



INDEPENDENT AUDITORS' REPORT

**INTERNATIONAL DEVELOPMENT LAW ORGANISATION
(IDLO)**

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018



INDEPENDENT AUDITOR'S REPORT

To the Standing Committee of
IDLO - International Development Law Organization

Opinion

In our opinion, the financial statements of IDLO – International Development Law Organization are prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to the financial statements.

What we have audited

IDLO's financial statements comprise:

- the balance sheet as at 31 December 2018;
- the statement of revenues and expenses for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies; and
- the statement of contribution's revenues (Schedule 1).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers SpA

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Independence

We are independent of IDLO in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of Matter – Basis of accounting and restriction on distribution and use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared on a voluntary basis and to assist IDLO to present financial information relevant for the Standing Committee. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, 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.

In preparing the financial statements, management is responsible for assessing IDLO's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate IDLO or to cease operations, or has 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 ISAs 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 these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 communicate with those charged with governance 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 identify during our audit.

Rome, 1 April 2019

PricewaterhouseCoopers SpA


Scott Cunningham
(Partner)

International Development Law Organization

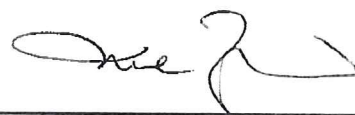
BALANCE SHEETS

For the Years Ended December 31, 2018 and 2017 (Expressed in Euros)

	2018	2017
<u>ASSETS</u>		
<u>Current assets</u>		
Cash (Note 3)	4,563,844	5,329,623
Deposits (Note 3)	52,920,078	44,341,231
Accounts receivable (Note 4)	3,936,124	2,578,343
Prepaid expenses	394,001	369,596
Total current assets	61,814,047	52,618,793
<u>Non current assets</u>		
<u>Fixed assets</u>		
Furniture, fixtures, ICT and equipment, net of depreciation (Note 5)	215,093	275,894
Leasehold improvements, net of amortization (Note 5)	169,095	321,671
Total net fixed assets	384,188	597,565
<u>Investments</u>		
Investment portfolio (Note 6)	1,491,587	1,509,269
Donor Endowment funds (Note 6)	720,026	728,462
Provident Fund Investments (Note 8)	5,046,931	4,125,622
Total investments	7,258,544	6,363,353
Total non current assets	7,642,732	6,960,919
TOTAL ASSETS	69,456,779	59,579,712
<u>LIABILITIES AND EQUITY</u>		
<u>Current liabilities</u>		
Accounts payable and accrued expenses	2,295,653	1,456,213
Deferred revenue and grants received in advance (Note 7)	51,657,310	44,682,994
Provident Fund (Note 8)	5,046,931	4,185,838
Total current liabilities	58,999,894	50,325,045
<u>Equity</u>		
General reserve	9,736,859	8,526,205
Total reserves	9,736,859	8,526,205
Donor Endowment funds (Note 6)	720,026	728,462
Total equity	10,456,885	9,254,667
TOTAL LIABILITIES AND EQUITY	69,456,779	59,579,712



Haroun Atallah
Director of Finance & Support Services



Irene Khan
Director General

International Development Law Organization
STATEMENTS OF REVENUES AND EXPENSES
For the Years Ended December 31, 2018 and 2017 (Expressed in Euros)

	2018	2017
<u>REVENUES</u> (Note 11 and Schedule 1)		
Unrestricted grants	6,084,723	6,057,006
Earmarked grants	1,134,151	131,657
Restricted grants - programs	27,238,652	24,491,230
	34,457,526	30,679,893
Other income	53,617	24,267
Total revenues	34,511,143	30,704,160
<u>EXPENSES</u> (Note 12)		
Staff costs	5,885,458	5,836,341
Office expenses	1,063,935	1,304,935
Institutional Expenses	948,547	1,037,929
Depreciation	326,531	358,531
Program direct costs	25,052,150	21,793,268
Total expenses	33,276,621	30,331,004
RESULT	1,234,523	373,156
Realized and Unrealized gains or (losses) on investment portfolio	-17,682	14,459
Realized and Unrealized gains or (losses) on endowment funds	-8,436	7,042
Total Realized and Unrealized gains or (losses)	-26,118	21,501
<u>Financial expenses, write-offs and prior period adjustments</u>		
Effect of foreign exchange rate movements	24,172	-367,562
Account receivable & fixed assets write offs & prior period adjustments	-30,358	-24,364
Total financial and write off expenses	-6,186	-391,926
NET RESULT	1,202,218	2,731

International Development Law Organization

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017 (Expressed in Euros)

CASH FLOWS FROM OPERATING ACTIVITIES	2018	2017
Surplus/(deficit) for the period	1,202,218	2,731
Depreciation	326,531	358,531
Loss on disposal of fixed assets	-	13,011
(Increase)/decrease in other debtors and prepayments	(24,404)	(146,741)
(Increase)/decrease in accounts receivable	(1,357,781)	1,707,605
(Increase)/decrease market value of investment portfolio	17,682	(14,459)
(Increase)/decrease market value of endowment funds	8,436	(7,042)
Increase/(decrease) in accounts payable	839,439	(205,067)
Increase/(decrease) in deferred revenues and grants received in advance	6,974,316	24,886,003
Increase/(decrease) in provident funds invested	861,093	223,179
Net cash flows from operating activities	8,847,529	26,817,751
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(113,153)	(22,812)
(Increase)/decrease in provident funds contributions	(921,308)	(1,971,034)
Net cash flows from investing activities	(1,034,462)	(1,993,846)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7,813,068	24,823,905
CASH AT BEGINNING OF YEAR	49,670,854	24,846,949
CASH AT END OF YEAR (Note 3)	57,483,922	49,670,854
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7,813,068	24,823,905
Cash at the end of the year represented By:		
Cash at Bank	4,563,844	5,329,623
Deposits	52,920,078	44,341,231
Total Cash	57,483,922	49,670,854

International Development Law Organization

STATEMENT OF CHANGES IN EQUITY

For the Years Ended December, 31 2018 and 2017 (Expressed in Euros)

	Reserves		Total Reserves	Donor Endowment Funds		Total Donor Endowment Funds	Total Equity
	General Reserve	Earmarked Reserves		Arab Fund	Kuwait Fund		
Total fund balances January 1, 2017	7,530,516	1,000,000	8,530,516	434,392	287,028	721,420	9,251,936
Excess of support & revenue over expenses on regular operations	2,731	-	2,731	-	-	-	2,731
Movement from retained earnings	1,000,000	(1,000,000)	-	-	-	-	-
Net change in endowment funds	(7,042)	-	(7,042)	4,240	2,802	7,042	-
Fund balances as at December 31, 2017	8,526,205	-	8,526,205	438,632	289,830	728,462	9,254,667
Total fund balances January 1, 2018	8,526,205	-	8,526,205	438,632	289,830	728,462	9,254,667
Excess of support & revenue over expenses on regular operations	1,202,218	-	1,202,218	-	-	-	1,202,218
Net change in endowment funds	8,436	-	8,436	(5,080)	(3,356)	(8,436)	-
Fund balances as at December 31, 2018	9,736,860	-	9,736,860	433,552	286,474	720,026	10,456,885

International Development Law Organization
SCHEDULE 1
STATEMENTS OF CONTRIBUTION'S REVENUE
For the Years Ended December 31, 2018 and 2017 (Expressed in Euros)

Donors	Unrestricted Grants	Earmarked Grants	Restricted Grants Programs Implemented	Total grants received & utilized 2018	Total grants received & utilized 2017
Bill and Melinda Gates Foundation	81,248			81,248	84,140
British Council			241,349	241,349	
East Europe Foundation (EEF)			10,173	10,173	4,341
European Bank for Reconstruction and Development (EBRD)			671,562	671,562	781,859
European Union			970,556	970,556	123,933
FAO			111,399	111,399	579
Ford Foundation			902	902	437,838
Government of China	20,000			20,000	20,000
Government of Denmark (DANIDA)			497,470	497,470	943,720
Government of Germany (GIZ)			9,055	9,055	32,226
Government of Italy	4,032,914		96,340	4,129,254	4,289,047
Government of the Netherlands		1,134,151	4,182,012	5,316,163	3,579,052
Government of Sweden (SIDA)	1,434,789		622,471	2,057,260	1,691,661
Government of Switzerland			42,235	42,235	
Government of the United Kingdom (DFID)			231,250	231,250	202,836
Government of the USA (US Department of State, INL & USAID)	344,649		16,676,526	17,021,175	16,344,339
Kuwait Fund for Arab Economic Development	167,015		68,548	235,563	
OPEC Fund for International Development			26,208	26,208	
Government of Philippines	4,108			4,108	
Search for Common Ground (SFCG)			189,374	189,374	406,510
The Netherlands Institute of International Relations "Clingendael"			30,542	30,542	
UN Convention on Biological Diversity (UN CDB)			314,467	314,467	88,192
United Nations Development Programme (UNDP)			1,402,034	1,402,034	1,191,263
UNAIDS			49,227	49,227	125,743
ViiV Healthcare			794,953	794,953	332,614
Total Revenue from Donors	6,084,723	1,134,151	27,238,652	34,457,526	30,679,892

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 20 March 1992, amended 19 July 1993, ratified by the Italian Parliament on October 28, 1994 and effective as of December 1, 1994, regulates IDLO's relations with the host government, Italy.

On November 19, 2013 – the Minister of Foreign Trade and Development Cooperation of the Netherlands and the Director-General of the International Development Law Organization (IDLO), signed the Seat 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, Kenya, Kyrgyzstan, Liberia, Mali, Mexico, Moldova, Mongolia, Myanmar, Philippines, Somalia, Tajikistan, Tunisia, Uganda and Ukraine (2017: 15 offices); and carries out programs in more than 40 countries on five continents.

IDLO receives voluntary contributions for institutional and/or program support from government agencies, multilateral organizations and private foundations. In 2018 IDLO received unrestricted budget support from six sovereign donors (2017: four donors). 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.

IDLO is governed by an Assembly of Parties.

The thirty-four Member Parties to IDLO's Establishment Agreement are currently (2017: 33 Member Parties):

- | | |
|----------------|-----------------|
| • Afghanistan | • Netherlands |
| • Australia | • Norway |
| • Austria | • OPEC Fund for |
| • Bulgaria | International |
| • Burkina Faso | Development |
| • China | (OFID) |
| • Ecuador | • Pakistan |

- | | |
|---------------|-----------------|
| • Egypt | • Paraguay |
| • El Salvador | • Peru |
| • France | • Philippines |
| • Honduras | • Romania |
| • Italy | • Senegal |
| • Jordan | • Sudan |
| • Kenya | • Sweden |
| • Kuwait | • Tunisia |
| • Mali | • Turkey |
| • Mongolia | • United States |
| • Montenegro | • Vietnam |
| • Mozambique | |

The governance structure of the Organization, since March 28, 2008 is composed of:

THE ASSEMBLY OF PARTIES - composed of representatives of all IDLO's member parties, a member party being a state of intergovernmental organization that has signed 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 actions 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; and the appointment of the Director-General, *ad hoc* members of the Standing Committee, and the members of the Board of Advisers.

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. Following the adoption of the revisions to the Governance Documents in November 2017, 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 3-year terms, the State where IDLO is headquartered – Italy- serves as a permanent, ex officio Vice-President) 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 financial statements.

Since the meeting of the Assembly of Parties held on November 20 and 21, 2018, the IDLO STANDING COMMITTEE is composed of the representatives of: USA (President), Mozambique (Vice-President), Italy (*ex officio* Vice-President), Kuwait, Ecuador Peru and Turkey (*ad hoc* members).

In addition to these 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 responsibilities with respect to audit and compliance, the implementation of financial reporting, and maintenance of effective and efficient financial performance. It is composed of three or five members chosen from among the Assembly of Parties for a two-year term renewable once for a maximum appointment of four years. The Chairperson of the Audit and Finance Committee is appointed by the Assembly of Parties from among the members of the Committee itself and is required to have relevant financial expertise or have direct access to financial advice. The Audit and Finance Committee is composed of the representatives of Italy (Chair), USA, Egypt, Peru and Pakistan.

A BOARD OF ADVISERS provides expert advice to the Assembly, the Standing Committee, and the Director-General. It includes between six and 10 individuals elected by the Assembly for a four-year term. All Board Members are selected based on their expertise and backgrounds in various disciplines that have an impact on the rule of law and development. They serve in their personal capacities and not as representatives of their governments or organizations. Meetings of the Board of Advisers are convened at least once a year, prior to the regular meeting of the Assembly.

The number of core staff employed by the Organization was 139 as at December 31, 2018 (2017: 68).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of IDLO are prepared on an accruals basis.

The financial statements of IDLO are composed of the balance sheets, the statements of revenues and expenses,

changes in equity and cash flow, and the explanatory notes. In addition, the financial statements are prepared to assist IDLO to present financial information relevant for the Standing Committee purposes.

Grant revenue recognition

In the Statement of Revenues and Expenses, grants recognized as revenue are classified as either unrestricted grants, earmarked grants or programs implemented. IDLO records revenue from unrestricted grants when they are received except that amounts received from donors with respect to future years are deferred to the year in which they relate. Grants restricted by the donor for operating purposes are deemed to be earned and are reported as revenues when expenditures are 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 revenues when expenditures are incurred.

Foreign exchange

IDLO conducts its operations in several currencies and has maintained its accounting records in Euro since 2007. 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 currencies other than Euro are credited or charged to the Statement of Revenues and Expenses.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Revenues and Expenses. Accordingly, certain costs have been allocated between project related costs, office expenses and institutional costs, such as governance, fundraising, program development and communication.

Cash

IDLO classifies as cash and cash equivalent its cash on hand and in bank accounts.

Deposits

Deposits refer to short-term liquid investments purchased with a maturity of three months or less.

Investments

Investments are reported at fair value, based primarily on market quotes. The fair values are reviewed by Management. IDLO has an exposure to several risks including interest rate, market, and credit risks for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuations changes for investment securities may occur to an extent that could materially affect the amounts reported in IDLO's financial statements. Both realized exchange and security gains and losses and unrealized exchange and security gains and losses are reflected in Statement of Revenues and Expenses.

Receivables and payables

Receivables are recorded at their estimated net realizable value. Payables are stated at face value.

Fixed assets and depreciation

Office equipment and furniture are recorded at cost and are depreciated over the estimated useful lives of the respective assets (five years) on a straight-line basis. Leasehold improvements are depreciated on a straight-line basis over the expected life of the leases (twelve and half years). Ordinary maintenance expenses on property are charged directly to operating expenses in the period in which they are incurred.

3 CASH AND DEPOSITS

The balances in 2018 have increased because IDLO received new program funds in advance from some donors in 2018.

The cash and deposits that are restricted for the use in Programs and for Provident Fund commitments are as shown in the following table.

(expressed in Euros)	2018	2017
Cash at bank	4,563,844	5,329,623
Deposits	52,920,078	44,341,231
	57,483,922	49,670,854
Less:		
Deferred Program and Earmarked Revenue	51,657,310	44,682,994
Provident Fund commitment (see Note 8)		60,216
	51,657,310	44,743,210
Unrestricted Cash and Deposits	5,826,612	4,927,644

4 ACCOUNTS RECEIVABLE

As of December 31, 2018, Accounts Receivables amounted to €3,936,124 (2017: €2,578,343). 95% of the balance refers to outstanding amounts of grants not yet collected for specific projects that have been implemented which also includes funds advanced to sub grantees for program implementation. The balance of 5% relates to cash advances amounting to €110,419 (2017: €682,252) paid out to facilitate implementation of program activities and €74,785 (2017: €43,178) being VAT due but still outstanding. As of end of January 2019 approximately €391,000 of the total outstanding Accounts Receivable balances had been received by IDLO.

5 FIXED ASSETS

The following table presents the changes in fixed assets:

FIXED ASSETS (expressed in Euros)	Leasehold Improvements	Fixtures, Furniture, ICT & Equipment	TOTAL
COST			
Balance as of January 1, 2018	5,841,025	2,385,805	8,226,831
Additions	71,128	42,025	113,153
Balance as of December 31, 2018	5,912,153	2,427,831	8,339,984
DEPRECIATION & AMORTIZATION			
Balance as of January 1, 2018	5,519,354	2,109,911	7,629,265
Depreciation	-	102,827	102,827
Amortization	223,704	-	223,704
Balance as of December 31, 2018	5,743,058	2,212,738	7,955,796
NET BOOKVALUE			
Balance as of December 31, 2018	169,095	215,093	384,188
Balance as of December 31, 2017	321,671	275,894	597,565

The additions of the period are related to the costs for improvements, refurbishments and equipment purchases for the headquarters building in Rome; there were no disposals of fixtures, furniture and ICT equipment in 2018.

6 INVESTMENT PORTFOLIO AND ENDOWMENT FUNDS

UBS, the organization's third-party investment advisor, has managed the investments in accordance with IDLO's Investment Policy which specifies that a maximum of 25% of IDLO's investments can be held in equities and the rest must be held in fixed income securities.

The portfolio mix of the investments as at 31 December 2018 and 2017 is reflected in the following table.

Investment Portfolio by Asset Class

(expressed in Euros)

	As at 31.12.18		As at 31.12.17		Variance	
	Value	Value %	Value	Value %	Change in Value	Change in Value %
Liquidity	351,356	16.05%	65,789	2.97%	285,567	13.08%
Bonds	1,445,266	66.02%	1,733,346	78.16%	(288,080)	(12.14%)
Equities	392,512	17.93%	418,456	18.87%	(25,944)	(0.94%)
	2,189,134	100.00%	2,217,591	100.00%	(28,457)	
Real Estate	22,479	100.00%	20,140	100.00%	2,339	-
Total Asset Value	2,211,613	100.00%	2,237,731	100.00%	(26,118)	

The investment portfolio at year end December 31, 2018 had a market value of €2,211,613 (2017: €2,237,731) 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 Revenues and Expenses in the year in which the change occurs.

The movement in the investment portfolio in 2018 and 2017 consisted of:

Investment Portfolio Movement

(expressed in Euros)

	2018	2017
Funds held in Investments	1,517,705	1,487,768
Arab Endowment Fund	433,552	438,632
Kuwait Endowment Fund	286,474	289,830
Balance beginning of year	2,237,731	2,216,230
Realized & unrealized Gain or (Loss)	(26,118)	21,501
Balance end of year	2,211,613	2,237,731
Comprised of:		
Regular Investments	1,491,587	1,509,269
Arab Fund	433,552	438,632
Kuwait Fund	286,474	289,830

The Donor Endowment Funds form part of the investment portfolio. The contributions from the Kuwait Fund for

Arab and Economic Development (the "Kuwait Endowment") and from the Arab Fund for Economic and Social Development (the "Arab Endowment") represent restricted endowments. The principal and interest earned in these Donor Endowment Funds represents funds subject to restrictions requiring that unless otherwise agreed with the donors, the principal be retained and invested for the long term.

7 DEFERRED REVENUE AND GRANTS RECEIVED IN ADVANCE

The deferred revenue balance of Euro 51,657,310 includes grants for projects - Euro 51,527,310 (2017 Euro 44,470,435) and earmarked activities - Euro 130,000 (2017 Euro 212,558) received in 2018 and prior years but not utilized as at December 31, 2018.

8 PROVIDENT FUNDS

All eligible staff participate in the IDLO provident fund, which is a defined contribution plan. 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 contribution from employees' salaries, an additional fourteen percent contribution by IDLO and possible further voluntary contributions by each participant.

The balance of funds in the Provident Fund are either held in bank accounts with Banca Popolare di Sondrio (BPS) and UBS Switzerland AG (UBS) or invested with BNP Paribas. The movement in the value of Provident Fund holdings reflects the contributions described above, withdrawals, and changes in the market value of investments and is shown as part of the current liabilities.

Provident Fund Holdings (Assets)

(expressed in Euros)

	2018	2017
Cash holdings		
BPS	42,465	3,150
UBS	2,426,913	1,751,777
Total Cash holdings	2,469,378	1,754,927
BNP Paribas investment funds	2,577,553	2,370,695
Total Provident Fund Holdings	5,046,931	4,125,622

Provident Fund Holdings (Liabilities)

(expressed in Euros)

	2018	2017
Cash holdings		
BPS	42,465	3,168
UBS	2,426,913	1,811,975
Total Cash holdings	2,469,378	1,815,143
BNP Paribas investment funds	2,577,553	2,370,695
Total Provident Fund Holdings	5,046,931	4,185,838

9 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 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 exempts “members of the staff who are not Italian nationals and who are not permanent residents” from “any form of direct taxation on salaries, emoluments, indemnities, pensions, and other benefits paid to them by or on behalf of the Organization”.

10 LEASE COMMITMENTS

IDLO has leases for office space. These leases are accounted for as operating leases with rental payments being expensed directly to the Statement of Revenues and Expenses.

As of December 31, 2018, the future rental minimum payments for all headquarters leases is as follows:

Corporate office lease commitments in Rome are as follows:

2019: € 386,188

2020: € 405,625

2021: € 415,794

2022: € 415,794

2023: € 415,794

Corporate office lease commitments in New York are as follows:

2019: \$ 63,630

2020: \$ 65,541

2021: \$ 33,255

Corporate office lease commitments in Geneva are as follows:

2019: CHF 12,751

Corporate office lease commitments in The Hague are as follows:

2019: € 233,051

2020: € 237,713

2021: € 242,467

2022: € 247,316

2023: € 252,262

2024: € 110,154

11 REVENUES

Total revenues as of December 31, 2018 amount to €34,511,143 (2017: €30,704,160).

The balance is mainly composed of:

- Restricted grants revenue of €27,238,652 (2017: €24,491,230) being revenue recognized based on program implementation within the year.
- Unrestricted grants revenue of €6,084,723 (2017: €6,057,006) being funds received from donors during the year to support operational and institutional expenses incurred.
- Earmarked grants revenue of €1,134,151 (2017: €131,657) being funds received from donors to support specific expenses incurred during the year.
- Other revenue of €53,617 (2017: €24,267) being funds received from investments and bank interest earned during the year.

A breakdown of contribution's revenues by Donors is included as schedule 1 of the financial statements.

Total expenses as of December 31, 2018 amount to €33,276,621 (2017: €30,331,004).

The balance is mainly composed of:

- Program direct costs for €25,052,150 (2017: €21,793,268);
- Staff costs for €5,885,458 (2017: €5,836,341);
- Office expenses for €1,063,935 (2017: €1,304,935);
- Institutional expenses for €948,547 (2017: €1,037,929).