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# INTERNATIONAL DEVELOPMENT LAW ORGANIZATION

## FINANCIAL STATEMENTS 2016

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Financial statements as at and  
for the year ended 31 December 2016  
(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, 2016 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 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 the auditor's professional 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, 2016 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 results, the financial statements may not be suitable for another purpose.

Rome, March 31, 2017

Ernst & Young S.p.A.



Giorgio Paglioni  
(Partner)

**International Development Law Organization**

**BALANCE SHEETS**

**For the Years Ended December 31 2016 and 2015 (Expressed in Euros)**

	<b>2016</b>	<b>2015</b>
<b><u>ASSETS</u></b>		
<b><u>Current assets</u></b>		
Cash (Note 3)	4,068,796	18,951,002
Deposits (Note 3)	20,778,152	20,566,678
Accounts receivable (Note 4)	4,285,947	3,594,700
Prepaid expenses	222,856	230,963
<b>Total current assets</b>	<b>29,355,752</b>	<b>43,343,343</b>
<b><u>Non current assets</u></b>		
<b><u>Fixed assets</u></b>		
Furniture, fixtures, ICT and equipment, net of depreciation (Note 5)	359,841	351,241
Leasehold improvements, net of amortization (Note 5)	586,454	814,861
<b>Total net fixed assets</b>	<b>946,295</b>	<b>1,166,101</b>
<b><u>Investments</u></b>		
Investment portfolio (Note 6)	1,494,810	1,456,272
Donor Endowment funds (Note 6)	721,420	701,888
Provident Fund Investments (Note 8)	2,154,588	2,204,183
<b>Total investments</b>	<b>4,370,818</b>	<b>4,362,343</b>
<b>Total non current assets</b>	<b>5,317,113</b>	<b>5,528,445</b>
<b>TOTAL ASSETS</b>	<b>34,672,865</b>	<b>48,871,787</b>
<b><u>LIABILITIES AND EQUITY</u></b>		
<b><u>Current liabilities</u></b>		
Accounts payable and accrued expenses	1,661,281	1,374,489
Deferred revenue and grants received in advance (Note 7)	19,796,991	32,670,033
Provident Fund (Note 8)	3,962,658	3,743,295
<b>Total current liabilities</b>	<b>25,420,929</b>	<b>37,787,817</b>
<b><u>Equity</u></b>		
General reserve	7,530,516	9,382,082
Earmarked reserves (Note 9)	1,000,000	1,000,000
<b>Total reserves</b>	<b>8,530,516</b>	<b>10,382,082</b>
Donor Endowment funds (Note 6)	721,420	701,888
<b>Total equity</b>	<b>9,251,936</b>	<b>11,083,970</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>34,672,865</b>	<b>48,871,787</b>

**International Development Law Organization**  
**STATEMENTS OF REVENUES AND EXPENSES**  
**For the Years Ended December 31 2016 and 2015 (Expressed in Euros)**

	<b>2016</b>	<b>2015</b>
<b><u>REVENUES</u></b>		
Unrestricted Grants (Schedule 1)	4,605,132	8,661,279
Earmarked Grants (Schedule 1)	38,343	653,340
Restricted grants - programs (Schedule 1)	25,819,509	27,193,951
	30,462,984	36,508,571
Other income	65,693	7,883
<b>Total revenues</b>	<b>30,528,677</b>	<b>36,516,454</b>
<b><u>EXPENSES</u></b>		
Staff costs	6,053,819	5,945,287
Office expenses	1,473,231	1,887,688
Institutional Expenses	1,766,008	2,771,693
Depreciation	358,982	329,473
Program direct costs	22,715,911	23,376,750
<b>Total expenses</b>	<b>32,367,951</b>	<b>34,310,891</b>
<b>RESULT</b>	<b>(1,839,274)</b>	<b>2,205,563</b>
Realized and Unrealized gains or (losses) on investment portfolio	38,538	6,394
Realized and Unrealized gains or (losses) on endowment funds	19,532	3,153
<b>Total Realized and Unrealized gains or (losses)</b>	<b>58,070</b>	<b>9,547</b>
<b><u>Financial expenses, write-offs and prior period adjustments</u></b>		
Effect of foreign exchange rate movements	(55,443)	308,046
Account receivable & fixed assets write offs & prior period adjustments	4,612	(3,254)
<b>Total financial and write off expenses</b>	<b>(50,831)</b>	<b>304,792</b>
<b>NET RESULT</b>	<b>(1,832,034)</b>	<b>2,519,902</b>

**International Development Law Organization**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31 2016 and 2015 (Expressed in Euros)**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2016</b>	<b>2015</b>
<b>NET REVENUE / (SHORTFALL)</b>	(1,832,034)	2,519,902
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	358,982	329,473
(Increase)/decrease in other debtors and prepayments	8,107	182,395
(Increase)/decrease in accounts receivable - operations	(691,247)	(252,999)
Increase/(decrease) in accounts payable	286,792	(83,124)
Increase/(decrease) in deferred revenues and grants received in advance	(12,873,042)	9,310,394
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>(14,742,443)</b>	<b>12,006,041</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(139,176)	(357,024)
(Increase)/decrease market value of investment portfolio	(8,475)	(284,003)
Increase/(decrease) in Provident Fund invested funds	219,363	631,698
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>71,712</b>	<b>(9,329)</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>(14,670,731)</b>	<b>11,996,712</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>39,517,680</b>	<b>27,520,969</b>
<b>CASH AT END OF YEAR (Note 3)</b>	<b>24,846,949</b>	<b>39,517,680</b>
<b>Represented By:</b>		
Cash at Bank	4,068,796	18,951,002
Deposits	20,778,152	20,566,678
<b>TOTAL CASH</b>	<b>24,846,949</b>	<b>39,517,680</b>

**International Development Law Organization**  
**STATEMENTS OF CONTRIBUTION'S REVENUE**  
**For the Years Ended December 31 2016 and 2015 (Expressed in Euros)**

<u>Donors</u>	<u>Unrestricted Grants</u>	<u>Earmarked Grants</u>	<u>Restricted Grants Programs Implemented</u>	<u>Total grants received &amp; utilized 2016</u>	<u>Total grants received &amp; utilized 2015</u>
Center for International Forestry Research (CIFOR)	-		717,382	-	2,462
European Bank for Reconstruction and Development (EBRD)	-		694,667	717,382	839,783
European Union	-		44,607	694,667	1,619,224
FAO	-		408,445	44,607	-
Ford Foundation				408,445	401,046
Government of China	40,000			40,000	-
Government of Denmark (DANIDA)			985,432	985,432	1,291,017
Government of Ecuador	4,599			4,599	-
Government of Germany (GIZ)			37,006	37,006	57,698
Government of Ireland				-	28,700
Government of Italy	3,032,913	38,343	95,937	3,167,193	2,423,187
Government of the Netherlands*			2,122,352	2,122,352	6,529,531
Government of Sweden (SIDA)	1,010,070		60,973	1,071,043	1,062,280
Government of Switzerland			82,502	82,502	-
Government of the United States of America (US Department of State, INL & USAID)	517,550		18,436,741	18,954,291	20,502,874
Institute of International Education			3,955	3,955	-
International Organization for Migration (IOM)		-		-	11,033
Kuwait Fund for Arab Economic Development**		-	219,949	219,949	444,276
OPEC Fund for International Development		-	84,303	84,303	97,717
Tetra Tech			54,861	54,861	
UN Convention on Biological Diversity (UN CDB)		-	452,416	452,416	7,434
United Nations Development Programme (UNDP)	-	-	1,294,634	1,294,634	1,122,954
United Nations Children's Fund (UNICEF)	-	-			37,359
ViiV Healthcare			23,347	23,347	
World Bank	-			-	29,996
<b>Total Revenue from Donors</b>	<b>4,605,132</b>	<b>38,343</b>	<b>25,819,509</b>	<b>30,462,984</b>	<b>36,508,571</b>

**International Development Law Organization**  
**STATEMENTS OF CHANGES IN EQUITY**  
**For the Years Ended December 31, 2016 and 2015 (Expressed in Euros)**

	Reserves		Total Reserves	Donor Endowment Funds			Total Donor Endowment Funds	Total Equity
	General Reserve	Earmarked Reserves		Arab Fund	Kuwait Fund			
<b>Fund balances as at December 31, 2014</b>	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	-
<b>Fund balances as at December 31, 2015</b>	<b>9,382,082</b>	<b>1,000,000</b>	<b>10,382,082</b>	<b>422,631</b>	<b>279,257</b>		<b>701,888</b>	<b>11,083,970</b>
Total fund balances January 1, 2016	9,382,082	1,000,000	10,382,082	422,631	279,257		701,888	11,083,970
Excess of support & revenue over expenses on regular operations	(1,832,034)	-	(1,832,034)	-	-		-	(1,832,034)
Movement from retained earnings		-	-	-	-		-	
Net change in endowment funds	(19,532)	-	(19,532)	11,761	7,771		19,532	
<b>Fund balances as at December 31, 2016</b>	<b>7,530,516</b>	<b>1,000,000</b>	<b>8,530,516</b>	<b>434,392</b>	<b>287,028</b>		<b>721,420</b>	<b>9,251,936</b>



For the years ended December 31, 2016 and 2015  
(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 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 country offices in Afghanistan, Honduras, Indonesia, Jordan, Kenya, Kyrgyzstan, Liberia, Mali, Mongolia, Myanmar, Philippines, South Sudan, Somalia (based in Nairobi), Tajikistan, Tunisia and Ukraine; 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 2016 IDLO received unrestricted budget support from five governmental donors (2015: 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 thirty-one Parties to IDLO's Establishment Agreement are currently:

- |                |                 |
|----------------|-----------------|
| • 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       | • Tunisia       |
| • Kuwait      | • Turkey        |
| • Mongolia    | • United States |
| • Mozambique  | • Vietnam       |

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 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 (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 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.

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Since the Assembly of Parties held on November 29, 2016, the IDLO STANDING COMMITTEE is composed of the representatives of: Kuwait (President), USA (Vice-President), Italy (ex officio Vice-President), Netherlands and Pakistan (ad hoc members), Prof. Makau W. Mutua (Chair of the Board of Advisers) and Ms. Hongxia Liu (Vice-Chair of the Board of Advisers).

THE BOARD OF ADVISORS includes between six to 10 individuals elected by the Assembly for a four-year term. Half the members are renewed every two years. All Board Members are selected based on their expertise in the fields of development or law or their experience in 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, prior to the regular meeting of the Assembly.

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 Turkey.

The number of core staff employed by the Organization was 66 as at December 31, 2016 (2015: 63).

## 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 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 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 in 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 on accounts in banks.

### Deposits

Amounts on 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

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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 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 AND DEPOSITS

Cash and deposits balances are determined by cash on hand, cash held in IDLO bank accounts and amounts on deposits and these amount to €24,846,949 as at 31 December 2016 (2015: €39,517,680).

The balances in 2016 have reduced by 37% because IDLO received program funds in advance from some donors in prior years. The reduction reflects the use of these funds in program implementation activities. This trend is also confirmed by a significant decrease in our deferred revenue balances.

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

(expressed in Euros)	2016	2015
Cash at bank	4,068,796	18,951,002
Deposits	20,778,152	20,566,678
	<b>24,846,949</b>	<b>39,517,680</b>
Less:		
Deferred Program and Earmarked Revenue	19,796,991	32,670,033
Provident Fund commitment (see Note 7)	1,808,069	1,539,112
	<b>21,605,060</b>	<b>34,209,145</b>
<b>Unrestricted Cash and Deposits</b>	<b>3,241,889</b>	<b>5,308,535</b>

## 4 ACCOUNTS RECEIVABLES

As of December 31, 2016, Accounts Receivables amounted to €4,285,947 (2015: €3,594,700). 94% 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. 6% represents advances issued for program implementation not yet accounted for as of yearend. As of end of February 2017 approximately Euro 725,000 of the outstanding balances had been received by IDLO.

## 5 FIXED ASSETS

The following table presents the changes in fixed assets:

<b>FIXED ASSETS</b> (expressed in Euros)	<b>Leasehold Improvements</b>	<b>Fixtures, Furniture, ICT &amp; Equipment</b>	<b>TOTAL</b>
<b>COST</b>			
Balance as of January 1, 2016	5,808,918	2,268,936	8,077,854
Additions	33,464	105,711	139,176
Disposals	0	0	0
<b>Balance as of December 31, 2016</b>	<b>5,842,382</b>	<b>2,374,647</b>	<b>8,217,030</b>
<b>DEPRECIATION &amp; AMORTIZATION</b>			
Balance as of January 1, 2016	4,994,057	1,917,695	6,911,752
Depreciation	0	97,111	97,111
Amortization	261,871	0	261,871
<b>Balance as of December 31, 2016</b>	<b>5,255,928</b>	<b>2,014,806</b>	<b>7,270,734</b>
<b>NET BOOK VALUE</b>			
<b>Balance as of December 31, 2016</b>	<b>586,454</b>	<b>359,841</b>	<b>946,295</b>
<b>Balance as of December 31, 2015</b>	<b>814,861</b>	<b>351,241</b>	<b>1,166,101</b>

The additions of the period are related to the costs for improvements, refurbishments and equipment purchases

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for the headquarters building in Rome; there were no disposals of leasehold improvements or fixtures, furniture, ICT or equipment in 2016 (2015 €0).

## 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 2016 and 2015 is reflected in the following table.

Investment Portfolio by Asset Class  
(expressed in Euros)

	As at 31.12.16		As at 31.12.15		Variance	
	Value	Value %	Value	Value %	Change in Value	Value % of TOT
Liquidity	104,606	5%	116,023	5%	(11,417)	(0.66%)
Bonds	1,690,762	76%	1,633,524	76%	57,238	0.60%
Equities	364,127	16%	340,962	16%	23,165	0.63%
Real Estate	56,735	3%	67,651	3%	(10,916)	(0.57%)
<b>Total Asset Value</b>	<b>2,216,230</b>	<b>100%</b>	<b>2,158,160</b>	<b>100%</b>	<b>58,070</b>	

The investment portfolio at year end December 31, 2016 had a value of €2,216,230 (2015: €2,158,160), 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 2016 and 2015 consisted of:

### Investment Portfolio Movement

(expressed in Euros)

	2,016	2,015
Funds held in Invesmtnts	1,436,740	1,446,725
Arab Endowment Fund	434,392	422,631
Kuwait Endowment Fund	287,028	279,257
<b>Balance beginning of year</b>	<b>2,158,160</b>	<b>2,148,613</b>
Realized & unrealized Gain or (Loss)	58,070	9,547
Outflows		
<b>Balance end of year</b>	<b>2,216,230</b>	<b>2,158,160</b>
<b>Comprised of:</b>		
Regular Investments	1,494,810	1,456,272
Arab Fund	434,392	422,631
Kuwait Fund	287,028	279,257

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 DEFERRED REVENUE AND GRANTS RECEIVED IN ADVANCE

The deferred revenue balance of €19,796,991 (2015: €32,670,033) includes grants for projects - €19,452,776 (2015: 32,338,824) and earmarked activities - €344,215 (2015: €331,208) received in 2016 and prior years but not utilized as at December 31, 2016.

## 8 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



For the years ended December 31, 2016 and 2015  
(Expressed in Euro)

holdings reflects the contributions described above, withdrawals, and changes in the market value of investments.

**Provident Fund Holdings**  
(expressed in Euros)

	2016	2015
<b>Cash holdings</b>		
BPS	55,776	176,212
UBS	1,752,293	1,362,899
<b>Total Cash holdings</b>	<b>1,808,069</b>	<b>1,539,112</b>
BNP Paribas Investment funds	2,154,588	2,204,183
<b>Total Provident Fund Holdings</b>	<b>3,962,657</b>	<b>3,743,295</b>

## 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 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, 2016, the future rental minimum payments for all headquarters leases is as follows:

Corporate office lease commitments in Rome are as follows:

2017: € 380,380

2018: € 387,987

2019: € 395,747

2020: € 205,788

Corporate office lease commitments in New York are as follows:

2017: \$ 60,866

2018: \$ 32,259

Corporate office lease commitments in Geneva are as follows:

2017: CHF 32,168

2018: CHF 10,875

Corporate office lease commitments in The Hague are as follows:

2017: € 224,002

2018: € 228,482

2019: € 233,051

2020: € 237,713

2021: € 242,467

2022: € 247,316

2023: € 252,262

2024: € 110,154

Corporate office lease commitments in Amman are as follows:

2017: JOD 14,000

2018: JOD 4,667

For the years ended December 31, 2016 and 2015  
(Expressed in Euro)

## 12 REVENUES

Total revenues as of December 31, 2016 amount to €30,528,677 (2015: €36,516,454).

The balance is mainly composed of:

- Restricted grants revenue of €25,819,509 (2015: €27,193,951) being revenue recognized based on program implementation within the year.
- Unrestricted grants revenue of €4,605,132 (2015: €8,661,279) being funds received from donors during the year to support operational and institutional expenses during the year.

A breakdown of contribution's revenues by Donors is included on page 7 of the financial statements.

Overall decrease in unrestricted revenue was due to the withdrawal by the Government of the Netherlands of its 2016 contribution of Euro 4.6 million representing approximately 40% of IDLO unrestricted revenue compared to 2015 due to a decision by the Dutch Ministry of Foreign Affairs in November 2016.

The decrease is the main reason underlying the deficit recognized in the financial year for €1,832,3034 (2015: surplus of €2,519,902).

## 13 EXPENSES

Total expenses as of December 31, 2016 amount to €32,367,951 (2015: €34,310,891).

The balance is mainly composed by:

- Program direct costs for €22,715,911 (2015: €23,376,750);
- Staff costs for €6,053,819 (2015: €5,945,287);
- Office expenses for €1,473,231 (2015: €1,887,688);
- Institutional expenses for €1,766,008 (2015: €2,771,693).

In response to the reduction in unrestricted revenue IDLO took immediate measures to identify savings across various expense line items, though it was problematic given commitments at the late stage of 2016. This resulted in an overall decrease in expenses of 5%.

Based on the estimated financial results in November 2016, IDLO was anticipating an approximate Euro 2.4 million short-fall at the end of 2016. However due to

savings and other cutbacks, the actual loss for 2016 was Euro 1.8 million.

## 14 2017 OPERATING BUDGET

Per the 2017 Operating Budget approved by the Meeting of the Assembly of Parties on November 29, 2016, the Organization is expected to get back on a break-even point due to further saving measures currently under implementation.