UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM ______ TO ______

Commission File Number: 001-33045

ICF International, Inc.
(Exact name of Registrant as Specified in its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**22-3661438** **(I.R.S. Employer Identification No.)**
9300 Lee Highway, Fairfax, VA **(Address of Principal Executive Offices)**	**22031** **(Zip Code)**

Registrant's telephone number, including area code: (703) 934-3000

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbols(s)	Name of each exchange on which registered
Common Stock	ICFI	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b–2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of November 1, 2019, there were 18,811,087 shares outstanding of the registrant's common stock.

ICF INTERNATIONAL, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ICF International, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands, except share and per share amounts)	September 30, 2019	December 31, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 7,452	$ 11,694
Contract receivables, net	269,368	230,966
Contract assets	153,055	126,688
Prepaid expenses and other assets	19,459	16,253
Income tax receivable	7,621	6,505
Total Current Assets	456,955	392,106
Property and Equipment, net	57,189	48,105
Other Assets:		
Restricted cash - non-current	—	1,292
Goodwill	716,699	715,644
Other intangible assets, net	27,478	35,494
Operating lease - right-of-use assets	138,156	—
Other assets	23,939	21,221
Total Assets	$ 1,420,416	$ 1,213,862
LIABILITIES and STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 97,359	$ 102,599
Contract liabilities	32,086	33,494
Operating lease liabilities - current	30,935	—
Accrued salaries and benefits	67,163	44,103
Accrued subcontractors and other direct costs	40,507	58,791
Accrued expenses and other current liabilities	34,032	39,072
Total Current Liabilities	302,082	278,059
Long-term Liabilities:		
Long-term debt	245,000	200,424
Operating lease liabilities - non-current	124,864	—
Deferred rent	—	13,938
Deferred income taxes	40,281	40,165
Other long-term liabilities	22,687	20,859
Total Liabilities	734,914	553,445
Contingencies (Note 16)		
Stockholders' Equity:		
Preferred stock, par value $.001; 5,000,000 shares authorized; none issued	—	—
Common stock, par value $.001; 70,000,000 shares authorized; 22,788,318 and 22,445,576 shares issued as of September 30, 2019 and December 31, 2018, respectively; 18,811,087 and 18,817,495 shares outstanding as of September 30, 2019 and December 31, 2018, respectively	23	22
Additional paid-in capital	340,626	326,208
Retained earnings	528,103	486,442
Treasury stock	(164,848)	(139,704)
Accumulated other comprehensive loss	(18,402)	(12,551)
Total Stockholders' Equity	685,502	660,417
Total Liabilities and Stockholders' Equity	$ 1,420,416	$ 1,213,862

The accompanying notes are an integral part of these consolidated financial statements.

ICF International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(in thousands, except per share amounts)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Revenue	$ 373,918	$ 332,968	$ 1,081,889	$ 960,063
Direct costs	238,158	213,060	689,160	608,451
Operating costs and expenses:				
Indirect and selling expenses	100,130	88,960	298,099	269,029
Depreciation and amortization	5,035	4,210	15,392	12,724
Amortization of intangible assets	1,931	2,516	6,143	7,030
Total operating costs and expenses	107,096	95,686	319,634	288,783
Operating income	28,664	24,222	73,095	62,829
Interest expense	(2,824)	(2,240)	(8,211)	(6,073)
Other expense	(141)	(351)	(367)	(565)
Income before income taxes	25,699	21,631	64,517	56,191
Provision for income taxes	6,069	4,960	14,958	13,486
Net income	$ 19,630	$ 16,671	$ 49,559	$ 42,705
Earnings per Share:				
Basic	$ 1.04	$ 0.88	$ 2.63	$ 2.27
Diluted	$ 1.02	$ 0.86	$ 2.58	$ 2.22
Weighted-average Shares:				
Basic	18,799	18,873	18,810	18,783
Diluted	19,169	19,306	19,208	19,256
Cash dividends declared per common share	$ 0.14	$ 0.14	$ 0.42	$ 0.42
Other comprehensive loss, net of tax	(3,281)	(568)	(5,851)	(2,276)
Comprehensive income, net of tax	$ 16,349	$ 16,103	$ 43,708	$ 40,429

The accompanying notes are an integral part of these consolidated financial statements.

ICF International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
(in thousands)	2019	2018
Cash Flows from Operating Activities		
Net income	$ 49,559	$ 42,705
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense	377	1,060
Deferred income taxes	1,089	3,176
Non-cash equity compensation	11,682	8,682
Depreciation and amortization	21,535	19,753
Facilities consolidation reserve	(204)	(193)
Amortization of debt issuance costs	380	385
Impairment of long-lived assets	1,728	—
Other adjustments, net	(1,110)	1,701
Changes in operating assets and liabilities:		
Net contract assets and liabilities	(28,793)	(32,158)
Contract receivables	(39,711)	(25,110)
Prepaid expenses and other assets	(385)	(6,841)
Accounts payable	(5,052)	(5,882)
Accrued salaries and benefits	23,227	12,921
Accrued subcontractors and other direct costs	(16,895)	(7,897)
Accrued expenses and other current liabilities	(6,756)	3,602
Income tax receivable and payable	(4,134)	(5,535)
Other liabilities	(173)	(16)
Net Cash Provided by Operating Activities	6,364	10,353
Cash Flows from Investing Activities		
Capital expenditures for property and equipment and capitalized software	(20,686)	(15,593)
Payments for business acquisitions, net of cash received	(3,569)	(22,847)
Net Cash Used in Investing Activities	(24,255)	(38,440)
Cash Flows from Financing Activities		
Advances from working capital facilities	545,539	444,637
Payments on working capital facilities	(500,963)	(418,383)
Payments on capital expenditure obligations	(1,621)	(3,243)
Debt issue costs	—	(21)
Proceeds from exercise of options	1,883	5,842
Dividends paid	(7,906)	(5,269)
Net payments for stockholder issuances and buybacks	(24,301)	(12,399)
Net Cash Provided by Financing Activities	12,631	11,164
Effect of Exchange Rate Changes on Cash, Cash Equivalents, and Restricted Cash	(274)	(253)
Decrease in Cash, Cash Equivalents, and Restricted Cash	(5,534)	(17,176)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	12,986	24,266
Cash, Cash Equivalents, and Restricted Cash, End of Period	$ 7,452	$ 7,090
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for:		
Interest	$ 7,581	$ 7,193
Income taxes	$ 18,061	$ 13,056
Non-cash investing and financing transactions:		
Capital expenditure obligations	$ —	$ 6,121

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - BASIS OF PRESENTATION AND NATURE OF OPERATIONS

Basis of Presentation

The accompanying consolidated financial statements include the accounts of ICF International, Inc. and its subsidiaries (collectively, the "Company"), and have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("U.S. GAAP"). All significant intercompany transactions and balances have been eliminated.

Nature of Operations

The Company provides professional services and technology-based solutions to government and commercial clients, including management, marketing, technology, and policy consulting and implementation services in the areas of: energy, environment, and infrastructure; health, education and social programs; safety and security; and consumer and financial services. The Company offers a full range of services to these clients throughout the entire life cycle of a policy, program, project, or initiative, from research, analysis, assessment and advice to design and implementation of programs and technology-based solutions, as well as the provision of engagement services and programs.

The Company's major clients are U.S. federal government departments and agencies, most significantly the Department of Health and Human Services, Department of State and Department of Defense. The Company also serves U.S. state (including territories) and local government departments and agencies, international governments, and commercial clients worldwide. Commercial clients include airlines, airports, electric and gas utilities, oil companies, banks and other financial services companies, transportation, travel and hospitality firms, non-profits/associations, law firms, manufacturing firms, retail chains, and distribution companies. The term "federal" or "federal government" refers to the U.S. federal government, and "state and local" or "state and local government" refers to U.S. state and local governments and U.S. territorial governments, unless otherwise indicated.

The Company, incorporated in Delaware, is headquartered in Fairfax, Virginia. It maintains offices throughout the world, including more than 70 offices in the U.S. and U.S. territories and 15 offices in key regions outside the U.S., including offices in the United Kingdom, Belgium, China, India, and Canada.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Areas of the consolidated financial statements where estimates may have the most significant effect include contractual and regulatory reserves, valuation and lives of tangible and intangible assets, contingent consideration related to business acquisitions, impairment of long-lived assets, accrued liabilities, revenue recognition and costs to complete fixed-price contracts, bonus and other incentive compensation, stock-based compensation, reserves for tax benefits and valuation allowances on deferred tax assets, provisions for income taxes, collectability of receivables, and loss accruals for litigation. Actual results experienced by the Company may differ from management's estimates.

Interim Results

The unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). These rules and regulations permit some of the information and footnote disclosures normally included in financial statements, prepared in accordance with U.S. GAAP, to be condensed or omitted. In management's opinion, the unaudited consolidated financial statements contain all adjustments that are of a normal recurring nature, necessary for a fair presentation of the results of operations and financial position of the Company for the interim periods presented. The Company reports operating results and financial data in one operating segment and reporting unit. Operating results for the three and nine month periods ended September 30, 2019 and 2018 are not necessarily indicative of the results that may be expected for the full year. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the fiscal year ended December 31, 2018 and the notes thereto included in the Company's Annual Report on Form 10-K, filed with the SEC on February 27, 2019 (the "Annual Report").

Reclassifications

Certain amounts in the 2018 consolidated statements of cash flows have been reclassified to conform to the current year presentation.

Significant Accounting Policies

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities (current and non-current) on the consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments as of the commencement date. Since most lease agreements do not provide an implicit rate, the Company uses its incremental borrowing rate as of the commencement date in estimating the present value of future payments. The operating lease ROU asset is based on the present value of future lease payments and excludes impacts from lease incentives and initial costs incurred to obtain the lease. Lease terms, for the purposes of determining each lease's present value, include options to extend or terminate the lease if it is reasonably certain and economically reasonable that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The Company uses leases to obtain use of a variety of different resources, including those for the use of facilities or equipment. These agreements may contain both lease and non-lease components, which are generally accounted for separately. For equipment leases (including copier leases), the Company accounts for the lease component, as well as insignificant non-lease components, as a single lease.

Long-Lived Assets

The Company reviews its long-lived assets, including property and equipment and amortizable intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. If the total of the expected undiscounted future net cash flows is less than the carrying amount of the asset, a loss is recognized for any excess of the carrying amount over the fair value of the asset. The Company recognized impairment expense, included in indirect and selling expenses, of $1.7 million in the second quarter of 2019 related to intangible assets associated with a historical business acquisition.

Recent Accounting Pronouncements

Recent Accounting Pronouncements Adopted

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued a new standard related to leases, Accounting Standard Update ("ASU") 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the balance sheet for those leases classified as operating leases. Under the new standard, required disclosures enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Company, using a modified retrospective adoption approach, is also required to recognize and measure leases existing at the beginning of the period of adoption, with certain practical expedients available.

The Company adopted the standard effective January 1, 2019. The Company chose the following practical expedients: not to re-assess existing and expired contracts to determine if they contain embedded leases; not to re-assess lease classification on existing leases; not to re-assess initial direct costs of obtaining leases; to account for lease and non-lease components as a single lease component for equipment leases; and to only apply the standard to leases with a term greater than twelve months.

The most significant impact of adopting the standard was the recognition of ROU assets and lease liabilities for operating leases on the Company's consolidated balance sheets but it did not have a material impact on the Company's consolidated statements of comprehensive income or consolidated statements of cash flow. The impact to the consolidated balance sheets before and after the adoption are as follows:

	January 1, 2019		
	Before Adoption	**Adoption Adjustments**	**After Adoption**
Operating lease - right-of-use assets	$ —	$ 137,152	$ 137,152
Operating lease liabilities - current	—	30,951	30,951
Accrued expenses and other current liabilities	1,843	(1,843)	—
Operating lease liabilities - non-current	—	121,982	121,982
Deferred rent	13,938	(13,938)	—

Stock Compensation

In June 2018, the FASB issued ASU 2018-07, Compensation—Stock Compensation (Topic 718). The standard simplifies the accounting for share-based compensation to non-employees by aligning the guidance with share-based payments to employees. It is effective for interim and annual reporting periods beginning after December 15, 2018. The Company's adoption of ASU 2018-07 did not have a material impact on the consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract

In August 2018, the FASB issued ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40). The standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is considered a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard also requires the entity to expense the capitalized implementation costs of a hosting arrangement over the term of the hosting arrangement and present the expense related to the capitalized implementation costs in the same line item in the statement of income as the fees associated with the hosting arrangement. The standard is effective for interim periods and fiscal years beginning after December 15, 2019 with early adoption permitted. The standard may be implemented using either the retrospective or prospective method. The Company does not anticipate that there will be a material impact on the consolidated financial statements as a result of adopting the standard and that it expects to adopt the standard utilizing a prospective method. The Company will continue to evaluate the impact of the new standard through its adoption.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments. The standard requires companies to measure credit losses by using a methodology that reflects the expected credit losses based on historical information, current economic conditions, and reasonable and supportable information. The new standard is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. The Company is currently in the process of evaluating the impact of adoption but does not anticipate that there will be a material impact on the consolidated financial statements as a result of adopting the standard. The Company anticipates that it will adopt the standard in the first quarter of 2020 utilizing a modified-retrospective transition approach that would require a cumulative-effect adjustment to the opening retained earnings in the consolidated statement of stockholders' equity as of the date of the adoption.

NOTE 2 – CONTRACT RECEIVABLES, NET

Contract receivables, net consisted of the following:

	September 30, 2019	December 31, 2018
Billed and billable	$ 274,237	$ 236,250
Allowance for doubtful accounts	(4,869)	(5,284)
Contract receivables, net	$ 269,368	$ 230,966

NOTE 3 – GOODWILL

The changes in the carrying amount of goodwill during the nine-months period ended September 30, 2019 were as follows:

Balance as of December 31, 2018	$ 715,644
Goodwill resulting from business combination - Olson (1)	3,047
Goodwill resulting from business combination - We Are Vista (2)	(370)
Goodwill resulting from business combination - DMS Disaster Consultants (3)	(50)
Effect of foreign currency translation	(1,572)
Balance as of September 30, 2019	$ 716,699

(1) In 2019, the Company recorded changes to goodwill representing an immaterial correction of an error for income tax balances related to acquired assets and liabilities from the business combination that occurred in 2014. These balances were not significant to our previously reported financial position.

(2) Goodwill measurement period adjustment related to the settlement of the working capital adjustment under the purchase agreement and reversal of the pre-acquisition income tax provision.

(3) Goodwill measurement period adjustment related to the settlement of the extended purchase commitments under the purchase agreement.

NOTE 4 – LONG-TERM DEBT

On May 17, 2017, the Company entered into a Fifth Amended and Restated Business Loan and Security Agreement with a syndication of 11 commercial banks (the "Credit Facility"). The Credit Facility: (i) included modifications to the Company's Fourth Amended and Restated Business Loan and Security Agreement, (ii) matures on May 17, 2022, (iii) increased the borrowing ceiling up to $600.0 million without a borrowing base requirement, taking into account financial, performance-based limitations, and (iv) provided for an "accordion," which permits additional revolving credit commitments of up to $300.0 million, subject to lenders' approval.

The Company has the option to borrow funds under the Credit Facility at interest rates based on both LIBOR (1, 3, or 6-month rates) and the Base Rate (as defined herein), at its discretion, plus their applicable margins. Base Rates are fluctuating per annum rates of interest equal to the highest of (i) the Federal Funds Open Rate, plus 0.5%, (ii) the Prime Rate (as defined under the Credit Facility) and (iii) the daily LIBOR rate, plus a LIBOR Margin between 1.00% and 2.00% based on its Leverage Ratio (as defined under the Credit Facility). The interest accrued based on LIBOR rates is to be paid on the last business day of the interest period (1, 3, or 6 months), while interest accrued based on the Base Rate is to be paid in quarterly installments. The Credit Facility also provides for letters of credit aggregating up to $60.0 million, which reduce the funds available under the Credit Facility when issued. The unused portion of the Credit Facility is subject to a commitment fee between 0.13% and 0.25% per annum based on the Leverage Ratio.

The Credit Facility is collateralized by substantially all of the assets of the Company and requires that the Company remain in compliance with certain financial and non-financial covenants. The financial covenants require, among other things, that the Company maintain at all times an Interest Coverage Ratio (as defined under the Credit Facility) of not less than 3.00 to 1.00 and a Leverage Ratio of not more than 3.75 to 1.00 (subject to adjustment, in certain circumstances) for each fiscal quarter. As of September 30, 2019, the Company was in compliance with its covenants under the Credit Facility.

As of September 30, 2019, the Company had $245.0 million long-term debt outstanding, ten outstanding letters of credit totaling $3.2 million, $2.0 million of net derivative obligations and unused borrowing capacity of $349.8 million under the Credit Facility (excluding the accordion). Taking into account the financial, performance-based limitations, available borrowing capacity (excluding the accordion) was $294.8 million as of September 30, 2019. The weighted-average interest rate on the Credit Facility (excluding any fees and unamortized debt issuance costs) was 3.6% and 3.4% for the three months ended September 30, 2019 and 2018, respectively, and 3.7% and 3.2% for the nine months ended September 30, 2019 and 2018, respectively.

NOTE 5 – LEASES

The Company has operating leases for facilities and equipment which have remaining terms ranging from 1 to 9 years. The leases may include options to extend the lease periods for up to 5 years at rates approximating market rates and/or options to terminate the leases within 1 year. The leases may include a residual value guarantee or a responsibility to return the property to its original state of use. Certain leases contain provisions that provide for rental increases based on consumer price indices. The change in rent expense resulting from changes in these indices are included within variable rent.

Operating leases consisted of the following at September 30, 2019:

Real estate facilities	$	162,873
Office equipment		1,401
Other		747
		165,021
Amortization of right-of-use assets		(26,865)
Total operating lease right-of-use assets	$	138,156

Rent expense is recognized on a straight-line basis over the lease term. Rent expense consists of the following:

	Three Months Ended September 30, 2019		Nine Months Ended September 30, 2019	
Operating lease costs	$	9,256	$	26,762
Short-term lease costs		552		1,555
Variable lease costs		(180)		4
Total rent expense		9,628		28,321

Future minimum lease payments under non-cancellable leases as of September 30, 2019 were as follows:

September 30, 2020	$	35,388
September 30, 2021		37,142
September 30, 2022		35,323
September 30, 2023		21,879
September 30, 2024		15,642
Thereafter		26,478
Total future minimum lease payments		171,852
Less: Interest		(16,053)
Total operating lease liabilities	$	155,799

Operating lease liabilities - current	$	30,935
Operating lease liabilities - non-current		124,864
Total operating lease liabilities	$	155,799

Other information related to operating leases is as follows:

	Nine Months Ended September 30, 2019	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	27,772
Right-of-use assets obtained in exchange for new operating lease liabilities	$	28,763
Weighted-average remaining lease term - operating leases		5.3
Weighted-average discount rate - operating leases		3.7%

At September 30, 2019, the Company had additional operating leases that have not yet commenced of $1.3 million. Such operating leases will commence within the next year, with lease terms of 1 year to 3 years.

NOTE 6 – OTHER COMPREHENSIVE (LOSS) INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Other comprehensive (loss) income includes foreign currency translation adjustments arising from the conversion of financial statements of foreign subsidiaries into U.S. dollars, the amortization of the gain on the sale of an interest rate hedge agreement, and the change in the fair value of current interest rate hedge agreements. Components of accumulated other comprehensive loss as of September 30, 2019 and 2018 are as follows:

	Three Months Ended September 30, 2019							
		Foreign Currency Translation Adjustments		Gain on Sale of Interest Rate Hedge Agreement (1)		Change in Fair Value of Interest Rate Hedge Agreements (2)		Total
Accumulated other comprehensive (loss) income at June 30, 2019	$	(14,055)	$	1,898	$	(2,964)	$	(15,121)
Current period other comprehensive (loss) income:								
Other comprehensive loss before reclassifications		(2,858)		—		(746)		(3,604)
Amounts reclassified from accumulated other comprehensive income		—		(180)		90		(90)
Effect of taxes (3)		196		47		170		413
Total current period other comprehensive (loss) income		(2,662)		(133)		(486)		(3,281)
Accumulated other comprehensive (loss) income at September 30, 2019	$	(16,717)	$	1,765	$	(3,450)	$	(18,402)

	Nine Months Ended September 30, 2019			
	Foreign Currency Translation Adjustments	Gain on Sale of Interest Rate Hedge Agreement (1)	Change in Fair Value of Interest Rate Hedge Agreements (2) (5)	Total
Accumulated other comprehensive (loss) income at January 1, 2019	$ (14,168)	$ 2,164	$ (547)	$ (12,551)
Current period other comprehensive (loss) income:				
Other comprehensive income (loss) before reclassifications	(2,582)	—	(4,083)	(6,665)
Amounts reclassified from accumulated other comprehensive (loss) income	—	(540)	144	(396)
Effect of taxes (3)	33	141	1,036	1,210
Total current period other comprehensive (loss) income	(2,549)	(399)	(2,903)	(5,851)
Accumulated other comprehensive (loss) income at September 30, 2019	$ (16,717)	$ 1,765	$ (3,450)	$ (18,402)

	Three Months Ended September 30, 2018			
	Foreign Currency Translation Adjustments	Gain on Sale of Interest Rate Hedge Agreement (1)	Change in Fair Value of Interest Rate Hedge Agreement (2)	Total
Accumulated other comprehensive (loss) income at June 30, 2018	$ (11,074)	$ 2,431	$ 1,067	$ (7,576)
Current period other comprehensive (loss) income:				
Other comprehensive (loss) income before reclassifications	(255)	—	371	116
Amounts reclassified from accumulated other comprehensive income	—	(180)	(41)	(221)
Effect of taxes (3)	(142)	47	(368)	(463)
Total current period other comprehensive (loss) income	(397)	(133)	(38)	(568)
Accumulated other comprehensive (loss) income at September 30, 2018	$ (11,471)	$ 2,298	$ 1,029	$ (8,144)

	Nine Months Ended September 30, 2018			
	Foreign Currency Translation Adjustments	Gain on Sale of Interest Rate Hedge Agreement (1)	Change in Fair Value of Interest Rate Hedge Agreement (2)	Total
Accumulated other comprehensive (loss) income at January 1, 2018	$ (7,638)	$ 2,158	$ 441	$ (5,039)
Reclassification of stranded tax effects due to adoption of accounting principle (4)	(1,307)	478	—	(829)
Adjusted beginning balance	(8,945)	2,636	441	(5,868)
Current period other comprehensive (loss) income:				
Other comprehensive (loss) income before reclassifications	(2,530)	—	997	(1,533)
Amounts reclassified from accumulated other comprehensive income	—	(480)	(41)	(521)
Effect of taxes (3)	4	142	(368)	(222)
Total current period other comprehensive (loss) income	(2,526)	(338)	588	(2,276)
Accumulated other comprehensive (loss) income at September 30, 2018	$ (11,471)	$ 2,298	$ 1,029	$ (8,144)

(1) Represents the unamortized value of an interest rate hedge agreement, designated as a cash flow hedge, which was sold on December 1, 2016. The fair value of the interest rate hedge agreement, at the date of the sale, was recorded in other comprehensive income, net of tax, and is being reclassified to interest expense when earnings are impacted by the hedged items and as interest payments are made on the Credit Facility from January 31, 2018 to January 31, 2023.

(2) Represents the change in fair value of interest rate hedge agreements designated as a cash flow hedge. The fair value of the interest rate hedge agreements was recorded in other comprehensive income and will be reclassified to interest expense when earnings are impacted by the hedged items and as interest payments are made on the Credit Facility from August 31, 2018 to August 31, 2023.

(3) The Company's effective tax rate for the three months ended September 30, 2019 and 2018 was 23.6% and 22.9%, respectively, and 23.2% and 24.0% for the nine months ended September 30, 2019 and 2018, respectively.

(4) The Company has adjusted the balance at December 31, 2017 of accumulated other comprehensive loss for the stranded tax effects caused by the enactment of the Tax Cuts and Jobs Act of 2017 (the "Tax Act").

(5) The fair value of the fixed interest rate swaps at September 30, 2019 and December 31, 2018 was $4.7 million and $0.8 million, respectively, and is included in other liabilities on their respective consolidated balance sheet.

(6) The Company expects to reclassify $0.7 million net gains related to the Gain on Sale of Interest Rate Hedge Agreement and $1.0 million net losses related to the Change in Fair Value of Interest Rate Hedge Agreement from accumulated other comprehensive loss into earnings during the next 12 months.

NOTE 7 – STOCKHOLDERS' EQUITY

Changes in stockholders' equity for the three and nine months ended September 30, 2019 and 2018 are as follows:

	Three Months Ended September 30, 2019							
	Common Stock		Additional Paid-in	Retained	Treasury Stock		Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Shares	Amount	Loss	Total
Balance at June 30, 2019	18,758	$ 23	$ 335,345	$ 511,095	3,975	$ (164,705)	$ (15,121)	$ 666,637
Net income	—	—	—	19,630	—	—	—	19,630
Other comprehensive income	—	—	—	—	—	—	(3,281)	(3,281)
Equity compensation	—	—	3,817	—	—	—	—	3,817
Exercise of stock options	46	—	1,464	—	—	—	—	1,464
Issuance of shares pursuant to vesting of restricted stock units	9	—	—	—	—	—	—	—
Net payments for stock issuances and buybacks	(2)	—	—	—	2	(143)	—	(143)
Dividends declared	—	—	—	(2,622)	—	—	—	(2,622)
Balance at September 30, 2019	18,811	$ 23	$ 340,626	$ 528,103	3,977	$ (164,848)	$ (18,402)	$ 685,502

	Nine Months Ended September 30, 2019							
	Common Stock		Additional Paid-in	Retained	Treasury Stock		Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Shares	Amount	Loss	Total
Balance at December 31, 2018	18,817	$ 22	$ 326,208	$ 486,442	3,629	$ (139,704)	$ (12,551)	$ 660,417
Net income	—	—	—	49,559	—	—	—	49,559
Other comprehensive income	—	—	—	—	—	—	(5,851)	(5,851)
Equity compensation	—	—	11,682	—	—	—	—	11,682
Exercise of stock options	58	—	1,893	—	—	—	—	1,893
Issuance of shares pursuant to vesting of restricted stock units	272	1	—	—	—	—	—	1
Net payments for stock issuances and buybacks	(336)	—	843	—	348	(25,144)	—	(24,301)
Dividends declared	—	—	—	(7,898)	—	—	—	(7,898)
Balance at September 30, 2019	18,811	$ 23	$ 340,626	$ 528,103	3,977	$ (164,848)	$ (18,402)	$ 685,502

	Three Months Ended September 30, 2018							
	Common Stock		Additional Paid-in	Retained	Treasury Stock		Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Shares	Amount	Loss	Total
Balance at June 30, 2018	18,826	$ 22	$ 317,013	$ 456,358	3,502	$ (130,446)	$ (7,576)	$ 635,371
Net income	—	—	—	16,671	—	—	—	16,671
Other comprehensive loss	—	—	—	—	—	—	(568)	(568)
Equity compensation	—	—	3,292	—	—	43	—	3,335
Exercise of stock options	85	—	2,309	—	—	—	—	2,309
Issuance of shares pursuant to vesting of restricted stock units	8	—	—	—	(1)	—	—	—
Net payments for stock issuances and buybacks	(51)	—	(14)	—	51	(3,788)	—	(3,802)
Dividends declared	—	—	—	(2,643)	—	—	—	(2,643)
Balance at September 30, 2018	18,868	$ 22	$ 322,600	$ 470,386	3,552	$ (134,191)	$ (8,144)	$ 650,673

	Nine Months Ended September 30, 2018							
	Common Stock		Additional Paid-in	Retained	Treasury Stock		Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Shares	Amount	Loss	Total
Balance at December 31, 2017	18,662	$ 22	$ 307,821	$ 434,766	3,357	$ (121,540)	$ (5,039)	$ 616,030
Net income	—	—	—	42,705	—	—	—	42,705
Other comprehensive loss	—	—	—	—	—	—	(2,276)	(2,276)
Equity compensation	—	—	8,507	—	—	178	—	8,685
Exercise of stock options	210	—	5,842	—	—	—	—	5,842
Issuance of shares pursuant to vesting of restricted stock units	198	—	—	—	(7)	—	—	—
Net payments for stock issuances and buybacks	(202)	—	430	—	202	(12,829)	—	(12,399)
Reclassification of stranded tax effects due to adoption of accounting principle	—	—	—	829	—	—	(829)	—
Dividends declared	—	—	—	(7,914)	—	—	—	(7,914)
Balance at September 30, 2018	18,868	$ 22	$ 322,600	$ 470,386	3,552	$ (134,191)	$ (8,144)	$ 650,673

NOTE 8 – RESTRICTED CASH

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets for the periods presented to the total of cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows for the nine months ended September 30, 2019 and 2018:

	2019		2018	
	Beginning	Ending	Beginning	Ending
Cash and cash equivalents	$ 11,694	$ 7,452	$ 11,809	$ 5,804
Restricted cash - current (1)	—	—	11,191	—
Restricted cash - non-current	1,292	—	1,266	1,286
Total of cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	$ 12,986	$ 7,452	$ 24,266	$ 7,090

(1) Restricted cash – current at the beginning of 2018 represents an amount held in an escrow account for a business acquisition.

NOTE 9 – REVENUE RECOGNITION

Disaggregation of Revenue

The Company disaggregates revenue from clients, most of which is earned over time, into categories that depict how the nature, amount and uncertainty of revenue and cash flows are affected by economic factors. Those categories are client market, client type and contract mix. Client market revenue information provides insight into the breadth of the Company's expertise. In classifying revenue by client market, the Company attributes revenue from a client to the market that the Company believes is the client's primary market. The Company also classifies revenue by the type of entity for which it does business, which is an indicator of the diversity of its client base. The Company attributes revenue generated from being a subcontractor to a commercial company as government revenue when the ultimate client is a government agency or department. Finally, disaggregation by contract mix provides insight in terms of the degree of performance risk that the Company has assumed. Fixed-price contracts are considered to provide the highest amount of performance risk as the Company is required to deliver a scope of work or level of effort for a negotiated fixed price. Time-and-materials contracts require the Company to provide skilled employees on contracts for negotiated fixed hourly rates. Since the Company is not required to deliver a scope of work, but merely skilled employees, it considers these contracts to be less risky than a fixed-price agreement. Cost-based contracts are considered to provide the lowest amount of performance risk since the Company is generally reimbursed for all contract costs incurred in performance of contract deliverables with only the amount of incentive or award fees (if applicable) dependent on the achievement of negotiated performance requirements.

Increases in revenue from energy, environment, and infrastructure client market, and U.S. state and local governments in the three and nine months ended September 30, 2019 compared to the prior year period were primarily due to work performed on disaster recovery and relief efforts, which also caused an increase in revenue generated through time-and-materials contracts. Consumer and financial services client market revenue increased primarily due to acquisitions during the prior year.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Client Markets:								
Energy, environment, and infrastructure	$ 172,217	46%	$ 147,914	44%	$ 492,509	46%	$ 404,870	42%
Health, education, and social programs	138,699	37%	126,424	38%	394,288	36%	381,063	40%
Safety and security	29,682	8%	29,478	9%	88,913	8%	82,444	8%
Consumer and financial services	33,320	9%	29,152	9%	106,179	10%	91,686	10%
Total	$ 373,918	100%	$ 332,968	100%	$ 1,081,889	100%	$ 960,063	100%

	Three Months Ended				Nine Months Ended September 30,			
	September 30, 2019		September 30, 2018		2019		2018	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Client Type:								
U.S. federal government	$ 148,181	40%	$ 140,276	42%	$ 421,287	39%	$ 413,599	43%
U.S. state and local government	71,540	19%	55,525	17%	210,324	19%	121,114	13%
International government	28,020	7%	26,559	8%	86,885	8%	89,950	9%
Total Government	247,741	66%	222,360	67%	718,496	66%	624,663	65%
Commercial	126,177	34%	110,608	33%	363,393	34%	335,400	35%
Total	$ 373,918	100%	$ 332,968	100%	$ 1,081,889	100%	$ 960,063	100%

	Three Months Ended				Nine Months Ended September 30,			
	September 30, 2019		September 30, 2018		2019		2018	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Contract Mix:								
Time-and-materials	$ 184,330	49%	$ 146,525	44%	$ 507,926	47%	$ 398,815	42%
Fixed price	135,274	36%	126,126	38%	415,258	38%	384,751	40%
Cost-based	54,314	15%	60,317	18%	158,705	15%	176,497	18%
Total	$ 373,918	100%	$ 332,968	100%	$ 1,081,889	100%	$ 960,063	100%

Contract Balances:

Contract assets consist primarily of unbilled amounts resulting from long-term contracts when revenue recognized exceeds the amount billed often due to billing schedule timing. Contract liabilities result from advance payments received on a contract or from billings in excess of revenue recognized on long-term contracts due to billing schedule timing. The net contact assets (liabilities) increased $27.8 million. The increase in contract assets is primarily due to hurricane relief and rebuild work for U.S. state and local governments, which is considered part of the energy, environment and infrastructure client market, and most of which has been performed on time-and-materials agreements. There were no material changes to contract balances due to impairments or business combinations during the period.

	September 30, 2019	December 31, 2018	$ Change	% Change
Contract assets	$ 153,055	$ 126,688	$ 26,367	20.8%
Contract liabilities	(32,086)	(33,494)	1,408	(4.2%)
Net contract assets (liabilities)	$ 120,969	$ 93,194	$ 27,775	29.8%

Performance Obligations:

The Company had $1.6 billion in unfulfilled performance obligations as of September 30, 2019, which primarily entail the future delivery of services for which revenue will be recognized over time. The obligations relate to continued or additional services required on contracts and were generally valued using an estimated cost plus margin approach, with variable consideration being estimated at the most likely amount. The Company expects to satisfy these performance obligations, on average, in one to two years.

NOTE 10 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company manages its risk to changes in interest rates through the use of derivative instruments. The Company does not hold derivative instruments for trading or speculative purposes. For variable rate borrowings, the Company uses fixed interest rate swaps, effectively converting a portion of the variable interest rate payments to fixed interest rate payments. These swaps are designated as cash flow hedges.

NOTE 11 – INCOME TAXES

The Company's effective tax rate for the three months ended September 30, 2019 and 2018 was 23.6% and 22.9%, respectively, and 23.2% and 24.0% for the nine months ended September 30, 2019 and 2018, respectively.

The Company is subject to federal income taxes as well as taxes in various state, local and foreign jurisdictions. Tax statutes and regulations within each jurisdiction are subject to interpretation and require the application of significant judgment. The Company's 2016 through 2018 tax years remain subject to examination by the Internal Revenue Service for federal tax purposes. Certain significant state, local and foreign tax returns also remain open under the applicable statute of limitations and are subject to examination for the tax years from 2015 to 2018.

The Company does not have any liability for unrecognized tax benefits as of September 30, 2019. There were no tax positions that, if recognized, would have a favorable impact on the Company's effective tax rate.

The Company does not recognize accrued interest and penalties related to unrecognized tax benefits as a component of tax expense. The Company has made no provision for deferred U.S. income taxes or additional foreign taxes on future unremitted earnings of its controlled foreign subsidiaries because the Company considers these earnings to be permanently invested.

On December 20, 2017, the U.S. Congress passed the Tax Act, which was signed into law on December 22, 2017 and was generally effective beginning January 1, 2018. The Company has been impacted in several ways as a result of the Tax Act, including, but not limited to, a permanent reduction in the federal corporate income tax rate from 35% to 21%. The Company completed the accounting for the tax effects of the enactment of the Tax Act in the fourth quarter of 2018.

The Tax Act subjects U.S. corporations to current tax on global intangible low-taxed income (or "GILTI") earned by certain foreign subsidiaries. Pursuant to a FASB Staff Q&A, Topic 740 No. 5, "Accounting for Global Intangible Low-Taxed Income", an entity can make an accounting policy election to either recognize deferred taxes for temporary differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI resulting from those items in the year the tax is incurred. The Company elected in the first quarter of fiscal year 2018 to recognize the resulting tax on GILTI as a period expense in the period the tax was incurred. The GILTI tax provisions for the three and nine months ended September 30, 2019 and 2018 were immaterial.

NOTE 12 – ACCOUNTING FOR STOCK COMPENSATION

On April 4, 2018, the Company's board of directors approved the 2018 Omnibus Incentive Plan (the "2018 Omnibus Plan"), which was subsequently approved by the stockholders and became effective on May 31, 2018 (the "Effective Date"). The 2018 Omnibus Plan replaced the previous 2010 Omnibus Incentive Plan (the "Prior Plan").

On or after the Effective Date, the 2018 Omnibus Plan allows the Company to grant 1,185,000 shares using stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance units and performance share awards ("PSAs"), and other stock-based awards to all officers, key employees, and non-employee directors of the Company. Outstanding shares granted under the Prior Plan, totaling 330,998 as of September 30, 2019, remain subject to its terms and conditions, and no additional awards from the Prior Plan are to be made after the Effective Date. As of September 30, 2019, the Company had approximately 905,795 shares available for grant under the 2018 Omnibus Plan. The 2018 Omnibus Plan also gives the Company the ability to issue cash-settled RSUs ("CSRSUs"). The CSRSUs have no impact on the shares available for grant under the Omnibus Plan, nor on the calculated shares used in earnings per share calculations.

During the nine months ended September 30, 2019, the Company granted to its employees 149,365 shares in the form of RSUs with an average grant date fair value of $76.39, and the equivalent value of 98,837 shares in the form of CSRSUs with an average grant date fair value of $76.60. During the nine months ended September 30, 2019, the Company also granted 47,290 shares in the form of PSAs to its employees with a grant date fair value of $82.38 per share. The RSUs, CSRSUs and PSAs granted are generally subject to service-based vesting conditions, with the PSAs also having performance-based vesting conditions. The performance conditions for the PSAs granted in 2019 have a performance period from January 1, 2019 through December 31, 2021 and the performance conditions are consistent with the PSAs granted in prior years.

The Company recognized stock-based compensation expense of $6.5 million and $4.5 million for the three months ended September 30, 2019 and 2018, respectively, and $19.1 million and $14.7 million for the nine months ended September 30, 2019 and 2018, respectively. Unrecognized compensation expense of approximately $16.7 million as of September 30, 2019 related to unsettled RSUs is expected to be recognized over a weighted-average period of 1.7 years. The unrecognized compensation expense related to CSRSUs totaled approximately $11.8 million at September 30, 2019 and is expected to be recognized over a weighted-average period of 1.8 years. Unrecognized compensation expense related to PSAs of approximately $5.1 million as of September 30, 2019 is expected to be recognized over a weighted-average period of 1.2 years.

NOTE 13 – EARNINGS PER SHARE

Earnings per share ("EPS") is computed by dividing reported net income by the weighted-average number of shares outstanding. Diluted EPS considers the potential dilution that could occur if common stock equivalents were exercised or converted into stock. The difference between the basic and diluted weighted-average equivalent shares with respect to the Company's EPS calculation was due entirely to the assumed exercise of stock options and the vesting and settlement of RSUs and PSAs. PSAs are included in the computation of diluted shares only to the extent that the underlying performance conditions (i) are satisfied as of the end of the reporting period or (ii) would be considered satisfied if the end of the reporting period were also the end of the applicable performance period and the result would be dilutive under the treasury stock method.

As of September 30, 2019, the PSAs granted during the year ended December 31, 2017 met the related performance conditions for the initial performance period and were included in the calculation of diluted EPS. However, the PSAs granted during the year ended December 31, 2018 and during the nine months ended September 30, 2019 have not yet completed their initial two-year performance period and therefore were excluded in the calculation of diluted EPS. There were no weighted-average shares excluded from the calculation of EPS because they were anti-dilutive for the three months ended September 30, 2019 and 2018, respectively, and 11 and 7,008 weighted-average shares were excluded for the nine months ended September 30, 2019 and 2018, respectively. The anti-dilutive shares were associated with RSUs.

The dilutive effect of stock options, RSUs, and PSAs for each period reported is summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Net Income	$ 19,630	$ 16,671	$ 49,559	$ 42,705
Weighted-average number of basic shares outstanding during the period	18,799	18,873	18,810	18,783
Dilutive effect of stock options, RSUs, and performance shares	370	433	398	473
Weighted-average number of diluted shares outstanding during the period	19,169	19,306	19,208	19,256
Basic earnings per share	$ 1.04	$ 0.88	$ 2.63	$ 2.27
Diluted earnings per share	$ 1.02	$ 0.86	$ 2.58	$ 2.22

NOTE 14 – SHARE REPURCHASE PROGRAM

The Company's current share repurchase program allows for share repurchases in the aggregate up to $100.0 million under share repurchase plans approved by the board of directors pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended. The Credit Facility permits unlimited share repurchases, provided the Company's Leverage Ratio, prior to and after giving effect to such repurchases, is not greater than 3.25 to 1.00. As of September 30, 2019, $68.0 million remained available for share repurchases under the approved share repurchase program.

NOTE 15 – SUBSEQUENT EVENTS

On October 24, 2019 the Company entered into a new commercial lease agreement for the Company's corporate headquarters in Fairfax, Virginia. The Company's prior corporate headquarters lease is set to expire on December 31, 2022. The new lease commences on March 1, 2022 and extends through April 30, 2039. Total base rent payable over the extended lease period is approximately $154.9 million. The Company has two options to extend the lease for an additional consecutive ten-year period under each option, or four options to extend the lease for an additional consecutive five-year period under each option with respect to the entire premises.

On November 6, 2019, the Company's board of directors approved a $0.14 per share cash dividend. The dividend will be paid on January 14, 2020 to shareholders of record as of the close of business on December 13, 2019.

NOTE 16 – CONTINGENCIES

Litigation and Claims

The Company is involved in various legal matters and proceedings arising in the ordinary course of business. While these matters and proceedings cause it to incur costs, including, but not limited to, attorneys' fees, the Company currently believes that any ultimate liability arising out of these matters and proceedings will not have a material adverse effect on its financial position, results of operations, or cash flows.

Road Home Contract

On June 10, 2016, the Office of Community Development (the "OCD") of the State of Louisiana filed a written administrative demand with the Louisiana Commissioner of Administration against ICF Emergency Management Services, L.L.C. ("ICF Emergency"), a subsidiary of the Company, in connection with ICF Emergency's administration of the Road Home Program ("Program"). The Program contract was a three-year, $912 million contract awarded to the Company in 2006. The Program ended, as scheduled, in 2009.

The Program was primarily intended to help homeowners and landlords of small rental properties affected by Hurricanes Rita and Katrina. In its administrative demand, the OCD sought approximately $200.8 million in alleged overpayments to the Program's grant recipients. The State of Louisiana separately supplemented the amount of recovery it is seeking in total to approximately $220.2 million. The State of Louisiana, through the Division of Administration, also filed suit in Louisiana state court on June 10, 2016. The State of Louisiana broadly alleges and seeks recoupment for the same claim made in the administrative proceeding submission before the Louisiana Commissioner of Administration. On September 21, 2016, the Commissioner of the Division of Administration notified OCD and the Company of his decision to defer jurisdiction of the administrative demand filed by the OCD. In so doing, the Commissioner declined to reach a decision on the merits and stated that his deferral would not be deemed to grant or deny any portion of the OCD's claim. The Commissioner subsequently authorized the parties to proceed on the matter in the previously filed judicial proceeding. The Company continues to believe that this claim has no merit and intends to vigorously defend its position. The Company believes, based on current information, that this matter is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. The Company has not recorded a liability.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

Some of the statements in this Quarterly Report on Form 10-Q (this "Quarterly Report") constitute forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, as amended. These statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "should," "will," "would," or similar words. You should read statements that contain these words carefully. The risk factors described in our filings with the Securities and Exchange Commission ("SEC"), as well as any cautionary language in this Quarterly Report, provide examples of risks, uncertainties, and events that may cause actual results to differ materially from the expectations described in the forward-looking statements, including, but not limited to:

- Our dependence on contracts with United States ("U.S.") federal, state and local, and international governments, agencies and departments for the majority of our revenue;
- Changes in federal government budgeting and spending priorities;
- Failure by Congress or other governmental bodies to approve budgets and debt ceiling increases in a timely fashion and related reduction in government spending;
- Failure of the Administration and Congress to agree on spending priorities, which may result in temporary shutdowns of non-essential federal functions, including our work to support such functions;
- Results of routine and non-routine government audits and investigations;
- Dependence of commercial work on certain sectors of the global economy that are highly cyclical;
- Failure to realize the full amount of our backlog;
- Risks inherent in being engaged in significant and complex disaster relief efforts involving multiple tiers of government in very stressful environments;
- Difficulties in integrating acquisitions generally;
- Risks resulting from expanding service offerings and client base;
- Acquisitions we undertake may present integration challenges, fail to perform as expected, increase our liabilities, and/or reduce our earnings;
- The lawsuit filed by the State of Louisiana seeking approximately $220.2 million in alleged overpayments from the Road Home contract; and
- Additional risks as a result of having international operations.

Our forward-looking statements are based on the beliefs and assumptions of our management and the information available to our management at the time these disclosures were prepared. Although we believe the expectations reflected in these statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to update these forward-looking statements, even if our situation changes in the future.

The terms "we," "our," "us," and "Company," as used throughout this Quarterly Report, refer to ICF International, Inc. and its subsidiaries, unless otherwise indicated. The term "federal" or "federal government" refers to the U.S. federal government, and "state and local" or "state and local government" refers to U.S. state and local governments and the governments of U.S. territories. The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, and liquidity and capital resources. You should read this discussion in conjunction with our consolidated financial statements and the related notes contained elsewhere in this Quarterly Report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on February 27, 2019 (our "Annual Report").

OVERVIEW AND OUTLOOK

We provide professional services and technology-based solutions to government and commercial clients, including management, marketing, technology, and policy consulting and implementation services. We help our clients conceive, develop, implement, and improve solutions that address complex business, natural resource, social, technological, and public safety issues. Our services primarily support clients that operate in four key markets:

- Energy, Environment, and Infrastructure;
- Health, Education, and Social Programs;
- Safety and Security; and
- Consumer and Financial Services.

We provide services to our diverse client base that deliver value throughout the entire life cycle of a policy, program, project, or initiative. Our primary services include:

- Advisory Services;
- Program Implementation Services;
- Analytics Services;
- Digital Services; and
- Engagement Services.

Our clients utilize our services because we offer a combination of deep subject matter expertise, technical solutions, and institutional experience. We believe that our domain expertise and the program knowledge developed from our research and analytic, and assessment and advisory engagements further position us to provide a full suite of services.

We report operating results and financial data as a single segment based on the consolidated information used by our chief operating decision-maker in evaluating the financial performance of our business and allocating resources. Our single segment represents our core business – professional services for government and commercial clients. Although we describe our multiple service offerings and client markets to provide a better understanding of our business operations, we offer integrated solutions, pulling from resources across our Company and, accordingly, do not manage our business or allocate our resources based on those service offerings or client market areas.

We believe that demand for our services will continue to grow as government, industry, and other stakeholders seek to address critical long-term societal and natural resource issues due to heightened concerns about: clean energy and energy efficiency; health promotion, treatment, and cost control; natural disaster relief and rebuild efforts; and ongoing homeland security threats. In the wake of the major hurricanes (Harvey, Irma, Maria and Michael) that devastated communities in Texas, Florida, the U.S. Virgin Islands, and Puerto Rico, the affected areas remain in various stages of relief and recovery efforts. We believe our prior and current experience with disaster relief and rebuild efforts, including those from Hurricanes Maria, Katrina and Rita, and Superstorm Sandy, put us in a favorable position to continue to provide recovery assistance, housing, and environmental and infrastructure solutions on behalf of federal departments and agencies, state and local governments, and regional agencies.

We also see significant opportunity to further leverage our digital and client engagement capabilities across our commercial and government client base. Our future results will depend on the success of our strategy to enhance our client relationships and seek larger engagements spanning all aspects of the program life cycle, as well as completely and successfully integrating strategic acquisitions. We will continue to focus on building scale in vertical and horizontal domain expertise, developing business with both our government and commercial clients, and replicating our business model in selective geographies. In doing so, we will continue to evaluate strategic acquisition opportunities that enhance our subject matter knowledge, broaden our service offerings, and/or provide scale in specific geographies.

While we continue to see favorable long-term market opportunities, there are certain business challenges facing all government service providers. Administrative and legislative actions by the federal government to address changing priorities or in response to the budget deficit could have a negative impact on our business, which may result in a reduction to our revenue and profit and adversely affect cash flow. Similarly, while disaster recovery work efforts are funded by the federal government, the very nature of opportunities arising out of disaster recovery mean they can involve unusual challenges. Factors such as the overall stress on communities and people affected by disaster recovery situations, political complexities and challenges among involved government agencies, and a higher than normal risk of audits and investigations, may result in a reduction to our revenue and profit and adversely affect cash flow. However, we believe we are well positioned to provide a broad range of services in support of initiatives that will continue to be priorities to the federal government, as well as to state and local and international governments and commercial clients.

Employees and Offices:

We have more than 7,000 full and part-time employees around the globe, including many recognized as thought leaders in their respective fields. We serve clients globally from our headquarters in the Washington, D.C. metropolitan area, and from more than 70 regional offices throughout the U.S. and U.S. territories and 15 offices in key regions outside the U.S., including offices in the United Kingdom, Belgium, China, India and Canada.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion of our financial condition and results of operations is based on our consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The preparation of these consolidated financial statements requires us to make certain estimates and judgments that affect the reported amounts of assets, liabilities, revenue, and expenses and our application of critical accounting policies, including: revenue recognition, impairment of goodwill and other intangible assets, income taxes, and stock-based compensation. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Note 2 – Summary of Significant Accounting Policies" in our Annual Report and "Note 1—Basis of Presentation and Nature of Operations—Significant Accounting Policies" and "Note 1—Basis of Presentation and Nature of Operations—Recent Accounting Pronouncements" in the "Notes to Consolidated Financial Statements" in this Quarterly Report for further discussions of our significant accounting policies and estimates.

We periodically evaluate our critical accounting policies and estimates based on changes in U.S. GAAP that may have an effect on our financial statements. In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 revised the accounting for leases and requires lessees to recognize an operating lease right-of-use asset and a corresponding operating lease liability (current and non-current) that depicts the rights and obligations arising from an operating lease agreement. We implemented ASU 2016-02 on January 1, 2019 and elected certain practical expedients available under the ASU. The result of the adoption was the recognition of an operating lease right-of-use asset totaling \$137.2 million and operating lease liabilities totaling \$152.9 million as of the adoption date. For further discussion see "Note 1—Basis of Presentation and Nature of Operations—Significant Accounting Policies — Leases" and "Note 1—Basis of Presentation and Nature of Operations—Recent Accounting Pronouncements – Recent Accounting Pronouncements Adopted – Leases" in the "Notes to Consolidated Financial Statements" in this Quarterly Report.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting standards are discussed in "Note 1—Basis of Presentation and Nature of Operations—Recent Accounting Pronouncements" in the "Notes to Consolidated Financial Statements" in this Quarterly Report.

SELECTED KEY METRICS

In order to evaluate operations, we track revenue by key metrics that provide useful information about the nature of our business. Client markets provide insight into the breadth of our expertise. Client type is an indicator of the diversity of our client base. Revenue by contract mix provides insight in terms of the degree of performance risk that we have assumed. Significant variances in the key metrics are discussed under the revenue section of the results of operations. For further discussion see "Note 9—Revenue Recognition" in the "Notes to Consolidated Financial Statements" in this Quarterly Report.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

The table below sets forth certain items from our unaudited consolidated statements of comprehensive income, the percentage of revenue for such items in the periods provided, and the period-over-period rate of change and percentage of revenue for the periods indicated.

	Three Months Ended September 30,				Year-to-Year Change Three Months Ended September 30, 2018 and 2019	
	Dollars		Percentages			
(dollars in thousands)	2019	2018	2019	2018	Dollars	Percent
Revenue	$ 373,918	$ 332,968	100.0%	100.0%	$ 40,950	12.3%
Direct Costs	238,158	213,060	63.7%	64.0%	25,098	11.8%
Operating Costs and Expenses:						
Indirect and selling expenses	100,130	88,960	26.8%	26.7%	11,170	12.6%
Depreciation and amortization	5,035	4,210	1.3%	1.3%	825	19.6%
Amortization of intangible assets	1,931	2,516	0.5%	0.7%	(585)	(23.3%)
Total Operating Costs and Expenses	107,096	95,686	28.6%	28.7%	11,410	11.9%
Operating Income	28,664	24,222	7.7%	7.3%	4,442	18.3%
Interest expense	(2,824)	(2,240)	(0.8%)	(0.7%)	(584)	26.1%
Other expense	(141)	(351)	—	(0.1%)	210	(59.8%)
Income before Income Taxes	25,699	21,631	6.9%	6.5%	4,068	18.8%
Provision for Income Taxes	6,069	4,960	1.6%	1.5%	1,109	22.4%
Net Income	$ 19,630	$ 16,671	5.3%	5.0%	$ 2,959	17.7%

Revenue. Revenue for the three months ended September 30, 2019 was $373.9 million, compared to $333.0 million for the three months ended September 30, 2018, representing an increase of $41.0 million or 12.3%. The increase in revenue was primarily attributable to a $25.4 million increase in government client revenue and a $15.6 million increase in revenue from our commercial clients. The increase in government client revenue was the result of a $16.0 million increase in revenue from our state and local government contracts, primarily because of increases in the energy, environment and infrastructure client market in response to hurricane relief and recovery efforts, a $7.9 million increase in revenue from our federal government clients, and a $1.5 million increase in revenue from international government clients. The increase in commercial revenue was primarily due to a $9.7 million increase in our energy, environment and infrastructure client market revenue, a $4.2 million increase in revenue from our consumer and financial services market clients, and a $1.8 million increase in revenue from our health, education and social programs client market.

Direct Costs. Direct costs for the three months ended September 30, 2019 were $238.2 million compared to $213.1 million for the three months ended September 30, 2018, an increase of $25.1 million or 11.8%. The increase in direct costs was attributable to an increase of $15.0 million or 14.7% in subcontractor and other direct costs and $10.1 million or 9.1% increase in direct labor and associated fringe benefits. Subcontractor and other direct costs for the three months ended September 30, 2019 was 49.0% of direct costs compared to 47.7% for the three months ended September 30, 2018. Direct labor and associated fringe benefits for the three months ended September 30, 2019 was 51.0% of direct costs compared to 52.3% for the three months ended September 30, 2018. The increase in both subcontractor and other direct costs and direct labor is primarily due to an increase in revenues. As we have been successful in winning larger contracts, our own labor services as a percentage of direct costs has generally decreased because larger contracts typically are broader in scope and require more diverse capabilities, resulting in more subcontracted effort and additional other direct costs. Direct costs as a percent of revenue decreased to 63.7% for the three months ended September 30, 2019, compared to 64.0% for the three months ended September 30, 2018.

Indirect and selling expenses. Indirect and selling expenses for the three months ended September 30, 2019 was $100.1 million compared to $89.0 million for the three months ended September 30, 2018, an increase of $11.2 million or 12.6% driven primarily by increased indirect labor and fringe expenses to support the growth in revenue, increased costs to invest in our internal infrastructure and processes and professional fees, partially offset by a reduction in bad debt expense. Indirect and selling expenses as a percent of revenue increased to 26.8% for the three months ended September 30, 2019, compared to 26.7% for the three months ended September 30, 2018.

Depreciation and amortization. Depreciation and amortization was $5.0 million for the three months ended September 30, 2019 compared to $4.2 million for the three months ended September 30, 2018. The increase in depreciation and amortization is the result of the depreciation of investment in infrastructure costs made by us over the last few years.

Amortization of intangible assets. Amortization of intangible assets for the three months ended September 30, 2019 was $1.9 million compared to $2.5 million for the three months ended September 30, 2018. The $0.6 million decrease was primarily due to reduced levels of amortization of intangible assets associated with prior acquisitions, which were partially offset by amortization of intangible assets from recent acquisitions.

Operating Income. Operating income was $28.7 million for the three months ended September 30, 2019 compared to $24.2 million for the three months ended September 30, 2018, an increase of $4.4 million or 18.3%. Operating income as a percentage of revenue increased to 7.7% for the three months ended September 30, 2019, compared to 7.3% for the three months ended September 30, 2018. The increase in operating income is largely due to increases in revenue while reducing direct costs as a percentage of revenues and the leveraging of our indirect and selling expenses.

Interest expense. For the three months ended September 30, 2019 and 2018, interest expense was $2.8 million and $2.2 million resulting in an increase of $0.6 million, or 26.1%. The increase in interest expense for the three months ended September 30, 2019 was due to an increase in the weighted average debt balance and higher weighted-average interest rates.

Other expense. Other expense was $0.1 million for the three months ended September 30, 2019 compared to $0.3 million for the three months ended September 30, 2018. The activity in other expense for the three months ended September 30, 2019 and 2018 is primarily due to a gain in the value of foreign currency swaps and unrealized and realized foreign currency gains and losses.

Provision for Income Taxes. For the three months ended September 30, 2019, income tax expense was $6.1 million compared to $5.0 million for the three months ended September 30, 2018, an increase of $1.1 million. The effective income tax rate for the three months ended September 30, 2019 and 2018 was 23.6% and 22.9%, respectively. The increase in the effective income tax rate was primarily due to the reversal of liability for an uncertain tax position and realization of significant non-taxable income in the three months ended September 30, 2018 and an increase in valuation allowance against excess foreign tax credits generated in the three months ended September 30, 2019.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

The table below sets forth certain items from our unaudited consolidated statements of comprehensive income, the percentage of revenue for such items in the periods provided, and the period-over-period rate of change and percentage of revenue for the periods indicated.

	Nine Months Ended September 30,				Year-to-Year Change Nine Months Ended September 30, 2018 and 2019	
	Dollars		Percentages			
(dollars in thousands)	2019	2018	2019	2018	Dollars	Percent
Revenue	$ 1,081,889	$ 960,063	100.0%	100.0%	$ 121,826	12.7%
Direct Costs	689,160	608,451	63.7%	63.4%	80,709	13.3%
Operating Costs and Expenses:						
Indirect and selling expenses	298,099	269,029	27.6%	28.0%	29,070	10.8%
Depreciation and amortization	15,392	12,724	1.4%	1.3%	2,668	21.0%
Amortization of intangible assets	6,143	7,030	0.6%	0.7%	(887)	(12.6%)
Total Operating Costs and Expenses	319,634	288,783	29.6%	30.0%	30,851	10.7%
Operating Income	73,095	62,829	6.7%	6.6%	10,266	16.3%
Interest expense	(8,211)	(6,073)	(0.7%)	(0.6%)	(2,138)	35.2%
Other expense	(367)	(565)	—	(0.1%)	198	(35.0%)
Income before Income Taxes	64,517	56,191	6.0%	5.9%	8,326	14.8%
Provision for Income Taxes	14,958	13,486	1.4%	1.4%	1,472	10.9%
Net Income	$ 49,559	$ 42,705	4.6%	4.5%	$ 6,854	16.0%

Revenue. Revenue for the nine months ended September 30, 2019 was $1,081.9 million, compared to $960.1 million for the nine months ended September 30, 2018, representing an increase of $121.8 million or 12.7%. The increase was attributable to a $93.8 million increase in government revenue and a $28.0 million increase in revenue from our commercial clients. The increase in government clients was the result of a $89.2 million increase in revenue from our state and local government contracts, primarily because of increases in revenues from the energy, environment and infrastructure client market in response to hurricane relief and recovery efforts and our health, education and social program market clients, and an increase of $7.7 million in revenue from our federal clients, primarily the result of increases in our safety and security market clients, offset by a net decrease in revenue from our international government clients of $3.1 million. The increase in commercial revenue was primarily due to a $14.4 million increase in revenue from our consumer and financial services market clients, a $10.7 million increase in revenue from our energy, environment, and infrastructure market clients, and a $2.9 million increase in revenue from our health, education and social program market clients.

Direct Costs. Direct costs for the nine months ended September 30, 2019 were $689.2 million compared to $608.5 million for the nine months ended September 30, 2018, an increase of $80.7 million or 13.3%. The increase in direct costs was attributable to an increase of $57.1 million or 20.8% in subcontractor and other direct costs and a $23.6 million or 7.1% increase in direct labor and associated fringe benefits. Subcontractor and other direct costs for the nine months ended September 30, 2019 was 48.0% of direct costs compared to 45.0% for the nine months ended September 30, 2018. Direct labor and associated fringe benefits for the nine months ended September 30, 2019 was 52.0% of direct costs compared to 55.0% for the nine months ended September 30, 2018. The increase in both subcontractor and other costs and direct labor is the result of an increase in revenues. As we have been successful in winning larger contracts, our own labor services as a percentage of direct costs has generally decreased because larger contracts typically are broader in scope and require more diverse capabilities, resulting in more subcontracted effort and additional other direct costs. Direct costs as a percent of revenue increased to 63.7% for the nine months ended September 30, 2019, compared to 63.4% for the nine months ended September 30, 2018. The increase in the direct costs as a percent of revenue is due to the increased use of subcontractors in performing contracts in the nine months ended September 30, 2019 compared to the prior period, particularly in connection with hurricane relief and recovery efforts.

Indirect and selling expenses. Indirect and selling expenses for the nine months ended September 30, 2019 were $298.1 million compared to $269.0 million for the nine months ended September 30, 2018, an increase of $29.1 million or 10.8%. The increase is driven primarily by increased indirect labor and fringe to support revenue growth, increased costs to invest in our internal infrastructure and processes, the impairment of intangible assets and professional fees, partially offset by a reduction in bad debt expense due to a change in our estimate of the collectability of amounts due from a client that recently filed for bankruptcy. Indirect and selling expenses as a percent of revenue decreased to 27.6% for the nine months ended September 30, 2019, compared to 28.0% for the nine months ended September 30, 2018.

Depreciation and amortization. Depreciation and amortization was $15.4 million for the nine months ended September 30, 2019 compared to $12.7 million for the nine months ended September 30, 2018. The increase in depreciation and amortization is the result of increased depreciation on investment in infrastructure costs made by us over the last few years and accelerated depreciation of leasehold improvements on leases that terminated during the period.

Amortization of intangible assets. Amortization of intangible assets for the nine months ended September 30, 2019 was $6.1 million compared to $7.0 million for the nine months ended September 30, 2018. The $0.9 million decrease was primarily due to reduced levels of intangible assets amortization associated with prior acquisitions, partially offset by amortization from recent acquisitions.

Operating Income. Operating income was $73.1 million for the nine months ended September 30, 2019 compared to $62.8 million for the nine months ended September 30, 2018, an increase of $10.3 million or 16.3%. Operating income as a percentage of revenue increased to 6.7% for the nine months ended September 30, 2019, compared to 6.6% for the same period in 2018. The changes were largely due to growth in revenue and the leveraging of our indirect and selling expenses, offset by proportionately larger increases in the direct costs from the increased utilization of subcontractors.

Interest expense. For the nine months ended September 30, 2019, and 2018 interest expense was $8.2 million and $6.1 million resulting in an increase of $2.1 million or 35.2%. The higher interest expense was due to higher weighted average interest rates and higher weighted average debt balances for the nine-month period ended September 30, 2019 compared to the nine months ended September 30, 2018.

Other expense. Other expense was $0.4 million and $0.6 million for the nine months ended September 30, 2019 and 2018. The activity in other expense for the nine months ended September 30, 2019 and 2018 is primarily due to unrealized and realized foreign currency gains and losses net of a gain in the value of foreign currency swaps.

Provision for Income Taxes. For the nine months ended September 30, 2019, income tax expense was $15.0 million compared to $13.5 million for the nine months ended September 30, 2018, an increase of $1.5 million and the effective income tax rate for the nine months ended September 30, 2019 and 2018 was 23.2% and 24.0%, respectively. The decrease in the effective tax rate was primarily due to additional tax deductions from equity-based compensation and windfall tax benefits from the exercise of equity-based compensation awards in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018.

NON-GAAP MEASURES

Service Revenue

Service revenue represents revenue less subcontractor and other direct costs, which, among other things, include third-party materials and travel expenses. We believe service revenue is a useful measure to investors since, as a consulting firm, a key source of our profit is revenue obtained from the services that we provide to our clients through our employees. Service revenue is not a recognized term under U.S. GAAP and should not be considered an alternative to revenue as a measure of operating performance. This presentation of service revenue may not be comparable to other similarly titled measures used by other companies because other companies may use different methods to prepare similarly titled measures.

The table below presents a reconciliation of revenue to service revenue for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2019**	**2018**	**2019**	**2018**
Revenue	$ 373,918	$ 332,968	$ 1,081,889	$ 960,063
Subcontractor and other direct costs	(116,710)	(101,708)	(330,990)	(273,920)
Service revenue	$ 257,208	$ 231,260	$ 750,899	$ 686,143

EBITDA and Adjusted EBITDA

Earnings before interest and other income and/or expense, tax, and depreciation and amortization ("EBITDA") is a measure we use to evaluate operating performance. We believe EBITDA is useful in assessing ongoing trends and, as a result, may provide greater visibility in understanding our operations.

Adjusted EBITDA is EBITDA further adjusted to eliminate the impact of certain items that we do not consider to be indicative of the performance of our ongoing operations. We evaluate these adjustments on an individual basis based on both the quantitative and qualitative aspects of the item, including their size and nature as well as whether or not we expect them to occur as part of our normal business on a regular basis. We believe that the adjustments applied in calculating adjusted EBITDA are reasonable and appropriate to provide additional information to investors.

EBITDA and Adjusted EBITDA are not recognized terms under U.S. GAAP and should not be used as alternatives to net income as a measure of operating performance. This presentation of EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures used by other companies because other companies may use different methods to prepare similarly titled measures. EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use as these measures do not include certain cash requirements such as interest payments, tax payments, capital expenditures and debt service.

The following table presents a reconciliation of net income to EBITDA and Adjusted EBITDA for the periods indicated. Certain immaterial amounts in the prior year have been revised to conform with the current presentation of Adjusted EBITDA:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2019**	**2018**	**2019**	**2018**
Net income	$ 19,630	$ 16,671	$ 49,559	$ 42,705
Other expense	141	351	367	565
Interest expense	2,824	2,240	8,211	6,073
Provision for income taxes	6,069	4,960	14,958	13,486
Depreciation and amortization	6,966	6,726	21,535	19,754
EBITDA	35,630	30,948	94,630	82,583
Adjustment related to impairment of intangible assets (1)	—	—	1,728	—
Special charges related to acquisitions (2)	—	507	—	613
Special charges related to severance for staff realignment (3)	166	340	1,321	995
Special charges related to facilities consolidations, office closures, and our future corporate headquarters (4)	194	—	263	—
Adjustment related to bad debt reserve (5)	—	115	(782)	115
Total special charges	360	962	2,530	1,723
Adjusted EBITDA	$ 35,990	$ 31,910	$ 97,160	$ 84,306

(1) Adjustment related to impairment of intangible assets: We recognized impairment expense of $1.7 million in the second quarter of 2019 related to intangible assets associated with a historical business acquisition.

(2) Special charges related to acquisitions: These costs are mainly related to closed and anticipated-to-close acquisitions, consisting primarily of consultant and other outside third-party costs and amortization of deferred consideration payments, discounted as part of the acquisition.

(3) Special charges related to severance for staff realignment: These costs are mainly due to involuntary employee termination benefits for our officers and groups of employees who have been notified that they will be terminated as part of a consolidation or reorganization.

(4) Special charges related to facilities consolidations, office closures, and our future corporate headquarters: These costs are exit costs associated with terminated leases or full office closures. The exit costs include charges incurred under a contractual obligation that existed as of the date of the accrual and for which we will continue to pay until the contractual obligation is satisfied but with no economic benefit to us. Additionally, we incurred one-time charges with respect to the execution of a new lease agreement for our corporate headquarters.

(5) Adjustment related to bad debt reserve: During 2018, we established a bad debt reserve for amounts due from a utility client that had filed for bankruptcy and included the reserve as an adjustment due to its relative size. The adjustment reflects a favorable revision of our prior estimate of collectability based on a third party acquiring the receivables.

Non-GAAP Diluted Earnings per Share

Non-GAAP diluted earnings per share ("EPS") represents diluted EPS excluding the impact of certain items such as impairment of intangible assets, acquisition expenses, severance for staff realignment, facility consolidations and office closures, and certain adjustments to the bad debt reserve (which are also excluded from Adjusted EBITDA, as described further above), as well as the impact of amortization of intangible assets related to our acquisitions and income tax effects. While these adjustments may be recurring and not infrequent or unusual, we do not consider these adjustments to be indicative of the performance of our ongoing operations. Non-GAAP diluted EPS is not a recognized term under U.S. GAAP and is not an alternative to basic or diluted EPS as a measure of performance. This presentation of Non-GAAP diluted EPS may not be comparable to other similarly titled measures used by other companies because other companies may use different methods to prepare similarly titled measures. We believe that the supplemental adjustments applied in calculating Non-GAAP diluted EPS are reasonable and appropriate to provide additional information to investors.

The following table presents a reconciliation of diluted EPS to Non-GAAP diluted EPS for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Diluted EPS	$ 1.02	$ 0.86	$ 2.58	$ 2.22
Adjustment related to impairment of intangible assets	—	—	0.09	—
Special charges related to acquisitions	—	0.03	—	0.03
Special charges related to severance for staff realignment	0.01	0.02	0.07	0.05
Special charges related to facilities consolidations, office closures, and our future corporate headquarters	0.01	0.01	0.06	0.01
Adjustment related to bad debt reserve	—	—	(0.04)	—
Amortization of intangibles	0.10	0.13	0.32	0.37
Income tax effects (1)	(0.02)	(0.04)	(0.12)	(0.11)
Non-GAAP EPS	$ 1.12	$ 1.01	$ 2.96	$ 2.57

(1) Income tax effects were calculated using an effective U.S. GAAP tax rate of 23.6% and 22.9% for the three months ended September 30, 2019 and 2018, respectively, and 23.2% and 24.0% for the nine months ended September 30, 2019 and 2018, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Borrowing Capacity. Short-term liquidity requirements are created by our use of funds for working capital, capital expenditures, and the need to provide any debt service. We expect to meet these requirements through a combination of cash flow from operations and borrowings. Our primary source of borrowings is from our Fifth Amended and Restated Business Loan and Security Agreement with a syndicate of 11 commercial banks (the "Credit Facility"), as described in "Note 4—Long-Term Debt" in the "Notes to Consolidated Financial Statements" in this Quarterly Report.

We believe that the combination of internally generated funds, available bank borrowings, and cash and cash equivalents on hand will provide the required liquidity and capital resources necessary to fund on-going operations, customary capital expenditures and acquisitions, quarterly cash dividends and organic growth. Additionally, we continuously analyze our capital structure to ensure we have sufficient capital to fund future significant, strategic acquisitions. We monitor the state of the financial markets on a regular basis to assess the availability and cost of additional capital resources both from debt and equity sources. We believe that we will be able to access these markets at commercially reasonable terms and conditions if, in the future, we need additional borrowings or capital.

We drew upon our Credit Facility due to the recent declines in our cash flows from operations. The decline in cash flow from operations has been primarily driven by the extended timing of client billings and collections of our disaster relief and rebuild efforts. Due to factors such as the overall stress of such situations, political complexities and challenges among involved government agencies, the timing of cash flow from such operations is more uncertain than others. Moreover, the billing processes have complex reporting requirements and the funding processes have been slow to distribute funds once billed. Management continues to address the cash flows from the disaster relief and rebuild effort to bring the collections to a more current basis and reduce our need to draw upon our Credit Facility to fund operations.

Financial Condition. There were several changes in our balance sheet as of September 30, 2019 compared to the balance sheet as of December 31, 2018. Cash and cash equivalents decreased to $7.5 million as of September 30, 2019, from $11.7 million on December 31, 2018. Restricted cash (current and non-current) decreased from $1.3 million at December 31, 2018 to no restricted cash at September 30, 2019. These changes are further discussed in "Cash Flow" below.

Contract receivables, net of allowance for doubtful accounts, increased to $269.4 million compared to $231.0 million on December 31, 2018 primarily due to extended timing of billings and collections from the disaster relief and rebuild efforts. Contract receivables are a significant component of our working capital and generally increase due to revenue growth and may be favorably or unfavorably impacted by our collection efforts, including timing from new contract startups, and other short-term fluctuations related to the payment practices of our clients. Contract assets and contract liabilities, on a contract by contract basis, represent revenue in excess of billings, and billings in excess of revenue, respectively, both of which generally arise from revenue timing and contractually stipulated billing schedules or billing complexity. At September 30, 2019, contract assets and contract liabilities were $153.1 million and $32.1 million, respectively, compared to $126.7 million and $33.5 million, respectively, at December 31, 2018.

We evaluate our collections efforts using the days-sales-outstanding ratio, or DSO, which we calculate by dividing total accounts receivable (contract receivables, net and contract assets, less contract liabilities), by revenue per day for the three months ended September 30, 2019. Days-sales-outstanding increased from 77 days for the quarter ended December 31, 2018 to 94 days for the quarter ended September 30, 2019 primarily due to timing differences in client billings and collections driven largely by disaster relief and rebuild efforts which have complex reporting and billing requirements and have been slow to pay our invoices. The DSO, excluding disaster relief and rebuild efforts, was 76 days for the quarter ended September 30, 2019 compared to 71 days for the quarter ended December 31, 2018 and 84 days for the quarter ended June 30, 2019.

Property and equipment, net of depreciation and amortization, increased due to capital expenditures primarily related to increases in capitalized software and computer equipment as we invest in our infrastructure, as well as obtaining additional property and equipment.

Goodwill, as discussed in "Note 3—Goodwill" in the "Notes to Consolidated Financial Statements" in this Quarterly Report, increased due to an immaterial correction of an error from a prior acquisition, settlement of contingent or extended commitments under the purchase agreements, and the impact of foreign currency translation.

Effective January 1, 2019, the Company implemented ASU 2016-02. The standard, among other changes, requires lessees to recognize, for all leases with terms of greater than one year, an operating lease right-of-use asset and a corresponding operating lease liability (current and non-current), which depicts the rights and obligations arising from an operating lease agreement. As a result, the Company has reflected an operating lease right-of-use asset totaling $138.2 million related to its operating leases and $30.9 million and $124.9 million of current and non-current operating lease liabilities as of September 30, 2019, respectively. The adoption of the new standard is discussed in "Note 1—Basis of Presentation and Nature of Operations-Significant Accounting Policies – Leases" and "Note 1—Basis of Presentation and Nature of Operations—Recent Accounting Pronouncements – Recent Accounting Pronouncements Adopted – Leases " in the "Notes to Consolidated Financial Statements" in this Quarterly Report.

Total current liabilities, exclusive of the current portion of operating lease liabilities and contract liabilities (both of which are discussed above), consists of: accounts payable, accrued salaries and benefits, accrued subcontractors and other direct costs and accrued expenses and other current liabilities. These operating liabilities were $239.1 million at September 30, 2019, a decrease of $5.5 million from $244.6 million at December 31, 2018. The net decrease in these liabilities was due primarily to timing of payments during the third quarter of 2019.

Long-term debt increased to $245.0 million on September 30, 2019 from $200.4 million on December 31, 2018, primarily due to net draws on our Credit Facility of $44.6 million to primarily fund current operations and capital improvements. The weighted average debt balance on the Credit Facility for the three months ended September 30, 2019 and 2018 was $286.6 million and $249.1 million, respectively, and for the nine months ended September 30, 2018 was $273.7 million and $232.8 million, respectively. The weighted average interest rate on the Credit Facility, excluding any fees and unamortized debt issuance costs, for the three months ended September 30, 2019 and 2018 was 3.6% and 3.4%, respectively, and for the nine months ended September 30, 2019 and 2018 was 3.7% and 3.2%, respectively. We generally utilize cash flow from operations as our primary source of funding and turn to our Credit Facility to fund temporary fluctuations such as increases in accounts receivable, reductions in accounts payable and accrued expenses, purchase of treasury stock and to meet funding requirements for acquisitions.

We have explored various options for mitigating the risk associated with potential fluctuations in the foreign currencies in which we conduct transactions. We currently have forward contract agreements ("currency hedges") in an amount proportionate to work anticipated to be performed under certain contracts in Europe. We recognize changes in the fair value of the currency hedges in our results of operations. We may increase the number, size and scope of our currency hedges as we analyze options for mitigating our foreign exchange risk. Management views the current impact of the hedges to the consolidated financial statements as not material.

Share Repurchase Program. In September 2017 the board of directors approved a share repurchase program that authorizes share repurchases in the aggregate up to $100.0 million. Our total repurchases are also limited by the Credit Facility as described in "Note 13—Share Repurchase Program" in the "Notes to Consolidated Financial Statements" in this Quarterly Report. Our overall repurchase limit is the lower of the amount imposed by our board of directors and by the Credit Facility. Purchases under the repurchase program may be made from time to time at prevailing market prices in open market purchases or in privately negotiated transactions pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance with applicable insider trading and other securities laws and regulations. The purchases will be funded from existing cash balances and/or borrowings, and the repurchased shares will be held in treasury and used for general corporate purposes. The timing and extent to which we repurchase our shares will depend upon market conditions and other corporate considerations, as may be considered in our sole discretion. During the nine months ended September 30, 2019, we repurchased 248,000 shares under this program at an average price of $72.79 per share. As of September 30, 2019, $68.0 million remained available for share repurchases under the share repurchase program.

Dividends. Cash dividends declared thus far in 2019 are as follows:

Dividend Declaration Date	Dividend Per Share	Record Date	Payment Date
February 26, 2019	$ 0.14	March 29, 2019	April 16, 2019
May 2, 2019	$ 0.14	June 14, 2019	July 16, 2019
August 1, 2019	$ 0.14	September 13, 2019	October 15, 2019
November 6, 2019	$ 0.14	December 13, 2019	January 14, 2020

Cash Flow. We consider cash on deposit and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. The following table sets forth our sources and uses of cash for the nine months ended September 30, 2019 and 2018:

	Nine Months Ended September 30,	
(in thousands)	**2019**	**2018**
Net Cash Provided by Operating Activities	$ 6,364	$ 10,353
Net Cash Used in Investing Activities	(24,255)	(38,440)
Net Cash Provided by Financing Activities	12,631	11,164
Effect of Exchange Rate Changes on Cash, Cash Equivalents, and Restricted Cash	(274)	(253)
Decrease in Cash, Cash Equivalents, and Restricted Cash	$ (5,534)	$ (17,176)

Our operating cash flows are primarily affected by the overall profitability of our contracts, our ability to invoice and collect from our clients in a timely manner, and the timing of vendor and subcontractor payments in accordance with negotiated payment terms. We bill most of our clients on a monthly basis after services are rendered. Operating activities provided $6.4 million in cash for the nine months ended September 30, 2019 compared to cash provided by operating activities of $10.4 million for the nine months ended September 30, 2018. The decrease in cash flows provided by operations for the nine months ended September 30, 2019 compared to the prior year was primarily due to the increase in contract receivables, a decrease in net contract assets and liabilities, and net decrease in our operating liabilities, partially offset by the improvement in net income. The increase in contract receivables is primarily due to the slower collection from our disaster relief and rebuild client, as evidenced by the increase in DSO from 77 days for the quarter ended December 31, 2018 to 94 days for the quarter ended September 30, 2019. The decrease in our operating liabilities is a result of our timing of payments through the third quarter of 2019.

Investing activities used cash of $24.3 million for the nine months ended September 30, 2019, compared to $38.4 million for the nine months ended September 30, 2018. Our cash flows used in investing activities consists primarily of capital expenditures and acquisitions. The cash used in investing activities for the nine months ended September 30, 2019 included $20.7 million for capital expenditures and acquisitions of $3.6 million. The cash used in investing activities for the nine months ended September 30, 2018 included business acquisitions cost of $22.8 million and $15.6 million of capital expenditures.

Our cash flows provided by financing activities consists primarily of debt and equity transactions. For the nine months ended September 30, 2019, cash flows provided by financing activities of $12.6 million was largely attributable to cash provided by net advances on our Credit Facility of $44.6 million, partially offset by cash used for net payments for stock issuances and buybacks of $24.3 million, primarily representing shares repurchased under our share repurchase program, payments of cash dividends totaling $7.9 million and $1.6 million payments of capital expenditure obligations, partially offset by cash received in the exercise of options of $1.9 million. For the nine months ended September 30, 2018, cash flows used in financing activities of $11.2 million was largely attributable to net advances on our Credit Facility of $26.3 million and cash received in the exercise of options of $5.8 million, partially offset by cash used for payments for stock issuances and buybacks of $12.4 million, $3.2 million payments of capital expenditure obligations, and payments of cash dividends totaling $5.3 million.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the disclosures discussed in the section entitled "Quantitative and Qualitative Disclosures About Market Risk" in Part II, Item 7A of our Annual Report.

Item 4. Controls and Procedures

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting. As of the period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. We performed the evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in our reports filed with the SEC under the Exchange Act is (1) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As a result of the Company's adoption of the new lease accounting standard ASU 2016-02, Leases (Topic 842), we implemented controls to ensure adequate evaluation of our lease commitments and assessment of the impact of the new accounting standard related to our financial statements to facilitate its adoption on January 1, 2019. There were no other significant changes to our internal control over financial reporting due to the adoption of the new standard, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f), during the periods covered by this Quarterly Report or in other factors that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Limitations on the Effectiveness of Controls. Control systems, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been or will be detected. Because of the inherent limitations in any control system, misstatements due to error or fraud may occur and may not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various legal matters and proceedings arising in the ordinary course of business. While these matters and proceedings cause us to incur costs, including, but not limited to, attorneys' fees, we currently believe that any ultimate liability arising out of these matters and proceedings will not have a material adverse effect on our financial position, results of operations, or cash flows.

Item 1A. Risk Factors

The risk factor concerning the possible withdrawal of the United Kingdom from the European Union that appears on page 22 of our Annual Report on 10-K for the year ended December 31, 2018 is updated by replacing it in its entirety with the following:

Our business in the United Kingdom and the European Union could be negatively affected by the timing and terms of, and uncertainties related to, the United Kingdom's exit from, and potential other developments related to, the European Union.

On June 23, 2016 voters in the United Kingdom ("U.K.") approved an exit from the European Union ("E.U."). On March 29, 2017 the U.K. initiated the process under Article 50 of the Treaty on the European Union, commencing a period, initially of up to two years, for the E.U. and other E.U. member states to negotiate with the U.K. the terms of a withdrawal (often referred to as "Brexit"). Such an exit from the E.U. is unprecedented, and it has been unclear how the commercial, legal and regulatory environment in which we, our customers and our counterparties operate will be affected, as regards both the terms of exit and the future terms of trade. Our U.K. and Belgian operations have traditionally serviced most of our European clients, including the European Commission, and there has been, and remains, a risk that these operations could be disrupted by Brexit.

U.K. political developments have delayed resolution of the many issues associated with Brexit. The U.K. and E.U. previously agreed to extend the deadline for agreement on the terms of withdrawal to October 31, 2019. On October 17, 2019 Prime Minister Johnson and the E.U. announced a revised Withdrawal Agreement that would avoid a so-called "hard/no-deal Brexit". Under a no-deal Brexit the U.K. would exit the E.U. with no transitional arrangements and no negotiated market access or agreements on issues such as customs and citizen mobility. The E.U. approved the Withdrawal Agreement, but on October 19, 2019 the U.K. House of Commons withheld its approval for the Withdrawal Agreement, triggering a legislative requirement for Prime Minister Johnson to request that the E.U. grant a further delay of Brexit until January 31, 2020. On October 22, 2019 the House of Commons narrowly gave preliminary approval to the Withdrawal Agreement, but subject to further scrutiny and votes on potential amendments. The House of Commons voted against accepting a timetable for this scrutiny, which would have allowed for final approval in time for the October 31, 2019 deadline to leave the EU. On October 28, 2019 the E.U. granted an extension of the Withdrawal Agreement deadline to January 31, 2020. However, on October 29, 2019 the House of Commons determined to call a general election to be held on December 12, 2019. The election bill has received House of Lords approval and Royal Assent, thus becoming law.

The calling of a general election dissolved Parliament and means that there will be no further progress toward resolving Brexit issues in Parliament until after the election. There is no certainty that the election on December 12, 2019 will result in a government with a clear mandate to pursue Brexit on the basis of the Withdrawal Agreement. The risk of a "hard/no-deal Brexit" on January 31, 2020 therefore remains.

If, after the election, the U.K. approves the Withdrawal Agreement, this would not relieve all difficulties. Among other things, the Withdrawal Agreement announced on October 17 provided for the U.K. to continue to abide by E.U. rules until the end of the transition period that would last until the end of 2020, extendable by mutual agreement for up to two years. After the transition period the U.K. would have its own customs territory and set its own tariffs. Although the Withdrawal Agreement contemplated the negotiation of free trade agreements with the E.U., those agreements are expected to be difficult and time-consuming to achieve and to focus on goods rather than services, which is what we provide in Europe. There is a risk that, at the end of the transition period, in the absence of new free trade agreements, the UK would default onto WTO terms for all trade with the E.U., with the potential for significant disruption to existing patterns of trade.

The challenges that continue to surround the timing and terms of the U.K.'s exit from the E.U. and its consequences could adversely impact customer and investor confidence and relationships, result in additional market volatility and adversely affect our businesses and results of operations. These effects could derive from delays or reductions in contract awards, canceled contracts, increased costs, changes in exchange rates, difficulty in recruiting or in gaining permission to employ existing staff, or less favorable payment terms.

There also remains the possibility of further movement toward secession from the U.K. by Scotland or Northern Ireland, with different but significant negative consequences. And other E.U. member states or portions thereof may conduct their own referenda leading to an exit from the E.U. or demands for greater freedom from the strictures deriving from the E.U., resulting in a reduction in funding for the European Commission that could lead to a decrease in the funding and scope of our work for that client. In addition, security and sovereignty and financial system stability issues resulting from Brexit or other geopolitical events, or the E.U. actions driven by those events, could change the current balance of responsibility established between the European Commission and member nations, or affect the results of the E.U. budget-setting process, either of which could also reduce the funding and scope of our work for that client.

The risks described above and in our Annual Report are not the only risks that we encounter. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially adversely affect our business, financial condition, and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchase of Equity Securities by Issuer. The following table summarizes our share repurchase activity for the three months ended September 30, 2019:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (3)
July 1 - July 31	—	$ —	—	$ 68,010,294
August 1 - August 31	1,760	$ 81.51	—	$ 68,010,294
September 1 - September 30	—	$ —	—	$ 68,010,294
Total	1,760	$ 81.51	—	

(1) The total number of shares purchased of 1,760 includes shares repurchased pursuant to our share repurchase program described further in footnote (3) below, as well as shares purchased from employees to pay required withholding taxes related to the settlement of any restricted stock units and performance-based share awards in accordance with our applicable long-term incentive plan.

(2) During the three months ended September 30, 2019, we repurchased 1,760 shares of common stock from employees in satisfaction of tax withholding obligations at an average price of $81.51 per share.

(3) The current share repurchase program authorizes share repurchases in the aggregate up to $100.0 million, not to exceed the amount allowed under the Credit Facility. During the three months ended September 30, 2019, we did not repurchase shares under the stock repurchase plan.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit
31.1	Certificate of the Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a). *
31.2	Certificate of the Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a). *
32.1	Certification of the Executive Chairman pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101	The following materials from the ICF International, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Statements of Cash Flows and (iv) Notes to Consolidated Financial Statements.*
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Submitted electronically herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ICF INTERNATIONAL, INC.

November 7, 2019	By:	/s/ Sudhakar Kesavan Sudhakar Kesavan Executive Chairman (Principal Executive Officer)
November 7, 2019	By:	/s/ James Morgan James Morgan Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

Certification of the Principal Executive Officer
Pursuant to Rule 13a-14(a) and 15d-14(a)

I, Sudhakar Kesavan, Executive Chairman of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ICF International, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or person performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

November 7, 2019

/s/ Sudhakar Kesavan
Sudhakar Kesavan
Executive Chairman
(Principal Executive Officer)

Exhibit 31.2

Certification of the Principal Financial Officer
Pursuant to Rule 13a-14(a) and 15d-14(a)

I, James Morgan, Chief Financial Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ICF International, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or person performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

November 7, 2019

/s/ James Morgan
James Morgan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Principal Executive Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 (the “Report”) of ICF International, Inc. (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, Sudhakar Kesavan, Executive Chairman of the Registrant, hereby certify that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

November 7, 2019

/s/ Sudhakar Kesavan
Sudhakar Kesavan
Executive Chairman
(Principal Executive Officer)

Exhibit 32.2

Certification of Principal Financial Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 (the “Report”) of ICF International, Inc. (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, James Morgan, Chief Financial Officer of the Registrant, hereby certify that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

November 7, 2019

/s/ James Morgan
James Morgan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)