

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 Program Service Revenue Received and the Schedule of Temporarily Restricted Net Assets Released from Restrictions on pages 17 - 19 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.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

November 23, 2016

INTERNATIONAL CRISIS GROUP
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS		<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 4,291,001	\$ 3,836,498
Investments		25,045,812	27,972,972
Accounts receivable and other assets		868,527	725,397
Contributions, grants and program service revenue receivable		<u>6,773,358</u>	<u>8,465,750</u>
Total current assets		<u>36,978,698</u>	<u>41,000,617</u>
FIXED ASSETS			
Fixed assets, at cost, net of accumulated depreciation		<u>114,955</u>	<u>145,376</u>
OTHER ASSETS			
Cash guarantees - deposits		165,256	169,504
Contributions, grants and program service revenue receivable - two to five years		<u>1,073,394</u>	<u>3,916,763</u>
Total other assets		<u>1,238,650</u>	<u>4,086,267</u>
TOTAL ASSETS		<u>\$ 38,332,303</u>	<u>\$ 45,232,260</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ 394,426	\$ 184,582
Accrued liabilities		<u>1,072,868</u>	<u>993,049</u>
Total current liabilities		<u>1,467,294</u>	<u>1,177,631</u>
NET ASSETS			
Unrestricted:			
Undesignated - Operating reserve		<u>4,231,858</u>	<u>5,395,285</u>
Securing the Future Capital Fund:			
Contributions and reinvested interest, dividends and realized gains		22,913,788	23,336,997
Unrealized gain on the Securing the Future Capital Fund		<u>74,508</u>	<u>1,456,963</u>
Total Securing the Future Capital Fund		<u>22,988,296</u>	<u>24,793,960</u>
Total unrestricted net assets		27,220,154	30,189,245
Temporarily restricted		9,544,855	13,765,384
Permanently restricted		<u>100,000</u>	<u>100,000</u>
Total net assets		<u>36,865,009</u>	<u>44,054,629</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 38,332,303</u>	<u>\$ 45,232,260</u>

INTERNATIONAL CRISIS GROUP

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>			<u>2015</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE					
Contributions, grants and program service revenue	\$ 4,648,141	\$ 7,874,355	\$ -	\$ 12,522,496	\$ 17,298,583
Interest and investment income	446,772	-	-	446,772	465,232
Miscellaneous income	8,873	-	-	8,873	14,262
Net assets released from donor restrictions	<u>12,094,884</u>	<u>(12,094,884)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>17,198,670</u>	<u>(4,220,529)</u>	<u>-</u>	<u>12,978,141</u>	<u>17,778,077</u>
EXPENSES					
Africa Program:					
Central Africa	763,377	-	-	763,377	693,561
Southern Africa	239,480	-	-	239,480	418,570
West Africa	980,865	-	-	980,865	1,055,738
Horn of Africa	<u>951,480</u>	<u>-</u>	<u>-</u>	<u>951,480</u>	<u>975,821</u>
Total Africa Program expenses	<u>2,935,202</u>	<u>-</u>	<u>-</u>	<u>2,935,202</u>	<u>3,143,690</u>
Asia Program:					
Pakistan/Afghanistan	1,140,434	-	-	1,140,434	1,057,288
South East Asia	286,415	-	-	286,415	262,390
North East Asia	461,604	-	-	461,604	485,638
Sri Lanka	<u>211,469</u>	<u>-</u>	<u>-</u>	<u>211,469</u>	<u>169,134</u>
Total Asia Program expenses	<u>2,099,922</u>	<u>-</u>	<u>-</u>	<u>2,099,922</u>	<u>1,974,450</u>
Europe and Central Asia Program:					
South Caucasus	-	-	-	-	109,470
North Caucasus	250,833	-	-	250,833	287,707
Central Asia	439,431	-	-	439,431	347,923
Ukraine	300,731	-	-	300,731	253,767
Turkey/Cyprus	<u>275,526</u>	<u>-</u>	<u>-</u>	<u>275,526</u>	<u>225,660</u>
Total Europe Program expenses	<u>1,266,521</u>	<u>-</u>	<u>-</u>	<u>1,266,521</u>	<u>1,224,527</u>
Middle East Program:					
Iran and the Gulf States	422,678	-	-	422,678	479,940
Iraq, Syria and Lebanon	881,978	-	-	881,978	802,258
North Africa	657,139	-	-	657,139	727,443
Arab-Israeli Conflict	<u>463,774</u>	<u>-</u>	<u>-</u>	<u>463,774</u>	<u>471,602</u>
Total Middle East Program expenses	<u>2,425,569</u>	<u>-</u>	<u>-</u>	<u>2,425,569</u>	<u>2,481,243</u>

INTERNATIONAL CRISIS GROUP

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
EXPENSES (Continued)					
Latin America Program:					
Andes	\$ 434,003	\$ -	\$ -	\$ 434,003	\$ 445,949
Mexico and Central America	<u>689,938</u>	<u>-</u>	<u>-</u>	<u>689,938</u>	<u>549,337</u>
Total Latin America Program expenses	<u>1,123,941</u>	<u>-</u>	<u>-</u>	<u>1,123,941</u>	<u>995,286</u>
Total program expenses	<u>9,851,155</u>	<u>-</u>	<u>-</u>	<u>9,851,155</u>	<u>9,819,196</u>
Advocacy	<u>3,828,542</u>	<u>-</u>	<u>-</u>	<u>3,828,542</u>	<u>4,178,177</u>
Administration:					
Fundraising	2,359,303	-	-	2,359,303	1,710,680
Administration	<u>3,256,269</u>	<u>-</u>	<u>-</u>	<u>3,256,269</u>	<u>2,626,708</u>
Total Administration expenses	<u>5,615,572</u>	<u>-</u>	<u>-</u>	<u>5,615,572</u>	<u>4,337,388</u>
Total expenses	<u>19,295,269</u>	<u>-</u>	<u>-</u>	<u>19,295,269</u>	<u>18,334,761</u>
Change in net assets before other items	(2,096,599)	(4,220,529)	-	(6,317,128)	(556,684)
OTHER ITEMS					
Net realized/unrealized loss on investments	(372,947)	-	-	(372,947)	(514,269)
Net realized/unrealized loss on currency exchange	<u>(499,545)</u>	<u>-</u>	<u>-</u>	<u>(499,545)</u>	<u>(2,015,100)</u>
Change in net assets	(2,969,091)	(4,220,529)	-	(7,189,620)	(3,086,053)
Net assets at beginning of year	<u>30,189,245</u>	<u>13,765,384</u>	<u>100,000</u>	<u>44,054,629</u>	<u>47,140,682</u>
NET ASSETS AT END 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>

INTERNATIONAL CRISIS GROUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (7,189,620)	\$ (3,086,053)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	17,017	30,842
Loss on disposal of fixed assets	124,310	-
(Increase) decrease in discount on long-term receivables	(196,073)	118,491
Unrealized loss on investments	1,403,950	957,975
Realized gain on investments	(1,031,003)	(443,706)
(Increase) decrease in:		
Accounts receivable and other assets	(143,130)	(61,478)
Contributions, grants and program service revenue receivable	4,731,834	(217,280)
Cash guarantees - deposits	4,248	(2,096)
Increase (decrease) in:		
Accounts payable	209,844	(114,599)
Accrued liabilities	<u>79,819</u>	<u>(41,573)</u>
Net cash used by operating activities	<u>(1,988,804)</u>	<u>(2,859,477)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(126,487)	(125,136)
Proceeds from sale of fixed assets	15,581	-
Purchase of investments	(6,909,492)	(5,038,627)
Proceeds from sale of investments	<u>9,463,705</u>	<u>4,573,760</u>
Net cash provided (used) by investing activities	<u>2,443,307</u>	<u>(590,003)</u>
Net increase (decrease) in cash and cash equivalents	454,503	(3,449,480)
Cash and cash equivalents at beginning of year	<u>3,836,498</u>	<u>7,285,978</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,291,001</u>	<u>\$ 3,836,498</u>

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2015, 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, 2016

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, 2016 totaled \$928,647.

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 program service revenue -

Contributions, grants and program service revenue are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions, grants and program 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 and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Contributions, grants and program service revenue (continued) -

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.

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.

Exchange rates -

Foreign currency transactions are recorded in U.S. Dollars using the exchange rate at the time of the original exchange.

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.

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. Receivables 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.

Uncertain tax positions -

For the year ended June 30, 2016, 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, 2016

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.

2. INVESTMENTS

Investments consisted of the following at June 30, 2016:

	Fair Value
Mutual Funds - Core Alpha Bond Fund - Institutional	\$ 16,240,519
Mutual Funds - Global Alpha Tilts Fund B	6,114,334
Mutual Funds - U.S. Treasury Inflation Protected Securities Fund B	1,371,840
Mutual Funds - S&P GSCI Commodities Fund B	1,319,119
TOTAL INVESTMENTS	\$ 25,045,812

Included in interest and investment income and net unrealized/realized loss on investments are the following:

INTEREST AND INVESTMENT INCOME	\$ 446,772
Unrealized loss on investments	\$ (1,403,950)
Realized gain on investments	1,031,003
NET UNREALIZED/REALIZED LOSS ON INVESTMENTS	\$ (372,947)

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2016:

Africa Program	\$ 1,023,784
Asia Program	224,213
Europe Program	139,733
Middle East Program	513,465
Latin America Program	80,380
Louise Arbour Fund for Emerging Conflicts	233,389
Time Restricted	7,329,891
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 9,544,855

INTERNATIONAL CRISIS GROUP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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	\$ 1,468,953
Asia Program	639,638
Europe Program	275,849
Middle East Program	430,032
Latin America Program	257,475
Passage of Time	<u>9,022,937</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 12,094,884</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, 2016, the value of the fund was \$100,300.

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, 2016, the current fair value of the fund was \$22,988,296.

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, 2016, the minimum future rental payments related to these operating leases are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 1,002,888
2018	927,633
2019	829,992
2020	811,591
2021	678,450
Thereafter	<u>1,132,634</u>
	<u>\$ 5,383,188</u>

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

7. LEASE COMMITMENTS (Continued)

Total rent expense related to the office and apartment leases was \$953,515 for the year ended June 30, 2016.

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 \$111,740, 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. The lease was extended through October, 2016. The sublease for their Washington, D.C. commenced on November 18, 2015 and will terminate on November 30, 2016.

Rental income, which is netted against rent expense in the Statement of Activities and Change in Net Assets totaled \$26,425.

8. FIXED ASSETS

Following is a summary of Crisis Group's fixed assets at June 30, 2016:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Office furniture	\$ 264,449	\$ (259,536)	\$ 4,913
Office equipment	804,513	(708,084)	96,429
Vehicles	<u>142,141</u>	<u>(128,528)</u>	<u>13,613</u>
FIXED ASSETS, NET	<u>\$ 1,211,103</u>	<u>\$ (1,096,148)</u>	<u>\$ 114,955</u>

Depreciation expense for the year ended June 30, 2016 totaled \$17,017.

9. CONTRIBUTIONS, GRANTS AND PROGRAM SERVICE REVENUE RECEIVABLE

Contributions, grants and program 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 program service revenue receivable are due as follows at June 30, 2016:

Within one year	\$ 6,773,358
Two to five years, net of discount for present value of \$34,885	<u>1,073,394</u>
TOTAL CONTRIBUTIONS, GRANTS AND PROGRAM SERVICE REVENUE RECEIVABLE	<u>\$ 7,846,752</u>

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016.

Realized and unrealized exchange effects are as follows for the year ended June 30, 2016:

Realized loss on exchange	\$ (62,261)
Realized gain on exchange	1,277
Unrealized loss on exchange	<u>(438,561)</u>
NET REALIZED/UNREALIZED LOSS ON CURRENCY EXCHANGE	<u>\$ (499,545)</u>

11. LITIGATION

Brussels Litigation with Plaintiff Philip Zepter -

In January 2004, a Serbian businessman and two of his companies 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 is before the Court of First Instance in Brussels, and the plaintiffs seek nominal damages. The matter had been dormant since 2007, but is now proceeding again. Crisis Group's pro bono attorneys, White & Case LLP in Brussels, with assistance from its U.S. counsel at Levine Sullivan, are currently working on the final reply brief, which is due to the Brussels court in December 2016. A hearing in that matter is scheduled for March 2017. There is a right to appeal following the court's decision. White & Case LLP has advised that the potential quantum of damages and attorneys' fees awarded, even should Zepter win, are low in relation to the money damages that can be sought in the American courts.

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 has been winnowed substantially to one plaintiff and one challenged passage in a single report. In fall 2014, the trial court dismissed the plaintiff's case in its entirety and granted judgment to Crisis Group. The plaintiff appealed to the U.S. Court of Appeals for the District of Columbia, but this spring, a unanimous panel for the D.C. Circuit affirmed the trial court's dismissal. He thereafter filed a petition for en banc review, which was denied. The plaintiff now intends to seek review by the U.S. Supreme Court, which is the final forum for his appeal. However, that Court hears cases on a discretionary basis only and grants just 5% of the petitions for review it receives, making the likelihood of the plaintiff's success low. Were the Supreme Court to accept the case and reverse the decisions of the lower courts and remand for trial, it is difficult to assess with any degree of certainty the amount of damages that might be awarded were Zepter to prevail at trial.

INTERNATIONAL CRISIS GROUP
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JUNE 30, 2016

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, 2016 totaled \$160,280.

- 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, 2016 totaled \$229,607.
- 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, 2016 totaled \$136,850 (EUR 123,302).
- 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, 2016 totaled \$8,126 (GBP 5,478).

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.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

13. FAIR VALUE MEASUREMENT (Continued)

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 at June 30, 2016.

- *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, 2016:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds - Core Alpha Bond Fund - Institutional	\$ 16,240,519	\$ -	\$ -	\$ 16,240,519
Mutual Funds - Global Alpha Tilts Fund B	6,114,334	-	-	6,114,334
Mutual Funds - U.S. Treasury Inflation Protected Securities Fund B	1,371,840	-	-	1,371,840
Mutual Funds - S&P GSCI Commodities Fund B	<u>1,319,119</u>	<u>-</u>	<u>-</u>	<u>1,319,119</u>
TOTAL	<u>\$ 25,045,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,045,812</u>

14. SUBSEQUENT EVENTS

In preparing these financial statements, Crisis Group has evaluated events and transactions for potential recognition or disclosure through November 23, 2016, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

INTERNATIONAL CRISIS GROUP
SCHEDULE OF CONTRIBUTIONS AND GRANTS RECEIVED
FOR THE YEAR ENDED JUNE 30, 2016

Donor	Project/Program	Grant Period	Original Currency	Total (USD)
Governments				
Australian Department of Foreign Affairs and Trade	Core Funding	05/16 - 04/17	AUD 500,000	\$ 383,406
Canadian Department of Foreign Affairs, Trade and Development	Tunisia Workshop	03/16 - 03/16	CAD 30,000	21,459
Embassy of Japan, Belgium	South Sudan Seminar	04/16 - 04/16	EUR 36,478	41,423
Federal Republic of Germany Ministry of Foreign Affairs	Early Warning/Early Action: Effective Response to Emerging Crises	02/16 - 12/16	EUR 470,446	509,417
Luxembourg Ministry of Foreign Affairs	Core Funding	01/15 - 12/15	EUR 20,000	22,432
Luxembourg Ministry of Foreign Affairs	Religion and Conflict in the Greater Sahel	06/16 - 12/18	EUR 400,000	445,633
New Zealand Ministry of Foreign Affairs and Trade	Core Funding	02/16 - 01/17	NZD 200,000	136,893
New Zealand Ministry of Foreign Affairs and Trade	AU PSC / UNSC Conflict Prevention Seminars	05/16 - 05/16	USD 13,445	13,445
Principality of Liechtenstein	Core Funding	01/16 - 12/16	CHF 10,000	10,420
Swedish Ministry for Foreign Affairs	Core Funding	01/15 - 12/15	SEK 7,000,000	827,531
Swiss Federal Department of Foreign Affairs	Core Funding	07-15 - 06/16	USD 269,017	269,017
Swiss Federal Department of Foreign Affairs	Advocacy in the Maghreb	07-14 - 06/15	CHF 143,196	148,727
United States Agency for International Development	Multi-purpose Grant	07/15 - 06/16	USD 325,000	325,000
				3,154,803
Adjustment for Present Value Discount on Long-Term Government Contributions and Grants				196,073
Total Governments' Contributions and Grants				3,350,876
Corporate Foundations				
Anonymous DC based Foundation	Core Funding	05/16 - 04/17	USD 150,000	150,000
Anonymous DC based Foundation	Burundi	01/16 - 06/16	USD 50,000	50,000
Foundation to Promote Open Society	Core Funding	01/16 - 12/16	USD 2,250,000	2,250,000
Foundation to Promote Open Society	Africa	12/15 - 11/17	USD 200,000	200,000
Foundation to Promote Open Society	Core Funding	01/15 - 12/15	USD 250,000	250,000
Henry Luce Foundation	Religion and Conflict in Africa, Asia and the Middle East	01/16 - 12/17	USD 400,000	400,000
Humanity United	Early Warning and Risk Response in Africa	01/16 - 12/16	USD 200,000	200,000
MacArthur Foundation	Iran	12/15 - 11/17	USD 250,000	250,000
MacArthur Foundation	Core Funding	12/15 - 11/16	USD 150,000	150,000
The Radcliffe Foundation	Fellowship Program	09/16 - 08/17	USD 500,000	500,000
Robert Bosch Stiftung	Ukraine	07/15 - 12/15	EUR 25,000	27,952
Rockefeller Brothers Fund	Afghanistan / Pakistan	03/16 - 03/17	USD 100,000	100,000
Total Corporate Foundations' Contributions and Grants				4,527,952

**INTERNATIONAL CRISIS GROUP
SCHEDULE OF CONTRIBUTIONS AND GRANTS RECEIVED
FOR THE YEAR ENDED JUNE 30, 2016**

Donor	Project/Program	Grant Period	Original Currency	Total (USD)
Program Service Revenue				
Plusec-Pluralism Human Security and Sustainability Centre	Egypt, Syria and Lebanon grant adjustment	01/15 - 12/15	USD (4,473)	<u>\$ (4,473)</u>
Total Program Service Revenue				<u>(4,473)</u>
Individuals, Family Foundations and Corporations				3,719,494
In-kind Contributions				<u>928,647</u>
TOTAL CONTRIBUTIONS AND GRANTS REVENUE PER AUDIT REPORT				<u><u>\$ 12,522,496</u></u>

INTERNATIONAL CRISIS GROUP
SCHEDULE OF CONTRIBUTIONS AND GRANTS RECEIVED
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016

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

Africa Program	\$ 1,468,953
Asia Program	639,638
Europe Program	275,849
Middle East Program	430,032
Latin America Program	257,475
Passage of Time	<u>9,022,937</u>
 TOTAL RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS	 <u><u>\$ 12,094,884</u></u>

The following governments' contributions and grants were released from restrictions during the year ended June 30, 2016:

Australian Department of Foreign Affairs and Trade, Austrian Development Agency, Canadian International Development Agency, Canadian Department of Foreign Affairs, Trade and Development, Danish Ministry of Foreign Affairs, Dutch Ministry of Foreign Affairs, Embassy of Japan in Belgium, European Commission, Federal Republic of Germany Ministry of Foreign Affairs, Finnish Ministry of Foreign Affairs, 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.