

## FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2015  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2014**

# INTERNATIONAL CRISIS GROUP

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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 16 - 18 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.



December 22, 2015

**INTERNATIONAL CRISIS GROUP**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2015**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 7)	\$ 3,836,498	\$ 7,285,978
Investments (Notes 2 and 13)	27,972,972	28,022,374
Accounts receivable and other assets	725,397	663,919
Contributions, grants and program service revenue receivable (Note 9)	<u>8,465,750</u>	<u>8,823,174</u>
Total current assets	<u>41,000,617</u>	<u>44,795,445</u>
<b>FIXED ASSETS</b>		
Fixed assets, at cost, net of accumulated depreciation (Note 8)	<u>145,376</u>	<u>51,082</u>
<b>OTHER ASSETS</b>		
Cash guarantees - deposits	169,504	167,408
Contributions, grants and program service revenue receivable - two to five years (Note 9)	<u>3,916,763</u>	<u>3,460,550</u>
Total other assets	<u>4,086,267</u>	<u>3,627,958</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 45,232,260</u></b>	<b><u>\$ 48,474,485</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 184,582	\$ 299,181
Accrued liabilities	<u>993,049</u>	<u>1,034,622</u>
Total current liabilities	<u>1,177,631</u>	<u>1,333,803</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated - Operating reserve	<u>5,395,285</u>	<u>5,219,573</u>
Securing the Future Capital Fund (Note 6):		
Contributions and reinvested interest, dividends and realized gains	23,336,997	25,428,424
Unrealized gains on the Securing the Future Capital Fund	<u>1,456,963</u>	<u>2,414,624</u>
Total Securing the Future Capital Fund	<u>24,793,960</u>	<u>27,843,048</u>
Total unrestricted net assets	30,189,245	33,062,621
Temporarily restricted (Note 3)	13,765,384	13,978,061
Permanently restricted (Note 5)	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>44,054,629</u>	<u>47,140,682</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 45,232,260</u></b>	<b><u>\$ 48,474,485</u></b>

See accompanying notes to financial statements.

## INTERNATIONAL CRISIS GROUP

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>REVENUE</b>					
Contributions, grants and program service revenue (Note 9)	\$ 2,781,382	\$ 14,517,201	\$ -	\$ 17,298,583	\$ 23,250,246
Interest income	465,232	-	-	465,232	395,397
Miscellaneous income	14,262	-	-	14,262	-
Net assets released from donor restrictions (Note 4)	<u>14,729,878</u>	<u>(14,729,878)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>17,990,754</u>	<u>(212,677)</u>	<u>-</u>	<u>17,778,077</u>	<u>23,645,643</u>
<b>EXPENSES</b>					
Africa Program:					
Central Africa	693,561	-	-	693,561	619,661
Southern Africa	418,570	-	-	418,570	380,563
West Africa	1,055,738	-	-	1,055,738	959,185
Horn of Africa	<u>975,821</u>	<u>-</u>	<u>-</u>	<u>975,821</u>	<u>1,034,662</u>
Total Africa Program expenses	<u>3,143,690</u>	<u>-</u>	<u>-</u>	<u>3,143,690</u>	<u>2,994,071</u>
Asia Program:					
Pakistan/Afghanistan	1,057,288	-	-	1,057,288	1,123,222
South East Asia	262,390	-	-	262,390	428,331
North East Asia	485,638	-	-	485,638	581,796
Sri Lanka	169,134	-	-	169,134	185,155
Nepal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,156</u>
Total Asia Program expenses	<u>1,974,450</u>	<u>-</u>	<u>-</u>	<u>1,974,450</u>	<u>2,326,660</u>
Europe Program:					
South Caucasus	109,470	-	-	109,470	224,680
North Caucasus	287,707	-	-	287,707	333,645
Central Asia	347,923	-	-	347,923	441,692
Balkans	253,767	-	-	253,767	195,934
Turkey/Cyprus	<u>225,660</u>	<u>-</u>	<u>-</u>	<u>225,660</u>	<u>384,912</u>
Total Europe Program expenses	<u>1,224,527</u>	<u>-</u>	<u>-</u>	<u>1,224,527</u>	<u>1,580,863</u>
Middle East Program:					
Iran and the Gulf States	479,940	-	-	479,940	532,884
Iraq, Syria and Lebanon	802,258	-	-	802,258	620,732
North Africa	727,443	-	-	727,443	729,704
Arab-Israeli Conflict	<u>471,602</u>	<u>-</u>	<u>-</u>	<u>471,602</u>	<u>442,186</u>
Total Middle East Program expenses	<u>2,481,243</u>	<u>-</u>	<u>-</u>	<u>2,481,243</u>	<u>2,325,506</u>

INTERNATIONAL CRISIS GROUP

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>EXPENSES (Continued)</b>					
Latin America Program:					
Andes	\$ 445,949	\$ -	\$ -	\$ 445,949	\$ 407,496
Mexico and Central America	<u>549,337</u>	<u>-</u>	<u>-</u>	<u>549,337</u>	<u>541,513</u>
Total Latin America Program expenses	<u>995,286</u>	<u>-</u>	<u>-</u>	<u>995,286</u>	<u>949,009</u>
Total program expenses	<u>9,819,196</u>	<u>-</u>	<u>-</u>	<u>9,819,196</u>	<u>10,176,109</u>
Advocacy	<u>4,178,177</u>	<u>-</u>	<u>-</u>	<u>4,178,177</u>	<u>4,686,692</u>
Administration:					
Fundraising	1,710,680	-	-	1,710,680	1,880,952
Administration	<u>2,626,708</u>	<u>-</u>	<u>-</u>	<u>2,626,708</u>	<u>2,722,187</u>
Total Administration expenses	<u>4,337,388</u>	<u>-</u>	<u>-</u>	<u>4,337,388</u>	<u>4,603,139</u>
Total expenses	<u>18,334,761</u>	<u>-</u>	<u>-</u>	<u>18,334,761</u>	<u>19,465,940</u>
Change in net assets before other items	(344,007)	(212,677)	-	(556,684)	4,179,703
<b>OTHER ITEMS</b>					
Net unrealized (loss)/realized gain on investments (Note 2)	(514,269)	-	-	(514,269)	2,158,696
Net realized/unrealized (loss) gain on currency exchange (Note 10)	<u>(2,015,100)</u>	<u>-</u>	<u>-</u>	<u>(2,015,100)</u>	<u>660,212</u>
Change in net assets	(2,873,376)	(212,677)	-	(3,086,053)	6,998,611
Net assets at beginning of year	<u>33,062,621</u>	<u>13,978,061</u>	<u>100,000</u>	<u>47,140,682</u>	<u>40,142,071</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 30,189,245</u></b>	<b><u>\$ 13,765,384</u></b>	<b><u>\$ 100,000</u></b>	<b><u>\$ 44,054,629</u></b>	<b><u>\$ 47,140,682</u></b>

**INTERNATIONAL CRISIS GROUP**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (3,086,053)	\$ 6,998,611
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	30,842	53,885
Increase in discount on long-term receivables	118,491	26,629
Unrealized loss (gain) on investments	957,975	(1,869,046)
Realized gain on investments	(443,706)	(289,650)
(Increase)/decrease in:		
Accounts receivable and other assets	(61,478)	13,730
Contributions, grants and program service revenue receivable	(217,280)	(3,177,401)
Cash guarantees - deposits	(2,096)	22,128
Increase/(decrease) in:		
Accounts payable	(114,599)	135,545
Accrued liabilities	(41,573)	(498,657)
Net cash (used) provided by operating activities	<u>(2,859,477)</u>	<u>1,415,774</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(125,136)	(12,808)
Purchase of investments	(5,038,627)	(1,146,690)
Proceeds from sale of investments	<u>4,573,760</u>	<u>2,752,727</u>
Net cash (used) provided by investing activities	<u>(590,003)</u>	<u>1,593,229</u>
Net (decrease) increase in cash and cash equivalents	(3,449,480)	3,009,003
Cash and cash equivalents at beginning of year	<u>7,285,978</u>	<u>4,276,975</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 3,836,498</u></b>	<b><u>\$ 7,285,978</u></b>



**INTERNATIONAL CRISIS GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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.

Crisis Group's approach has three elements:

- To identify the underlying political, social and economic factors creating the conditions for conflict, as well as the more immediate causes of tension by carrying out field research and analysis.
- To identify responses (diplomatic, legal, financial, economic, and ultimately military) that are within the capacity of the international community to apply to help prevent or resolve deadly conflict.
- To publish, based on the foregoing, succinct, timely, readable reports and briefing papers and to carry out effective high-level advocacy in order to mobilize policymakers directly, or through those that influence them to take the necessary action.

Crisis Group's headquarters are located in Brussels with major advocacy offices in Washington, D.C. (where it is based as a legal entity) and New York, a smaller office in London and liaison presence in Beijing. Crisis Group currently has regional offices or local field presence in Bangkok, Beirut, Bishkek, Bogotá, Dakar, Dubai, Gaza City, Islamabad, Istanbul, Jerusalem, Johannesburg, Kabul, Mexico City, Nairobi, Seoul, Gautemala City, Caracas, Rabat, Bangui, Juba, Yangon, Kiev, New Delhi, Sydney and Tunis with analysts working on over 70 crisis-affected countries and territories across four continents.

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, 2014, 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.

## INTERNATIONAL CRISIS GROUP

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

##### Cash and cash equivalents (Continued) -

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.

##### 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, 2015 totaled \$252,931.

##### 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.

**INTERNATIONAL CRISIS GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

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. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

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.

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 (Note 9).

Income taxes -

Crisis Group is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Crisis Group is not a private foundation.

**INTERNATIONAL CRISIS GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

Uncertain tax positions -

For the year ended June 30, 2015, 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.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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, 2015:

	<b>Fair Value</b>
Mutual Funds - Core Alpha Bond Fund - Institutional	\$ 18,234,261
Mutual Funds - Global Equity Focus Fund B	7,124,268
Mutual Funds - U.S. Treasury Inflation Protected Securities Fund B	1,204,315
Mutual Funds - S&P GSCI Commodities Fund B	1,410,128
<b>TOTAL INVESTMENTS</b>	<b>\$ 27,972,972</b>

Included in net unrealized/realized loss on investments are the following:

Unrealized loss on investments	\$ (957,975)
Realized gain on investments	443,706
<b>NET UNREALIZED/REALIZED LOSS ON INVESTMENTS</b>	<b>\$ (514,269)</b>

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30, 2015:

Africa Program	\$ 1,191,409
Asia Program	481,083
Europe Program	176,570
Middle East Program	192,730
Latin America Program	256,965
Louise Arbour Fund for Emerging Conflicts	233,329
Time Restricted	11,233,298
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ 13,765,384</b>

**INTERNATIONAL CRISIS GROUP**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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	\$ 1,455,396
Asia Program	777,306
Europe Program	485,332
Middle East Program	756,536
Latin America Program	263,421
Louise Arbour Fund for Emerging Conflicts	89,329
Passage of Time	<u>10,902,558</u>
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b><u>\$ 14,729,878</u></b>

**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, 2015, the value of the fund was \$113,987.

**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. The campaign had an initial financial objective of raising \$50 million. This target will be reviewed on an annual basis, bearing in mind the external economic environment. As of June 30, 2015, the current fair value of the fund was \$24,793,960.

**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, 2015, the minimum future rental payments related to these operating leases are as follows:

<b><u>Year Ending June 30,</u></b>	
2016	\$ 1,055,545
2017	998,012
2018	936,459
2019	890,221
2020	878,243
Thereafter	<u>754,782</u>
	<b><u>\$ 5,513,262</u></b>

Total rent expense related to the office and apartment leases was \$1,037,450 for the year ended June 30, 2015.

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 \$111,391 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.

**INTERNATIONAL CRISIS GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**8. FIXED ASSETS**

Following is a summary of Crisis Group's fixed assets at June 30, 2015:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Office furniture	\$ 279,859	\$ (269,978)	\$ 9,881
Office equipment	834,378	(701,160)	133,218
Vehicles	<u>141,520</u>	<u>(139,243)</u>	<u>2,277</u>
	<b><u>\$ 1,255,757</u></b>	<b><u>\$ (1,110,381)</u></b>	<b><u>\$ 145,376</u></b>

Depreciation expense for the year ended June 30, 2015 totaled \$30,842.

**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 prevailing discount rates ranging from 1% to 3.25% in the donor country.

Contributions, grants and program service revenue receivable are due as follows at June 30, 2015:

Within one year	\$ 8,465,750
Two to five years, net of discount for present value of \$230,958	<u>3,916,763</u>
<b>TOTAL CONTRIBUTIONS, GRANTS AND PROGRAM SERVICE REVENUE RECEIVABLE</b>	<b><u>\$ 12,382,513</u></b>

Contributions, grants and program service revenue receivable received from twelve major donors accounted for approximately 84% of Crisis Group's fiscal year 2015 revenue.

**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 December 22, 2015.

Realized and unrealized exchange effects are as follows for the year ended June 30, 2015:

Unrealized gain on exchange	\$ 141,793
Realized gain on exchange	49,939
Unrealized loss on exchange	<u>(2,206,832)</u>
<b>NET REALIZED/UNREALIZED LOSS ON CURRENCY EXCHANGE</b>	<b><u>\$ (2,015,100)</u></b>

**11. LITIGATION**

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 and an e-mail concerning Serbia.

Crisis Group filed a series of motions to dismiss the complaint on a variety of grounds, the end result of which was the dismissal of the corporate plaintiffs and the winnowing of the allegedly defamatory statements at issue. Because the adjudication of these motions involved multiple appeals by the plaintiff, these preliminary motions were not fully adjudicated until 2010.

**INTERNATIONAL CRISIS GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**11. LITIGATION (Continued)**

Both sides filed extensive summary judgment motions in April 2013, along with motions to strike particular exhibits and declarations. The Court entered a preliminary order on September 23, 2014 granting Crisis Group's motion for summary judgment and motion to strike and denying plaintiff's motions. The Court later entered a final order and lengthy memorandum opinion on November 4, 2014, explaining the basis for its decisions. The effect of the Court's ruling was to dismiss the plaintiff's case in its entirety and grant judgment to Crisis Group.

At this time, Crisis Group has not concluded that an unfavorable outcome of this matter is either probable or remote, and we therefore express no opinion on the outcome. In addition, it is difficult to assess with any degree of certainty the amount of damages that might be awarded if the trial Court's decision in favor of Crisis Group is reversed on appeal, and the case were to proceed to trial and an adverse judgment were then entered.

Finally, in addition to the litigation described above, in 2004, the same plaintiff filed a defamation suit in Belgium against Crisis Group arising out of the same allegations at issue in the U.S. lawsuit. This matter, pending before the Court of First Instance in Brussels, has been dormant since 2007 as the plaintiff instead pursued litigation in the United States. Crisis Group's attorney's, White & Case LLP in Brussels, were contacted in August 2015 by attorneys for the plaintiff who expressed an intention to resume this litigation. Accordingly, it is possible that this litigation may become active in the future.

**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, 2015 totaled \$162,495.
- 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, 2015 totaled \$222,664.
- 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, 2015 totaled \$119,268 (EUR 107,503).
- 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, 2015 totaled \$7,274 (GBP 4,628).

**INTERNATIONAL CRISIS GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
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**13. FAIR VALUE MEASUREMENT**

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

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

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

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

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

Following is a description of the valuation methodology used for investments measured at fair value.

*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, 2015:

<b>Asset Class:</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds - Core Alpha Bond Fund - Institutional	\$ 18,234,261	\$ -	\$ -	\$ 18,234,261
Mutual Funds - Global Equity Focus Fund B	7,124,268	-	-	7,124,268
Mutual Funds - U.S. Treasury Inflation Protected Securities Fund B	1,204,315	-	-	1,204,315
Mutual Funds - S&P GSCI Commodities Fund B	<u>1,410,128</u>	<u>-</u>	<u>-</u>	<u>1,410,128</u>
<b>TOTAL</b>	<b><u>\$ 27,972,972</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 27,972,972</u></b>

**14. SUBSEQUENT EVENTS**

In preparing these financial statements, Crisis Group has evaluated events and transactions for potential recognition or disclosure through December 22, 2015, the date the financial statements were issued.

On October 23, 2015, Crisis Group was notified that it was subject to potential legal action for a report that was written and distributed. At this time, Crisis Group and its lawyers cannot predict the potential outcome of this action.



## **SUPPLEMENTAL INFORMATION**

**INTERNATIONAL CRISIS GROUP**  
**SCHEDULE OF CONTRIBUTIONS, GRANTS AND PROGRAM SERVICE REVENUE RECEIVED**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Donor	Project/Program	Grant Period	Original Currency	Total (USD)
<b>Governments</b>				
Australian Department of Foreign Affairs and Trade	Core Funding	05/15 - 04/16	AUD 500,000	\$ 397,204
Austrian Development Agency	Core Funding	07/14 - 06/16	EUR 250,000	334,762
Canadian Department of Foreign Affairs, Trade and Development	Core Funding	01/15 - 12/17	CAD 3,000,000	2,396,932
Turkish Ministry of Foreign Affairs	Core Funding	07/14 - 06/15	USD 150,000	150,000
Irish Aid	Core Funding	06/15 - 05/16	EUR 200,000	219,756
Italian Ministry of Foreign Affairs	Trans-Sahel Region	10/14 - 04/15	EUR 30,000	37,698
Dutch Ministry of Foreign Affairs	Core Funding	07/15 - 06/19	EUR 4,000,000	4,395,121
Principality of Liechtenstein	Core Funding	01/15 - 12/15	CHF 10,000	10,468
Luxembourg Ministry of Foreign Affairs	Core Funding	01/14 - 12/14	EUR 20,000	24,894
New Zealand Ministry of Foreign Affairs and Trade	Core Funding	02/15 - 01/16	NZD 200,000	156,470
Swiss Federal Department of Foreign Affairs	Core Funding	07/14 - 06/15	CHF 350,000	385,123
Swedish Ministry of Foreign Affairs	Core Funding	01/14 - 12/14	SEK 2,000,000	270,544
Swiss Federal Department of Foreign Affairs	Ukraine	08/14 - 12/14	USD 105,903	105,903
United Kingdom Department for International Development	Reduction to core grant	08/12 - 03/15	GBP (62,500)	(99,936)
United States Agency for International Development	Multi-purpose grant	07/14 - 06/15	USD 430,000	430,000
				9,214,939
<b>Adjustment for Present Value Discount on Long-Term Government Contributions and Grants</b>				(118,491)
<b>Total Governments' Contributions and Grants</b>				9,096,448
<b>Corporate Foundations</b>				
Carnegie Corporation of New York	Africa	10/14 - 09/16	USD 750,000	750,000
Foundation to Promote Open Society	Core Funding	01/14 - 12/14	USD 2,000,000	2,000,000
Foundation to Promote Open Society	Core Funding	01/15 - 12/15	USD 2,000,000	2,000,000
Rockefeller Brothers Fund	Afghanistan and Pakistan	07/14 - 06/15	USD 100,000	100,000
Tinker Foundation Incorporated	Guatemala	04/15 - 03/17	USD 150,000	150,000
Global Dialogue	Moscow	10/14 - 03/16	USD 100,000	100,000
Ploughshares Fund	Pakistan	01/15 - 12/15	USD 100,000	100,000
Ploughshares Fund	Iran	05/15 - 04/16	USD 50,000	50,000
<b>Total Corporate Foundations' Contributions and Grants</b>				5,250,000

**INTERNATIONAL CRISIS GROUP**

**SCHEDULE OF CONTRIBUTIONS, GRANTS AND PROGRAM SERVICE REVENUE RECEIVED  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Donor</b>	<b>Project/Program</b>	<b>Grant Period</b>	<b>Original Currency</b>	<b>Total (USD)</b>
<b>Program Service Revenue</b>				
Plusec-Pluralism Human Security and Sustainability Centre	Egypt, Syria and Lebanon grant adjustment	01/14 - 12/14	USD 68,182	\$ 68,183
Plusec-Pluralism Human Security and Sustainability Centre	Yemen grant adjustment	01/14 - 12/14	USD (5,665)	(5,665)
Plusec-Pluralism Human Security and Sustainability Centre	Turkey and Cyprus grant adjustment	01/14 - 12/14	USD 7,681	7,681
Plusec-Pluralism Human Security and Sustainability Centre	Mexico and Central America grant adjustment	01/14 - 12/14	USD (122,428)	(122,428)
Plusec-Pluralism Human Security and Sustainability Centre	Egypt, Syria and Lebanon	01/15 - 06/15	USD 208,383	208,383
<b>Total Program Service Revenue</b>				<u>156,154</u>
<b>Individuals, Family Foundations and Corporations</b>				<u>2,543,050</u>
<b>In-kind Contributions</b>				<u>252,931</u>
<b>TOTAL CONTRIBUTIONS AND GRANTS REVENUE PER AUDIT REPORT</b>				<u><u>\$ 17,298,583</u></u>

**INTERNATIONAL CRISIS GROUP**  
**SCHEDULE OF TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Notes:**

1. All foreign currencies are converted into U.S. Dollars using the exchange rate in the month in which 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, 2015.

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

Africa Program	\$ 1,455,396
Asia Program	777,306
Europe Program	485,332
Middle East Program	756,536
Latin America Program	263,421
Louis Arbour Fund for Emerging Conflicts	89,329
Passage of Time	<u>10,902,558</u>
<b>TOTAL RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b><u>\$ 14,729,878</u></b>

The following governments' contributions and grants were released from restrictions during the year ended June 30, 2015:

Australian Department of Foreign Affairs and Trade, Austrian Development Agency, Belgian Ministry of Foreign Affairs, Canadian International Development Agency, Canadian Department of Foreign Affairs, Trade and Development, Danish Ministry of Foreign Affairs, Dutch Ministry of Foreign Affairs, European Commission, Finnish Ministry of Foreign Affairs, French Ministry of Foreign Affairs and International Development, Irish Aid, Italian Ministry of Foreign Affairs, 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, Turkish Ministry of Foreign Affairs, United Kingdom Department for International Development, United States Agency for International Development.