

**THE GLOBAL INITIATIVE AGAINST TRANSNATIONAL ORGANIZED CRIME
GENEVA**

STATUTORY AUDITORS' REPORT
To the General Meeting of Members
On the limited examination of the
financial statements
for the year ended 31 December 2019

Report of the statutory auditor to the General Meeting of Members on the limited examination of The Global Initiative against Transnational Organized Crime, Geneva

As statutory auditor, we have examined the financial statements (balance sheet, statement of income and expenses and notes) of The Global Initiative against Transnational Organized for the financial year ended 31 December 2019.


These financial statements are the responsibility of the Board. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law and the association's articles of incorporation.

Without qualifying our opinion, we draw attention to the note "Deficit and going concern" to the financial statements describing the over-indebtedness financial position of the association at year-end 2019 and the projects' contracts and results that would offset the over-indebtedness in the future. If the forecasts could not be realized as expected, there would be a material uncertainty that may cast doubt about the association's ability to continue as a going concern and potentially about its solvency. Should the going concern assumption no longer be appropriate, the financial statements would have to be prepared based on liquidation values and/or the association dissolved.

MAZARS SA



Jean-Marc Jenny
Licensed Audit Expert
Auditor in Charge



Franck Paucod
Licensed Audit Expert

Vernier, 28 May 2020

Enclosures:

Financial statements for the year ended 31 December 2019 (Balance sheet, statement of income and expenses, notes)

The Global Initiative Against Transnational Organized Crime - Geneva

Balance Sheet as of 31st December 2019
(in Swiss Francs)

	2018		2019
ASSETS			
Current assets			
Cash and cash equivalents	550'711		1'659'662
Grants receivables	50'947		392'968
Accrued income	588'620		960'706
Other current receivables	7'172		19'284
Sister organisation receivables	30'817		133'565
Loan to sister organisation	-		180'890
Transitory expenses	24'479		26'139
Current assets	1'252'745		3'373'214
Fixed assets			
Fixed assets	2'551		3'066
Financial assets	819		1'885
Fixed assets	3'369		4'951
Total Assets	1'256'115		3'378'165
LIABILITIES			
Short-term liabilities			
Payables	185'053		76'765
Sister organisation payables	-		164'528
Accrued expenses	343'475		530'604
Other current payables	81'958		40'565
Deferred income	889'051		2'716'890
Short-term liabilities	1'499'537		3'529'352
Association own funds			
Balance brought forward	-104'893	-	243'422
(Lack) Excess of income over expenditures	-138'529		92'235
Total association own funds	-243'422		-151'187
Total Liabilities	1'256'115		3'378'165

The Global Initiative Against Transnational Organized Crime - Geneva

Statement of Income and Expenses for the year ended 31 December 2019
compared to 2018
(in Swiss Francs)

	2018	2019
INCOME		
Grants received	5'028'896	7'565'500
Revenue from sister organisation	-	213'246
Income received in advance	-889'051	-2'463'687
Accrued income variation	443'075	394'796
Donations in kind	169'115	116'875
Total Income	4'752'034	5'826'730
PROGRAMME EXPENDITURE		
Personnel costs and salary consultants	-2'147'929	-2'366'567
Salary and consultant fees from sister organisation	-	-274'270
Consultant costs	-1'436'048	-1'489'779
Consultant costs in kind	-75'614	0
Travel expenses	-699'492	-830'165
Professional services	-59'672	-54'467
Communications, media and outreach	-29'507	-155'928
Total Expenditure related to programs	-4'448'261	-5'171'176
Net contribution to overheads	303'773	655'554
OVERHEAD COSTS		
Rental and maintenance	-20'002	-23'104
Rent in kind	-93'501	-116'875
Administration costs	-125'276	-124'727
VAT not recoverable	-132'338	-174'316
Overhead from sister organisation	-	-36'652
Amortization	-750	-1'101
Total Overhead Costs	-371'868	-476'775
Earnings before financial results	-68'094	178'779
FINANCIAL RESULTS		
Bank interests received	-	257
Exchange gain & losses	-86'859	-62'230
Bank fees	-22'729	-28'040
Total financial results and expenses	-109'588	-90'013
OPERATION FROM PREVIOUS YEARS		
Operating revenue from previous years	65'128	11'152
Operating charge from previous years	-25'975	-7'683
Total revenue and charges from previous years, net	39'153	3'469
Income over expenditures - Lack of income	-138'529	92'235

The Global Initiative Against Transnational Organized Crime - Geneva

Notes to the financial statements for the year ended 31st December 2019

(in Swiss Francs)

Association domicile

Avenue de la France 23, 1202 Genève

Scope of the association

Promote cross-border and catalytic processes that attract new players and facilitate remodeling of reflection, coordination and responses to transnational organized crime; invigorate the global debate around transnational organized crime in order to promote sustainable translation and implementation of new approaches within a multilateral framework, and at regional and national levels; undertake research and develop new policy options to help inform a strategic development at national, regional and international levels; create the basic materials to support and encourage a global strategy on organized transnational crime.

Accounting principles applied in the preparation of the financial statements

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO)

Revenue recognition

Since 2015, revenues are recognised on the basis of donor specific contracts using the percentage of completion method and related accruals have been booked in the balance sheet.

Income from contributions

Contributors	in CHF	in %
Agence Française d'Expertise Technique Internationale	42'685	0.73%
Atlantic Council	28'058	0.48%
Canada	164'179	2.82%
European Commission	1'457'481	25.01%
Germany	301'791	5.18%
Institute for Security Studies as implementing partner for European Commission	1'239'779	21.28%
Norway	1'109'426	19.04%
Poland	24'385	0.42%
Small projects	200'506	3.44%
Switzerland	294'357	5.05%
<i>Core Contribution</i>	100'000	1.72%
<i>Rent in kind</i>	116'875	2.01%
<i>Civil Society Engagement in UNTOC Mechanism</i>	77'482	1.33%
UNDP	124'695	2.14%
United Kingdom	750'231	12.88%
United States of America	89'158	1.53%
Total	5'826'730	100.00%

The Global Initiative Against Transnational Organized Crime - Geneva

Notes to the financial statements for the year ended 31st December 2019

(in Swiss Francs)

Contribution received from the United Kingdom

Following the specific requirement of the donor the following projects have been funded by the United Kingdom. Specific exchange rates have been used as stated on the grant agreements

Name	Contract N°	in GBP
Building of a regional network and civil society observatory to counter organised crime and corruption in the Balkans	C13977	98'144
Civil Society Observatory for E and S Africa	204227-109	348'716
Europe Serious Organized Crime Joint Analysis	40'121'500	11'164
Global Security Rapid Analysis (GSRA)	300358-113	29'971
Organised Crime and Violence in Jamaica	300358-121	37'657
Political Economy of Organised Crime in the Levant Region	300358-122	24'406
UN TOC Guidelines support	40'121'497	5'907

Expenditure recognition

Expenses are recognized in the financial statements on an accrual basis.

Declaration of full-time equivalents

The association employs about forty consultants - employees of whom fewer than ten are located in Switzerland.

Pension liabilities

	2019	2018
Liability to pension scheme as at 31st December	CHF 8'951.70	CHF 7'063.50

Lease commitment not considered in the financials

None at end of the period.

The Swiss confederation is providing an in-kind contribution covering the rent for the Geneva's office space. This contractual agreement ends by 31 December 2023.

The Global Initiative Against Transnational Organized Crime - Geneva

Notes to the financial statements for the year ended 31st December 2019

(in Swiss Francs)

Sister organisations

The Parties :

- 1) The Global Initiative Against Transnational Organized Crime, an association established in Geneva, Switzerland (the "GI HQ")
- (2) The Global Initiative - Verein gegen transnationale Organisiert Kriminalität (GI-VG), with its place of residence in Vienna and registered in September 2018, (the "Vienna GI")
- (3) The Global Initiative Against Transnational Organized Crime Cape Town NPC, South Africa, registered in February 2019 (the "Cape Town GI")

Background :

The Parties are affiliated and act in the interest of the international "Global Initiative Network", with the Geneva HQ acting as the umbrella Organization for all national and international Global Initiative activities, and coordinating the activities of the parties.

The Parties have been providing and receiving services since their respective incorporation. Transactions have been processed at cost.

Transactions recorded with sister organisations :

		2019	2018
Income (services provided towards) in CHF			
	Vienna GI	193'574	19'771
	Cape Town GI	19'671	0
Total Income		213'246	19'771
Expenses (services received from) in CHF			
Salaries			
	Vienna GI	-130'089	-62'986
	Cape Town GI	-144'180	0
Others			
	Vienna GI	0	
	Cape Town GI	-14'726	0
Total Expenses		-288'996	-62'986

Exchange Rates applied

Currencies	2019	2018
AUD	0.6851	0.7025
CAD	0.7494	0.7301
DKK for 100	14.6703	15.8051
EUR	1.0960	1.1373
GBP	1.2835	1.2616
NOK for 100	11.1004	11.4333
PKR for 100	0.6315	0.7111
SEK for 100	10.4687	11.0837
THB for 100	3.2731	3.0570
USD	0.9778	0.9943
ZAR	0.0693	0.0689

The Global Initiative Against Transnational Organized Crime - Geneva

Notes to the financial statements for the year ended 31st December 2019

(in Swiss Francs)

Operation from previous period

Operating revenue from previous years

2018

Ruling has been obtained from VAT authorities on how to account for services acquired from outside Switzerland, hence reducing the VAT charges for 2016 and 2017.

Revenue in dispute in late 2017 has finally been agreed in early 2018 with the supplier.

2019

Final VAT invoice for services acquired outside Switzerland in 2018 has been reviewed early 2019 by the Swiss authorities in favor of the organization.

Operating charge from previous years

2018

One project funded by GIZ has been aborted.

Several invoices related to ENACT's consultant have been presented to us lately in 2018.

2019

Several travel expenses invoices have been received in 2019 related to trips that happened in 2018

Interest on late payment for the 2016 VAT due has been received mid June 2019

Subsequent events

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) epidemic a pandemic due to its rapid spread around the world, with more than 150 countries now affected. Many governments are taking increasingly stringent measures to help contain the virus. Currently there is a significant increase in economic uncertainty which is evidenced for example by more volatile exchange rates and a drastic reduction in travel.

We are in regular contact with our donors and other financial partners to closely monitor and update on the implications for the GI's implementation of activities. They have been understanding and supportive, allowing the reprioritisation of activities where needed. In addition, we are discussing specific COVID-related programming which are likely to be funded in 2020.

There has also been no significant impact to date, nor do we expect there to be. However, due to rapidly changing national measures to address the pandemic, as well as economic and financial disruptions, the actual impacts for the 2020 financial reporting period may turn out to be different from our expectations.

Deficit and going concern

The association net over-indebtedness financial position at year-end 2019 results from the profit of CHF 92'235 realised in 2019 and a carried-over deficit of CHF 243'422 from previous years and to the implementation of a large lump sum contract, for which the revenue has been conservatively estimated on the basis of the progress of the project and for which the total revenue will not be recognized in full until its end in mid-2020. Based on current delivery and expenditure patterns, management is anticipating the realization of a significant surplus from this project (which is likely to be increased in part due to further contracts being signed that will allow economies of scale for the implementation team in question). This would not only offset the indebtedness currently indicated, but would also allow for the building of a reserve.

In the view of management, the continuation of the operations for the foreseeable future is assured, and prudent policies towards financial management are being employed.