue was accounted for under FASB ASC Topic 958-605, *Not-for-Profit Entities, Revenue Recognition*, before the implementation of the new standards. With the clarifications outlined in FASB Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), Management reviewed existing agreements as of the effective date, as well as new agreements for 2019.

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) and U.S. Institute for Peace. 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.

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 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 Statement 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.

Accounting pronouncements adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update, along with ASU 2016-08, *Revenue from Contracts with Customer (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, ASU 2016-10, *Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing*, and ASU 2016-12, *Revenue from Contracts with Customers (Topic 606), Narrow-Scope Improvements and Practical Expedients*, established a comprehensive revenue recognition standard. The updates require that revenue should be recognized to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additional disclosures are also required to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted this update, along with all subsequent amendments (collectively, "ASC 606") in 2019 under the modified retrospective method. Additionally, the Organization applied the practical expedient (i) to account for revenues with similar characteristics as a collective group rather than individually, (ii) to not adjust the transaction price for the effects of significant financing components (if any), and (iii) to not disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations relate to contracts with an expected duration of less than one year. The effect of the Organization's adoption of ASC 606 is outlined below.

In June 2018, the FASB issued ASU 2018-08. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction (i.e., ASC 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Organization adopted this update on a modified retrospective basis and the effects of the adoption are outlined below.

The effect of ASC 606 and ASU 2018-08 on the Organization's consolidated financial statements were examined in conjunction with one another. Most of the Organization's revenue-producing arrangements do not meet the definition of a contract under ASC 606, as the arrangement does not have commercial substance and does not meet the definition of an exchange transaction under the clarified guidance in ASU 2018-08. Prior to the clarifications provided in ASU 2018-08, transactions with customers that benefited the general public were considered to be exchange transactions. Under the clarified guidance, such transactions constitute contributions. the Organization reassessed the nature of its revenue-producing arrangements to ensure alignment with the definition of a contract under ASC 606 and an exchange transaction under ASU 2018-08. As a result, the Organization recognized a reduction of $35,657,699 and a cumulative adjustment to beginning net assets related to revenue recognition on grants and contracts revenue of $29,134,343. Due to the cumulative effect in change in accounting principle, the Organization has $34,658,990 of conditional grants and awards outstanding at December 31, 2019. The following changes in accounting policies occurred during the year ended December 31, 2019, as a result of the implementation of the ASC 606 and ASU 2018-08:

Revenue from grants and contracts were previously accounted for as unconditional contributions with time or purpose restrictions as management concluded collection of the amounts were probable given purpose requirements. The total award amount was recorded as temporarily restricted revenue in the period of inception, the restriction would then be released as qualifying costs were incurred.

Under ASU 2018-08, these arrangements constitute conditional contributions since the customer 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. Management concluded that the agreements are conditional due to rights of return/release and barriers to entitlement to funds. Revenue is now recognized when the condition is satisfied. Because the nature of conditions is either based on incurring qualifying expenses or satisfying a milestone or other deliverables. Under ASU 2018-08, a refundable advance is recorded when the Organization receives assets (i.e. cash) in advance of the satisfaction of the conditions within these arrangements.

Impact on Consolidated Statement of Financial Position as of December 31, 2019:

	Unadjusted 2019	ASU 2018-08	2019 with ASU 2018-08
Grants and contracts receivable	$ 35,135,495	$ (32,261,137)	$ 2,874,358
Other assets	8,170,768	-	8,170,768
Total assets	$ 43,306,263	$ (32,261,137)	$ 11,045,126
Refundable advances	$ 301,452	$ 3,039,129	$ 3,340,581
Other liabilities	5,332,486	-	5,332,486
Total liabilities	5,633,938	3,039,129	8,673,067
Net assets without donor restrictions	2,014,627	357,432	2,372,059
Net assets with donor restrictions	35,657,698	(35,657,698)	-
Total net assets	37,672,325	(35,300,266)	2,372,059
Total liabilities and net assets	$ 43,306,263	$ (32,261,137)	$ 11,045,126

Impact on Consolidated Statement of Activities and Change in Net Assets for the year ended December 31, 2019:

	Unadjusted 2019	ASU 2018-08	2019 with ASU 2018-08
Grant and contact revenue	$ 28,584,840	$ (6,165,924)	$ 22,418,916
Other revenue	2,837,489	-	2,837,489
Total revenue	$ 31,422,329	$ (6,165,924)	$ 25,256,405
Total expenses	$ 28,597,841	$ -	$ 28,597,841
Nonoperating activities	(23,556)	-	(23,556)
Decrease in net assets without donor restrictions from operations	$ 2,800,932	$ (6,165,924)	$ (3,364,992)

Impact on Consolidated Statement of Cash Flows for the year ended December 31, 2019:

	Unadjusted 2019	ASU 2018-08	2019 with ASU 2018-08
Change in net assets without donor restrictions	$ 2,800,932	$ (6,165,924)	$ (3,364,992)
Grants and contracts receivable	(4,522,973)	3,126,795	(1,396,178)
Refundable advances	86,224	3,039,129	3,125,353
Other net cash provided by operating activities	(62,890)	-	(62,890)
Net cash used in investing activities	(123,019)	-	(123,019)
Net cash used in financing activities	345,019	-	345,019
Net increase in cash and cash equivalents	$ (1,476,707)	$ -	$ (1,476,707)

In addition, the Organization elected the net asset release policy option for contributions with donor restrictions that were initially conditional contributions. As part of this election, the Organization reports contributions restricted by donors (that were conditional in nature) as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. The Organization has not changed its policy for unconditional contributions such that the Organization reports contributions restricted by donors (that were unconditional in nature) as increases in net assets with donor restrictions. When the donor restriction expires on an unconditional contribution, the release is reported as net assets released from donor restrictions in the consolidated statements of activities.

As part of ASU 2018-08, the Organization elected to early-adopt the standards for "contributions made" using the prospective approach to adoption. For awards made to other organizations prior to the effective date (January 1, 2019) that are conditional in nature are not recorded as expenses until the condition has been satisfied. Payments made in advance to other organizations for which conditions have not yet been satisfied are classified as "Advances, prepaid expenses, and other assets" in the consolidated statements of financial position. As the conditions are satisfied, expenses are recorded in the consolidated statements of activities and the advances are reduced. The Organization notes this is consistent with presentation in prior periods.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities*. The update affects the accounting for equity investments and financial liabilities under the fair value option, as well as the presentation and disclosure requirements for financial instruments. The guidance is effective for the Organization year ending December 31, 2019. The adoption of this update did not have a material effect on the Organization's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*. The update standardizes how certain transactions should be classified in the statement of cash flows. The guidance is effective for the Organization's year ending December 31, 2019. The adoption of this update did not have a material effect on the Organization's consolidated financial statements

New accounting pronouncements (not yet adopted)

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of use asset and lease liability, initially measured at the present value of the lease payments, in its consolidated statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective for SFCG's year ending December 31, 2023. Management continues to evaluate the potential impact of this update on the Organization's 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:

Cash and cash equivalents	$	5,772,374
Grants and contracts receivable		2,874,358
Advances and other receivables		1,541,069
		10,187,801
Less: refundable advances		(3,340,581)
Financial assets available to meet cash needs for general expenditures within one year	$	6,847,220

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, 2019, the Organization has financial assets equal to approximately four 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. Base rent for the new space is $32,200 per month over the life of the lease. The Organization also leases offices and guest houses in several foreign countries under short-term lease agreements of less than one year.

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

Year Ending December 31,		
2020	$	386,400
2021		322,000
	$	708,400

Rental expense, including short-term lease agreements for overseas offices and housing, amounted to $833,461 for the year ended December 31, 2019.

4. Line of Credit

Soliya has an unsecured line of credit of $200,000 with interest payable at 2.75% plus the prime rate, which at December 31, 2019 amounted to 7.50%. Soliya borrowed $200,000 during 2019, which remained outstanding as of December 31, 2019. The line of credit is payable on demand from the lender.

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, 2019, Soliya has $50,000 outstanding on the note payable. Remaining annual payments are $25,000 for each of the years ending December 31, 2020 and 2021.

6. Net Assets with Donor Restrictions

For the year ended December 31, 2019, 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:

Year Ended December 31, 2019		
Satisfaction of Purpose Restrictions:		
Peace and Stabilization Operations Program	$	85,771
Time restrictions		27,044
	$	112,815

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.

Additionally, USAID approves indirect cost rates annually. The rates have been finalized for the year ended December 31, 2018. Based on calculations for the year ended December 31, 2019, those rates may be much lower than the approved provisional rates used in previous years.

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. Starting after the second anniversary, the total amount of the note available for draw is reduced to $2,700,000. For each subsequent anniversary, the note is reduced to $2,100,000 and $1,200,000 on the third and fourth anniversary, respectively. 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, 2019, SFCG had an outstanding balance on the note totaling $694,329 and incurred interest expense of $14,481 for the year ended December 31, 2019.

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-Belgium). SFCG-Belgium does not qualify for consolidation under U.S. GAAP. SFCG also provides various administrative services to SFCG-Belgium and SFCG-Belgium provides various programmatic functions on behalf of SFCG. As of December 31, 2019, the amount due from SFCG to SFCG-Belgium totaled $779,834.

Related Party Fixed Grant Awards

During 2019, Soliya entered into two agreements with SFCG-Belgium to provide services for the *Erasmus+ Virtual Exchange* and the *First Year Connect* programs. Soliya invoiced SFCG-Belgium for services provided and recorded revenue totaling $641,115. Soliya had no balances due from SFCG-Belgium at December 31, 2019.

9. Retirement Plan

Effective January 1, 1998, SFCG adopted a 403(b) elective deferral contribution plan. The 403(b) Plan provides retirement benefits to participating employees who meet the minimum age and services requirements. Employer plan contributions are made at the discretion of management. Contributions to the Plan during the year ended December 31, 2019 totaled $4,717.

10. Subsequent Events

The Organization has evaluated its December 31, 2019 financial statements for subsequent events through November 20, 2020, the date the consolidated financial statements were available to be issued.

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 is a one-year agreement with an interest rate of LIBOR daily floating rate plus 2.75 percentage points.

COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations.

Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

The Organization's operations are heavily dependent on both public and private funding from governments, foundations, corporations and individuals, as well as the sale of certain products. Access to grants and contracts from federal, state and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown, which could result in a decline in funding opportunities from governments, foundations, corporations and individuals. As such, this may impact our ability to advance our mission and may negatively impact our financial position in 2020.

The Organization's ability to implement program activities is dependent on the local operating environment of the countries in which we implement, and as such may vary depending on local COVID circumstances. The Organization has demonstrated an ability to support program activities remotely to ensure smooth funder reporting which allows us to continue to receive payment for program implementation. However, the ability to implement is impacted by other factors outside of the Organization's control, including but not limited to:

- The Organization is dependent on receiving funding from its institutional funders, and their ability to reimburse and/or advance funding to SFCG will be dependent on their own financial and/or economic situation as a result of COVID, so we may experience delays in receipt of receivables and/or new funding opportunities.

- The Organization is dependent on its workforce to deliver its products and services. Developments such as social distancing and shelter-in-place directives in the long term may impact our ability to implement program activities effectively.

Although the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Company's results of future operations, financial position, and liquidity in fiscal year 2020.

On March 27, 2020, President Trump 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.

It also appropriated funds for the 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, including not for profits, harmed by COVID-19. SFCG has applied for and received a SBA Paycheck Protection Program loan totaling $934,000, and will be applying for forgiveness of this loan during 2020.