



**International Development Law Organization**

Financial statements as at and  
for the year ended  
31 December 2011  
(with Independent Auditors' Report thereon)



**KPMG S.p.A.**  
**Revisione e organizzazione contabile**  
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## Independent Auditors' Report

To the Standing Committee of  
International Development Law Organization

We have audited the accompanying financial statements of International Development Law Organization, which comprise the balance sheet as at December 31, 2011, the statements of revenues and expenses, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of International Development Law Organization based on the accounting policies described in Note 2 to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of these financial statements in accordance with the accounting policies outlined in Note 2 to the financial statements, for determining the acceptability of the basis of accounting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements of International Development Law Organization for the year ended December 31, 2011 are prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the financial statements.

*Basis of Accounting*

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes the basis of accounting. The financial statements are prepared to assist International Development Law Organization to present financial information relevant for the Standing Committee purposes. As a result, the financial statements may not be suitable for another purpose.

Rome, March 8, 2012

KPMG S.p.A.



Vito Nicola Diomeda  
Director of Audit

**International Development Law Organization**  
**BALANCE SHEETS**  
**For the Years Ended December 31 2011 and 2010 (Expressed in Euros)**

	<b>2011</b>	<b>2010</b>
<b><u>ASSETS</u></b>		
<b><u>Current assets</u></b>		
Cash (Note 3)	14,792,397	6,302,193
Deposits (Note 4)	1,772,857	-
Accounts receivable	1,585,479	755,542
Prepaid expenses	81,876	142,295
<b>Total current assets</b>	<b>18,232,609</b>	<b>7,200,030</b>
<b><u>Non current assets</u></b>		
<b><u>Fixed assets</u></b>		
Furniture, fixtures, ICT and equipment, net of depreciation (Note 5)	236,652	372,127
Leasehold improvements, net of amortization (Note 5)	1,942,022	2,215,518
<b>Total net fixed assets</b>	<b>2,178,674</b>	<b>2,587,646</b>
<b><u>Investments</u></b>		
Investment portfolio (Note 6)	1,318,080	4,350,024
Donor Endowment funds (Note 7)	642,093	643,875
Provident Fund Investments (Note 10)	1,127,908	1,673,166
<b>Total Investments</b>	<b>3,088,081</b>	<b>6,667,065</b>
<b>Total non current assets</b>	<b>5,266,756</b>	<b>9,254,711</b>
<b>TOTAL ASSETS</b>	<b>23,499,364</b>	<b>16,454,741</b>
<b><u>LIABILITIES AND EQUITY</u></b>		
<b><u>Current liabilities</u></b>		
Accounts payable and accrued expenses	566,418	774,609
Short Term Financial Debts (Note 8)	-	2,975,000
Deferred revenue and grants received in advance (Note 9)	14,480,607	4,191,900
Provident Fund (Note 10)	2,353,480	2,836,116
<b>Total current liabilities</b>	<b>17,400,505</b>	<b>10,777,625</b>
<b><u>Equity</u></b>		
Retained Earnings	5,456,766	5,033,241
Donor Endowment funds (Note 7)	642,093	643,875
<b>Total equity</b>	<b>6,098,859</b>	<b>5,677,116</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>23,499,364</b>	<b>16,454,741</b>

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**International Development Law Organization**  
**STATEMENTS OF REVENUES AND EXPENSES**  
**For the Years Ended December 31 2011 and 2010 (Expressed in Euros)**

	<b>2011</b>	<b>2010</b>
<b><u>REVENUES</u></b>		
Grants unrestricted (Schedule 1)	3,664,656	2,480,668
Revenue from restricted grants - programs (Schedule 1)	9,620,029	8,547,740
	13,284,685	11,028,408
Other income	152,653	105,220
<b>Total revenues</b>	<b>13,437,338</b>	<b>11,133,628</b>
<b><u>EXPENSES</u></b>		
Staff costs	4,133,531	6,065,581
Office expenses	943,851	1,277,926
Institutional Expenses *	437,381	506,109
Depreciation	439,520	548,601
Program direct costs	6,734,971	6,202,004
<b>Total expenses</b>	<b>12,689,253</b>	<b>14,600,222</b>
<b>Net revenue (shortfall)</b>	<b>748,086</b>	<b>(3,466,594)</b>
Realized and Unrealized gains or (losses) on investment portfolio	(37,291)	44,637
Realized and Unrealized gains or (losses) on endowment funds	(1,782)	2,387
<b>Total Realized and Unrealized gains or (losses)</b>	<b>(39,073)</b>	<b>47,024</b>
<b><u>Financial expenses, write-offs and prior period adjustments</u></b>		
Interest short term debt	(19,674)	(35,499)
Effect of foreign exchange rate movements	(22,794)	284,296
Account receivable & fixed assets write offs & prior period adjustments	(244,801)	(475,170)
<b>Total financial and write off expenses</b>	<b>(287,270)</b>	<b>(226,373)</b>
<b>Net revenue (shortfall)</b>	<b>421,743</b>	<b>(3,645,943)</b>

\* Fundraising/Governance/Library/Communication/Alumni Networks

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International Development Law Organization  
STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31 2011 and 2010 (Expressed in Euros)

	Retained Earnings	Donor endowment funds		Total Donor Endowment Funds	Total Equity
		Arab Fund	Kuwait Fund		
Fund balances as at January 1, 2010	8,681,572	386,262	255,226	641,488	9,323,060
Excess of support & revenue over expenses on regular operations	(3,466,594)	-	-	-	(3,466,594)
Effect of financial expenses & investment portfolio	(181,737)	-	-	-	(181,737)
Net change in fund balances	-	1,437	950	2,387	2,387
<b>Fund balances as at December 31, 2010</b>	<b>5,033,241</b>	<b>387,699</b>	<b>256,176</b>	<b>643,875</b>	<b>5,677,116</b>
Total fund balances January 1, 2011	5,033,241	387,699	256,176	643,875	5,677,116
Excess of support & revenue over expenses on regular operations	748,086	-	-	-	748,086
Effect of financial expenses & investment portfolio	(324,561)	-	-	-	(324,561)
Net change in fund balances	-	(1,073)	(709)	(1,782)	(1,782)
<b>Fund balances as at December 31, 2011</b>	<b>5,456,766</b>	<b>386,626</b>	<b>255,467</b>	<b>642,093</b>	<b>6,098,859</b>

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**International Development Law Organization**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31 2011 and 2010 (Expressed in Euros)**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2011</b>	<b>2010</b>
<b>Net revenue (shortfall)</b>	421,743	(3,645,943)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	439,520	548,601
(Increase)/decrease in other debtors and prepayments	60,419	(8,559)
(Increase)/decrease in accounts receivable - operations	(829,936)	545,845
Increase/(decrease) in accounts payable	(208,191)	(528,441)
Increase/(decrease) in deferred revenues and grants received in advance	10,288,707	(2,700,022)
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>10,172,262</b>	<b>(5,788,519)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(79,156)	(84,494)
Loss on disposal of fixed assets	48,607	317,154
(Increase)/decrease market value of investment portfolio	603,984	(1,720,190)
Increase/(decrease) in Provident Fund invested funds	(482,636)	2,836,116
Increase/(decrease) in Short Term Debts Payable	(2,975,000)	(51,494)
Disposal from Investment Portfolio	2,975,000	4,083,247
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>90,799</b>	<b>5,380,339</b>
<b>Net Increase/(decrease) in cash</b>	<b>10,263,061</b>	<b>(408,180)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>6,302,193</b>	<b>6,710,374</b>
<b>CASH AT END OF YEAR (Note 3)</b>	<b>16,565,255</b>	<b>6,302,193</b>
<b>Represented By:</b>		
Cash at Bank	<b>14,792,397</b>	<b>6,302,193</b>
Deposits	<b>1,772,857</b>	-
<b>Total Cash</b>	<b>16,565,255</b>	<b>6,302,193</b>

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**SCHEDULE 1**

**International Development Law Organization  
STATEMENTS OF CONTRIBUTION'S REVENUE  
For the Years Ended December 31 2011 and 2010 (Expressed in Euros)**

<b>Donors</b>	<b>Unrestricted grants</b>	<b>Programs Implemented</b>	<b>Total grants received &amp; utilized 2011</b>	<b>Total grants received &amp; utilized 2010</b>
Arab Bank for Economic Development in Africa (BADEA)	-	41,071	41,071	-
Australian Agency for International Development	-	251,305	251,305	102,243
Bill and Melinda Gates Foundation	-	620,379	620,379	1,365,964
European Bank for Reconstruction and Development	-	717,653	717,653	121,620
European Union	-	144,961	144,961	330,375
Food and Agriculture Organization (FAO)	-	98,296	98,296	-
Ford Foundation	-	255,676	255,676	215,602
Government of Canada (CIDA & DFAIT)	-	774,748	774,748	-
Government of China	14,001	-	14,001	16,000
Government of Finland	-	135,703	135,703	909,409
Government of France	-	22,837	22,837	-
Government of Ireland	-	-	-	58,603
Government of Italy	1,032,913	1,177,781	2,210,694	3,646,919
Government of the Netherlands	2,000,000	957,412	2,957,412	2,321,676
Government of the Philippines	21,001	-	21,001	-
Government of Sweden	-	36,310	36,310	-
Government of the United States of America (US Department of State & USAID)	491,958	2,926,618	3,418,576	710,492
International Fund for Agricultural Development (IFAD)	-	37,803	37,803	-
Kuwait Fund	51,746	121,623	173,369	-
Microsoft Corporation	53,037	205,723	258,760	171,319
Omidyar Foundation	-	102,194	102,194	159,742
Omidyar Network	-	741,008	741,008	-
OPEC Fund for Development	-	51,453	51,453	546,384
The World Bank Institute	-	33,254	33,254	-
The World Bank Procurement Project in Afghanistan (Charles Kendalls lead partner)	-	33,084	33,084	80,864
UNDP	-	133,135	133,135	240,599
UNHCR	-	-	-	30,597
<b>Total Revenue from Donors</b>	<b>3,664,656</b>	<b>9,620,029</b>	<b>13,284,684</b>	<b>11,028,408</b>

This schedule is an integral part of the Notes to the Financial Statements.

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## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2011 and 2010  
(Expressed in Euro)

### 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 supports efforts by developing and transition economy countries to strengthen the rule of law and good governance in order to stimulate sustainable economic and social development and to alleviate poverty.

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.

IDLO receives voluntary contributions for institutional and/or program support from government agencies, multilateral organizations and private foundations. In 2011 IDLO received support from six governmental donors (2010: five). 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 twenty-three Parties to IDLO's Establishment Agreement are currently:

- |                |                               |
|----------------|-------------------------------|
| • Australia    | • Norway                      |
| • Austria      | • OPEC Fund for International |
| • Bulgaria     | Development                   |
| • Burkina Faso | • Paraguay                    |
| • Colombia     | • People's Republic of China  |
| • Ecuador      | • Peru                        |
| • Egypt        | • Philippines                 |
| • France       | • Romania                     |
| • Italy        | • Senegal                     |
| • Jordan       | • Sudan                       |
| • Kenya        | • The Netherlands             |
| • Kuwait       | • Tunisia                     |
| • Mozambique   | • Turkey                      |
|                | • United States               |

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

THE ASSEMBLY OF PARTIES - composed of all representatives of IDLO's member parties, which are signatories to the Establishment Agreement of IDLO. The Assembly is IDLO's highest decision-making body and it convenes in Rome at least once a year. The role of the Assembly is to determine the Organization's policies and oversee the work of the Director-General. Its duties include the adoption of the budget, the action plan and the by-laws for the governance of the Organization and the appointment of the Director-General and members of the Board of Advisers.

THE STANDING COMMITTEE provides the link between the Assembly, the Board of Advisers and the Director-General. It includes the President and Vice-Presidents of the Assembly, the Chairman and Vice-Chairman of the Board, and on a rotational basis, a Representative of a State Party (*ad hoc* member), for a one year term. One of its functions is the adoption of the financial statements as well as to monitor

the proper implementation of the budget and report on this item to the Assembly.

The Standing Committee meets at least every two months and prepares the meetings of the Assembly.

IDLO Standing Committee in 2011 is composed of the representatives of: USA (President), Italy (Vice-President), Kuwait (Vice-President) and Ecuador (*ad hoc* member); and Professor Alfredo F. Tadiar, Chairman of the Board of Advisers and Professor Jan Michiel Otto, Vice-Chairman of the Board of Advisers.

THE BOARD OF ADVISERS includes ten members elected by the Assembly for a four-year term. Half the members are renewed every two years. All Board Members are selected on the basis of their expertise in the fields of development or law or their experience of the management of international organizations. 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 50 as at December 31, 2011 (2010: 72).

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of IDLO are prepared in accordance with the following accounting policies described below.

The financial statements of IDLO are composed by 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

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 particular operating purposes are deemed to be earned and are reported as revenues when expenditures are incurred in accordance with the specific restrictions of such donor. Such amounts received but not yet earned are reported as deferred revenue.

#### 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. The exchange adjustments arising from the translation of assets and liabilities in 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 and office expenses and institutional costs.

## Cash

IDLO classifies as cash and cash equivalent cash on hand, amounts on deposits and on accounts in banks.

## Investments

Investments are reported at fair value, based primarily on market quotes. The fair values are reviewed by Management. IDLO has an exposure to a number of 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.

## Project revenue and grant revenue

In the Statement of Revenues and Expenses, grants recognized as revenue are classified as either unrestricted grants or programs implemented.

## 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 years). Ordinary maintenance expenses on property are charged directly to operating expenses in the period in which they are incurred.

## Revenue and expenses

Revenue and expenses are recorded on an accrual basis.

## 3 CASH

Cash balance is determined by cash held in IDLO bank accounts and petty cash funds and these amount to €14,792,397 as at 31 December 2011 (2010: €6,302,193).

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

(expressed in Euros)	2011	2010
Cash at bank	14,792,397	6,302,193
Deposits (see Note 4)	1,772,857	
	<b>16,565,255</b>	<b>6,302,193</b>
Less:		
Deferred Program Revenue	13,560,856	4,183,063
Provident Fund commitment (see Note 10)	1,225,572	1,162,950
	<b>14,786,428</b>	<b>5,346,013</b>
<b>Unrestricted Cash and Deposits</b>	<b>1,778,827</b>	<b>956,180</b>

## 4 DEPOSITS

At December 31, 2011, IDLO invested funds in three short-term instruments:

- Euro 1 million from the regular account in two short-term deposits of €500,000 each, one for one month and the other for two months.
- Euro 772,857 (USD 1 million) from the USD Provident Fund account for one month. (See Note 10)

## 5 FIXED ASSETS

The following table presents the changes in fixed assets:

FIXED ASSETS (expressed in Euros)	Leasehold Improvements	Fixtures, Furniture, ICT & Equipment	TOTAL
<b>COST</b>			
Balance as of January 1, 2011	5,733,295	1,839,942	7,573,237
Additions	38,173	40,983	79,156
Disposals	(2,600)	(46,007)	(48,607)
<b>Balance as of December 31, 2011</b>	<b>5,768,868</b>	<b>1,834,917</b>	<b>7,603,785</b>
<b>ACCUMULATED AMORTIZATION</b>			
Balance as of January 1, 2011	3,517,777	1,467,815	4,985,591
Depreciation		130,451	130,451
Amortization	309,069		309,069
<b>Balance as of December 31, 2011</b>	<b>3,826,845</b>	<b>1,598,265</b>	<b>5,425,111</b>
<b>NET BOOK VALUE</b>			
<b>Balance as of December 31, 2011</b>	<b>1,942,022</b>	<b>236,652</b>	<b>2,178,674</b>
<b>Balance as of December 31, 2010</b>	<b>2,215,518</b>	<b>372,127</b>	<b>2,587,646</b>

The additions of the period are related to the costs for improvements and refurbishments of the headquarters building in Rome; the disposal of assets are related to final disposal of computer equipment previously held in Cairo (€33,655), disposal of furniture and equipment resulting from termination of the Santa Maura residence lease (€12,351), and disposal of leasehold improvements (€2,000).

## 6 INVESTMENT PORTFOLIO

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 20% 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 2011 and 2010 is reflected in the following table.

Investment Portfolio by Asset Class  
(expressed in Euros)

	As at 31.12.11		As at 31.12.10		Variance	
	Value	Value %	Value	Value %	Change in Value	Value % of TOT
Liquidity	95,942	4.89%	610,455	12.22%	(514,513)	(7.33%)
Bonds	1,307,591	66.71%	3,288,417	65.85%	(1,980,826)	0.86%
Equities	271,798	13.87%	774,976	15.52%	(503,178)	(1.65%)
Real Estate	284,842	14.53%	320,050	6.41%	(35,208)	8.12%
<b>Total Asset Value</b>	<b>1,960,173</b>	<b>100.00%</b>	<b>4,993,898</b>	<b>100.00%</b>	<b>(3,033,725)</b>	

The investment portfolio at year end December 31, 2011 had a value of €1,960,173 (2010: €4,993,898), and represents the principal together with changes in market value during the year, less amounts utilized in the year. Changes in the market

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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 2011 and 2010 consisted of:

#### Investment Portfolio Movement

(expressed in Euros)

	2011	2010
<b>Balance beginning of year</b>	<b>4,993,898</b>	<b>9,030,122</b>
Realized & unrealized Gain or (Loss)	(39,073)	47,024
Outflows	(2,994,651)	(4,083,248)
<b>Balance end of year</b>	<b>1,960,173</b>	<b>4,993,898</b>

## 7 DONOR ENDOWMENT FUNDS

The Donor Endowment Funds form part of the investment portfolio referred to in Note 6. 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 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.

At December 31, 2011, the net investment result of the Arab Endowment Fund was a loss of €1,073 (2010: gain €1,437). The principal amount of this fund is € 386,626. At December 31, 2011, the net investment result for the Kuwait Endowment Fund was a loss of €709, (2010: gain €950). The principal amount of the fund is €255,467.

The balance at December 31, 2011 representing the total market value of the Donor Endowment Funds was € 642,093 versus € 643,875 as at December 31, 2010, resulting in an unrealized loss of €1,782.

## 8 SHORT TERM FINANCIAL DEBTS

With the approval of the Board of Directors in 2006, IDLO established a revolving line of credit financed by UBS SA. This line of credit was secured by the IDLO Investment Portfolio as collateral. In June 2011, IDLO retired the short-term financial debt of €2,975,000 with funds from the Investment Portfolio, as recommended by the Audit and Finance Committee. No short-term debt exists at December 31, 2011.

## 9 DEFERRED REVENUE AND GRANTS RECEIVED IN ADVANCE

The balance of €14,480,607 (2010: €4,191,900) includes grants for projects received in 2011 and prior years and not utilized as at December 31, 2011, and un-earmarked grants received in advance for 2012.

## 10 PROVIDENT FUND

All eligible staff participates in the IDLO provident fund, which is a defined contribution plan. The balance is paid at retirement or termination of employment. This plan is funded by a mandatory seven percent contribution from employees' salaries, an additional fourteen percent matching contribution by IDLO and further voluntary contributions by each participant.

The balance of funds in the Provident Fund are either held in a bank account with Banca Popolare di Sondrio (BPS) 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.

#### Provident Fund Holdings

(expressed in Euros)

	2011	2010
Banca Popolare di Sondrio (BPS):		
Bank account holdings	452,715	1,162,950
Deposit (USD 1 million)	772,857	
<b>Total BPS</b>	<b>1,225,572</b>	<b>1,162,950</b>
BNP Paribas	1,127,908	1,673,166
<b>Total Provident Fund Holdings</b>	<b>2,353,480</b>	<b>2,836,116</b>

## 11 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".

## 12 LEASE COMMITMENTS

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

In 2011, IDLO terminated the leases for the residence facility and part of the office space not required. As of December 31, 2011 the future rental minimum payments for all headquarters leases is as follows:

2012:	420,500
2013:	428,000
2014:	435,500
2015:	443,000
2016:	465,150
<b>In total thereafter:</b>	<b>1,187,350</b>