

International Development Law Organization

*Financial Statements and notes for the year ended
31 December 2019*



Queries on the substantive content of this document may be
addressed to:

Mr Haroun Atallah
Director Finance and Support Services. Hatallah@idlo.int

EXECUTIVE SUMMARY

- The IDLO Secretariat is pleased to submit the Audited 2019 Financial Statements together with the Audit Opinion and the Report by the External Auditor. The Financial Statements have been prepared using International Public Sector Accounting Standards (IPSAS). The External Auditor has completed the audit in accordance with the International Standards of Auditing and has provided an unqualified audit opinion.
- This document was submitted to the Standing Committee in accordance with Article IX of the Agreement for the Establishment of the International Development Law Organization (“Establishment Agreement”), which provides for the submission to and the approval by the Standing Committee of the audited Financial Statements of IDLO, taking into account the recommendation of the Audit and Finance Committee. The Standing Committee approved the 2019 audited financial statements on 24 April 2020.



INDEPENDENT AUDITORS' REPORT

To the Standing Committee of
IDLO – International Development Law Organization

Opinion

We have audited the financial statements of IDLO – International Development Law Organization, which comprise the statement of financial position as at 31 December 2019, the statement of financial performance, the statement of changes in equity, the statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of IDLO as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (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 are independent of IDLO in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing IDLO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization 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.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311



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.

Rome, 10 April 2020

PricewaterhouseCoopers SpA

A handwritten signature in black ink, appearing to read 'SCC', is written over a faint, light-colored circular stamp or watermark.

Scott Cunningham
(Partner)

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
 STATEMENT I
 STATEMENT OF FINANCIAL POSITION
 AT 31 DECEMBER 2019

<i>(in EUR thousand)</i>	<i>Note</i>	December 31	
		2019	2018
Assets			
Current Assets			
Cash and cash equivalents	3	56.751	57.484
Receivables from exchange transactions	4	2.159	2.374
Prepayments and other current assets	5	835	1.956
		59.745	61.814
Non-current Assets			
Investments	6	9.127	7.259
Property, plant and equipment	7	395	384
		9.522	7.643
Total Assets		69.267	69.457
Liabilities			
Current Liabilities			
Accounts payable	8	(1.346)	(853)
Accrued expenses	8	(1.321)	(1.442)
Employee benefit obligation	9	(6.795)	(5.047)
Deferred revenue current	10	(47.000)	(51.657)
		(56.462)	(58.999)
Total Liabilities		(56.462)	(58.999)
Equity			
Accumulated surplus / (deficit)	12	(9.018)	(9.737)
Ear-Marked fund		(521)	
Operational fund		(2.508)	
Donor endowment fund		(759)	(720)
Total Equity		(12.806)	(10.457)
Total Liabilities and Equity		(69.267)	(69.457)

The footnotes are an integral part of the financial statements

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT II
STATEMENT OF FINANCIAL PERFORMANCE
AT 31 DECEMBER 2019

		December 31	
		2019	2018
<i>(in EUR thousand)</i>			
	<i>Note</i>		
Revenue			
Unrestricted grants		6.959	6.085
Earmarked grants		1.374	1.134
Restricted grants - programs		38.752	27.239
Other revenue		59	-
Total Revenue	13	47.144	34.458
Expenses			
Wages, salaries, benefits and other employee costs – HQ		(6.543)	(5.885)
Office expenses - HQ		(1.204)	(1.064)
Institutional costs - HQ		(1.346)	(949)
Depreciation - HQ		(132)	(357)
Wages, salaries, employee benefits and other staff costs - Programmes		(12.569)	(9.374)
Consultants internal - Programmes		(1.940)	(2.006)
Rent - Programmes		(1.601)	(1.169)
Travel - Programmes		(2.123)	(1.697)
Training - Programmes		(6.173)	(3.603)
Subgrants & Partners - Programmes		(6.538)	(3.497)
Consultant external - Programmes		(2.827)	(2.206)
Supplies and consumable use - Programmes		(559)	(405)
Other expenses - Programmes		(1.379)	(1.095)
Total Expenses	14	(44.934)	(33.307)
Non-operating income and expenses			
Foreign exchange gain / (losses)	<i>15</i>	(14)	24
Finance income / (expenses)	<i>16</i>	154	27
Total non-operating income and expenses		140	51
Surplus for the year		2.350	1.202

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

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT III
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

<i>(in EUR thousand)</i>	Accumulated surplus / (deficit)	Ear-marked fund	Operational fund	Donor endowment funds	Total equity / (deficit)
Balance year ended 31 Dec 2017	(8,527)			(728)	(9,255)
Surplus of the period	(1,202)				(1,202)
Net change in endowment funds	(8)			8	-
Movements of the period	-	-	-		-
Balance year ended 31 Dec 2018	(9,737)			(720)	(10,457)
Surplus of the period	(2,350)				(2,350)
Net change in endowment funds	39			(39)	-
Movements of the period	3,029	(521)	(2,508)		-
Balance year ended 31 Dec 2019	(9,018)	(521)	(2,508)	(759)	(12,807)

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

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT IV
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2019

		December 31	
<i>(in EUR thousand)</i>		2019	2018
	<i>Note</i>		
Cash flows from operating activities			
Surplus / (deficit) for the period		2.350	1.202
Adjustments required to reconcile surplus / (deficit) for the period to cash flows from operating activities:			
Depreciation and amortization		132	327
Changes in assets and liabilities:			
(Increase)/ Decrease in receivables from exchange transactions	4	215	(478)
(Increase)/ Decrease in market value of endowment funds		(39)	8
(Increase)/ Decrease in other assets	5	1.121	(904)
Increase/(Decrease) in deferred revenues	10	(4.659)	6.976
Increase/(Decrease) in account payables and accrued liabilities	8	372	839
Increase in provident fund liability	9	1.747	861
Net cash flows from operating activities		1.239	8.831
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(142)	(113)
(Increase) in provident fund investments		(1.748)	(921)
(Increase)/ Decrease in market value of investment portfolio		(81)	18
Net cash flows from investing activities		(1.971)	(1.016)
<i>Cash and cash equivalents at beginning of period</i>		57.484	49.671
Net increase / (decrease) in cash and cash equivalents		(733)	7.815
Cash and cash equivalents at end of period		56.751	57.484
<i>Cash</i>		4.534	4.564
<i>Deposits</i>		52.217	52.920
Cash and cash equivalents at end of period		56.751	57.484

The footnotes are an integral part of the financial statements

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT V
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019

<i>(in EUR thousand)</i>				
<i>Description</i>	Approved 2019 Budget ⁽¹⁾	Actual Jan-Dec ⁽²⁾	Variation against approved Budget	Variation against approved Budget (%)
Revenue				
Unrestricted revenue	6.135	6.959	824	13%
Earmarked revenue	821	1.374	553	67%
Restricted program revenue	31.031	38.811	7.780	25%
Total Revenue	37.987	47.144	9.157	24%
EXPENSES				
Direct Program Activities	27.291	35.709	8.418	31%
Employee related costs	7.103	6.543	(560)	-8%
Institutional costs	1.830	1.346	(484)	-26%
Office costs	1.739	1.336	(403)	-23%
Total Expenses	37.963	44.934	6.971	18%
Operational Result	24	2.210		
Bank interest, exchange rate,				
Net non-operating income		140		
Net Result		2.350		

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

(1) The budget was approved on November 21, 2018 by the Assembly of Parties.

(2) As of December 31, 2019.

**INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT VI
STATEMENT OF CONTRIBUTION'S REVENUE
FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018**

(in EUR unit)

Donors	Unrestricted Grants	Earmarked Grants	Restricted Grants Programs Implemented	Total grants received & utilized 2019	Total grants received & utilized 2018
Bill and Melinda Gates Foundation	89.000			89.000	81.248
British Council			173.546	173.546	241.349
East Europe Foundation (EEF)				-	10.173
European Bank for Reconstruction and Development (EBRD)			1.055.173	1.055.173	671.562
European Union			1.444.412	1.444.412	970.556
FAO				-	111.399
Ford Foundation				-	902
Government of Canada (CIDA & DFAIT)			363.856	363.856	-
Government of China	20.000			20.000	20.000
Government of Denmark (DANIDA)			660.155	660.155	497.470
Government of Germany (GIZ)				-	9.055
Government of Ireland				-	-
Government of Italy	4.032.914		201.314	4.234.228	4.129.254
Government of the Netherlands		1.300.617	7.974.990	9.275.607	5.316.163
Government of Philippines	2.230			2.230	4.108
Government of Sweden (SIDA)	2.335.008		1.277.954	3.612.963	2.057.260
Government of Switzerland (SDC)			968.713	968.713	42.235
Government of the United Kingdom (DFID)			502.676	502.676	231.250
Government of the United States of America (US Department of State, INL & USAID)	362.878		20.991.778	21.354.656	17.021.175
Kuwait Fund for Arab Economic Development	117.010		350.459	467.470	235.563
OPEC Fund for International Development (OFID)			118.148	118.148	26.208
Search for Common Ground (SFCG)				-	189.374
The Netherlands Institute of International Relations "Clingendael"			33.590	33.590	30.542
UN Convention on Biological Diversity (UN CDB)			93.752	93.752	314.467
United Nations Development Programme (UNDP)			2.455.990	2.455.990	1.402.034
UNAIDS				-	49.227
United Nations Children's Fund (UNICEF)			21.580	21.580	-
United Nations Department of Economic and Social Affairs (UNDESA)		73.555		73.555	-
ViiV Healthcare			64.222	64.222	794.953
Total Revenue from Donors	6.959.040	1.374.171	38.752.307	47.085.518	34.457.526

Notes to the Financial Statements at 31 December 2019

Note 1: The Organization

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

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

In addition to the headquarters in Rome and the Branch Office in The Hague, IDLO has its liaison offices to the United Nations in New York and Geneva; and 17 country offices, including, Afghanistan, Honduras, Indonesia, Jordan, Kenya, Kyrgyzstan, Liberia, Mali, Mexico, Moldova, Mongolia, Myanmar, Philippines, Somalia, Tunisia, Uganda and Ukraine (2018: 17 offices); and carries out programs in more than 40 countries on five continents.

The Organization is governed by an Assembly of Parties. The thirty-seven Member Parties of IDLO's Establishment Agreement are currently (2018: 34 Member Parties): Afghanistan; Australia; Austria; Bulgaria; Burkina Faso; China; Ecuador; Egypt; El Salvador; France; Honduras; Italy; Jordan; Kenya; Kuwait; Liberia; Mali; Mongolia; Montenegro; Mozambique; Netherlands; Norway; OPEC Funds for International Development (OFID); Pakistan; Paraguay; Peru; Philippines; Qatar; Romania; Senegal; Sudan; Sweden; Tunisia; Turkey; Uganda; United States; Vietnam.

Vision

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

Mission

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

Funding

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

2019 IDLO received unrestricted budget support from six sovereign 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.

Strategy

IDLO's strategy comprises the following action goals and major initiatives:

a) six *Action Goals*:

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

b) eight *Major Initiatives*:

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

Assembly of parties

The Assembly of parties is composed of representatives of all IDLO's member parties, a member party being a state or intergovernmental organization that is a party to the Agreement for the Establishment of IDLO. The Assembly is IDLO's highest decision-making body and it convenes in Rome once a year, holding its regular session in the last quarter of each year. The role of the Assembly is to determine the Organization's policies and oversee the 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; the appointment of the Director-General, *ad hoc* members of the

Standing Committee, and the members of the Board of Advisers.

Standing Committee

The Standing Committee reports to the Assembly and provides appropriate oversight of the Organization on behalf of the Member Parties between sessions of the Assembly. 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 three-years term, the State where IDLO has his headquarter -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 13, 2019, the IDLO Standing Committee is composed of the representatives of: the United States (President), Mozambique (Vice-President); Italy (*ex officio* Vice-President), Ecuador, Kuwait, Philippines, and Turkey (*ad hoc* members).

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

Board of Advisers

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

Note 2: Significant accounting policies

Basis of preparation

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

The adoption of IPSAS has required changes to be made to the accounting policies followed by the Organization. Accordingly, the last audited Statements of Financial Position, dated 31 December 2018, are restated and the resulting changes are reported in the Statement of Changes in Net Asset and in Note 22 First Implementation of IPSAS.

The accounting policies set out below are applied consistently in the preparation and presentation of these financial statements.

Use of estimates

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

Functional currency

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

Foreign currency transactions

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

Cash and cash equivalents

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

Receivables

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

Investments

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

Property, plant and equipment

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

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

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

Class of PPE	Estimated useful lives
Fixtures, furniture, ICT & Equipment	5 years
Computers	5 years
Leasehold improvements	12 years

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

Accounts payable

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

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

Leases

Operating leases

Leases where the lessor retains a significant portion of the risks and rewards inherent in ownership are classified as operating leases. Expenditures incurred under operating leases are charged to the Statement of Financial Performance as expense, on a straight-line basis, over the period of the lease.

Employee Benefits Obligation

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

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

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

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

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

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

Revenue recognition

Non-exchange transaction

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

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

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

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

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

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

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

Grants restricted by the donor for program 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.

Expense recognition

The Organization records expenses on an accrual basis.

Annual budget

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

Note 3: Cash and cash equivalents

<i>(in EUR thousand)</i>	December 31	
	2019	2018
Cash	4.534	4.564
Deposits	52.217	52.920
Total cash and deposits	56.751	57.484

Cash in bank are denominated in Euro.

The balances in 2019 have decreased slightly as a reflection of IDLO's program implementation during the year, plus new program funds being advanced from some donors in 2019, but not as high as in the previous financial years.

Note 4: Receivables from exchange transactions

As of December 31, 2019, Receivables from exchange transactions amounted to €2,159,307 (2018: €2,374,165). It mainly 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. An amount of €17,683 (2018: €74,785) is VAT due but still outstanding.

Note 5: Prepayments and other assets

<i>(in EUR thousand)</i>	December 31	
	2019	2018
Advances	339	1.496
Prepaid expenses	259	268
Other	237	192
Total cash holdings	835	1.956

At December 31, 2019 prepayments and other assets amount to € 835 thousand (2018: € 1.956 thousand). This item consists of: Sub-grants, deriving mainly from advances to implementing partners, advances to vendors, and salary and educational advances.

Note 6: Investments (non-current)

	December 31	
	2019	2018
<i>(in EUR thousand)</i>		
Employee benefit investments (Provident Fund)	6.795	5.047
Investment portfolio	1.573	1.492
Donor endowment funds	759	720
Total investments	9.127	7.259

At December 31, 2019 Investments amount to € 9.127 thousand (2018: € 7.259 thousand).

Employee benefit investments (Provident Fund)

	December 31	
	2019	2018
<i>(in EUR thousand)</i>		
Cash holdings		
UBS	3.199	2.427
BPS	323	42
Total cash holdings	3.522	2.469
BNP Paribas investment funds	3.273	2.578
Total Provident Fund Holdings	6.795	5.047

All eligible staff participate in the IDLO Employee Provident Fund. The balance is paid at retirement or separation of employment. Earlier withdrawal can be made under certain circumstances. This plan is funded by a mandatory seven percent contribution from employees' salaries and an additional fourteen percent contribution by IDLO as well as possible further voluntary contributions by participants.

The provident funds are either held in bank accounts with Banca Popolare di Sondrio (BPS) and UBS Switzerland AG (UBS) or invested with BNP Paribas.

Investments

	December 31	
	2019	2018
<i>(in EUR thousands)</i>		
Funds held in Investments	1.491	1.517
Arab Endowment Fund	434	434
Kuwait Endowment Fund	286	286
Balance at the beginning of the year	2.211	2.237
Realized & unrealized Gain or (Loss) Outflows	120	(26)
Regular Investments	1.572	1491
Arab Fund	457	434
Kuwait Fund	302	286
Balance at the end of the year	2.331	2.211

The investment portfolio at year end December 31, 2019 had a market value of € 2.331 thousand and represents the principal together with changes in market value during the year. Changes in the market value of the investment portfolio

are reported in the Statements of Financial Performance in the year in which the change occurs.

The investment portfolio composition by asset class in 2019 and 2018 consist of:

<i>(in EUR thousand)</i>	December 31, 2019		December 31, 2018		Variance	
					Change in Value	Value % of TOT
Liquidity	466	20,21%	351	16,05%	115	4,16%
Bonds	1.334	57,88%	1.445	66,02%	(111)	-8,14%
Equities	505	21,91%	393	17,93%	112	3,98%
Total	2.305	100%	2.189	100%	116	
Real Estate	26	100%	22	100%	4	0%
Total Asset Value	2.331	100%	2.211	100%	120	

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

Note 7: Property, plant and equipment

<i>(in EUR thousands)</i>	Leasehold improvements	Fixtures, furniture, ICT & Equipment	Computers	Total
Balance as of January 1, 2018				
<i>of which:</i>				
Historical cost	5.841	1.591	794	8.226
Depreciation	(5.519)	(1.490)	(620)	(7.629)
Additions	71		42	113
Disposal/Sale				-
Depreciation		(39)	(63)	(102)
Amortization	(224)			(224)
Balance as of December 31, 2018	169	62	153	384
<i>of which:</i>				
Historical cost	5.912	1.591	835	
Depreciation	(5.743)	(1.529)	(683)	
Additions	86	6	51	142
Disposal/Sale			-	-
Depreciation		(39)	(66)	(105)
Amortization	(26)			(26)
Balance as of December 31, 2019	229	29	137	395
Historical cost	5.998	1.597	886	8.481
Depreciation	(5.769)	(1.568)	(749)	(8.086)

The additions of the period are related to the costs for improvements, furniture and equipment purchases for the headquarters building in Rome and computers in the offices of Geneva, New York and Rome.

Note 8: Accounts payable and accrued expenses

At December 31, 2019 accounts payable amounts to € 1.346 thousand (2018: € 853 thousand) and accrued expenses amounts to € 1.321 thousand (2018: € 1.442 thousand). Accounts payable refers to vendors, consultants and to medical insurance for the employees.

Note 9: Employee benefit obligations

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

Note 10: Deferred Revenue

The deferred revenue balance of € 47.000 thousand includes grants for projects for € 46.869 thousand (2018: € 51.527 thousand) and earmarked activities for € 130 thousand (2018: € 130 thousand) received in 2019 and prior years but not utilized as at December 31, 2019.

Note 11: Operating lease commitments

As of December 31, 2019, the future rental minimum payments for all headquarters leases is showed in the following table:

<i>(in EUR thousand)</i>		<i>As of December 31, 2019</i>				
Corporate Office	Currency	2020	2021	2022	2023	2024
Rome	<i>Euro</i>	408,715	416,889	425,227	433,731	442,406
New York	<i>Euro</i>	58,342	29,602	-	-	-
Geneva	<i>Euro</i>	29,044	9,681	-	-	-
The Hague	<i>Euro</i>	237,713	242,467	247,317	252,263	110,155

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

Note 12: Equity

As at December 31, 2019 the total Equity is composed of the unrestricted reserves of € 9.018 thousand (2018: € 9.737 thousand), Donor Endowment funds that amount to € 759 thousand (2018: € 720 thousand), with a surplus for the year of € 2.350 thousand (2018: € 1.202 thousand).

On 13 November 2019, the Assembly of Parties (AOP) approved the creation of an Operational Fund. The resolution approved by the AOP regarding the Operational Fund included the following:

1. That an initial amount, of € 680 thousand is added to the fund based on the 2018 financial statements results.
2. That the Standing Committee is authorized to approve an additional amount to be added to the Operational Fund after completion of the annual audited financial statements for 2019; and
3. That the Standing Committee is authorized to approve projects proposed by the Director-General that would be funded from the Operational Fund. Projects would have to be consistent with the approved IDLO Strategy and Management Plan.

As at December 31, 2019, the Operational Fund amounts to € 2.508 thousand.

Moreover, in line with the IDLO reserves policy, budgets approved for projects in 2019 that were not completed, are carried forward in a new fund called "Earmarked fund". At December 31, 2019, the Earmarked fund amounted to € 521 thousand. The amounts carried forward relate to the ERP development project € 221 thousand, Eliminating discriminatory laws € 225 thousand and Capacity development to the Government of Gambia on negotiating commercial contracts and the international dispute settlement € 75 thousand.

Note 13: Revenue

<i>(in EUR thousand)</i>	December 31	
	2019	2018
Restricted grants – programs	38.752	27.239
Unrestricted grants	6.959	6.085
Earmarked grants	1.374	1.134
Other revenue	59	-
Total Revenue	47.144	34.458

Total revenues as of December 31, 2019 amount to € 47.144 thousand (2018: € 34.458 thousand).

The balance is mainly composed of:

- Restricted grants revenue of € 38.752 thousand (2018: € 27.239 thousand) being revenue recognized based on program implementation within the year.
- Unrestricted grants revenue of € 6.959 thousand (2018: € 6.085 thousand) being funds received from donors during the year to support operational and institutional expenses incurred.
- Earmarked grants revenue of € 1.374 thousand (2018: € 1.374 thousand) being funds received from donors to support specific expenses incurred during the year.

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

Note 14: Expenses

Total expenses as of December 31, 2019 amount to € 44.934 thousand (2018: € 33.307 thousand). The balance is mainly composed of:

- Program costs for € 35.709 thousand (2018: € 25.052 thousand).
- Wages, salaries, employee benefits and other staff costs for € 6.543 thousand (2018: € 5.885 thousand).
- Office expenses for € 1.204 thousand (2018: € 1.064 thousand).
- Institutional costs for € 1.346 thousand (2018: € 949 thousand).

Note 15: Foreign exchange gains / (losses)

The Foreign exchange gains and losses as of December 31, 2019 amounts to € 41 thousand (2018: € -24).

Note 16: Finance income / (expenses)

(in EUR thousand)	December 31	
	2019	2018
Total realized and unrealized gains or (losses)	120	(26)
Other income	34	53
Total cash holdings	154	27

Note 17: Segments

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

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

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

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

The Statement of Financial Performance for the year end December 31, 2019 and the total of Assets and Liability, on a segment basis, is as follows:

<i>(in EUR thousand)</i>	December 31, 2019		
	Action Goals	Major Initiatives	Total
Total Assets	55.494	13.774	69.267
Total Liabilities	(52.272)	(14.645)	(69.267)
Revenue			
Unrestricted grants		6.959	6.959
Earmarked grants	1.374		1.374
Restricted grants - programs	38.752		38.752
Other revenue	58	1	59
Total Revenue	40.184	6.960	47.144
Expenses			
Wages, salaries, employee benefits and other staff costs - HQ	(2.217)	(4.326)	(6.543)
Office expenses - HQ	(441)	(763)	(1.204)
Institutional costs - HQ	(380)	(966)	(1.346)
Depreciation - HQ		(132)	(132)
Wages, salaries, employee benefits and other staff costs - Programmes	(12.569)		(12.569)
Consultants internal - Programmes	(1.940)		(1.940)
Rent - Programmes	(1.601)		(1.601)
Travel - Programmes	(2.123)		(2.123)
Training - Programmes	(6.173)		(6.173)
Subgrants & Partners - Programmes	(6.538)		(6.538)
Consultant external - Programmes	(2.827)		(2.827)
Supplies and consumable use - Programmes	(559)		(559)
Other expenses - Programmes	(1.379)		(1.379)
Total Expenses	(38.747)	(6.187)	(44.934)
Non-operating income and expenses			
Foreign exchange gain / (losses)		(41)	(41)
Finance income / (expenses)		154	154
Total non-operating income and expenses	-	140	140
Surplus for the year	1.437	913	2.350

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

The budget is prepared and approved on an accrual basis.

The analysis has been performed by comparing the budget approved by the Assembly of Parties and the actual amounts as of December 31, 2019.

The difference between the budget and the actual amounts in the Unrestricted Revenue amounts to € 824 thousand and is due to the increase in unrestricted funding driven by an increased contribution from Sida which exceeded the budgeted amount by € 0.8 million in 2019.

The variance in the Earmarked Revenue and Restricted Program Revenue amounts to € 8.333 thousand and is mainly driven by additional projects (46 signed agreements, including extensions) coming into implementation since the budget preparation in September 2018. The difference in the Direct Program Activities is due to the same reason.

The Employee related costs registered positive variance from the budgeted amounts due to savings from delayed recruitments as well as savings on budgeted amounts for conversion of Field Based Affiliate contracts into FTCs.

The institutional costs also registered a positive variance since IDLO did not incur in the contingency for which some amounts were estimated. Moreover, delays in implementing systems' reforms and other internal project were covered by earmarked revenues.

Office costs register a positive variance of € 403 thousand since most costs have been funded by the Hague Grant (only 65% were utilized). Although, the biggest impact is due to the Depreciation which is registered with an actual expenditure of € 131 thousand against € 360 thousand of approved budget. The variance is due to assets that were fully depreciated, and the organization did not invest in additional assets in the past years.

Note 19: Taxation

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

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

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

Note 20: Related parties

Basic annual compensation and related benefits to key management personnel and Director-General for the year ended 31 December 2019 was as follows:

(in EUR thousand)

Key management personnel	Number of individuals	Basic pay	Provident Funds (14%)	Insurance plan (cost for IDLO)	Education allowance	Expatriate Allowance (8%)/ Housing Allowance
2018	8	754	106	34	0,00	58
2019	8	801	112	36	0,00	61

The table above includes the Director General, Directors, and General Counsel, as they are responsible for Programs, Human Resources Department,

Communications, Research & Learning, Finance, and Support Services.

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

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

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

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

The number of employees of the Organization was 436 as December 31, 2019 (2018: 139 employees). The large increase in employee numbers is due to the implementation of the new employment model where all the regular workforce is treated as employees.

Note 21: First implementation of IPSAS

Previous IDLO financial statements were prepared on an accrual basis under IDLO's accounting policies for the purpose of assisting the Organization to present the financial information relevant for the Standing Committee purpose. According to the disclosure required by IPSAS 33 – First time adoption of accrual basis IPSAS (par. 142/A), no adjustments have been made to the opening balance sheet as of January 1, 2018 and the financial statements as of December 31, 2018. The 2018 accounts have been reclassified into IPSAS compliant schemes.

Note 22: Events after the reporting date

The Organization's reporting date is 31 December 2019 for the 2019 IPSAS Financial Statements. On the date of approval and signing of these accounts, there have been no material events, favourable or unfavourable, incurred between the reporting date and the date when the financial statements were authorized for issuance that would have impacted these statements.

As is well known, since January 2020, the national and international scene has been characterized by restrictive measures to contain the novel coronavirus, implemented by the public authorities of the countries concerned. These circumstances, which are extraordinary in nature and extent, have direct and indirect repercussions on economic activity and have created a context of general uncertainty. The evolution of the situation and the related effects cannot be predicted at this time.



Jan Beagle
(Director General)



Haroun Atallah
(Director Finance & Support Service)