

OS AA01

Statement of details of parent law and other information for an overseas company



Companies House

What this form is for
You may use this form to accompany your accounts disclosed under parent law.

What this form is NOT for
You cannot use this form to an alteration of manner of c with accounting requirement

MONDAY



A23 *A6KKR2KH* #129
04/12/2017
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ①	THE INTERNATIONAL CRISIS GROUP
UK establishment number	B R 0 0 3 0 7 4

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

① This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Legislation ②	FASB
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② This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

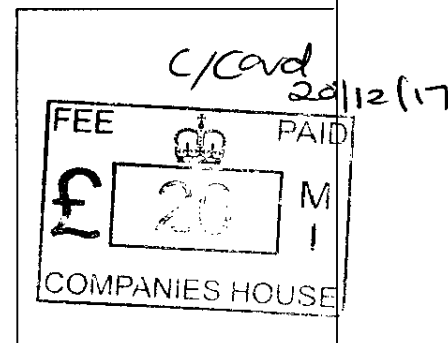
A2 Accounting principles

Accounts	<p>Have the accounts been prepared in accordance with a set of generally accepted accounting principles?</p> <p>Please tick the appropriate box.</p> <p><input type="checkbox"/> No. Go to Section A3.</p> <p><input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those principles below, and then go to Section A3.</p>
Name of organisation or body ③	US GAAP

③ Please insert the name of the appropriate accounting organisation or body.

A3 Accounts

Accounts	<p>Have the accounts been audited? Please tick the appropriate box.</p> <p><input type="checkbox"/> No. Go to Section A5.</p> <p><input checked="" type="checkbox"/> Yes. Go to Section A4.</p>
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OS AA01

Statement of details of parent law and other information for an overseas company

A4**Audited accounts**

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box.

- No. Go to Part 3 'Signature'.
- Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.

● Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body ●

US GAAP

A5**Unaudited accounts**

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box.


- No.
- Yes.

Part 3**Signature**

I am signing this form on behalf of the overseas company.

Signature

Signature

X  X

This form may be signed by:
Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name **BRETT MOODY**

Company name **THE INTERNATIONAL CRISIS**

GROUP

Address **149 AVENUE LOUISE, 14TH FLOOR**

Post town **BRUSSELS**

County/Region

Postcode

1	0	5	0				
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Country **BELGIUM**

DX

Telephone **+32 2 502 90 38**

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- The company name and, if appropriate, the registered number, match the information held on the public Register.
- You have completed all sections of the form, if appropriate.
- You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ. DX 33050 Cardiff.

Scotland:

The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF. DX ED235 Edinburgh 1 or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:

The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG. DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

NEW

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**



A23 *A6KKR2KP* #130
04/12/2017
COMPANIES HOUSE

INTERNATIONAL CRISIS GROUP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
International Crisis Group
Brussels, Belgium

We have audited the accompanying financial statements of the International Crisis Group (Crisis Group), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crisis Group as of June 30, 2017, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Report on Summarized Comparative Information

We have previously audited Crisis Group's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 23, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Contributions, Grants and Programs Service Revenue Received, Schedule of Temporarily Restricted Net Assets Released from Restrictions on pages 19 - 21 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gelman Rosenberg & Friedman

November 7, 2017

INTERNATIONAL CRISIS GROUP
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS		<u>2017</u>	<u>2016</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	4,104,737	\$ 4,291,001
Investments		24,262,393	25,045,812
Accounts receivable and other assets		945,521	868,527
Contributions, grants and program service revenue receivable		<u>5,357,658</u>	<u>6,773,358</u>
Total current assets		<u>34,670,309</u>	<u>36,978,698</u>
FIXED ASSETS			
Equipment		878,513	804,513
Furniture		264,449	264,449
Vehicles		142,341	142,141
Less: Accumulated depreciation and amortization		<u>(1,146,889)</u>	<u>(1,096,148)</u>
Net fixed assets		<u>138,414</u>	<u>114,955</u>
OTHER ASSETS			
Cash guarantees - deposits		160,910	165,256
Contributions, grants and program service revenue receivable - two to five years		<u>3,650,253</u>	<u>1,073,394</u>
Total other assets		<u>3,811,163</u>	<u>1,238,650</u>
TOTAL ASSETS		<u>\$ 38,619,886</u>	<u>\$ 38,332,303</u>

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts payable	\$ 297,288	\$ 394,426
Accrued liabilities	<u>915,934</u>	<u>1,072,868</u>
Total current liabilities	<u>1,213,222</u>	<u>1,467,294</u>
NET ASSETS		
Unrestricted:		
Undesignated - Operating reserve	<u>4,521,431</u>	<u>4,231,858</u>
Securing the Future Capital Fund:		
Contributions and reinvested interest, dividends and realized gains	21,070,400	22,913,788
Unrealized gain on the Securing the Future Capital Fund	<u>589,492</u>	<u>74,508</u>
Total Securing the Future Capital Fund	<u>21,659,892</u>	<u>22,988,296</u>
Total unrestricted net assets	<u>26,181,323</u>	<u>27,220,154</u>
Temporarily restricted	11,125,341	9,544,855
Permanently restricted	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>37,406,664</u>	<u>36,865,009</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,619,886</u>	<u>\$ 38,332,303</u>

INTERNATIONAL CRISIS GROUP
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE					
Contributions, grants and programs services revenue	\$ 3,857,021	\$ 13,091,250	\$ -	\$ 16,948,271	\$ 12,522,496
Interest and investment income	415,631	-	-	415,631	446,772
Miscellaneous income	4,409	-	-	4,409	8,873
Net assets released from donor restrictions	<u>11,510,764</u>	<u>(11,510,764)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>15,787,825</u>	<u>1,580,486</u>	<u>-</u>	<u>17,368,311</u>	<u>12,978,141</u>
EXPENSES					
Africa Program:					
Central Africa	1,010,927	-	-	1,010,927	763,377
Southern Africa	137,696	-	-	137,696	239,480
West Africa	1,116,778	-	-	1,116,778	980,865
Horn of Africa	<u>903,170</u>	<u>-</u>	<u>-</u>	<u>903,170</u>	<u>951,480</u>
Total Africa Program expenses	<u>3,168,571</u>	<u>-</u>	<u>-</u>	<u>3,168,571</u>	<u>2,935,202</u>
Asia Program:					
Pakistan/Afghanistan	1,147,774	-	-	1,147,774	1,140,434
South East Asia	301,617	-	-	301,617	286,415
North East Asia	185,782	-	-	185,782	461,604
Sri Lanka	<u>217,122</u>	<u>-</u>	<u>-</u>	<u>217,122</u>	<u>211,469</u>
Total Asia Program expenses	<u>1,852,295</u>	<u>-</u>	<u>-</u>	<u>1,852,295</u>	<u>2,099,922</u>
Europe and Central Asia Program:					
Russia	306,404	-	-	306,404	250,833
Central Asia	462,536	-	-	462,536	439,431
Ukraine and Eastern Neighborhood	282,482	-	-	282,482	300,731
Turkey/Cyprus	<u>363,540</u>	<u>-</u>	<u>-</u>	<u>363,540</u>	<u>275,526</u>
Total Europe Program expenses	<u>1,414,962</u>	<u>-</u>	<u>-</u>	<u>1,414,962</u>	<u>1,266,521</u>
Middle East and North Africa Program:					
Iran and the Gulf States	519,159	-	-	519,159	422,678
Iraq, Syria and Lebanon	677,297	-	-	677,297	881,978
North Africa	729,849	-	-	729,849	657,139
Arab-Israeli Conflict	<u>474,638</u>	<u>-</u>	<u>-</u>	<u>474,638</u>	<u>463,774</u>
Total Middle East Program expenses	<u>2,400,943</u>	<u>-</u>	<u>-</u>	<u>2,400,943</u>	<u>2,425,569</u>

See accompanying notes to financial statements.

INTERNATIONAL CRISIS GROUP

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
EXPENSES (Continued)					
Latin America Program:					
Andes	\$ 501,808	\$ -	\$ -	\$ 501,808	\$ 434,003
Mexico and Central America	<u>427,484</u>	<u>-</u>	<u>-</u>	<u>427,484</u>	<u>689,938</u>
Total Latin America Program expenses	<u>929,292</u>	<u>-</u>	<u>-</u>	<u>929,292</u>	<u>1,123,941</u>
Total program expenses	<u>9,766,063</u>	<u>-</u>	<u>-</u>	<u>9,766,063</u>	<u>9,851,155</u>
Advocacy	<u>3,167,952</u>	<u>-</u>	<u>-</u>	<u>3,167,952</u>	<u>3,828,542</u>
Administration:					
Fundraising	1,874,601	-	-	1,874,601	2,359,303
Administration	<u>2,845,746</u>	<u>-</u>	<u>-</u>	<u>2,845,746</u>	<u>3,256,269</u>
Total Administration expenses	<u>4,720,347</u>	<u>-</u>	<u>-</u>	<u>4,720,347</u>	<u>5,615,572</u>
Total expenses	<u>17,654,362</u>	<u>-</u>	<u>-</u>	<u>17,654,362</u>	<u>19,295,269</u>
Change in net assets before other items	(1,866,537)	1,580,486	-	(286,051)	(6,317,128)
OTHER ITEMS					
Net realized/unrealized gain (loss) on investments	701,262	-	-	701,262	(372,947)
Net realized/unrealized gain (loss) on currency exchange	<u>126,444</u>	<u>-</u>	<u>-</u>	<u>126,444</u>	<u>(499,545)</u>
Change in net assets	(1,038,831)	1,580,486	-	541,655	(7,189,620)
Net assets at beginning of year	<u>27,220,154</u>	<u>9,544,855</u>	<u>100,000</u>	<u>36,865,009</u>	<u>44,054,629</u>
NET ASSETS AT END OF YEAR	<u>\$ 26,181,323</u>	<u>\$ 11,125,341</u>	<u>\$ 100,000</u>	<u>\$ 37,406,664</u>	<u>\$ 36,865,009</u>

See accompanying notes to financial statements.

INTERNATIONAL CRISIS GROUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 541,655	\$ (7,189,620)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	63,741	17,017
(Gain) loss on sale or disposal of fixed assets	(6,215)	124,310
Increase (decrease) in discount on long-term receivables	185,253	(196,073)
Unrealized (gain) loss on investments	(517,014)	1,403,950
Realized gain on investments	(184,248)	(1,031,003)
(Increase) decrease in:		
Accounts receivable and other assets	(76,994)	(143,130)
Contributions, grants and program service revenue receivable	(1,346,412)	4,731,834
Cash guarantees - deposits	4,346	4,248
Increase (decrease) in:		
Accounts payable	(97,138)	209,844
Accrued liabilities	(156,934)	79,819
Net cash used by operating activities	<u>(1,589,960)</u>	<u>(1,988,804)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(87,200)	(126,487)
Proceeds from sale of fixed assets	6,215	15,581
Purchase of investments	(951,244)	(6,909,492)
Proceeds from sale of investments	<u>2,435,925</u>	<u>9,463,705</u>
Net cash provided by investing activities	<u>1,403,696</u>	<u>2,443,307</u>
Net (decrease) increase in cash and cash equivalents	(186,264)	454,503
Cash and cash equivalents at beginning of year	<u>4,291,001</u>	<u>3,836,498</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,104,737</u>	<u>\$ 4,291,001</u>

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The International Crisis Group (Crisis Group) is a not-for-profit corporation committed to reinforcing the capacity of the international community to understand, anticipate and prevent, or at least contain deadly conflict, and if and when prevention fails, try to resolve it. It was incorporated in the District of Columbia on the 28th of February 1995 and commenced operations on July 1st of that year.

The International Crisis Group AISBL (Association Internationale Sans But Lucratif) is a Belgian entity established on 26 March 1998. The entity is currently dormant. The only costs are incurred by Crisis Group and are for tax filings.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Crisis Group's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Cash and cash equivalents -

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

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

Crisis Group also maintains bank accounts in other foreign countries that are uninsured. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Unrealized and realized gains and losses are recorded as other items in the *Statement of Activities and Change in Net Assets*.

Investment risks and uncertainties -

Crisis Group invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Fixed assets -

Fixed asset purchases of \$2,500 or more are capitalized and are stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Contributed services -

Contributed services are reflected in the financial statements at their market value on the date services were provided. Contributed services comprise various professional services and are included in unrestricted contributions and general and administrative expenses in the accompanying financial statements. The values of these contributions for the year ended June 30, 2017 totaled \$405,143.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Crisis Group and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Crisis Group and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by Crisis Group. There are no restrictions placed on the use of investment earnings from these endowment funds.

Contributions, grants and programs service revenue -

Contributions, grants and programs service revenue are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions, grants and programs service revenue are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

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

Temporarily restricted grants and contracts revenue are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Foreign currency translation -

The dollar ("dollars") is the functional currency for Crisis Group'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.

Currency risk -

Crisis Group is exposed to currency risk through transactions in foreign currencies against the U.S. Dollar. There is also a statement of financial position risk that the net monetary liabilities in foreign currencies will take a higher value when translated into U.S. Dollar as a result of currency movements.

Functional allocation of expenses -

Certain indirect program costs at Crisis Group's Brussels, Washington, New York and London offices have been allocated, on a functional basis, in the Statement of Activities and Change in Net Assets. Such costs include program management and support. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Receivables -

Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions, grants and program service revenue. Receivable are recorded at their net realizable value, which approximates fair value. All receivables are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Contributions, grants and program service receivable are expected to be collected in the next several years.

Income taxes -

Crisis Group 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. Crisis Group is not a private foundation.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Uncertain tax positions -

For the year ended June 30, 2017, Crisis Group has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Fair value measurement -

Crisis Group adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. Crisis Group accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements not yet adopted -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of Crisis Group's financial statements, it is not expected to alter Crisis Group's reported financial position.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or 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. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied. Crisis Group plans to adopt the new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

New accounting pronouncements not yet adopted (continued) -

The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. Crisis Group plans to adopt the new ASU at the required implementation date.

2. INVESTMENTS

Investments consisted of the following at June 30, 2017:

	Fair Value
Mutual Funds - Core Alpha Bond Fund - Institutional	\$ 15,620,145
Mutual Funds - Global Alpha Tilts Fund B	6,333,879
Mutual Funds - U.S. Treasury Inflation Protected Securities Fund B	1,153,465
Mutual Funds - S&P GSCI Commodities Fund B	1,154,904
TOTAL INVESTMENTS	\$ 24,262,393

Interest and investment income and net unrealized/realized loss on investments are the following:

INTEREST AND INVESTMENT INCOME	\$ 415,631
Unrealized gain on investments	\$ 517,014
Realized gain on investments	184,248
NET UNREALIZED/REALIZED GAIN ON INVESTMENTS	\$ 701,262

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2017:

Africa Program	\$ 1,744,484
Asia Program	551,520
Europe and Central Asia Program	900,345
Middle East and North Africa Program	1,004,851
Latin America Program	144,469
Louise Arbour Fund for Emerging Conflicts	233,329
Time Restricted	6,546,343
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 11,125,341

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

4. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses or by the passage of time, which satisfied the restricted purposes specified by the donors:

Program Accomplishments:	
Africa Program	\$ 1,925,989
Asia Program	439,486
Europe and Central Asia Program	392,704
Middle East and North Africa Program	902,503
Latin America Program	124,832
Passage of Time	<u>7,725,250</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 11,510,764</u>

5. PERMANENTLY RESTRICTED NET ASSETS

On November 3, 2011, Crisis Group received a \$100,000 contribution from the William O. Taylor Trust to establish the William O. Taylor Endowment Fund. In accordance with the donor's intent, the contributed funds are to be invested in-perpetuity and the investment income generated from the invested funds will be used to support the general operations of Crisis Group. As of June 30, 2017, the value of the fund was \$102,501.

6. SECURING THE FUTURE CAPITAL FUND

On April 30, 2008, Crisis Group launched a capital fundraising campaign. The purpose of the fund, "Securing the Future Capital Fund", is to ensure Crisis Group's long-term stability, independence, flexibility and continuity. Significant contributions to the fund have been made by several institutional foundations, Board members, as well as by attribution of a portion of Crisis Group's operating reserves existing at that date. As of June 30, 2017, the current fair value of the fund was \$21,659,892.

7. LEASE COMMITMENTS

Crisis Group has entered into several lease agreements for its offices, apartments and various office equipment and vehicles. As of June 30, 2017, the minimum future rental payments related to these operating leases are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 949,920
2019	858,365
2020	857,823
2021	739,294
2022	697,865
Thereafter	<u>754,857</u>
	<u>\$ 4,858,124</u>

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

7. LEASE COMMITMENTS (Continued)

Total rent expense related to the office and apartment leases was \$935,101 for the year ended June 30, 2017.

In accordance with the terms of the lease agreement for office space in New York City, Crisis Group has placed a certificate of deposit of \$111,908, as a security guarantee in lieu of a security deposit. Such certificate of deposit is included in cash and cash equivalents on the accompanying Statement of Financial Position.

Crisis Group subleases office space in Brussels and Washington, D.C. The sublease for their Brussels office space commenced on October 26, 2015 and expired in October, 2016. The sublease for their Washington, D.C. office commenced on November 18, 2015 and will terminate on November 30, 2017.

Rental income, which is netted against rent expense totaled \$43,006.

8. FIXED ASSETS

Following is a summary of Crisis Group's fixed assets at June 30, 2017:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 878,513	\$ (760,580)	\$ 117,933
Furniture	264,449	(262,897)	1,552
Vehicles	<u>142,341</u>	<u>(123,412)</u>	<u>18,929</u>
FIXED ASSETS, NET	<u>\$ 1,285,303</u>	<u>\$ (1,146,889)</u>	<u>\$ 138,414</u>

Depreciation and amortization expense for the year ended June 30, 2017 totaled \$63,741.

9. CONTRIBUTIONS, GRANTS AND PROGRAMS SERVICE REVENUE RECEIVABLE

Contributions, grants and programs service revenue receivable due in more than one year have been recorded at the present value of the estimated cash flows, using the discount rate of 4.25%.

Contributions, grants and programs service revenue receivable are due as follows at June 30, 2017:

Within one year	\$ 5,357,658
Two to five years, net of discount for present value of \$220,138	<u>3,650,253</u>
TOTAL CONTRIBUTIONS, GRANTS AND PROGRAMS SERVICE REVENUE RECEIVABLE	<u>\$ 9,007,911</u>

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

10. FOREIGN CURRENCY

The U.S. Dollar is the functional currency of Crisis Group. Transactions in currencies other than dollars are translated into dollars at rates of exchange in effect during the month of the transaction.

Assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the Statement of Financial Position date, June 30, 2017.

Realized and unrealized exchange effects are as follows for the year ended June 30, 2017:

Realized loss on exchange	\$ (137,286)
Unrealized gain on exchange	<u>263,730</u>
NET REALIZED/UNREALIZED GAIN ON CURRENCY EXCHANGE	<u>\$ 126,444</u>

11. LITIGATION

Brussels Litigation with Plaintiff Philip Zepter -

In January 2004, a Serbian businessman and two of his companies ("plaintiffs") filed a lawsuit in Belgium against Crisis Group and one of its employees claiming that they were defamed in two of Crisis Group's reports concerning Serbia and in an e-mail.

The matter, which is before the Court of First Instance in Brussels, was dormant from 2007 until 2015 when plaintiffs resumed the litigation. Crisis Group filed a brief in December 2016, seeking dismissal on procedural and substantive grounds, and plaintiffs then obtained permission to file a reply brief.

Plaintiffs have not taken any actions to file that brief or schedule a hearing in the matter, nor given any other indication they wish to move forward with the suit, which may in part be a result of the outcome in the U.S. case described below. Even should plaintiffs continue and then prevail in the case, at this level or on appeal, the potential quantum of damages and attorneys' fees awarded are modest.

U.S. Litigation with Plaintiff Philip Zepter -

In addition to the Brussels litigation, in July 2004, the same plaintiffs filed a similar lawsuit in the United States District Court for the District of Columbia, seeking substantial damages for defamation and related claims. After years of motions practice and appeals, the case was winnowed substantially to one plaintiff, Philip Zepter, and one challenged passage in a single report. In fall 2014, the trial court dismissed Mr. Zepter's case in its entirety and granted judgment to Crisis Group. Mr. Zepter appealed to the U.S. Court of Appeals for the District of Columbia, which in May 2016 affirmed the trial court's dismissal, and in June 2016 denied Mr. Zepter's petition for rehearing. In the fall of 2016, he filed a petition for a writ of certiorari to the U.S. Supreme Court seeking a review of the lower court decisions, which Crisis Group opposed. In April 2017, the Court denied Zepter's petition, leaving in place the lower court decisions in Crisis Group's favor and bringing finality to the U.S. litigation after 13 years.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

12. PENSION PLAN

Retirement benefits are provided to staff under four separate defined contribution plans:

- A Tax-Deferred Annuity Plan operating under Section 403(b) of the Internal Revenue Code was set up by Crisis Group on July 1, 2006, for all employees who are on Crisis Group's United States payroll. Participants have a fully vested interest in the employee contributions made to their policies. Employer contributions are calculated as a percentage (5%) of the employee's salary and are subject to a three-year, sliding scale vesting schedule. Crisis Group has no liability under the plan, other than its annual contribution. Employer contributions during the fiscal year ended June 30, 2017 totaled \$150,410.
- On January 1, 2005, Crisis Group established an offshore retirement pension scheme available to non-United States expatriate staff and local field staff. Participants have a fully vested interest in the employee contributions made to their policies. Employer contributions are calculated as a percentage (5%) of the employee's salary and are subject to a three-year, sliding scale vesting schedule. Crisis Group has no liability under the plan, other than its contribution. Employer contributions during the fiscal year ended June 30, 2017 totaled \$102,444.
- A group insurance scheme operates for staff based in the Belgian headquarters. There are no employee contributions. Employer contributions are calculated by reference to salaries in accordance with the scheme rules and vest immediately. Contributions during the fiscal year ended June 30, 2017 totaled \$143,284 (EUR 131,729).
- In January 2013, Crisis Group established a flexible retirement plan for its UK-based staff. Employer contributions are defined at 5% of the employee's salary. Participants have the option of contributing a percentage of their salary and can invest in a range of funds of their choosing. Contributions during the fiscal year ended June 30, 2017 totaled \$15,204 (GBP 11,920).

13. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, Crisis Group has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market that Crisis Group has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. FAIR VALUE MEASUREMENT (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

Mutual funds - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, Crisis Group's investments as of June 30, 2017:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds - Core Alpha Bond Fund - Institutional	\$ 15,620,145	\$ -	\$ -	\$ 15,620,145
Mutual Funds - Global Alpha Tilts Fund B	6,333,879	-	-	6,333,879
Mutual Funds - U.S. Treasury Inflation Protected Securities Fund B	1,153,465	-	-	1,153,465
Mutual Funds - S&P GSCI Commodities Fund B	<u>1,154,904</u>	<u>-</u>	<u>-</u>	<u>1,154,904</u>
TOTAL	<u>\$ 24,262,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,262,393</u>

14. SUBSEQUENT EVENTS

In preparing these financial statements, Crisis Group has evaluated events and transactions for potential recognition or disclosure through November 7, 2017, the date the financial statements were issued.

INTERNATIONAL CRISIS GROUP
SCHEDULE OF CONTRIBUTIONS AND GRANTS RECEIVED
FOR THE YEAR ENDED JUNE 30, 2017

Donor	Project/Program	Grant Period	Original Currency	Total (USD)
Governments				
Australian Department of Foreign Affairs and Trade	Core Funding Extension	05/17 - 04/18	AUD 500,000	\$ 379,076
Austrian Development Agency	Core Funding	07/16 - 06/18	EUR 250,000	277,593
	Uganda's unstable system: Challenges of social and political cohesion under the National Resistance Movement			
Danish Ministry of Foreign Affairs		02/17 - 10/17	DKK 431,858	61,696
Danish Ministry of Foreign Affairs	Core Funding	01/17 - 12/19	DKK 7,000,000	1,057,230
European Commission	Bridging the Gap: Enhancing Early Warning and Effective Early Action	01/17 - 12/19	EUR 2,500,000	2,656,748
	Study on the Conflict Lines in the Middle East and a Regional Scenario Study on the Sahel			
Federal Republic of Germany Foreign Office		04/17 - 01/18	EUR 384,575	432,125
Federal Republic of Germany Foreign Office	Libya workshop	01/17 - 01/17	EUR 3,500	3,680
French Development Agency	Core Funding	07/16 - 12/16	EUR 50,000	54,819
French Ministry of Foreign Affairs and International Development	Core Funding	01/17 - 12/17	EUR 50,000	53,275
Germany - Gesellschaft für Internationale Zusammenarbeit (GIZ)	Palestine grant adjustment	06/13 - 02/14		(10,975)
Irish Aid	Core Funding	05/17 - 05/18	EUR 150,000	163,405
Irish Aid	Colombia	05/17 - 05/18	EUR 50,000	54,468
Irish Aid	Core Funding	08/16 - 08/17	EUR 250,000	279,236
Liechtenstein	Core Funding	01/17 - 12/17	CHF 10,000	10,040
Luxembourg Ministry of Foreign Affairs	Core Funding	01/16 - 12/16	EUR 20,000	22,338
	Analyzing and Tackling the Rise of Violent Extremism in the greater Sahel region			
Ministry of Foreign Affairs of Finland		03/16 - 12/16	EUR 150,000	167,405
New Zealand Ministry of Foreign Affairs and Trade	Core Funding	02/17 - 01/18	NZD 60,000	41,166
New Zealand Ministry of Foreign Affairs and Trade	Core Funding	02/17 - 01/18	NZD 140,000	101,197
Swedish Ministry for Foreign Affairs	Core Funding	01/17 - 12/17	SEK 7,000,000	780,335
Swedish Ministry for Foreign Affairs	Core Funding	01/16 - 12/16	SEK 6,000,000	699,994
Swiss Federal Department of Foreign Affairs	Sahel Region grant adjustment	03/13 - 03/14		(8,296)
	Modern Conflict, Transnational threats and Non-State Actors project: Engaging with Proscribed Groups			
Swiss Federal Department of Foreign Affairs		09/16 - 08/17	USD 50,850	50,850
	Modern Conflict, Transnational threats and Non-State Actors project: Evolution in War Zones			
Swiss Federal Department of Foreign Affairs		09/16 - 08/17	USD 76,275	76,275
United States Agency for International Development	Multi-purpose grant	07/16 - 09/16	USD 75,000	75,000
US Department of State	Non-State Armed Actors Initiative in D.R.C. and Lake Chad Basin	09/16 - 05/17	USD 250,000	250,000
Total Governments' Contributions and Grants				<u>7,728,680</u>

INTERNATIONAL CRISIS GROUP

**SCHEDULE OF CONTRIBUTIONS AND GRANTS RECEIVED
FOR THE YEAR ENDED JUNE 30, 2017**

Donor	Project/Program	Grant Period	Original Currency	Total (USD)
Foundations				
Carnegie Corporation of New York	Promoting statebuilding and peacebuilding in Africa / Modern conflict, transnational threats and non-state actors	10/16 - 09/18	USD 1,000,000	\$ 1,000,000
Foundation to Promote Open Society	Sri Lanka	06/16 - 07/17	USD 15,000	15,000
Foundation to Promote Open Society	Core Funding	01/17 - 12/17	USD 2,000,000	2,000,000
Humanity United	Peacebuilding and conflict transformation in Africa	01/17 - 06/17	USD 100,000	100,000
New Venture Fund	DRC Early Warning and Response project	09/16 - 03/17	USD 50,000	50,000
Oak Foundation	Russia and the Neighbourhood	01/17 - 12/18	USD 400,000	400,000
Open Society Initiative for West Africa	West Africa grant adjustment	04/13 - 05/15		(4,727)
Ploughshares Fund	Pakistan	06/17 - 06/18	USD 100,000	100,000
Ploughshares Fund	Pakistan	07/16 - 06/17	USD 130,000	130,000
Radcliffe Foundation	Fellowship Program	09/17 - 08/18	USD 500,000	500,000
Robert Bosch	Core Funding	02/17 - 02/18	EUR 200,000	215,891
Wellspring Philanthropic Fund	Core Funding	05/17 - 04/20	USD 750,000	750,000
Total Foundations' Contributions and Grants				<u>5,256,164</u>
Program Service revenue				
Plusec-Pluralism Human Security and Sustainability Centre	Egypt, Syria and Lebanon	07/15 - 12/15	USD 223,983	223,983
Plusec-Pluralism Human Security and Sustainability Centre	Turkey	01/17 - 06/17	USD 67,676	67,676
Total Program Service revenue				<u>291,659</u>
Individuals, Family Foundations and Corporations				3,451,878
Change in discount on long term receivables				(185,253)
In-kind Contributions				<u>405,143</u>
TOTAL CONTRIBUTIONS AND GRANTS REVENUE PER AUDIT REPORT				<u><u>\$ 16,948,271</u></u>

INTERNATIONAL CRISIS GROUP

**SCHEDULE OF TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

Notes:

1. All foreign currencies are converted into US dollars using the exchange rate in the month in which the confirmation of the contribution was received.
2. This supplementary report shows contributions and grant revenue committed and audited, as reported in the financial statements for the year ended June 30, 2017.

The following temporarily restricted assets were released from donor restrictions by incurring expenses which satisfied the restricted purpose specified by the donors:

Africa Program	\$ 1,925,989
Asia Program	439,486
Europe and Central Asia Program	392,704
Middle East Program	902,503
Latin America Program	124,832
Passage of Time	<u>7,725,250</u>
TOTAL RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 11,510,764</u>

The following governments' contributions and grants were released from restrictions during the year ended June 30, 2017:

Australian Department of Foreign Affairs and Trade, Austrian Development Agency, Canadian Department of Foreign Affairs, Trade and Development, Danish Ministry of Foreign Affairs, Dutch Ministry of Foreign Affairs, European Commission, Federal Republic of Germany Ministry of Foreign Affairs, Finnish Ministry of Foreign Affairs, French Development Agency, French Ministry of Foreign Affairs and International Development, Irish Aid, Luxembourg Ministry of Foreign Affairs, Principality of Liechtenstein, New Zealand Ministry of Foreign Affairs and Trade, Norwegian Ministry of Foreign Affairs, Swedish Ministry for Foreign Affairs, Swiss Federal Department of Foreign Affairs, United States Agency for International Development, United States Department of State.