
INTERNATIONAL DEVELOPMENT LAW ORGANIZATION

FINANCIAL STATEMENTS 2015



Financial statements as at and
for the year ended 31 December 2015
(with Independent Auditor's Report)



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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, 2015 and the statements of revenues and expenses, changes in equity and cash flows for the year then ended, and notes, including 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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, 2015 have been prepared in all material respects, in accordance with the accounting policies described in Note 2 to the financial statements

Basis of Accounting and Restriction on Distribution and Use

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 to the Standing Committee of International Development Law Organization. As a result, the financial statements may not be suitable for another purpose.

Rome, April 14, 2016

Reconta Ernst & Young S.p.a.


Giorgio Paglioni
(Partner)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
(Expressed in Euro)

International Development Law Organization
BALANCE SHEETS
For the Years Ended December 31 2015 and 2014 (Expressed in Euros)

	2015	2014
<u>ASSETS</u>		
<u>Current assets</u>		
Cash (Note 3)	18,951,002	27,520,969
Deposits (Note 3)	20,566,678	-
Accounts receivable (Note 4)	3,594,700	3,341,701
Prepaid expenses	230,963	413,357
Total current assets	43,343,343	31,276,028
<u>Non current assets</u>		
<u>Fixed assets</u>		
Furniture, fixtures, ICT and equipment, net of depreciation (Note 5)	351,241	81,110
Leasehold improvements, net of amortization (Note 5)	814,861	1,057,440
Total net fixed assets	1,166,101	1,138,550
<u>Investments</u>		
Investment portfolio (Note 6)	1,456,272	1,449,878
Donor Endowment funds (Note 6)	701,888	698,735
Provident Fund Investments (Note 7)	2,204,183	1,929,727
Total investments	4,362,343	4,078,340
Total non current assets	5,528,445	5,216,890
TOTAL ASSETS	48,871,787	36,492,917
<u>LIABILITIES AND EQUITY</u>		
<u>Current liabilities</u>		
Accounts payable and accrued expenses	1,374,489	1,457,613
Deferred revenue and grants received in advance (Note 8)	32,670,033	23,359,639
Provident Fund (Note 7)	3,743,295	3,111,597
Total current liabilities	37,787,817	27,928,849
<u>Equity</u>		
General reserve	9,382,082	7,865,333
Earmarked reserves (Note 9)	1,000,000	-
Total reserves	10,382,082	7,865,333
Donor Endowment funds (Note 6)	701,888	698,735
Total equity	11,083,970	8,564,068
TOTAL LIABILITIES AND EQUITY	48,871,787	36,492,917

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
(Expressed in Euro)

International Development Law Organization
STATEMENTS OF CASH FLOWS
For the Years Ended December 31 2015 and 2014 (Expressed in Euros)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
NET REVENUE / (SHORTFALL)	2,519,902	1,336,943
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	329,473	353,314
(Increase)/decrease in other debtors and prepayments	182,395	366,118
(Increase)/decrease in accounts receivable - operations	(252,999)	(603,417)
Increase/(decrease) in accounts payable	(83,124)	489,376
Increase/(decrease) in deferred revenues and grants received in advance	9,310,394	9,991,061
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	12,006,041	11,933,396
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(357,024)	(39,444)
(Increase)/decrease market value of investment portfolio	(284,003)	(483,630)
Increase/(decrease) in Provident Fund invested funds	631,698	391,667
NET CASH PROVIDED BY INVESTING ACTIVITIES	(9,329)	(131,406)
Net Increase/(decrease) in cash	11,996,712	11,801,990
CASH AT BEGINNING OF YEAR	27,520,969	15,718,979
CASH AT END OF YEAR (Note 3)	39,517,680	27,520,969
Represented By:		
Cash at Bank	18,951,002	27,520,969
Deposits	20,566,678	-
Total Cash	39,517,680	27,520,969

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
(Expressed in Euro)

International Development Law Organization
STATEMENTS OF REVENUES AND EXPENSES
For the Years Ended December 31 2015 and 2014 (Expressed in Euros)

	2015	2014
<u>REVENUES</u>		
Grants Unrestricted (Schedule 1)	8,661,279	5,875,854
Earmarked Revenue (Schedule 1)	653,340	1,278,453
Revenue from restricted grants - programs (Schedule 1)	27,193,951	24,328,392
	36,508,571	31,482,699
Other income	7,883	5,082
Total revenues	36,516,454	31,487,781
<u>EXPENSES</u>		
Staff costs	5,945,287	5,417,671
Office expenses	1,887,688	1,316,350
Institutional Expenses	2,771,693	1,672,543
Depreciation	329,473	353,314
Program direct costs	23,376,750	20,966,653
Total expenses	34,310,891	29,726,532
Net operating revenue	2,205,563	1,761,250
Realized and Unrealized gains or (losses) on investment portfolio	6,394	55,938
Realized and Unrealized gains or (losses) on endowment funds	3,153	27,009
Total Realized and Unrealized gains or (losses)	9,547	82,947
<u>Financial expenses, write-offs and prior period adjustments</u>		
Effect of foreign exchange rate movements	308,046	154,229
Account receivable & fixed assets write offs & prior period adjustments	(3,254)	(661,482)
Total financial and write off expenses	304,792	(507,253)
Net revenue	2,519,902	1,336,943

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
(Expressed in Euro)

International Development Law Organization
STATEMENTS OF CONTRIBUTION'S REVENUE
For the Years Ended December 31 2015 and 2014 (Expressed in Euros)

	Unrestricted grants	Earmarked Grants	Programs Implemented	Total grants received & utilized 2015	Total grants received & utilized 2014
Donors					
Australian Agency for International Development (AUSAID)	-			-	23,216
Bill and Melinda Gates Foundation	-			-	359,408
Center for International Forestry Research (CIFOR)	-		2,462	2,462	86,318
European Bank for Reconstruction and Development (EBRD)	-		839,783	839,783	1,254,207
European Union	-		1,619,224	1,619,224	2,186,998
Ford Foundation	-		401,046	401,046	518,374
Government of China				-	20,000
Government of Denmark (DANIDA)			1,291,017	1,291,017	477,839
Government of Finland				-	50,000
Government of France				-	84,091
Government of Germany (GIZ)			57,698	57,698	116,603
Government of Ireland			28,700	28,700	448
Government of Italy	2,295,193		127,994	2,423,187	1,956,947
Government of the Netherlands*	4,696,000	653,340	1,180,191	6,529,531	5,904,868
Government of Sweden (SIDA)	1,062,280			1,062,280	0
Government of Switzerland				-	100,690
Government of the United Kingdom (DFID)				-	166,852
Government of the United States of America (US Department of State, INL & USAID)	545,951		19,956,923	20,502,874	16,471,413
International Organization for Migration (IOM)		-	11,033	11,033	214,936
Kuwait Fund for Arab Economic Development**	61,856	-	382,421	444,276	172,776
Government of Philippines		-		-	4,118
OPEC Fund for International Development		-	97,717	97,717	123,399
UN Convention on Biological Diversity (UN CDB)		-	7,434	7,434	52,785
United Nations Development Programme (UNDP)	-	-	1,122,954	1,122,954	1,035,733
UNAIDS	-	-		-	11,024
United Nations Children's Fund (UNICEF)	-	-	37,359	37,359	89,655
World Bank	-	-	29,996	29,996	0
Total Revenue from Donors	8,661,279	653,340	27,193,951	36,508,571	31,482,699

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
(Expressed in Euro)

International Development Law Organization

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31 2015 and 2014 (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, 2014	6,555,400	-	6,555,400	404,469	267,257	671,726	7,227,126
Excess of support & revenue over expenses on regular operations	1,336,943	-	1,336,943	-	-	-	1,336,943
Net change in endowment funds	(27,009)	-	(27,009)	16,263	10,746	27,009	-
Fund balances as at December 31, 2014	7,865,333	-	7,865,333	420,732	278,003	698,735	8,564,068
Total fund balances January 1, 2015	7,865,333	-	7,865,333	420,732	278,003	698,735	8,564,068
Excess of support & revenue over expenses on regular operations	2,519,902	-	2,519,902	-	-	-	2,519,902
Movement from retained earnings	(1,000,000)	1,000,000	-	-	-	-	-
Net change in endowment funds	(3,153)	-	(3,153)	1,899	1,254	3,153	-
Fund balances as at December 31, 2015	9,382,082	1,000,000	10,382,082	422,631	279,257	701,888	11,083,970

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
(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 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 28 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 Host Country Agreement between the International Development Law Organization and the Kingdom of the Netherlands 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 country offices in Afghanistan, Honduras, Indonesia, Jordan, Kenya, Kyrgyzstan, Liberia, Mali, Mongolia, Myanmar, Somalia (based in Nairobi), South Sudan, Tajikistan and Ukraine; and carries out programs in more than 41 countries on four continents.

IDLO receives voluntary contributions for institutional and/or program support from government agencies, multilateral organizations and private foundations. In 2015 IDLO received unrestricted budget support from five governmental donors (2014: six). 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 the Agreement for the Establishment of the International Development Law Organization, as amended (the Establishment Agreement), and IDLO's Assembly of Parties determines the Organization's policies and oversees the action of the Director-General.

The thirty Parties to IDLO's Establishment Agreement are currently:

- | | |
|----------------|--------------------|
| • Afghanistan | • Netherlands |
| • Australia | • Norway |
| • Austria | • OPEC Fund for |
| • Bulgaria | International |
| • Burkina Faso | Development (OFID) |
| • China | • Pakistan |
| • Ecuador | • Paraguay |
| • Egypt | • Peru |
| • El Salvador | • Philippines |
| • France | • Romania |
| • Honduras | • Senegal |
| • Italy | • Sudan |
| • Jordan | • Tunisia |
| • Kenya | • Turkey |

- Kuwait
- Mongolia
- Mozambique
- United States

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

THE ASSEMBLY OF PARTIES - composed of representatives of all of IDLO's member parties, a member party being a state or 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 at least 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 action plan for the following year; 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 Advisors.

THE STANDING COMMITTEE provides the link between the Assembly, the Board of Advisors and the Director-General. It is comprised of the President of the Assembly, who shall be its chair, the Assembly's two Vice-Presidents, one representative from each of two Parties who shall be elected by the Assembly in alternate years each for a two-year term and the Chair and Vice-Chair of the Board of Advisors. The Standing Committee is in charge of monitoring the proper implementation of the budget and shall report on its implementation to the Assembly. 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 IDLO Standing Committee is composed of the representatives of: Kuwait (President), USA (Vice-President), Italy (*ex officio* Vice-President), Netherlands and Mozambique (*ad hoc* members); Ambassador Ertugrul Apakan (Chair of the Board of Advisors) and Professor Makau Matua (Vice-Chair of the Board of Advisors).

THE BOARD OF ADVISERS is composed of between six and ten members elected by the Assembly each for a four-year term. 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 Advisors are convened at least once a year.

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

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
(Expressed in Euro)

oversight responsibilities with particular 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 The Netherlands (Chair), China, Egypt, Kenya and Italy.

The number of core staff employed by the Organization was 63 as at December 31, 2015 (2014: 61).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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 to 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. 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 into Euro using year-end exchange rates. Realized and unrealized foreign exchange gains and losses 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, such as governance, fundraising, program development and communication.

Cash

IDLO classifies as cash and cash equivalent, cash on hand, amounts on deposits and amounts 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, earmarked grants or restricted programs grants.

Receivables and payables

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

Prepaid expenses

Prepaid expenses represent prepayments to counterparties for goods or services to be received in a later accounting period.

Fixed assets and depreciation

Fixtures, furniture, ICT and equipment 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 and Deposit balances are determined by cash held in IDLO bank accounts and petty cash funds and these amount to €39,517,680 as at 31 December 2015 (2014: €27,520,969). In 2015 IDLO opened accounts with UBS Bank and had an amount of €20,566,678 as at 31 December 2015 shown as Deposits (2014: €0)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014 (Expressed in Euro)

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

<i>(expressed in Euros)</i>	2015	2014
Cash at bank	18,951,002	27,520,969
Deposits	20,566,678	-
	39,517,680	27,520,969
Less:		
Deferred Program and Earmarked Revenue	32,670,033	23,359,639
Provident Fund commitment (see Note 7)	1,539,112	1,181,870
	34,209,145	24,541,509
Unrestricted Cash and Deposits	5,308,535	2,979,460

The balance shown in the "Deposits" account relates to amounts held by UBS as cash or cash equivalents (short term investments) introduced in 2015 and held with original maturities of three months or less.

4 ACCOUNTS RECEIVABLES

As of December 31, 2015 Accounts Receivables amounted to €3,594,700 (2014: €3,341,701). The account refers to outstanding amounts of grants not yet collected by IDLO for specific projects that have been implemented and for earmarked grants utilized.

5 FIXED ASSETS

The following table presents the changes in fixed assets:

FIXED ASSETS <i>(expressed in Euros)</i>	Leasehold Improvements	Fixtures, Furniture, ICT & Equipment	TOTAL
COST			
Balance as of January 1, 2015	5,778,468	1,942,360	7,720,828
Additions	30,450	326,576	357,026
Disposals	0	0	0
Balance as of December 31, 2015	5,808,918	2,268,936	8,077,854
ACCUMULATED AMORTIZATION			
Balance as of January 1, 2015	4,721,028	1,861,251	6,582,279
Depreciation	0	56,444	56,444
Amortization	273,029		273,029
Balance as of December 31, 2015	4,994,057	1,917,695	6,911,752
NET BOOK VALUE			
Balance as of December 31, 2015	814,861	351,241	1,166,101
Balance as of December 31, 2014	1,057,440	81,109	1,138,550

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 leasehold improvements or fixtures, furniture, ICT or equipment in 2015 (2014 €0). In 2015 the additions included Euro 33,300 of an intangible asset related to the upgrade of the IDLO MS Navision software which will be depreciated from 2016. An intangible asset is recognized when it is identifiable, the organization has control over the asset, it is probable that economic benefit will flow to the organization, and the cost of the asset can be measured reliably. Intangible assets are carried at cost, and are amortized on a straight line basis over the estimated useful lives of the assets, generally 3 to 5 years.

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 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 2015 and 2014 is reflected in the following table.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
(Expressed in Euro)

Investment Portfolio by Asset Class (expressed in Euros)

	As at 31.12.15		As at 31.12.14		Variance	
	Value	Value %	Value	Value %	Change in Value	% of TOT
Liquidity	116,023	5.38%	158,129	7.36%	(42,106)	(1.98%)
Bonds	1,633,524	75.69%	1,580,189	73.54%	53,335	2.15%
Equities	340,962	15.80%	290,201	13.51%	50,761	2.29%
Real Estate	67,651	3.13%	120,094	5.59%	(52,443)	(2.45%)
Total Asset Value	2,158,160	100.00%	2,148,613	100.00%	9,547	

The investment portfolio at year end December 31, 2015 had a value of €2,158,160 (2014: €2,148,613), and represents the principal together with changes in market value during the year, less amounts utilized in 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 2015 and 2014 consisted of:

Investment Portfolio Movement

(expressed in Euros)

	2,015	2,014
Funds held in Invesmtnts	1,446,725	1,366,931
Arab Endowment Fund	422,631	420,732
Kuwait Endowment Fund	279,257	278,003
Balance beginning of year	2,148,613	2,065,666
Realized & unrealized Gain or (Loss)	9,547	82,947
Outflows		
Balance end of year	2,158,160	2,148,613
Comprised of:		
Regular Investments	1,456,272	1,449,878
Arab Fund	422,631	420,732
Kuwait Fund	279,257	278,003

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 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 PROVIDENT FUND

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. 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 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.

Provident Fund Holdings

(expressed in Euros)

	2015	2014
Cash holdings		
BPS	176,212	1,181,870
UBS	1,362,899	
Total Cash holdings	1,539,112	1,181,870
BNP Paribas investment funds	2,204,183	1,929,727
Total Provident Fund Holdings	3,743,295	3,111,597

8 DEFERRED REVENUE AND GRANTS RECEIVED IN ADVANCE

The deferred revenue balance of €32,670,033 (2014: €23,359,639) includes grants for projects - €32,338,824 (2014: 21,189,639) and earmarked activities - €331,208 (2014: €2,170,000) received in 2015 and prior years but not utilized as at December 31, 2015.

9 EQUITY

The Standing Committee of IDLO approved on February 24, 2016 the earmarking of Euros 1 million of reserves for Program Development and Self-Funded Programs for use in the years 2016 and 2017.

10 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

NOTES TO THE FINANCIAL STATEMENTS

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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".

11 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, 2015 the future rental minimum payments for all headquarters leases is as follows:

2016: € 380,380

2017: € 387,987

2018: € 395,747

2019: € 403,662

2020: € 209,904

Corporate office lease commitments in New York are as follows:

2016: € 54,278

2017: € 55,907

Corporate office lease commitments in Geneva are as follows:

2016: € 38,449

2017: € 39,602

2018: € 16,039

Corporate office lease commitments in The Hague are as follows:

2016: € 219,610

2017: € 224,002

2018: € 228,482

2019: € 233,051

2020: € 237,713

2021: € 242,467

2022: € 247,316

2023: € 252,262

2024: € 110,154

12 COUNTRY RISK RELATED EVENT

In December 2015 IDLO became aware of a fraud committed in Kabul, Afghanistan. The fraud resulted from over-invoicing of fuel deliveries.

The extent of the fraud, based on the results of an independent investigation, is estimated at Euro 100,000 which has been provided for against the 2015 results. Counter-measures are being taken to reduce the likelihood of a recurrence of fraudulent acts on programs in Afghanistan.

Furthermore, a total of USD 23,000 has been withheld from suppliers suspected of the fraud and this sum remains available, if needed, to absorb further losses.