

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

INTERNATIONAL CRISIS GROUP

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CPAs & ADVISORS

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, 2020, and the related statements of activities and change in net assets, functional expenses 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, 2020, 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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Report on Summarized Comparative Information

We have previously audited Crisis Group's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 and Grants Received and Schedule of Releases of Net Assets with Donor Restrictions on pages 19 - 22 are presented for purposes of additional analysis and are 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.



October 20, 2020

INTERNATIONAL CRISIS GROUP
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

ASSETS		<u>2020</u>	<u>2019</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	15,701,017	\$ 12,172,639
Investments		15,357,725	15,574,048
Accounts receivable and other assets		861,568	882,510
Contributions, grants and program service revenue receivable, net		<u>10,058,046</u>	<u>7,677,938</u>
Total current assets		<u>41,978,356</u>	<u>36,307,135</u>
FIXED ASSETS			
Equipment		947,331	960,455
Furniture		367,648	264,449
Vehicles		147,152	124,190
Leasehold improvements		312,068	179,630
Construction in process		38,147	-
Less: Accumulated depreciation and amortization		<u>(1,333,971)</u>	<u>(1,277,096)</u>
Net fixed assets		<u>478,375</u>	<u>251,628</u>
OTHER ASSETS			
Cash guarantees - deposits		234,108	179,364
Contributions, grants and program service revenue receivable - long term		<u>5,440,558</u>	<u>979,452</u>
Total other assets		<u>5,674,666</u>	<u>1,158,816</u>
TOTAL ASSETS		<u>\$ 48,131,397</u>	<u>\$ 37,717,579</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	413,479	\$ 247,135
Accrued liabilities		944,395	982,997
Deferred revenue		<u>-</u>	<u>25,000</u>
Total current liabilities		<u>1,357,874</u>	<u>1,255,132</u>
NET ASSETS			
Without donor restrictions:			
Undesignated - Operating reserve		6,299,440	5,738,636
Designated - Securing the Future Capital Fund		<u>20,277,056</u>	<u>20,008,808</u>
Total net assets without donor restrictions		<u>26,576,496</u>	<u>25,747,444</u>
With donor restrictions		<u>20,197,027</u>	<u>10,715,003</u>
Total net assets		<u>46,773,523</u>	<u>36,462,447</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 48,131,397</u>	<u>\$ 37,717,579</u>

See accompanying notes to financial statements.

INTERNATIONAL CRISIS GROUP

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions, grants and program services revenue	\$ 3,372,299	\$ 26,514,436	\$ 29,886,735	\$ 18,482,173
Contributed services	490,425	-	490,425	475,318
Interest and investment income, net	368,353	-	368,353	373,328
Special event	-	-	-	319,965
Miscellaneous income	588	-	588	2,975
Net assets released from donor restrictions	<u>17,032,412</u>	<u>(17,032,412)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>21,264,077</u>	<u>9,482,024</u>	<u>30,746,101</u>	<u>19,653,759</u>
EXPENSES				
Program Services:				
Africa Program	3,270,194	-	3,270,194	3,116,535
Asia Program	1,494,071	-	1,494,071	1,396,773
Europe and Central Asia Program	1,173,180	-	1,173,180	1,025,601
Middle East North Africa Program	2,412,706	-	2,412,706	2,462,962
Latin America Program	970,426	-	970,426	921,731
United States Program	-	-	-	397,017
Future of Conflict Program	514,865	-	514,865	-
Policy Management and Research Advocacy	1,678,108	-	1,678,108	1,807,329
	<u>2,377,785</u>	<u>-</u>	<u>2,377,785</u>	<u>2,115,645</u>
Total program services	<u>13,891,335</u>	<u>-</u>	<u>13,891,335</u>	<u>13,243,593</u>
Administration:				
Fundraising	1,940,904	-	1,940,904	1,852,786
Management and General	4,336,961	-	4,336,961	4,920,010
Total administration services	<u>6,277,865</u>	<u>-</u>	<u>6,277,865</u>	<u>6,772,796</u>
Total expenses	<u>20,169,200</u>	<u>-</u>	<u>20,169,200</u>	<u>20,016,389</u>
Change in net assets before other items	1,094,877	9,482,024	10,576,901	(362,630)
OTHER ITEMS				
Net realized/unrealized (loss) gain on investments	(97,829)	-	(97,829)	49,254
Net realized/unrealized loss on currency exchange	<u>(167,996)</u>	<u>-</u>	<u>(167,996)</u>	<u>(34,831)</u>
Change in net assets	829,052	9,482,024	10,311,076	(348,207)
Net assets at beginning of year	<u>25,747,444</u>	<u>10,715,003</u>	<u>36,462,447</u>	<u>36,810,654</u>
NET ASSETS AT END OF YEAR	<u>\$ 26,576,496</u>	<u>\$ 20,197,027</u>	<u>\$ 46,773,523</u>	<u>\$ 36,462,447</u>

See accompanying notes to financial statements.

INTERNATIONAL CRISIS GROUP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020						
	Program Services						
	Africa Program	Asia Program	Europe and Central Asia Program	Middle East and North Africa Program	Latin America Program	Future of Conflict Program	Policy Management and Research
Advocacy	\$ 5,864	\$ -	\$ 1,230	\$ 2,502	\$ 740	\$ 50	\$ 2,778
Board expenses	-	-	-	-	-	-	-
Depreciation and amortization	5,078	4,548	1,052	4,827	-	-	4,124
Disposal of assets	(5,103)	-	-	-	-	-	-
Equipment and software	32,599	3,356	1,951	7,866	7,370	292	6,612
Expatriate expenses	61,844	35,122	4,672	38,411	30,385	111	10,864
Financial charges	1,422	296	347	922	2,518	-	306
Special event	-	-	-	-	-	-	-
Insurance	137,494	45,455	53,707	102,118	34,845	17,544	52,467
Office costs	151,071	31,297	51,780	102,780	23,143	83,979	80,364
Professional fees	(92)	(30)	(19)	11,993	137	(10)	(142)
Fundraising expenses	-	-	-	-	-	-	-
Reports	47,778	3,764	35,180	14,772	27,061	269	3,763
Research and subscriptions	11,811	6,308	5,939	7,763	1,569	765	2,022
Salaries and related benefits	2,492,052	1,261,544	935,776	1,794,160	770,038	391,871	1,423,768
Telecommunications	25,319	1,574	10,475	16,187	6,545	124	4,705
Travel	292,867	100,707	63,669	274,040	65,224	16,462	71,626
Vehicle costs	6,330	-	-	28,075	-	-	-
Other expenses	3,860	130	7,421	6,290	851	3,408	14,851
Sub-total	3,270,194	1,494,071	1,173,180	2,412,706	970,426	514,865	1,678,108
Less: Special events	-	-	-	-	-	-	-
TOTAL	\$ 3,270,194	\$ 1,494,071	\$ 1,173,180	\$ 2,412,706	\$ 970,426	\$ 514,865	\$ 1,678,108

See accompanying notes to financial statements.

INTERNATIONAL CRISIS GROUP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020 (Continued)						2019	
	Program Services (continued)		Administration				Total Expenses	Total Expenses
	Advocacy	Total Program Services	Fundraising	Management and General	Total Administration Services			
Advocacy	\$ 4,403	\$ 17,567	\$ 1,789	\$ 29	\$ 1,818	\$ 19,385	\$ 72,145	
Board expenses	-	-	-	263,502	263,502	263,502	405,407	
Depreciation and amortization	15,587	35,216	3,051	32,260	35,311	70,527	77,473	
Disposal of assets	-	(5,103)	-	-	-	(5,103)	(7,767)	
Equipment and software	33,990	94,036	38,174	230,679	268,853	362,889	369,528	
Expatriate expenses	-	181,409	705	5,688	6,393	187,802	298,589	
Financial charges	620	6,431	4,823	68,277	73,100	79,531	66,827	
Special event	-	-	-	-	-	-	259,515	
Insurance	123,379	567,009	71,007	115,277	186,284	753,293	767,608	
Office costs	254,518	778,932	247,135	200,041	447,176	1,226,108	1,323,645	
Professional fees	(5,014)	6,823	343,725	788,131	1,131,856	1,138,679	1,084,380	
Fundraising expenses	-	-	26,535	-	26,535	26,535	-	
Reports	69,734	202,321	1,188	9,168	10,356	212,677	209,355	
Research and subscriptions	12,589	48,766	1,630	2,492	4,122	52,888	47,791	
Salaries and related benefits	1,767,497	10,836,706	1,118,340	2,272,470	3,390,810	14,227,516	13,123,118	
Telecommunications	5,206	70,135	5,022	77,210	82,232	152,367	166,560	
Travel	62,006	946,601	54,155	260,381	314,536	1,261,137	1,867,324	
Vehicle costs	-	34,405	-	-	-	34,405	40,608	
Other expenses	33,270	70,081	23,625	11,356	34,981	105,062	103,798	
Sub-total	2,377,785	13,891,335	1,940,904	4,336,961	6,277,865	20,169,200	20,275,904	
Less: Special events	-	-	-	-	-	-	(259,515)	
TOTAL	\$ 2,377,785	\$ 13,891,335	\$ 1,940,904	\$ 4,336,961	\$ 6,277,865	\$ 20,169,200	\$ 20,016,389	

See accompanying notes to financial statements.

INTERNATIONAL CRISIS GROUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,311,076	\$ (348,207)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	70,527	77,473
Loss (gain) on sale or disposal of fixed assets	179,103	(7,767)
Decrease (increase) in discount on long-term receivables	182,767	(292,005)
Unrealized gain on investments	(225,724)	(74,365)
Realized loss on investments	323,553	25,111
Decrease (increase) in:		
Accounts receivable and other assets	20,942	(23,155)
Contributions, grants and program service revenue receivable	(7,023,981)	1,824,718
Cash guarantees - deposits	(54,744)	(35,459)
Increase (decrease) in:		
Accounts payable	166,344	138,647
Accrued liabilities	(38,602)	(68,625)
Deferred revenue	<u>(25,000)</u>	<u>(200,000)</u>
Net cash provided by operating activities	<u>3,886,261</u>	<u>1,016,366</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(476,377)	(187,439)
Proceeds from sale of fixed assets	-	9,279
Purchase of investments	(11,106,579)	(14,025,523)
Proceeds from sale of investments	<u>11,225,073</u>	<u>19,191,189</u>
Net cash (used) provided by investing activities	<u>(357,883)</u>	<u>4,987,506</u>
Net increase in cash and cash equivalents	3,528,378	6,003,872
Cash and cash equivalents at beginning of year	<u>12,172,639</u>	<u>6,168,767</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 15,701,017</u>	<u>\$ 12,172,639</u>
SUPPLEMENTAL INFORMATION:		
Taxes Paid	<u>\$ -</u>	<u>\$ 9,786</u>

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than Crisis Group mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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, 2019, from which the summarized information was derived.

New accounting pronouncement adopted -

Also during 2019, Crisis Group adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. Crisis Group adopted the ASU using a modified prospective basis.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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. Cash held in foreign countries totaled \$4,920,203 at June 30, 2020.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors in the accompanying Statement of Activities and Change in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. Crisis Group's policy is to liquidate all gifts of investments as soon as possible after the gift.

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.

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.

Fixed assets -

Fixed asset purchases of \$5,000 or more are capitalized and are stated at cost.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Fixed assets (continued) -

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. 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 revenue without donor restrictions and general and administrative expenses in the accompanying financial statements. The values of these contributions for the year ended June 30, 2020 totaled \$490,425.

Contributions, grants and programs service revenue -

The majority of Crisis Group's revenue is received through contributions as well as contracts and grants from the foreign governments, international organizations and other entities. Contributions, grants and programs services revenue is recognized in the appropriate category of net assets in the period received. Crisis Group performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For contributions and grants and contracts and program services revenue qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants and contracts and program services revenue qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" 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 net assets with donor restrictions in the accompanying financial statements.

Grant and contract agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and contract awards from the United States Government, Foreign Governments and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, Crisis Group recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. Crisis Group did not identify any conditional contributions for the year ended June 30, 2020

Grants and support receivable represents amounts due from funding organizations in accordance with the terms and conditions outlined in grant agreements.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of Crisis Group are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of head count.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which negatively impact Crisis Group's operations. The overall potential impact is unknown at this time.

Income taxes -

Crisis Group is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Crisis Group is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2020, 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.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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) -

FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. During 2020, the FASB delayed the implementation date under ASU 2020-05 for an additional year. Organizations may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019 and for interim periods within annual reporting periods beginning after December 15, 2020. Early adoption is still permitted.

FASB issued ASU 2019-01, *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. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

Crisis Group plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS

Investments consisted of the following at June 30, 2020:

	Fair Value
Mutual Funds - Fixed Income	<u>\$ 15,357,725</u>

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

Interest and investment income	\$ 471,702
Investment fees	<u>(103,349)</u>
INTEREST AND INVESTMENT INCOME, NET	<u>\$ 368,353</u>
Unrealized gain on investments	\$ 225,724
Realized loss on investments	<u>(323,553)</u>
NET UNREALIZED/REALIZED LOSS ON INVESTMENTS	<u>\$ (97,829)</u>

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2020:

Subject to expenditure for specified purpose:	
Africa Program	\$ 4,533,381
Asia Program	582,269
Europe and Central Asia Program	357,707
Latin America Program	1,165,172
Middle East North Africa	2,169,430
United States Program	23,086
Future of Conflict Program	197,836
Louise Arbour Fund for Emerging Conflicts	<u>183,328</u>
Sub-total	9,212,209
Subject to passage of time	10,884,818
Endowment to be invested in perpetuity	<u>100,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 20,197,027</u>

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

Purpose restrictions accomplished:	
Africa Program	\$ 2,619,919
Asia Program	421,628
Europe and Central Asia Program	523,892
Latin America Program	256,101
Middle East North Africa	1,359,127
Future of Conflict Program	<u>37,027</u>
Net assets released from donor restrictions	5,217,694
Timing restrictions accomplished	<u>11,814,718</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 17,032,412</u>

4. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 15,701,017
Investments	15,357,725
Accounts receivable and other assets	861,568
Contributions, grants and program service revenue receivable	<u>10,058,046</u>
Subtotal financial assets available within one year	41,978,356
Less: Donor restricted funds	(9,212,209)
Less: Board designated funds	<u>(20,277,056)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 12,489,091</u>

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4. LIQUIDITY AND AVAILABILITY (Continued)

Crisis Group has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2020, Crisis Group has financial assets equal to approximately ten months of operating expenses. If a significant event happened, the Board could appropriate a portion of the board-designated funds to mitigate that event.

5. ENDOWMENT

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, 2020, the value of the fund was \$102,491, which represents the original donor-restricted amount required to maintain in perpetuity.

6. SECURING THE FUTURE CAPITAL FUND - BOARD DESIGNATED

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, 2020, the current fair value of the fund was \$20,277,056.

7. LEASE COMMITMENTS

Crisis Group has entered into several lease agreements for its offices, apartments and various office equipment and vehicles. Crisis Group entered into lease agreements that are effective after June 30, 2019 for office space in Washington, D.C. and Brussels, Belgium.

As of June 30, 2020, the minimum future rental payments related to these operating leases are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 932,551
2022	996,103
2023	1,000,228
2024	564,371
2025	459,989
Thereafter	<u>1,772,007</u>
	<u>\$ 5,725,249</u>

Total rent expense related to the office and apartment leases was \$867,602 for the year ended June 30, 2020 and is included in the office costs in the accompanying financial statements.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

7. LEASE COMMITMENTS (Continued)

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 \$111,210, 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 leases office space in Brussels, Belgium. During 2019, Crisis Group entered into a new office lease that commenced on December 1, 2019 and will terminate on November 28, 2030.

Crisis Group subleases office space in Washington, D.C. The sublease for their Washington, D.C. office commenced on November 18, 2015, and was for a twelve-month period. On October 26, 2017, Crisis Group negotiated an extension that terminated on July 1, 2020. Crisis Group subleased additional office space in Washington, D.C. That sublease commenced on August 1, 2019 and will terminate on July 31, 2029.

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 3.25%. Contributions, grants and programs service revenue receivable are due as follows at June 30, 2020:

Within one year	\$ 10,058,046
Two to five years, net of discount for present value of \$231,740	<u>5,440,558</u>
TOTAL CONTRIBUTIONS, GRANTS AND PROGRAMS SERVICE REVENUE RECEIVABLE	<u>\$ 15,498,604</u>

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, 2020.

Realized and unrealized exchange effects are as follows for the year ended June 30, 2020:

Realized loss on exchange	\$ (192,302)
Unrealized gain on exchange	<u>24,306</u>
NET REALIZED/UNREALIZED LOSS CURRENCY EXCHANGE	<u>\$ (167,996)</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.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

11. LITIGATION (Continued)

Brussels Litigation with Plaintiff Philip Zepter (continued) -

The matter, which is pending in a Brussels court, was dormant from 2007 until 2015 when plaintiffs resumed the litigation. After Crisis Group filed a legal brief in that court and then won in parallel U.S. litigation, plaintiffs have taken no further action, leaving the Brussels suit dormant again since 2016.

Even should plaintiffs reactivate and then prevail in the case, at this level or on appeal, the potential quantum of damages and attorneys' fees awarded are modest.

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, 2020 totaled \$183,536.
- On January 1, 2005, Crisis Group established an offshore retirement pension plan 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, 2020 totaled \$110,797.
- A group insurance plan 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, 2020 totaled \$154,220 (EUR 139,251).
- 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, 2020 totaled \$26,169 (GBP 20,647).

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.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

13. FAIR VALUE MEASUREMENT (Continued)

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 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.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of June 30, 2020.

Mutual Funds - Valued at the daily closing price as reported by the fund. Mutual funds held by Crisis Group are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by Crisis Group are deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy, Crisis Group's investments as of June 30, 2020:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds - Fixed Income	<u>\$ 15,357,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,357,725</u>

There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2020. Transfers between levels are recorded at the end of the reporting period, if applicable.

14. SUBSEQUENT EVENTS

In preparing these financial statements, Crisis Group has evaluated events and transactions for potential recognition or disclosure through October 20, 2020, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

INTERNATIONAL CRISIS GROUP
SCHEDULE OF CONTRIBUTIONS, GRANTS AND PROGRAM INCOME RECEIVED
FOR THE YEAR ENDED JUNE 30, 2020

Donor	Grant Purpose	Grant Period	Original Currency	Total (USD)
Governments				
France AFD	Core Funding	01/19 - 12/19	EUR 65,000	\$ 72,337
Swiss Federal Department of Foreign Affairs	Navigating Political Transitions and Peace-making in North Africa	06/19 - 05/21	CHF 480,000	484,865
Swiss Federal Department of Foreign Affairs	Global Militancy, Conflict and Policy Response	11/19 - 10/20	USD 220,000	220,000
Department of Foreign Affairs and Trade, Ireland	Horn of Africa / Colombia	07/19 - 06/20	EUR 100,000	109,068
Norwegian Ministry of Foreign Affairs	Core Funding	1/19 - 12/20	NOK 14,000,000	1,517,862
Norwegian Ministry of Foreign Affairs	Core Funding	1/19 - 12/19	NOK 2,000,000	216,837
Finnish Ministry of Foreign Affairs	Core Funding	1/19 - 12/19	EUR 300,000	330,510
European Commission	Peacebuilding through Capacity Enhancement and Civic Engagement (adjustment)	4/19 - 12/19	EUR (6,033)	(6,683)
Swiss Federal Department of Foreign Affairs	Militancy, Counter-terrorism and Conflict (adjustment)	11/18 - 10/19	USD (5,600)	(5,370)
Swiss Federal Department of Foreign Affairs	The COVID-19 Pandemic and Deadly conflict	07/20 - 12/20	USD 35,000	35,000
European Commission	Strengthening EU Early Warning, Conflict Prevention and Crisis Response	01/20 - 12/22	EUR 2,500,000	2,770,212
Ministry of Foreign Affairs of Iceland	Gender and Conflict	01/20 - 12/20	ISK 10,000,000	81,175
Principality of Liechtenstein	Core Funding	01/20 - 12/20	CHF 10,000	10,339
Swedish Ministry for Foreign Affairs	Core Funding	01/20 - 12/20	SEK 10,000,000	1,037,443
Canadian Department of Foreign Affairs and Trade	Supporting Inclusive Peace Processes and Political Transitions	02/20 - 02/23	CAD 4,650,000	3,516,948
Dutch Ministry of Foreign Affairs	Strategic Partnership 2019-2013	07/19 - 06/23	EUR 5,400,000	5,954,620
Danish Ministry of Foreign Affairs	Core Funding	03/20 - 12/22	DKK 7,000,000	1,032,964
The World Bank Group	Sahel Fragility, Conflict and Violence	03/20 - 03/21	USD 50,000	50,000
Ministry of Foreign Affairs of the State of Qatar	Core Funding	01/20 - 12/20	USD 1,000,000	1,000,000
Department of Foreign Affairs and Trade, Ireland	Supporting Crisis Group's Global Conflict Prevention and Resolution	06/20 - 06/21	EUR 400,000	444,249

INTERNATIONAL CRISIS GROUP

**SCHEDULE OF CONTRIBUTIONS, GRANTS AND PROGRAM INCOME RECEIVED
FOR THE YEAR ENDED JUNE 30, 2020**

Donor	Grant Purpose	Grant Period	Original Currency	Total (USD)
Governments (Continued)				
New Zealand Ministry of Foreign Affairs and Trade	Core Funding	02/20 - 01/21	NZD 50,000	\$ 31,025
Finnish Ministry of Foreign Affairs	Core Funding	01/20 - 12/20	EUR 300,000	333,187
France MFA	Core Funding	01/20 - 12/20	EUR 150,000	166,593
				<u>19,403,181</u>
Adjustment for Present Value Discount on Long-Term Government Contributions and Grants				<u>(182,767)</u>
Total Governments' Contributions and Grants				<u>19,220,414</u>
Foundations				
Foundation to Promote Open Society	Core Funding	07/19 - 12/19	USD 739,550	739,550
Foundation to Promote Open Society	Middle East and North Africa	01/20	USD 18,000	18,000
Rockefeller Brothers Fund	Iran Tigger List	09/19 - 09/21	USD 150,000	150,000
Ploughshares Fund	Iran Tigger List	11/19 - 11/20	USD 75,000	75,000
Facebook	Core Funding	12/19 - 04/20	USD 100,000	100,000
Ford Foundation	Future of Armed Conflict in Latin America	03/20 - 06/20	USD 30,000	30,000
Stiftelsen Global Challenges Foundation	Climate Change and Conflict	03/20 - 06/21	USD 207,160	207,160
Wellspring Philanthropic Fund	Core Funding	05/20 - 05/21	USD 250,000	250,000
Henry Luce Foundation	Religion, Conflict and Peace in Africa, Asia the Middle East and North Africa	04/20 - 03/22	USD 400,000	400,000
Adelphi Research Gemeinnutzige GmbH	Colombia - Climate Diplomacy	06/20 - 12/20	USD 20,000	20,000
Robert Bosch Stiftung	Regional Briefings and Selected Summary Write-ups	06/20 - 08/20	EUR 23,023	25,570
Foundation to Promote Open Society	Core Funding	01/20 - 12/20	USD 3,500,000	<u>3,500,000</u>
Total Foundations' Contributions and Grants				<u>5,515,280</u>

INTERNATIONAL CRISIS GROUP

**SCHEDULE OF CONTRIBUTIONS, GRANTS AND PROGRAM INCOME RECEIVED
FOR THE YEAR ENDED JUNE 30, 2020**

Donor	Project/Program	Grant Period	Original Currency	Total (USD)
Program Service Revenue				
Plusec-Pluralism Human Security and Sustainability Centre	Turkey	01/19 - 12/19	USD 166,804	\$ 166,804
Plusec-Pluralism Human Security and Sustainability Centre	Turkey	01/20 - 12/20	USD 174,267	<u>174,267</u>
Total Program Service Revenue				<u>341,071</u>
Partnership Revenue				
Conciliation Resources	Smart Peace Project	08/19 - 07/22	GBP 1,176,691	<u>1,437,671</u>
Total Partnership Revenue				<u>1,437,671</u>
Individuals, Family Foundations and Corporations				<u>3,372,299</u>
Total Individuals, Family Foundations and Corporations				<u>3,372,299</u>
TOTAL CONTRIBUTIONS AND GRANTS REVENUE PER AUDIT REPORT				<u><u>\$ 29,886,735</u></u>

INTERNATIONAL CRISIS GROUP
SCHEDULE OF CONTRIBUTIONS, GRANTS AND PROGRAM INCOME RECEIVED
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020

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

Africa Program	\$ 2,569,302
Asia Program	421,628
Europe Program	523,892
Latin America Program	256,101
Middle East North Africa Program	1,359,127
United States Program	50,617
Future of Conflict Program	37,027
Passage of Time	<u>11,814,718</u>
TOTAL RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 17,032,412</u>

The contributions and grants from the following governmental and multilateral institutions were released from restrictions during the year ended June 30, 2020:

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, France AFD, France MFA (DGM/CDSC), Ministry of Foreign Affairs of Iceland, Department of Foreign Affairs and Trade of Ireland, Japan International Cooperation Agency, Luxembourg Ministry of Foreign Affairs, Principality of Liechtenstein, New Zealand Ministry of Foreign Affairs and Trade, Norwegian Ministry of Foreign Affairs, Ministry of Foreign Affairs of the State of Qatar, Swedish Ministry for Foreign Affairs, Swiss Federal Department of Foreign Affairs, United Arab Emirates, World Bank Group.