

International Development Law Organization

*Financial Statements and notes for the year ended
31 December 2020*



EXECUTIVE SUMMARY

- The IDLO Secretariat is pleased to submit the Audited 2020 Financial Statements together with the Audit Opinion and the Report by the External Auditor. The Financial Statements have been prepared using International Public Sector Accounting Standards (IPSAS). The External Auditor has completed the audit in accordance with the International Standards of Auditing and has provided an unqualified audit opinion.
- This document is submitted to the Standing Committee in accordance with Article IX of the Agreement for the Establishment of the International Development Law Organization (“Establishment Agreement”), which provides for the submission to and the approval by the Standing Committee of the audited Financial Statements of IDLO, taking into account the recommendation of the Audit and Finance Committee.

DRAFT ADVICE

The Audit and Finance Committee agrees to recommend to the Standing Committee that it approves the 2020 Audited Financial Statements without amendment.



INDEPENDENT AUDITOR'S REPORT

**IDLO – INTERNATIONAL DEVELOPMENT LAW
ORGANIZATION**

FINANCIAL YEAR ENDED 31 DECEMBER 2020



INDEPENDENT AUDITOR'S REPORT

To the Standing Committee of
IDLO – International Development Law Organization

Opinion

We have audited the financial statements of IDLO – International Development Law Organization, which comprise the statement of financial position as of 31 December 2020, the statement of financial performance, the statement of changes in equity, the statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of IDLO as of 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of IDLO in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers SpA

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Management is responsible for assessing the organization's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless they either intend to liquidate the organization or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing IDLO's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgment and maintained professional skepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IDLO's internal control.
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on IDLO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause IDLO to cease to continue as a going concern.



- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Rome, 2 April 2021

PricewaterhouseCoopers SpA



Scott Cunningham
(Partner)

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT I
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

<i>(in EUR thousand)</i>	<i>Note</i>	December 31	
		2020	2019
Assets			
Current Assets			
Cash and cash equivalents	3	56,853	56,751
Receivables from exchange transactions	4	2,016	2,159
Prepayments and other current assets	5	1,244	835
		60,113	59,745
Non current Assets			
Investments	6	9,454	9,127
Property, plant and equipment	7	319	395
		9,773	9,522
Total Assets		69,886	69,267
Liabilities			
Current Liabilities			
Accounts payable	8	(523)	(1,346)
Accrued expenses	8	(1,492)	(1,321)
Employee benefit	9	(7,117)	(6,795)
Deferred revenue	10	(46,206)	(47,000)
Total Liabilities		(55,338)	(56,462)
Equity	12		
Accumulated surplus		(9,298)	(9,018)
Earmarked fund		(1,048)	(521)
Operational fund		(3,441)	(2,508)
Donor endowment fund		(760)	(759)
Total Equity		(14,548)	(12,806)
Total Liabilities and Equity		(69,886)	(69,267)

The footnotes are an integral part of the financial statements.

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT II
STATEMENT OF FINANCIAL PERFORMANCE
AT 31 DECEMBER 2020

<i>(in EUR thousand)</i>	<i>Note</i>	December 31	
		2020	2019
Revenue			
Unrestricted grants		6,852	6,959
Earmarked grants		949	1,374
Restricted grants - programs		30,877	38,752
Other revenue		17	59
Total Revenue	13	38,695	47,144
Expenses			
Wages, salaries, employee benefits and other staff costs - HQ		(6,621)	(6,543)
Office expenses - HQ		(1,175)	(1,204)
Institutional costs - HQ		(835)	(1,346)
Depreciation - HQ		(116)	(131)
Wages, salaries, employee benefits and other staff costs - Programmes		(12,612)	(12,569)
Consultants internal - Programmes		(1,758)	(1,940)
Rent - Programmes		(1,546)	(1,601)
Travel - Programmes		(745)	(2,123)
Training - Programmes		(2,741)	(6,173)
Subgrants & Partners - Programmes		(3,501)	(6,538)
Consultant external - Programmes		(2,921)	(2,827)
Supplies and consumable use - Programmes		(711)	(559)
Other expenses - Programmes		(1,357)	(1,379)
Total Expenses	14	(36,639)	(44,933)
Non operating income and expenses			
Foreign exchange losses and write offs	15	(455)	(15)
Finance income	16	140	154
Total non operating income and expenses		(315)	139
Surplus for the year		1,741	2,350

The accompanying footnotes are an integral part of the financial statements.

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT III
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

<i>(in EUR thousand)</i>	Accumulated surplus / (deficit)	Earmarked fund	Operational fund	Donor endowment funds	Total equity
Balance year ended 31 Dec 2018	(9,737)			(720)	(10,457)
Surplus of the period	(2,350)				(2,350)
Net change in endowment funds	39			(39)	-
Movements of the period	3,029	(521)	(2,508)		-
Balance year ended 31 Dec 2019	(9,018)	(521)	(2,508)	(759)	(12,807)
Balance as at 1 Jan 2020	(9,018)	(521)	(2,508)	(759)	(12,807)
Surplus of the period	(1,741)	-	-	-	(1,741)
Institutional projects balance deferred to 2021	632	(632)	-		-
2020 balance transferred to operational fund	969	-	(969)		-
Net change in endowment funds	1			(1)	-
Movements of the period	(141)	105	36		-
Balance year ended 31 Dec 2020	(9,298)	(1,048)	(3,441)	(760)	(14,548)

The accompanying footnotes are an integral part of the financial statements.

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT IV
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2020

(in EUR thousand)	<i>Note</i>	December 31	
		2020	2019
Cash flows from operating activities			
Surplus / (deficit) for the period		1,741	2,350
Adjustments required to reconcile surplus / (deficit) for the period to cash flows from operating activities:			
Depreciation and amortization	7	116	132
(Increase)/ Decrease in receivables from exchange transactions	4	143	215
(Increase)/ Decrease in market value of endowment funds		1	(39)
(Increase)/ Decrease in other assets	5	(409)	1,121
Increase/(Decrease) in deferred revenues	10	(794)	(4,659)
Increase/(Decrease) in account payables and accrued liabilities	8	(652)	372
Increase/(Decrease) in provident funds invested	9	322	1,747
Net cash flows from operating activities		468	1,239
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(40)	(142)
(Increase)/ Decrease in provident funds contributions		(327)	(1,748)
(Increase)/ Decrease in market value of investment portfolio		(5)	(81)
Net cash flows from investing activities		(372)	(1,971)
Cash and cash equivalents at beginning of period		56,751	57,484
Net increase / (decrease) in cash and cash equivalents		102	(733)
Cash and cash equivalents at end of period		56,853	56,751
Cash		5,953	4,534
Deposits		50,900	52,217
Cash and cash equivalents at end of period		56,853	56,751

The accompanying footnotes are an integral part of the financial statements.

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT V
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2020

<i>(in EUR thousand)</i>				
<i>Description</i>	Approved 2020 Budget ⁽¹⁾	Actual Jan-Dec ⁽²⁾	Variance	Variance (%)
Revenue				
Unrestricted revenue	6,702	6,859	157	2%
Earmarked revenue	975	949	(26)	-3%
Restricted program revenue	35,041	30,886	(4,155)	-12%
Total Revenue	42,718	38,695	(4,023)	-9%
EXPENSES				
Direct Program Activities	31,334	27,892	(3,442)	-11%
Institutional projects	800	168	(632)	-79%
Institutional activities	1,280	667	(613)	-48%
Employee related costs	7,543	6,621	(922)	-12%
Office costs (includes depreciation)	1,761	1,291	(470)	-27%
Total Expenses	42,718	36,639	(6,079)	-14%
Operational Result		2,056		
Forex loss and write off		(455)		
Investment income		140		
Net Result		1,741		
Institutional Projects balance to defer to 2021		(632)		
Return on investment transferred to reserves		(140)		
Balance transferred to operation fund		969		

Refer to Note 18 for further information on the Statement of Comparison of Budget and Actual Amounts.

⁽¹⁾ The budget was approved on November 24, 2019 by the Assembly of Parties.

⁽²⁾ As of December 31, 2020.

**INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT VI
STATEMENT OF CONTRIBUTIONS REVENUE
FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019**

(in EUR unit)

Donors	Unrestricted Grants	Earmarked Grants	Restricted Grants Programs Implemented	Total grants received & utilized 2020	Total grants received & utilized 2019
Bill and Melinda Gates Foundation	45,721			45,721	89,000
British Council			652	652	173,546
European Bank for Reconstruction and Development (EBRD)			913,282	913,282	1,055,173
European Union			757,310	757,310	1,444,412
Government of Canada (CIDA & DFAIT)			467,449	467,449	363,856
Government of China	20,000		84	20,084	20,000
Government of Denmark (DANIDA)			1,127,942	1,127,942	660,155
Government of Germany (GIZ)			60,916	60,916	-
Government of Italy	4,032,914		98,284	4,131,198	4,234,228
Government of the Netherlands		949,487	3,671,438	4,620,925	9,275,607
Government of Philippines	8,356			8,356	2,230
Government of Sweden (SIDA) (1)	2,384,915		1,383,641	3,768,556	3,612,963
Government of Switzerland (SDC)			411,930	411,930	968,713
Government of the United Kingdom (DFID/FCDO)			833,049	833,049	502,676
Government of the United States of America (DOS & USAID)	359,842		18,853,300	19,213,142	21,354,656
Kuwait Fund for Arab Economic Development			198,590	198,590	467,470
OPEC Fund for International Development (OFID)			134,903	134,903	118,148
The Netherlands Institute of International Relations "Clingendael"			47,745	47,745	33,590
UN Convention on Biological Diversity (UN CDB)				-	93,752
United Nations Development Programme (UNDP)			1,577,659	1,577,659	2,455,990
United Nations Children's Fund (UNICEF)			339,059	339,059	21,580
United Nations Department of Economic and Social Affairs (UNDESA)				-	73,555
ViiV Healthcare				-	64,222
Total revenue from donors	6,851,748	949,487	30,877,234	38,678,469	47,085,518

- (1) The unrestricted contribution from the Government of Sweden in original currency was SEK 25,000,000
- (2) The unrestricted contribution from the Government of the USA in original currency was USD 400,000

Notes to the Financial Statements at 31 December 2020

Note 1: The Organization

The International Development Law Organization (IDLO or the Organization) headquartered in Rome, Italy, Viale Vaticano 106, is an international intergovernmental organization. IDLO enables governments and empowers people to reform laws and strengthen institutions to promote peace, justice, sustainable development, and economic opportunity.

A Headquarters Agreement signed on June 14, 2017, and entered into force on October 1, 2019, regulates IDLO's relations with the host government, Italy. On December 19, 2013, the Minister of Foreign Trade and Development Cooperation of Netherlands and the Director-General of the International Development Law Organization (IDLO), signed the Host country Agreement for the establishment of a Branch Office of IDLO in The Hague.

In addition to the Headquarters in Rome and the Branch Office in The Hague, IDLO has its liaison offices to the United Nations in New York and Geneva; and 17 country offices, including, Afghanistan, Honduras, Indonesia, Jordan, Kenya, Kyrgyzstan, Liberia, Mali, Mexico, Moldova, Mongolia, Myanmar, Philippines, Somalia, Tunisia, Uganda, and Ukraine (2019: 17 offices); and carries out programs in more than 40 countries on five continents.

The Organization is governed by an Assembly of Parties. The thirty-seven Member Parties of IDLO's Establishment Agreement are currently (2019: 37 Member Parties): Afghanistan; Australia; Austria; Bulgaria; Burkina Faso; China; Ecuador; Egypt; El Salvador; France; Honduras; Italy; Jordan; Kenya; Kuwait; Liberia; Mali; Mongolia; Montenegro; Mozambique; Netherlands; Norway; OPEC Funds for International Development (OFID); Pakistan; Paraguay; Peru; Philippines; Qatar; Romania; Senegal; Sudan; Sweden; Tunisia; Turkey; Uganda; United States; Vietnam.

Vision

IDLO's vision is to create a world in which every person lives with dignity and under the rule of law.

Mission

IDLO's mission is to enable governments, empower people and strengthen institutions to realize justice, peace, and sustainable development.

Funding

IDLO receives voluntary contributions for institutional and/or program support from government agencies, multilateral organizations, and private foundations. In

2020 IDLO received unrestricted budget support from five sovereign donors (refer to Statement VI for more details on this). Any significant reduction in the level of this support, if this were to occur, would have a material effect on IDLO's programs and activities.

Strategy

IDLO's Strategic Plan 2017-2020 comprises the following action goals and major initiatives:

a) six *Action Goals*:

1. Empower women, poor and marginalized groups to fight discrimination & access justice.
2. Engage with civil society to enhance legal empowerment & promote rule of law.
3. Engage with informal justice systems to address justice seekers' needs in line with human rights.
4. Strengthen capacity & integrity of institutions to deliver justice & uphold rights.
5. Support legal & judicial actors to promote economic opportunity & sustainability.
6. Champion rule of law with decision makers to mobilize political will.

b) eight *Major Initiatives*:

1. Program Change Initiative.
2. Learning and Knowledge Management.
3. Transparency and Accountability.
4. Communications and Stakeholder Relations.
5. Resource Mobilization.
6. Membership and Governance.
7. Talent Management.
8. Field Orientation and Organizational Reform.

Assembly of Parties

The Assembly of Parties is composed of representatives of all IDLO's Member Parties, a Member Party being a state or intergovernmental organization that is a party to the Agreement for the Establishment of IDLO. The Assembly is IDLO's highest decision-making body, and it convenes in Rome once a year, holding its regular session in the last quarter of each year. The role of the Assembly is to determine the Organization's policies and oversee the action of the Director-General. Its duties include the adoption of the budget and the accompanying management plan; the adoption of by-laws for the governance of the Organization and *inter alia* for the personnel policies; the adoption of recommendations relating to the Organization's policies and management; the approval of the admission of new

members of the Organization and the election of the President and Vice-President of the Assembly; the appointment of the Director-General, *ad hoc* members of the Standing Committee, the Audit and Finance Committee and the members of the Board of Advisers.

Standing Committee

The Standing Committee reports to the Assembly and provides appropriate oversight of the Organization on behalf of the Member Parties between sessions of the Assembly. It is comprised of the President of the Assembly, who shall be its chair, the Assembly's two Vice-Presidents (elected by the Assembly for a three-year term, the State where IDLO has its headquarters -Italy- serves as a permanent, *ex officio* Vice-president), and one representative from each of four Parties who shall be elected by the Assembly in alternate years each for a two-year term. The Standing Committee is in charge of monitoring the proper implementation of the budget, management plan, strategic plan, and other decisions of the Assembly, and preparing reports and recommendations for the Assembly. One of its functions is also the adoption of the audited financial statements.

Since the meeting of the Assembly of Parties held in virtual modality on November 24, 2020, the IDLO Standing Committee is composed of the representatives of Pakistan (President), the United States (Vice-President); Italy (*ex officio* Vice-President), Ecuador, Kuwait, Philippines, and Senegal (*ad hoc* members).

Audit and Finance Committee In addition to the governing bodies created under the Establishment Agreement, the Audit and Finance Committee was established by the Assembly of Parties to assist the Assembly through the Standing Committee in their oversight responsibility with respect to audit and compliance, the implementation of financial reporting, and maintenance of effective and efficient financial performance. It is composed of five to seven members chosen from among the Assembly of Parties for a two-year term. The Chair of the Audit and Finance Committee is appointed by the Assembly of Parties from among the members of the Committee and a Vice-Chair is chosen by the members of the Committee at its first meeting during each calendar year. The Audit and Finance Committee is composed of the representative of Italy (Chair), China, Kenya, Kuwait, Senegal (Vice Chair), Turkey and the United States.

Board of Advisers

A Board of Advisers provide expert advice to the Assembly of Parties, the Standing Committee, and the Director-General. It includes between six and ten individuals elected by the Assembly for a four-year term. All Board members are selected based on their expertise and backgrounds in various disciplines related to the rule of law and development. They serve in their personal capacities and not as representatives of governments or organizations. Meetings of the Board of Advisers are normally convened at least once a year, prior to the regular meeting of the Assembly.

Note 2: Significant accounting policies

Basis of preparation

These financial statements are prepared on the accrual basis of accounting in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) using the historic cost convention, other than certain investments and liability for employee benefits (provident fund) which are carried at fair value. The Cash Flow Statement has been prepared using the indirect method. The accounting policies set out below are applied consistently in the preparation and presentation of these financial statements.

Use of estimates

The financial statements include certain reasonable estimates that relate to the residual value of furniture and fittings of a relatively immaterial value. Changes in estimates are reflected in the period in which they become known.

Functional currency

The financial statements are presented in Euro, which is the functional currency of the Organization.

Foreign currency transactions

Revenue and expense items in currencies other than Euro have been recorded at appropriate rates of exchange during the period. Assets and liabilities denominated in currencies other than Euro are translated to Euro using year-end exchange rates. Realized and unrealized foreign exchange gains and losses arising from the translation of assets and liabilities in currency other than Euro are credited or charged to the Statement of Financial Performance.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank accounts and deposits. Deposits refer to short-term liquid investments purchased with a maturity of three months or less.

Receivables

Receivables are stated at nominal value unless the effect of discounting is material.

Investments

Financial instruments are recognized at fair value on their trade-date. The carrying value of financial instruments is adjusted to reflect the current fair market value on a periodic basis. Gains and losses arising from changes in the market value of financial instruments are recorded directly in the Statement of Financial Performance.

Property, plant, and equipment

Property, plant, and equipment (PP&E) are stated at historical cost less accumulated depreciation and any recognized impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Organization and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

Depreciation is charged to write off the cost of assets over their estimated useful life using the straight-line method. The useful life of major classes of PP&E are:

Class of PPE	Estimated useful life
Fixtures, furniture, & equipment	5 years
Computers	5 years
Leasehold improvements	12 years

The cost, accumulated depreciation, and accumulated impairment losses of an item of PP&E shall continue to be reflected in the financial statements until such time as the item meets the criteria for derecognition. An item of PP&E shall be derecognized from the financial statements when the item is disposed, or no future economic benefit or service potential is expected from its use or disposal.

Accounts payable

Short term payables with no stated interest rate are measured at the original invoice amount because the effect of discounting is immaterial.

Accounts payable represent amounts due to vendors, consultants, employees, and others. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Leases

Operating leases

Leases where the lessor retains a significant portion of the risks and rewards inherent in ownership are classified as operating leases. Expenditures incurred

under operating leases are charged to the Statement of Financial Performance as expense, on a straight-line basis, over the period of the lease.

Employee Benefits Obligation

According to IPSAS 39, defined contribution plans are post-employment benefit plans under which an entity pays:

- a) fixed contributions into a separate entity (a fund) and
- b) will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. These types of plans require the application of actuarial considerations.

In IDLO, all the contributions are set aside in a specific investment portfolio where each employee autonomously via a web platform selects how his/her contribution is invested from the available options.

Since all the contributions are retained in the name of IDLO, the fund cannot be considered a pure defined contribution plan despite the Organization not bearing any actuarial or investment risks.

The employee provident fund liability is always equal to the fair value of the provident fund held by IDLO.

Revenue recognition

Non-exchange transaction

Revenue is generated through non-exchange transactions in which the Organization receives donations and grants without directly giving equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset are required to be utilised by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognized as an asset when, and only when:

- i. It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- ii. The fair value of the asset can be measured reliably.

As an entity satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it shall reduce the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

The Organization records revenue from unrestricted grants on a full accrual basis, when the right to receive the grants accrues.

Grants restricted by the donor for program purposes are deemed to be earned and are reported as revenue when expenditure is incurred in accordance with the specific restrictions of the donor. Such amounts received but not yet earned are reported as deferred revenue.

Grants not restricted to specific programs but earmarked for a general purpose are deemed to be earned and are reported as revenue when expenditure is incurred.

Expense recognition

The Organization records expenses on an accrual's basis.

Annual budget

The annual budget for IDLO is prepared by management and presented to the Audit & Finance committee for its review and recommendation. The budget goes together with the management plan to the Standing Committee for its review and recommendation to the Assembly of Parties (AOP). The AOP approves the management plan and budget at its annual meeting held in November.

Note 3: Cash and cash equivalents

<i>(in EUR thousand)</i>	December 31	
	2020	2019
Cash	5,953	4,534
Deposits	50,900	52,217
Total cash and deposits	56,853	56,751

Cash in bank is denominated in Euro.

The balances in 2020 have increased slightly as a reflection of IDLO's program implementation during the year, plus new program funds being advanced from some donors in 2020.

Note 4: Receivables from exchange transactions

As of December 31, 2020, Receivables from exchange transactions amounted to €2,016 thousand (2019: €2,159 thousand). It mainly refers to outstanding amounts of grants not yet collected for specific projects that have been implemented. An amount of €70,425 (2019: €17,683) is VAT due but still outstanding.

Note 5: Prepayments and other assets

<i>(in EUR thousand)</i>	December 31	
	2020	2019
Advances	786	339
Prepaid expenses	259	259
Other	199	237
Total prepayments and other assets	1,244	835

At December 31, 2020 prepayments and other assets amount to € 1,244 thousand (2019: € 835 thousand). This item consists of: Sub-grants, deriving mainly from advances to implementing partners, advances to vendors, and salary and educational advances.

Note 6: Investments (non-current)

<i>(in EUR thousand)</i>	December 31	
	2020	2019
Employee benefit investments	7,117	6,795
Investment portfolio	1,577	1,573
Donor endowment funds	760	759
Total investment	9,454	9,127

At December 31, 2020 Investments amount to € 9,454 thousand (2019: € 9,127 thousand).

Employee benefit investments (Provident Fund)

<i>(in EUR thousand)</i>	December 31	
	2020	2019
Cash holdings		
UBS	3,198	3,199
BPS	561	323
Total cash holdings	3,759	3,522
BNP Paribas investment funds	3,358	3,273
Total Provident Fund Holdings	7,117	6,795

All eligible staff participate in the IDLO Employee Provident Fund. The balance is paid at retirement or separation of employment. Earlier withdrawal can be made under certain circumstances. This plan is funded by a mandatory seven percent deduction from employees' salaries and an additional fourteen percent contribution by IDLO. The provident funds are either held in bank accounts with Banca Popolare di Sondrio (BPS) and UBS Switzerland AG (UBS) or invested with BNP Paribas.

Investments

<i>(in EUR thousand)</i>	December 31	
	2020	2019
Funds held in Investments	1,572	1,491
Arab Endowment Fund	457	434
Kuwait Endowment Fund	302	286
Balance at the beginning of the year	2,331	2,211
Realized & unrealized Gain	5	120
Regular Investments	1,577	1,572
Arab Fund	457	457
Kuwait Fund	302	302
Balance at the end of the year	2,336	2,331

The investment portfolio at year end December 31, 2020 had a market value of € 2.336 thousand and represents the principal together with changes in market value during the year. Changes in the market value of the investment portfolio are reported in the Statements of Financial Performance in the year in which the change occurs.

The investment portfolio composition by asset class in 2020 and 2019 consist of:

Investment portfolio by asset class

<i>(in EUR thousand)</i>	December 31,2020		December 31,2019		Variance	
					Change in Value	Value as a % of Total
Liquidity	126	5.39%	466	19.99%	(340)	-14.60%
Bonds	1,618	69.26%	1,334	57.23%	284	12.04%
Equities	586	25.09%	505	21.66%	81	3.42%
Total	2,330	100%	2,305	99%	25	
Real Estate	6	0.26%	26	1.12%	(20)	-0.86%
Total Asset Value	2,336	100%	2,331	100%	5	

The Donor Endowment Funds form part of the investment portfolio. The contributions from the Kuwait Fund for Arab and Economic Development and from Arab Fund for Economic and Social Development represent endowments where the principal is invested, and profits earned are expendable on IDLO operations. Unless otherwise agreed with the donors, the principal must be retained and invested for the long term.

Note 7: Property, plant, and equipment

<i>(in EUR thousand)</i>	Leasehold improvements	Furniture, Fixtures & Equipment	Computers	Total
Cost as of January 1, 2020	5,998	1,597	886	8,481
<i>Additions</i>	9	5	26	40
Cost as of December 31, 2020	6,007	1,602	912	8,521
Depreciation as of January 1, 2020	5,769	1,568	749	8,086
<i>Depreciation</i>	-	24	62	85
<i>Amortization</i>	30	-	0	30
Depreciation as of December 31, 2020	5,799	1,592	811	8,202
Balance as of December 31, 2020	208	10	101	319

The additions of the period are related to the costs for improvements, furniture and equipment purchases for the headquarters building in Rome and computers for IDLO staff.

Note 8: Accounts payable and accrued expenses

At December 31, 2020 accounts payable amounts to € 523 thousand (2019: € 1.346 thousand) and accrued expenses amounts to € 1.492 thousand (2019: € 1.321 thousand). Accounts payable refers to vendors, consultants, and medical insurance for the employees.

Note 9: Employee benefit obligations

Employee benefit obligations represent the Provident Fund liability, which is equal to the Provident Fund investment balance described in Note 6 "Investments."

Note 10: Deferred Revenue

The deferred revenue balance of € 46.206 thousand (2019: € 47.000 thousand) includes grants for projects for € 46.076 thousand (2019: € 46.870 thousand) and earmarked activities for € 130 thousand (2019: € 130 thousand) received in 2020 and prior years but not utilized as at December 31, 2020.

Note 11: Operating lease commitments

As of December 31, 2020, the minimum future rental payments for all headquarters leases are shown in the following table:

<i>(in EUR thousand)</i>		<i>As of December 31, 2020</i>				
Corporate Office	Currency	2021	2022	2023	2024	2025
Rome	<i>Euro</i>	453,548	458,084	462,664	467,291	471,964
New York	<i>Euro</i>	27,601	-	-	-	-
Geneva	<i>Euro</i>	25,897	8,632	-	-	-
The Hague	<i>Euro</i>	242,467	247,317	252,263	110,155	-

As for the office located in Geneva, IDLO, as lessee, has a legal renewal option, therefore the contract is renewed every year unless the Organization terminates the contract with three months' notice.

Note 12: Equity

As at December 31, 2020 the total Equity is composed of the Accumulated surplus of € 9,298 thousand (2019: € 9,018 thousand), Donor endowment funds that amount to € 760 thousand (2019: € 759 thousand), with a surplus for the year of € 1,741 thousand (2019: € 2,350 thousand). The increase in the Accumulated surplus in 2020 was due to the gain from returns on investments.

As of December 31, 2020, the Operational Fund amounts to € 3,441 thousand

(2019: € 2.508 thousand).

Moreover, in line with the IDLO reserves policy, budgets approved for projects in 2020 that were not completed, are carried forward in the "Earmarked fund". As of December 31, 2020, the Earmarked fund amounted to € 1,048 thousand (2019: € 521 thousand).

Note 13: Revenue

<i>(in EUR thousand)</i>	December 31	
	2020	2019
Restricted grants - programs	(30,877)	(38,752)
Unrestricted grants	(6,852)	(6,959)
Earmarked grants	(949)	(1,374)
Other revenue	(17)	(59)
Total Revenue	(38,695)	(47,144)

Total revenues as of December 31, 2020, amount to € 38,695 thousand (2019: € 47,144 thousand).

The balance is mainly composed of:

- Restricted grants revenue of € 30,877 thousand (2019: € 38,752 thousand) being revenue recognized based on program implementation within the year.
- Unrestricted grants revenue of € 6,852 thousand (2019: € 6,959 thousand) being funds received from donors during the year to support operational and institutional expenses incurred.
- Earmarked grants revenue of € 949 thousand (2019: € 1.374 thousand) being funds received from donors to support specific expenses incurred during the year.

A breakdown of contributions revenue by Donors is included as Statement VI of the financial statements.

Note 14: Expenses

Total expenses as of December 31, 2020, amount to € 36,639 thousand (2019: € 44,933 thousand). The balance is mainly composed of:

- Program costs for € 27,892 thousand (2019: € 35,709 thousand).
- Wages, salaries, employee benefits and other staff costs for € 6,621 thousand (2019: €6,543 thousand).
- Office expenses for € 1,175 thousand (2019: € 1,204 thousand).
- Institutional costs for € 835 thousand (2019: € 1,346 thousand).

Note 15: Foreign exchange losses

The Foreign exchange losses as of December 31, 2020, amounts to € 367 thousand (2019: € 15 thousand).

Note 16: Finance income

(in EUR thousand)	December 31	
	2020	2019
Total realized and unrealized (gains)	(4)	(120)
Other income	(136)	(34)
Total investment income	(140)	(154)

Note 17: Segments

The organization operates and reports financial information in two segments: *Action Goals* and *Major Initiatives*.

Action Goals sets out the substantive focus of IDLO's programming in support of the impact goals. *Major Initiatives* constitutes a set of organizational priorities, which seek to strengthen IDLO's effectiveness and efficiency.

Revenues are allocated to the two segments based on the nature of the grant. Restricted grants, earmarked grants, and most other revenues are allocated by IDLO to *Action Goals*, because they are utilized in execution of projects and programs. Similarly, unrestricted grants are funds received by donors to support operational and institutional expenses incurred and have been allocated to the segment *Major Initiatives*.

The allocation of expenses to *Action Goals* and *Major Initiatives* for staff costs was done on an individual basis for each employee while the allocation of other expenses is based on best estimates of percentage allocations provided by IDLO departments and on the nature of the expense – if it is towards projects or towards generic IDLO purposes.

The Statement of Financial Performance for the year ended December 31, 2020 and the total of Assets and Liability, on a segment basis, is as follows:

<i>(in EUR thousand)</i>	31-Dec-20		
	Action Goals	Major Initiatives	Total
Total Assets	52,686	17,200	69,886
Total Liabilities	(52,307)	(17,579)	(69,886)
Revenue			
Unrestricted grants	-	6,852	6,852
Earmarked grants	949	-	949
Restricted grants - programs	30,877	-	30,877
Other revenue	17	-	17
Total Revenue	31,844	6,852	38,695
Expenses			
Wages, salaries, employee benefits and other staff costs - H	(3,377)	(3,244)	(6,621)
Office expenses - HQ	(599)	(576)	(1,175)
Institutional costs - HQ	(225)	(610)	(835)
Depreciation - HQ	-	(116)	(116)
Wages, salaries, employee benefits and other staff costs - Programmes	(12,612)	-	(12,612)
Consultants internal - Programmes	(1,758)	-	(1,758)
Rent - Programmes	(1,546)	-	(1,546)
Travel - Programmes	(745)	-	(745)
Training - Programmes	(2,741)	-	(2,741)
Subgrants & Partners - Programmes	(3,501)	-	(3,501)
Consultant external - Programmes	(2,921)	-	(2,921)
Supplies and consumable use - Programmes	(711)	-	(711)
Other expenses - Programmes	(1,357)	-	(1,357)
Total Expenses	(32,095)	(4,544)	(36,639)
Non operating income and expenses			
Foreign exchange gain / (losses) and write offs	-	(455)	(455)
Finance income / (expenses)	-	140	140
Total non operating income and expenses	-	(315)	(315)
Surplus for the year	(251)	1,992	1,741

Note 18: Statement of Comparison of Budget and Actual Amounts (Statement V)

The budget is prepared and approved on an accrual basis.

The analysis has been performed by comparing the budget approved by the Assembly of Parties and the actual amounts as of December 31, 2020.

The difference between the budget and the actual amounts in the Unrestricted Revenue amounts to € 157 thousand and is due to an additional contribution by the Gates foundation and Government of the Philippines which had not been captured in the 2020 budget and impact of foreign exchange rates fluctuations (namely on SEK and USD against the Euro).

Earmarked Revenue and Restricted Program Revenue positive variance amounts to € 4,2 million and is mainly driven by the impact of the COVID 19 pandemic on

project implementation. The various worldwide lockdowns and other similar health measures have resulted in delaying certain project activities while, where possible, others have been converted from in-person to online activities resulting in savings in travels and other training related costs.

The Direct Program Activities cost registered a positive variance of € 3.4 million. The underspend on project activities in 2020 was driven by the impact from the mandated pandemic restrictions. Conversion from in-person to online activities took place where possible. This resulted in savings on travel and other training related costs. Other activities were rescheduled/postponed for implementation in 2021.

The institutional costs (institutional projects and activities) also registered a positive variance of € 1.2 million. Delivery of planned projects was impacted by lockdowns and restrictions on commerce and movement which required IDLO to carry forward some certain systems' reforms and other internal projects to 2021.

The Employee related costs registered positive variance of € 922 thousand from the budgeted amounts caused by the impact of COVID 19 on timing of recruitment and related relocations.

Office costs register a positive variance of € 470 thousand, the biggest impact is due to the Depreciation which is registered with an actual expenditure of € 115 thousand against € 370 thousand of approved budget. This was due to the inability to carry out renovation works during the pandemic. In addition, assets were fully depreciated, and the organization invested in limited additional assets in the past years. Savings in IDLO's HQ, Branch and UN representation offices have also been registered driven by health measures in response to COVID 19 pandemic which resulted in a reduced presence of employees.

Note 19: Taxation

The position of IDLO with respect to taxation in Italy is established in the Headquarters Agreement.

Article IX, Section 12 of the Headquarters Agreement exempts "the Organization, its properties, incomes and assets" from "all direct taxation and duties levied by the State, Regions, Provinces and Municipalities". Article IX, Section 13 establishes additional tax exemptions for the Organization, including an exemption from the payment of Value Added Tax on "substantial purchases".

Article XV, Section 21(e) exempts members of the staff from "any form of direct taxation on salaries, emoluments and indemnities paid to them by or on behalf of the Organization".

Note 20: Related parties

Basic annual compensation and related benefits to key management personnel and Director-General for the year ended 31 December 2020 was as follows:

(in EUR thousand)

Key management personnel	Number of individuals	Basic pay	Provident Funds (14%)	Insurance plan (cost to IDLO)	Education allowance	Expatriate Allowance (8%)/ Housing Allowance
2019	8	801	112	36	0	61
2020	8	898	126	48	0	88

The table above includes the Director General, Directors, and General Counsel, as they are responsible for Programs, Human Resources and Office Services Department, Communications, Research and Learning and Finance, and Support Services.

The insurance plan covers reasonable and customary expenses of medical, hospital and dental treatment resulting from sickness, accident, or maternity.

The Expatriate allowance is intended to assist employees to cover additional costs incurred when taking up residence in duty stations outside of their country of nationality or recognized place of residence.

There are also other allowances that are calculated based on many other factors like family size and distance of travel from the place of recruitment. The allowances are:

- *Installation Allowance* is payable in a lump-sum and is meant to assist employees and their eligible dependents to meet installation expenses upon arrival in a new duty station.
- *Relocation Allowance* is a lump sum for the purpose of assisting eligible employees with the transportation of their personal effects to and from the duty station of assignment.
- *Education Allowance* assists expatriate Professional employees on Indefinite and Fixed-Term contracts to meet the extra costs that they may face in providing their children with an education that will enable them to assimilate back into their own country whether for further education or to find employment.

The number of employees of the Organization was 416 as December 31, 2020 (2019: 436 employees).

Note 21: Events after the reporting date

The Organization's reporting date is 31 December 2020 for the 2020 IPSAS Financial Statements. On the date of approval and signing of these accounts, there have been no material events, favourable or unfavourable, incurred between the reporting date and the date when the financial statements were authorized for issuance that would have impacted these statements.



Jan Beagle
(Director General)



Haroun Atallah
(Director Finance & Support Service)