

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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.



November 17, 2021

INTERNATIONAL CRISIS GROUP
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS		<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	13,424,623	\$ 15,701,017
Investments		22,493,087	15,357,725
Accounts receivable and other assets		1,053,877	861,568
Contributions, grants and program service revenue receivable, net		<u>13,316,380</u>	<u>10,058,046</u>
Total current assets		<u>50,287,967</u>	<u>41,978,356</u>
FIXED ASSETS			
Equipment		974,045	947,331
Furniture		376,014	367,648
Vehicles		134,028	147,152
Leasehold improvements		345,211	312,068
Construction in process		-	38,147
Less: Accumulated depreciation and amortization		<u>(1,425,104)</u>	<u>(1,333,971)</u>
Net fixed assets		<u>404,194</u>	<u>478,375</u>
OTHER ASSETS			
Cash guarantees - deposits		231,320	234,108
Contributions, grants and program service revenue receivable - long term		<u>2,708,027</u>	<u>5,440,558</u>
Total other assets		<u>2,939,347</u>	<u>5,674,666</u>
TOTAL ASSETS		<u>\$ 53,631,508</u>	<u>\$ 48,131,397</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	333,618	\$ 413,479
Accrued liabilities		<u>1,072,375</u>	<u>944,395</u>
Total liabilities		<u>1,405,993</u>	<u>1,357,874</u>
NET ASSETS			
Without donor restrictions:			
Undesignated - Operating reserve		9,920,098	6,299,440
Designated - Securing the Future Capital Fund		<u>20,918,444</u>	<u>20,277,056</u>
Total net assets without donor restrictions		30,838,542	26,576,496
With donor restrictions		<u>21,386,973</u>	<u>20,197,027</u>
Total net assets		<u>52,225,515</u>	<u>46,773,523</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 53,631,508</u>	<u>\$ 48,131,397</u>

See accompanying notes to financial statements.

INTERNATIONAL CRISIS GROUP

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions, grants and program services revenue	\$ 4,326,497	\$ 17,995,322	\$ 22,321,819	\$ 29,886,735
Contributed services	891,027	-	891,027	490,425
Interest and investment income, net	467,492	-	467,492	368,353
Miscellaneous income	266	-	266	588
Net assets released from donor restrictions	<u>16,805,376</u>	<u>(16,805,376)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>22,490,658</u>	<u>1,189,946</u>	<u>23,680,604</u>	<u>30,746,101</u>
EXPENSES				
Program Services:				
Africa Program	3,482,775	-	3,482,775	3,270,194
Asia Program	1,558,113	-	1,558,113	1,494,071
Europe and Central Asia Program	1,197,818	-	1,197,818	1,173,180
Middle East North Africa Program	2,137,615	-	2,137,615	2,412,706
Latin America Program	1,060,248	-	1,060,248	970,426
United States Program	43,530	-	43,530	-
Policy Management and Research	1,484,317	-	1,484,317	1,678,108
Future of Conflict Program	679,313	-	679,313	514,865
Advocacy	<u>2,400,849</u>	<u>-</u>	<u>2,400,849</u>	<u>2,377,785</u>
Total program services	<u>14,044,578</u>	<u>-</u>	<u>14,044,578</u>	<u>13,891,335</u>
Administration:				
Fundraising	1,719,723	-	1,719,723	1,940,904
Management and General	<u>3,962,265</u>	<u>-</u>	<u>3,962,265</u>	<u>4,336,961</u>
Total administration services	<u>5,681,988</u>	<u>-</u>	<u>5,681,988</u>	<u>6,277,865</u>
Total expenses	<u>19,726,566</u>	<u>-</u>	<u>19,726,566</u>	<u>20,169,200</u>
Change in net assets before other items	2,764,092	1,189,946	3,954,038	10,576,901
OTHER ITEMS				
Net realized/unrealized gain (loss) on investments	501,895	-	501,895	(97,829)
Net realized/unrealized gain (loss) on currency exchange	<u>996,059</u>	<u>-</u>	<u>996,059</u>	<u>(167,996)</u>
Change in net assets	4,262,046	1,189,946	5,451,992	10,311,076
Net assets at beginning of year	<u>26,576,496</u>	<u>20,197,027</u>	<u>46,773,523</u>	<u>36,462,447</u>
NET ASSETS AT END OF YEAR	<u>\$ 30,838,542</u>	<u>\$ 21,386,973</u>	<u>\$ 52,225,515</u>	<u>\$ 46,773,523</u>

See accompanying notes to financial statements.

INTERNATIONAL CRISIS GROUP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

2021

Program Services

	Africa Program	Asia Program	Europe and Central Asia Program	Middle East and North Africa Program	Latin America Program	United States Program	Policy Management and Research	Future of Conflict Program
Advocacy	\$ 19	\$ 165	\$ -	\$ -	\$ 23	\$ -	\$ -	\$ -
Board expenses	-	-	-	-	-	-	-	-
Depreciation and amortization	17,055	1,398	2,303	5,347	-	92	8,278	1,165
Disposal of assets	-	-	-	-	-	-	-	-
Equipment and software	12,377	1,515	2,078	12,743	3,574	12	7,967	3,719
Expatriate expenses	54,144	29,600	6,378	27,303	30,232	25	2,906	4,523
Financial charges	2,393	85	172	583	2,116	3	394	75
Insurance	141,542	43,239	45,678	85,379	36,594	1,171	46,947	23,100
Office costs	139,735	72,577	35,656	100,021	55,553	5,171	86,566	108,924
Professional fees	29,007	85,790	62,542	25,191	14,082	-	6,508	220
Fundraising expenses	-	-	-	-	-	-	-	-
Reports	76,794	4,877	39,073	9,763	23,580	205	1,571	27,138
Research and subscriptions	10,391	6,693	5,881	6,246	2,191	16	2,266	332
Salaries and related benefits	2,813,380	1,298,096	969,254	1,786,426	863,244	36,100	1,292,255	505,069
Telecommunications	24,287	1,473	11,710	8,957	10,742	-	6,957	4
Travel	150,167	10,938	9,131	61,202	14,660	526	7,901	56
Vehicle costs	3,709	-	-	3,749	-	-	-	-
Other expenses	7,775	1,667	7,962	4,705	3,657	209	13,801	4,988
TOTAL	\$ 3,482,775	\$ 1,558,113	\$ 1,197,818	\$ 2,137,615	\$ 1,060,248	\$ 43,530	\$ 1,484,317	\$ 679,313

See accompanying notes to financial statements.

INTERNATIONAL CRISIS GROUP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021 (Continued)					2020	
	Program Services (Continued)		Administration			Total Expenses	Total Expenses
	Advocacy	Total Program Services	Fundraising	Management and General	Total Administration Services		
Advocacy	\$ -	\$ 207	\$ 685	\$ -	\$ 685	\$ 892	\$ 19,385
Board expenses	-	-	-	154	154	154	263,502
Depreciation and amortization	19,973	55,611	4,607	30,915	35,522	91,133	70,527
Disposal of assets	-	-	-	-	-	-	(5,103)
Equipment and software	32,749	76,734	19,492	311,631	331,123	407,857	362,889
Expatriate expenses	9,750	164,861	5,119	19,060	24,179	189,040	187,802
Financial charges	1,156	6,977	5,715	65,575	71,290	78,267	79,531
Insurance	99,099	522,749	69,418	80,493	149,911	672,660	753,293
Office costs	200,534	804,737	216,449	182,784	399,233	1,203,970	1,226,108
Professional fees	13,793	237,133	27,588	1,015,566	1,043,154	1,280,287	1,138,679
Fundraising expenses	-	-	17	-	17	17	26,535
Reports	89,169	272,170	2,511	18,201	20,712	292,882	212,677
Research and subscriptions	12,406	46,422	1,543	6,691	8,234	54,656	52,888
Salaries and related benefits	1,882,632	11,446,456	1,336,118	2,158,651	3,494,769	14,941,225	14,227,516
Telecommunications	7,311	71,441	3,774	75,777	79,551	150,992	152,367
Travel	2,193	256,774	364	(18,644)	(18,280)	238,494	1,261,137
Vehicle costs	-	7,458	-	-	-	7,458	34,405
Other expenses	30,084	74,848	26,323	15,411	41,734	116,582	105,062
TOTAL	\$ 2,400,849	\$ 14,044,578	\$ 1,719,723	\$ 3,962,265	\$ 5,681,988	\$ 19,726,566	\$ 20,169,200

See accompanying notes to financial statements.

INTERNATIONAL CRISIS GROUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,451,992	\$ 10,311,076
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	91,133	70,527
Loss on sale or disposal of fixed assets	-	179,103
(Increase) decrease in discount on long-term receivables	(143,729)	182,767
Unrealized gain on investments	(343,119)	(225,724)
Realized (gain) loss on investments	(158,776)	323,553
Donated securities	(2,268,966)	-
(Increase) decrease in:		
Accounts receivable and other assets	(192,309)	20,942
Contributions, grants and program service revenue receivable	(382,074)	(7,023,981)
Cash guarantees - deposits	2,788	(54,744)
(Decrease) increase in:		
Accounts payable	(79,861)	166,344
Accrued liabilities	127,980	(38,602)
Deferred revenue	-	(25,000)
Net cash provided by operating activities	<u>2,105,059</u>	<u>3,886,261</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(16,952)	(476,377)
Purchase of investments	(34,679,024)	(11,106,579)
Proceeds from sale of investments	<u>30,314,523</u>	<u>11,225,073</u>
Net cash used by investing activities	<u>(4,381,453)</u>	<u>(357,883)</u>
Net (decrease) increase in cash and cash equivalents	(2,276,394)	3,528,378
Cash and cash equivalents at beginning of year	<u>15,701,017</u>	<u>12,172,639</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 13,424,623</u>	<u>\$ 15,701,017</u>
SUPPLEMENTAL INFORMATION:		
Taxes Paid	<u>\$ -</u>	<u>\$ 9,786</u>

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2020, from which the summarized information was derived.

New accounting pronouncement adopted -

During 2020, Crisis Group adopted 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. Analysis of the various provisions of this standard resulted in no significant changes in the way Crisis Group recognized revenue; however, the presentation and disclosures of revenue have been enhanced. Crisis Group has elected to opt out of all (or certain) disclosures not required for non-public entities and also elected a modified retrospective approach for implementation.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 \$5,812,975 at June 30, 2021.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are under Other Items in the accompanying Statement of Activities and Change in Net assets. Interest and dividends are 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.

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 receivables 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.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Fixed assets -

Fixed asset purchases of \$5,000 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. 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, 2021 totaled \$891,027.

Contributions, grants and programs service revenue -

The majority of Crisis Group's revenue is received through contributions as well as 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 and grant 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, grants, 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, grants, 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 agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grant 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, 2021.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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. Dollars 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, 2021, 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, 2021

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) -

ASU 2019-01, *Leases* (Topic 842), 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 ASU at the required implementation date and management is currently in the process of evaluating the adoption methods and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS

Investments consisted of the following at June 30, 2021:

	Fair Value
Mutual funds - Fixed income	\$ 20,184,659
Equities	2,308,428
TOTAL INVESTMENTS	\$ <u>22,493,087</u>

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

Interest and investment income	\$ 571,097
Investment fees	(103,605)
INTEREST AND INVESTMENT INCOME, NET	\$ <u>467,492</u>
Unrealized gain on investments	\$ 343,119
Realized gain on investments	158,776
NET UNREALIZED/REALIZED GAIN ON INVESTMENTS	\$ <u>501,895</u>

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2021:

Subject to expenditure for specified purpose:	
Africa Program	\$ 4,669,617
Asia Program	425,751
Europe and Central Asia Program	836,054
Latin America Program	881,893
Middle East North Africa Program	1,617,727
United States Program	2,291,851
Future of Conflict Program	253,851
Louise Arbour Fund for Emerging Conflicts	<u>183,328</u>
Sub-total	11,160,072
Subject to passage of time	10,126,901
Endowment to be invested in perpetuity	<u>100,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 21,386,973</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	\$ 2,948,458
Asia Program	388,838
Europe and Central Asia Program	476,795
Latin America Program	550,787
Middle East North Africa	1,403,828
United States Program	131,234
Future of Conflict Program	<u>283,984</u>
Net assets released from donor restrictions	6,183,924
Timing restrictions accomplished	<u>10,621,452</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 16,805,376</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	\$ 13,424,623
Investments	22,493,087
Accounts receivable and other assets	1,053,877
Contributions, grants and program service revenue receivable	<u>13,316,380</u>
Subtotal financial assets available within one year	50,287,967
Less: Certificate of deposit - security deposit	(111,160)
Less: Donor restricted funds - purpose and endowment	(11,260,072)
Less: Board designated funds	<u>(20,918,444)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 17,998,291</u>

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, Crisis Group has financial assets equal to approximately twelve 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, 2021, the value of the fund was \$104,481, which includes 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, 2021, the current fair value of the fund was \$20,918,444.

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, 2021, the minimum future rental payments related to these operating leases are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 1,061,832
2023	1,026,877
2024	585,147
2025	472,243
2026	478,163
Thereafter	<u>1,400,719</u>
	<u>\$ 5,024,981</u>

Total rent expense related to the office and apartment leases was \$971,851 for the year ended June 30, 2021 and is included in the office costs in the accompanying financial statements.

INTERNATIONAL CRISIS GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 \$111,160, 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, 2028.

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.

8. 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, 2021:

Within one year	\$ 13,316,380
Two to five years, net of discount for present value of \$88,011	<u>2,708,027</u>
TOTAL CONTRIBUTIONS, GRANTS AND PROGRAMS SERVICE REVENUE RECEIVABLE	<u>\$ 16,024,407</u>

9. 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, 2021.

Realized and unrealized exchange effects are as follows for the year ended June 30, 2021:

Realized loss on exchange	\$ (172,496)
Unrealized gain on exchange	<u>1,168,555</u>
NET REALIZED/UNREALIZED GAIN CURRENCY EXCHANGE	<u>\$ 996,059</u>

10. 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, 2021

10. 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 would be modest.

11. 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, 2021 totaled \$180,710.
- 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, 2021 totaled \$113,095.
- 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, 2021 totaled \$209,796 (EUR 176,424).
- 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, 2021 totaled \$29,316 (GBP 21,850).

12. 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, 2021

12. 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, 2021.

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, 2021:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - Fixed income	\$ 20,184,659	\$ -	\$ -	\$ 20,184,659
Mutual funds - Equities	<u>-</u>	<u>2,308,428</u>	<u>-</u>	<u>2,308,428</u>
TOTAL	<u>\$ 20,184,659</u>	<u>\$ 2,308,428</u>	<u>\$ -</u>	<u>\$ 22,493,087</u>

There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

13. SUBSEQUENT EVENTS

In preparing these financial statements, Crisis Group has evaluated events and transactions for potential recognition or disclosure through November 17, 2021, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

INTERNATIONAL CRISIS GROUP
SCHEDULE OF CONTRIBUTIONS AND GRANTS RECEIVED
FOR THE YEAR ENDED JUNE 30, 2021

Donor	Grant Purpose	Grant Period	Original Currency	Total (USD)
Governments				
The World Bank Group	Horn of Africa Monitoring Reports	09/20 - 06/21	USD 50,000	\$ 50,000
The World Bank Group	Horn of Africa Monitoring Reports (modification)	09/20 - 06/21	USD 10,000	10,000
Swiss Federal Department of Foreign Affairs	Iraq Project	07/20 - 06/21	USD 75,000	75,000
Swiss Federal Department of Foreign Affairs	Global militancy, conflict and policy response (contract amendment)	11/19 - 10/20	USD 30,000	30,000
United Nations Development Programme	Kenya Monitoring Reports	07/20 - 12/20	USD 25,000	25,000
The World Bank Group	NEDI Monitoring Reports	08/20 - 06/21	USD 50,000	50,000
Japan International Cooperation Agency	Core Funding	10/20 - 03/21	USD 25,000	25,000
Swiss Federal Department of Foreign Affairs	Pilot Project on Dialogue Promotion	12/20 - 11/22	CHF 490,000	540,828
Austrian Development Agency	Core Funding	07/20 - 06/22	EUR 250,000	291,317
Swiss Federal Department of Foreign Affairs	Jihad and Modern Conflict Phase V	11/20 - 10/21	USD 250,000	250,000
United Nations World Food Programme	Partnership Framework Agreement 2021	03/21 - 12/21	USD 60,000	60,000
The World Bank Group	Sahel Monitoring Reports	04/21 - 03/22	USD 50,000	50,000
France AFD	Core Funding	01/20 - 12/20	EUR 70,000	81,569
Swedish Ministry for Foreign Affairs	Core Funding	01/21 - 12/21	SEK 10,000,000	1,185,259
Australian Department of Foreign Affairs and Trade	Core Funding	05/21 - 03/23	AUD 1,000,000	761,314
France MFA	Core Funding	01/21 - 12/21	EUR 150,000	176,151
United Nations Development Programme	Kenya Monitoring Reports	04/21 - 03/22	USD 50,000	50,000
United Arab Emirates	General Support for UNSC	04/21 - 12/21	EUR 100,000	117,434
Anwar Gargash Diplomatic Academy (United Arab Emirates)	Lecture series UNSC	04/21 - 06/21	USD 25,000	25,000
Japan International Cooperation Agency	Core Funding	05/21 - 03/22	USD 50,000	50,000
The Federal republic of Germany Ministry for Foreign Affairs	Innovation in Early Warning and Response	06/21 - 08/22	EUR 125,140	153,047
Finnish Ministry of Foreign Affairs	Core Funding	01/21 - 12/21	EUR 300,000	366,901
Department of Foreign Affairs and Trade, Ireland	Horn of Africa / Colombia	06/21 - 06/22	EUR 100,000	122,300
Department of Foreign Affairs and Trade, Ireland	Core Funding	06/21 - 06/22	EUR 300,000	366,901
New Zealand Ministry of Foreign Affairs and Trade		02/21 - 01/22	NZD 50,000	36,178
				4,949,199
Adjustment for Present Value Discount on Long-Term Government Contributions and Grants				143,729
Total Governments' Contributions and Grants				5,092,928

INTERNATIONAL CRISIS GROUP

**SCHEDULE OF CONTRIBUTIONS AND GRANTS RECEIVED
FOR THE YEAR ENDED JUNE 30, 2021**

Donor	Grant Purpose	Grant Period	Original Currency	Total (USD)
Corporate Foundations				
Rockefeller Brothers Fund	Palestine nonpartition work Project: "From uncertainty to Strategy: What are the odds for future win-win scenarios in Afghanistan's Neighborhood and how can we help them becoming a reality?"	07/20 - 09/21	USD 105,000	\$ 105,000
Friedrich Ebert Stiftung e.V.	Support to the COVID-19 Pandemic and Deadly Conflict	08/20 - 12/20	USD 12,750	12,750
Mercator Stiftung	Africa Program	09/20 - 06/21	EUR 50,000	59,096
Carnegie Corporation of New York	Strategic Partnership	10/20 - 09/22	USD 950,000	950,000
Robert Bosch Stiftung	Support for advocacy efforts on the Venezuelan crisis as the EU and in European capitals	10/20 - 10/23	EUR 500,000	582,634
Open Society Foundations	U.S. Initiative	01/21 - 06/22	USD 200,000	200,000
Charles Koch Institute	Iran Trigger List	01/21 - 12/23	USD 2,400,000	2,400,000
Ploughshares Fund	Core Funding	12/20 - 11/21	USD 75,000	75,000
Open Society Institute	Matching Challenge	01/21 - 12/21	USD 2,000,000	2,000,000
Open Society Institute	Breaking the Diplomatic deadlock in Western Sahara	01/21 - 12/21	USD 1,500,000	1,500,000
The Howard G. Buffett Foundation	Iran	02/21 - 11/21	USD 111,120	111,120
John D. and Catherine T. MacArthur Foundation	Core Funding	01/21 - 12/21	USD 150,000	150,000
Anonymous		06/21 - 06/23	USD 500,000	500,000
Total Corporate Foundations' Contributions and Grants				8,645,600
Program Service Revenue				
Plusec-Pluralism Human Security and Sustainability Centre	Adjustment: Turkey	01/20 - 12/20	USD (17,765)	(17,765)
Plusec-Pluralism Human Security and Sustainability Centre	Turkey	01/21 - 12/21	USD 155,932	155,932
Plusec-Pluralism Human Security and Sustainability Centre	Pakistan	01/21 - 12/21	USD 151,731	151,731
Total Program Service Revenue				289,898

INTERNATIONAL CRISIS GROUP
SCHEDULE OF CONTRIBUTIONS AND GRANTS RECEIVED
FOR THE YEAR ENDED JUNE 30, 2021

Donor	Grant Purpose	Grant Period	Original Currency	Total (USD)
Partnership Revenue				
Conciliation Resources	Armenia-Azerbaijan Project	11/20 - 01/23	EUR 182,074	\$ 219,809
Conciliation Resources	Adjustment: Implementation phase Smart Peace Project	08/19 - 07/22	GBP (378,653)	<u>(577,609)</u>
Total Partnership Revenue				<u>(357,800)</u>
Individuals, Family Foundations and Corporations				<u>8,651,193</u>
Total Individuals, Family Foundations and Corporations				<u>8,651,193</u>
TOTAL CONTRIBUTIONS AND GRANTS REVENUE PER AUDIT REPORT				<u><u>\$ 22,321,819</u></u>

INTERNATIONAL CRISIS GROUP

SCHEDULE OF RELEASES OF NET ASSETS WITH DONOR RESTRICTIONS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021.

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

Africa Program	\$ 2,948,458
Asia Program	388,838
Europe Program	476,795
Latin America Program	550,787
Middle East Program	1,403,828
United States Program	131,234
Future of Conflict Program	283,984
Passage of Time	<u>10,621,452</u>
TOTAL RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 16,805,376</u>

The following governments' contributions and grants were released from restrictions during the year ended June 30, 2021:

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 Ministry of Europe and Foreign Affairs, French Development Agency, Ministry of Foreign Affairs Iceland, Department of Foreign Affairs and Trade Ireland, Japan International Cooperation Agency, Principality of Liechtenstein, Luxembourg Ministry of Foreign Affairs, 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, United Nations Development Programme, World Bank Group, United Nations World Food Programme