

International Development Law Organization

*Financial Statements and notes for the year ended
31 December 2022*



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

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

EXECUTIVE SUMMARY

- The IDLO Secretariat is pleased to submit the Audited 2022 Financial Statements together with the Audit Opinion issued 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 (ISA) and has provided an unqualified audit opinion.
- This document is 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.



INDEPENDENT AUDITOR'S REPORT

**IDLO – INTERNATIONAL DEVELOPMENT LAW
ORGANIZATION**

**FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022
AND FOR THE YEAR THEN ENDED**



INDEPENDENT AUDITOR'S 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 of 31 December 2022, 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 financial statements give a true and fair view of the financial position of IDLO as of 31 December 2022, and of 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 this report. We are independent of IDLO in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. 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 of financial statements that give a true and fair view 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.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311



Management is responsible for assessing the organization's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless they either intend to liquidate the organization or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing IDLO's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (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 the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISAs), we exercised our professional judgment and maintained professional skepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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.
- We obtained 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.
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on IDLO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause IDLO to cease to continue as a going concern.
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicated with those charged with governance, identified at an appropriate level as required by ISAs, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Rome, 3 April 2023

PricewaterhouseCoopers SpA

A handwritten signature in blue ink, reading 'RSchübelin'.

Rodrigue G. Schübelin
(Partner)

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT I
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		31-December	
<i>(in EUR thousand)</i>	<i>Note</i>	2022	2021
Assets			
Current Assets			
Cash and cash equivalents	3	70,399	66,589
Receivables from non-exchange transactions	4	2,422	2,036
Prepayments and other current assets	5	1,325	1,980
		74,146	70,605
Non current Assets			
Investments	6	17,074	17,068
Property, plant and equipment	7	388	445
		17,462	17,513
Total Assets		91,608	88,118
Liabilities			
Current Liabilities			
Accounts payable	8	(770)	(1,094)
Accrued expenses	8	(1,407)	(1,619)
Employee benefits obligation	9	(9,367)	(8,416)
Deferred revenue	10	(64,794)	(60,327)
		(76,338)	(71,456)
Total Liabilities		(76,338)	(71,456)
Equity			
	12		
Accumulated surplus		(9,968)	(9,883)
Earmarked fund		(250)	(1,117)
Operational fund		(4,391)	(4,887)
Donor endowment fund		(661)	(774)
Total Equity		(15,270)	(16,662)
Total Liabilities and Equity		(91,608)	(88,118)

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

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT II
STATEMENT OF FINANCIAL PERFORMANCE AS AT 31 DECEMBER 2022

<i>(in EUR thousand)</i>	<i>Note</i>	2022	2021
Revenue			
Unrestricted grants		8,895	7,116
Earmarked grants		-	1,300
Restricted grants - programs		34,017	34,145
Other revenue		5	-
Total Revenue	13	42,917	42,560
Expenses			
Wages, salaries, employee benefits & other staff costs - HQ		(8,984)	(6,989)
Office expenses - HQ		(1,491)	(1,278)
Institutional costs - HQ		(2,236)	(1,317)
Depreciation - HQ		(94)	(91)
Wages, salaries, employee benefits and other staff costs - Programmes		(12,444)	(12,340)
Consultants internal - Programmes		(1,488)	(1,907)
Rent - Programmes		(1,474)	(1,536)
Travel - Programmes		(1,700)	(1,120)
Training - Programmes		(3,728)	(5,351)
Subgrants & Partners - Programmes		(4,021)	(3,961)
Consultant external - Programmes		(2,911)	(2,982)
Supplies and consumable use - Programmes		(766)	(778)
Other expenses - Programmes		(1,617)	(1,381)
Total Expenses	14	(42,954)	(41,031)
Non operating income and expenses			
Foreign exchange (loss) / gain and write offs	15	(238)	452
Return on investment (loss) / gain	16	(1,117)	133
Total non operating income and expenses		(1,355)	585
Operating (Deficit) / Surplus for the year		(1,392)	2,114

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

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT III
STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2022

<i>(in EUR thousand)</i>	Accumulated surplus / (deficit)	Earmarked fund	Operational fund	Donor endowment funds	Total equity
Balance as at 1 Jan 2021	(9,298)	(1,048)	(3,441)	(760)	(14,548)
Surplus for the period	(2,114)	-	-	-	(2,114)
2021 Institutional projects to earmarked fund	547	(547)	-	-	-
2021 balance transferred to operational fund	1,695	-	(1,695)	-	-
Net change in endowment funds	14	-	-	(14)	-
Movements for the period	(727)	478	249	-	-
Balance year ended 31 Dec 2021	(9,883)	(1,117)	(4,887)	(774)	(16,662)
Balance as at 1 Jan 2022	(9,883)	(1,117)	(4,887)	(774)	(16,662)
Deficit for the period	1,392	-	-	-	1,392
Net change in endowment funds	(113)	-	-	113	-
Movements for the period	(1,364)	867	496	-	-
Balance year ended 31 Dec 2022	(9,968)	(250)	(4,391)	(661)	(15,270)

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

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT IV
STATEMENT OF CASH FLOW AS AT 31 DECEMBER 2022

(in EUR thousand)	Note	2022	2021
Cash flows from operating activities			
(Deficit) / Surplus for the period		(1,392)	2,114
Adjustments required to reconcile surplus / (deficit) for the period to cash flows from operating activities:			
Depreciation and amortization	7	94	91
Unrealized / realized (gain) / loss on short-term investments	15	269	(357)
(Increase)/ Decrease in market value of investment portfolio	16	1,051	(133)
Changes in assets and liabilities:			
(Increase)/ Decrease in receivables from non-exchange transactions	4	(386)	(20)
(Increase)/ Decrease in other assets	5	655	(736)
Increase/(Decrease) in deferred revenues	10	4,467	14,121
Increase/(Decrease) in account payables and accrued liabilities	8	(536)	698
Increase/(Decrease) in employee benefits obligation	9	951	1,299
Net cash flows from operating activities		5,171	17,077
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(37)	(216)
(Increase)/ Decrease in Investments	6	(1,326)	(7,124)
Net cash flows from investing activities		(1,362)	(7,340)
Cash and cash equivalents at beginning of period	3	66,589	56,853
Cash at the end of the period	3	70,398	66,589
Net increase / (decrease) in cash and cash equivalents		3,809	9,736
Cash and cash equivalents at beginning of period	3	66,589	56,853
Net increase / (decrease) in cash and cash equivalents		3,809	9,736
Cash and cash equivalents at end of period		70,398	66,589
Cash	3	7,687	12,500
Deposits	3	62,711	54,089
Cash and cash equivalents at end of period		70,398	66,589

The accompanying 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 2022

(in EUR thousand)

Description	Approved 2022 Budget ⁽¹⁾	Actual Jan-Dec ⁽²⁾	Variance	Variance (%)
Revenue				
Unrestricted revenue	6,750	8,895	2,145	32%
Earmarked revenue	1,800	-	(1,800)	-100%
Restricted program revenue	31,800	34,023	2,223	7%
Total Revenue	40,350	42,918	2,569	6%
EXPENSES				
Direct Program Activities	28,480	30,150	1,670	6%
Institutional projects	950	868	(82)	-9%
Institutional activities	1,330	1,369	39	3%
Employee related costs	8,820	8,984	164	2%
Office costs (includes depreciation)	1,720	1,586	(134)	-8%
Total Expenses	41,300	42,957	1,657	4%
Operational Result	(950)	(39)		
Foreign exchange (loss) and write offs		(238)		
Return on investment (loss)		(1,117)		
Institutional Projects balance carried forward*	950			
Net Result	0	(1,392)		

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

⁽¹⁾ The budget was approved on 23 November 2021 by the Assembly of Parties.

⁽²⁾ As of 31 December 2022.

*Earmarked funds carried forward expenses total € 868 and are reflected under institutional projects expenditure.

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT VI
STATEMENT OF CONTRIBUTIONS REVENUE
FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(in EUR unit)

Donors	Unrestricted Grants	Restricted Grants Programs Implemented	Total grants received & utilized 2022	Total grants received & utilized 2021
Bill and Melinda Gates Foundation	-	-	-	42,073
British Council	-	507,713	507,713	131,361
European Bank for Reconstruction and Development (EBRD)	-	925,539	925,539	830,838
European Union	-	337,216	337,216	1,010,009
Government of Canada (CIDA & DFAIT)	-	786,165	786,165	492,530
Government of China	18,000	59,824	77,824	71,217
Government of Denmark (DANIDA)	-	1,152,940	1,152,940	417,569
Government of Germany (GIZ)	-	307,682	307,682	8,178
Government of Italy	4,032,914	171,199	4,204,113	4,064,071
Government of the Netherlands (RVO)	2,000,000	9,336,590	11,336,590	9,174,684
Government of Philippines (1)	56,788	-	56,788	-
Government of Sweden (SIDA) (2)	2,387,873	2,832,967	5,220,841	6,680,562
Government of Switzerland (SDC)	-	892,438	892,438	648,081
Government of the United Kingdom (DFID/FCDO)	-	191,749	191,749	348,635
Government of the United States of America (DOS & USAID) (3)	399,840	15,929,791	16,329,632	17,497,113
OPEC Fund for International Development (OFID)	-	278,656	278,656	283,568
The Netherlands Institute of International Relations "Clingendael"	-	22,275	22,275	-
United Nations Development Programme (UNDP)	-	-	-	508,745
United Nations Children's Fund (UNICEF)	-	292	292	142,914
United Nations Population Fund (UNFPA)	-	47,727	47,727	48,681
United Nations Department of Economic and Social Affairs (UNDESA)	-	43,019	43,019	68,972
Development Alternatives Inc. (DAI)	-	124,473	124,473	54,204
Cowater International Inc. (SPARC - KNOWLEDGE)	-	19,920	19,920	-
Open Society Initiative for Eastern Africa (OSIEA)	-	49,267	49,267	-
Other	-	5,000	5,000	36,044
Total revenue from donors	8,895,415	34,022,443	42,917,857	42,560,051

- (1) The unrestricted contribution from the Government of the Philippines in original currency was USD 50,000.
- (2) The unrestricted contribution from the Government of Sweden in original currency was SEK 25,000,000.
- (3) The unrestricted contribution from the Government of the United States in original currency was USD 400,000.

Notes to the Financial Statements as at 31 December 2022

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 governments and empowers people to reform laws and strengthen institutions to promote peace, justice, sustainable development, and economic opportunity.

A Headquarters Agreement signed on 14 June 2017, and entered into force on 1 October 2019, regulates IDLO's relations with the host government, Italy. On 19 December 2013, the Minister of Foreign Trade and Development Cooperation of the Netherlands and the Director-General of IDLO, signed a Host Country Agreement, which facilitated 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 liaison offices to the United Nations in New York and Geneva and 18 country offices, including Afghanistan, Burkina Faso, Honduras, Indonesia, Jordan, Kenya, Kyrgyzstan, Liberia, Mali, Moldova, Mongolia, Myanmar, Niger, Philippines, Somalia, Tunisia, Uganda, and Ukraine (2021: 18 offices); and carries out programmes in more than 40 countries on four continents.

The Organization is governed by an Assembly of Parties. The thirty-seven Member Parties (as of December 2021: 37 Member Parties) to IDLO's Establishment Agreement are currently: Afghanistan; Australia; Austria; Bulgaria; Burkina Faso; China; Ecuador; Egypt; El Salvador; France; Honduras; Italy; Jordan; Kenya; Kuwait; Liberia; Mali; Mauritania; Mongolia; Montenegro; Mozambique; Netherlands; OPEC Fund for International Development (OFID); Pakistan; Paraguay; Peru; Philippines; Qatar; Romania; Senegal; Sudan; Sweden; Tunisia; Türkiye; Uganda; United States; Vietnam.

Vision

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

Mission

IDLO's mission is to champion people-centred justice and promote the rule of law to advance sustainable development and help build more peaceful, inclusive, and resilient societies.

Funding

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

In 2022, IDLO received unrestricted budget support from six sovereign donors (refer to Statement VI for more details on this). Any significant reduction in the

level of this support, if this were to occur, would have a material effect on IDLO's programmes and activities.

Strategy

IDLO's strategy comprises the following Strategic Objectives and Enablers:

a) six Strategic Objectives:

- SO1: Empowering justice seekers to claim their rights.
- SO2: Making laws and institutions work for people.
- SO3: Reducing the justice gap for women and girls.
- SO4: Rule of law drives inclusive economic development.
- SO5: Rule of law promotes climate justice and sustainable use of land and natural resources.
- SO6: Rule of law advances healthy lives and well-being for all.

b) four Enablers:

- E1: Enhancing Innovation, Integration, and Impact.
- E2: Investing in people.
- E3: Improving systems and processes.
- E4: Strengthening partnerships.

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 personnel policies; the adoption of recommendations related to the Organization's policies and management; the approval of the admission of new members to 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, members of the Audit and Finance Committee, as well as 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. It is comprised of the President of the Assembly (elected by the Assembly for a three-year term), who shall be its chair, the Assembly's two Vice-Presidents (one of which is elected by the Assembly for a three-year term, while the State where IDLO has its headquarters -Italy- serves as a permanent, ex

officio Vice-President), and 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 monitors the implementation of the management plan, the strategic plan, and the approved budget; approves the audited financial statements; monitors implementation of the decisions of the Assembly; and prepares reports and recommendations for the Assembly.

At the date of the financial statements the IDLO Standing Committee is composed of the representatives of Pakistan (President); the United States (Vice-President); Italy (*ex officio* Vice-President); Egypt; Kuwait; Paraguay; and the Philippines (members).

Audit and Finance Committee

The Audit and Finance Committee was established by the Assembly of Parties to assist the Assembly through the Standing Committee in its oversight responsibility with respect to audit and compliance, review of financial reports, as well as 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 Chair of the Audit and Finance Committee is appointed by the Assembly of Parties from among the members of the Committee and a Vice-Chair is chosen by the members of the Committee at its first meeting during each calendar year. At the date of the financial statements the Audit and Finance Committee is composed of the representatives of Italy (Chair), China, Kenya, Kuwait, Türkiye, and the United States.

Board of Advisers

A Board of Advisers provides 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. Board members are selected based on their expertise and backgrounds in various disciplines related to the rule of law and development. They serve in their personal capacities and not as representatives of governments or organizations. Meetings of the Board of Advisers are normally convened at least once a year, prior to the regular meeting of the Assembly.

Note 2: Significant accounting policies

Basis of preparation

These financial statements are prepared on the accruals 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 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.

Presentation and Functional currency

The functional currency and the presentation currency of IDLO is Euro. The financial statements are expressed in thousands of Euros unless otherwise stated.

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 year-end exchange rates sourced from Banca d'Italia. Realized and unrealized foreign exchange gains and losses arising from the exchange of assets and liabilities in currencies 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 investments is adjusted to reflect the current fair market value on a periodic basis. Realized and unrealized gains and losses arising from changes in the market value of investments 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 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 costs are charged to

the Statement of Financial Performance during the financial period in which they are incurred.

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

Class of PP&E	Estimated useful life
Motor Vehicles	6 years
Fixtures, furniture, & equipment	7 years
Computers	4 years
Leasehold improvements	Lesser of assets life or lease term

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 of, 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 when 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.

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 an expense, on a straight-line basis, over the period of the lease.

Employee Benefits Obligation

IDLO has a Provident Fund scheme similar to a defined contribution plan as the contributions are fixed and are set aside in a specific investment portfolio where each employee autonomously via a web platform selects how his/her contribution is invested. IDLO bears no actuarial or investment risks.

The Provident Fund scheme 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 utilized 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 revenue 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.

IDLO recognises deferred revenue once implementation conditions are met. The deferred revenue liability is then reduced, and the equivalent amount is recognised as revenue.

The Organization records revenue from unrestricted grants on an accrual's basis, when the right to receive the grants accrues.

Grants restricted by the donor for programme purposes are deemed to be earned and are reported as revenue when expenditure is 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 programmes but earmarked for a general purpose are deemed to be earned and are reported as revenue when expenditure is 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 and Finance Committee for its review and recommendation. The budget is presented together with the management plan to the Standing Committee for its review and recommendation to the Assembly of Parties. The Assembly approves the management plan (biannually) and budget (annually) at its meeting held in the last quarter of the year.

Note 3: Cash and cash equivalents

(in EUR thousand)	31 December	
	2022	2021
Cash	7,687	12,500
Deposits	62,711	54,089
Total cash and deposits	70,398	66,589

The balances in 2022 have increased as a reflection of IDLO's programme implementation during the year, plus new programme funds being advanced from some donors in 2022.

Note 4: Receivables from non-exchange transactions

As of 31 December 2022, Receivables from non-exchange transactions amounted to €2,422 (31 December 2021: €2,036). This mainly refers to outstanding amounts of grants not yet collected for specific projects that have been implemented.

Note 5: Prepayments and other assets

(in EUR thousand)	31 December	
	2022	2021
Advances	740	1,383
Prepaid expenses	367	374
Other	218	223
Total prepayments and other assets	1,325	1,980

As at 31 December 2022, prepayments and other assets amounted to € 1,325 (31 December 2021: € 1,980). 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 assets)

(in EUR thousand)	31 December	
	2022	2021
Employee benefit investments	9,367	8,416
Investment portfolio	7,045	7,878
Donor endowment funds	661	774
Total investments	17,074	17,068

As at 31 December 2022, Employee benefit investments amounted to € 9,367 (31 December 2021: € 8,416), reflecting an increase of € 951. The increase was mainly due to an increase in the number of employees of the Organization, from 423 to 426 as of 31 December 2022 and the impact from salary scales increases in 2022.

As of 31 December 2022, the IDLO Investment portfolio and Donor endowment funds amounted to € 7,706 (31 December 2021: € 8,652), reflecting a decrease of € 946. The decrease reflects the financial markets in 2022, which experienced

heightened volatility. The equity markets experienced a downward trend and bond prices suffered due to the rise in interest rates, decreasing the value of IDLO investments.

Employee benefit investments (Provident Fund)

<i>(in EUR thousand)</i>	31 December	
	2022	2021
Cash holdings		
UBS	4,561	3,424
BPS	156	880
Total cash holdings	4,717	4,304
BNP Paribas investment funds	4,650	4,112
Total Provident Fund Holdings	9,367	8,416

All eligible employees 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 deduction from employees' salaries and an additional fourteen percent contribution by IDLO.

Investment Portfolio

<i>(in EUR thousand)</i>	31 December	
	2022	2021
Liquidity	301	1,204
Bonds	5,151	4,943
Equities	1,592	1,716
Others	1	15
Total Investment Portfolio	7,045	7,878

Donor Endowment Funds

<i>(in EUR thousand)</i>	31 December	
	2022	2021
Arab Fund	398	466
Kuwait Fund	263	308
Total Donor Endowment Funds	661	774

Investments

<i>(in EUR thousand)</i>	Opening balances as of 31.12.2021	Change in market value and foreign exchange	Closing balance as of 31.12.2022
Funds held in Investments	7,878	(833)	7,045
	7,878	(833)	7,045
Arab Endowment Fund	466	(68)	398
Kuwait Endowment Fund	308	(45)	263
	774	(112)	661
Total funds held in Investments	8,652	(945)	7,706

The investment portfolio at year end 31 December 2022, had a market value of € 7,706 (31 December 2021: € 8,652) 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.

Investment portfolio by asset class

<i>(in EUR thousand)</i>	31 December, 2022		31 December, 2021		Change in Value
Liquidity	328	4%	1,242	14%	914
Bonds	5,634	73%	5,488	63%	(145)
Equities	1,744	23%	1,907	22%	163
Total	7,706	100%	8,637	100%	931
Other	(0)	0%	15	0%	15
Total Asset Value	7,706	100%	8,652	100%	946

The Donor Endowment Funds form part of the investment portfolio. The contributions from the Kuwait Fund for Arab and Economic Development and from the 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 thousand)</i>	Leasehold improvements	Furniture, Fixtures & Equipment	Computers	Total
Cost as of 1 January 2022	6,062	1,646	1,029	8,737
Additions	18	12	7	37
Cost as of 31 December 2022	6,080	1,658	1,036	8,774
Depreciation as of 1 January 2022	5,832	1,601	859	8,292
Depreciation		11	52	63
Amortization	32			32
Depreciation as of 31 December 2022	5,864	1,612	911	8,386
Balance as of 31 December 2022	216	46	125	388

The additions for the period are related to the costs of leasehold improvements, furniture and equipment purchases for the headquarters building in Rome as well as computers for IDLO employees.

Note 8: Accounts payable and accrued expenses

<i>(in EUR thousand)</i>	2022	2021
Accounts payable	(770)	(1,094)
Accrued expenses	(1,407)	(1,619)
Total accounts payable and Accrued expenses	(2,177)	(2,713)

As of 31 December 2022, accounts payable amounted to € 770 (31 December 2021: € 1,094) and accrued expenses amounted to € 1,407 (31 December 2021: € 1,619). Accounts payable and accrued expenses refers to vendors, consultants, and medical insurance for employees. Accounts payable reduction was witnessed in country offices, specifically the Afghanistan country office (CO), where the banking situation affected the CO's ability to continue with normal programme implementation. Accrued expenses reduction was mainly witnessed in Mexico and Rwanda, where accruals booked due to projects coming to an end in 2021 were cleared in 2022.

Note 9: Employee benefits obligations

<i>(in EUR thousand)</i>	2022	2021
Cash holdings		
UBS	4,561	3,424
BPS	156	880
Total cash holdings	4,717	4,304
BNP Paribas investment funds	4,650	4,112
Total Provident Fund Holdings	9,367	8,416

Employee benefit obligations represent the Provident Fund liability of € 9,367 (2021: € 8,416), which is equal to the Provident Fund investment balance described in Note 6 "Investments". The increase was as a result of an increase in the number of employees of the Organization, from 423 to 426 as of 31 December 2022. Salary scales were also reviewed and updated in 2022, resulting in an overall increase in employee costs as salaries were aligned.

Note 10: Deferred revenue

<i>(in EUR thousand)</i>	2022	2021
Deferred revenue current	(64,794)	(60,327)
Total deferred revenues	(64,794)	(60,327)

The deferred revenue balance of € 64,794 (31 December 2021: € 60,327) includes grants for projects for € 60,964 (31 December 2021: € 58,197); funds for earmarked activities for € 130 (31 December 2021: € 2,130) received in prior years but not utilized as of 31 December 2022; and unrestricted contribution of € 3,700 (31 December 2021: € 0) for the year 2023 but received in December 2022.

Note 11: Operating lease commitments

As of 31 December 2022, the minimum future rental payments for the headquarters, Branch Office and liaison office leases are shown in the following table:

(in EUR thousand)		As of 31 December, 2022		
Corporate Office	Currency	2023	2024	2025
Rome	Euro	484,983	509,232	534,693
New York	Euro	69,533	35,614	-
Geneva	Euro	24,744	-	-
The Hague	Euro	246,116	107,471	-

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' advance notice.

Note 12: Equity

As of 31 December 2022, the total Equity is € 15,270 (31 December 2021: € 16,662) and is composed of the accumulated surplus of € 9,968 (31 December 2021: € 9,883), endowment funds that amount to € 661 (31 December 2021: € 774), the Operational Fund amounts to € 4,391 (31 December 2021: € 4,887), Earmarked funds that amount to € 250 (31 December 2021: € 1,117), with an overall decrease for the year of € 1,392 (31 December 2021: € 2,114 increase).

Note 13: Revenue

(in EUR thousand)	2022	2021
Unrestricted grants	(8,895)	(7,116)
Earmarked grants	-	(1,300)
Restricted grants - programs	(34,017)	(34,145)
Other revenue	(5)	-
Total Revenue	(42,917)	(42,560)

Total revenue for 2022 amounted to € 42,917 (2021: € 42,560). The balance is mainly composed of:

- Restricted grants revenue of € 34,017 (2021: € 34,145) being revenue recognised based on programme implementation within the year.
- Unrestricted grants revenue of € 8,895 (2021: € 7,116) reflecting funds received from donors during the year to support operational and institutional expenses incurred.
- Earmarked revenue of € 0 (2021: € 1,300), reflecting funds received from donors allocated for purposes not associated with a fixed project budget.

A breakdown of contributions revenue by Donor is included as Statement VI of the

financial statements.

<i>(in EUR thousand)</i>		2022
Restricted Revenue by Country		Total
Afghanistan		6,047
Armenia		987
Bahamas		191
Democratic Republic of Congo (DRC)		80
Global		476
Global (Africa and Asia: Kenya, Tanzania, Uganda, Bangladesh, Sri Lanka)		1,171
Uganda, other countries TBD)		237
Honduras		769
Indonesia		505
Italy		231
Jordan		10
Kenya		2,606
Kyrgyzstan		117
Liberia		834
Mexico		235
Moldova		717
Mongolia		970
Montenegro		79
Myanmar		1,228
Philippines		606
Regional (Africa - G5 Sahel: Burkina Faso, Mali, Niger)		4,958
Regional (Africa)		69
Regional (Africa: Côte d'Ivoire, Guinea, Liberia, Sierra Leone)		141
Regional (Africa: Kenya, Tanzania and Uganda)		136
Rwanda		132
Serbia		8
Somalia		5,800
Tajikistan		71
Tunisia		345
Uganda		2,367
Ukraine		1,683
Uzbekistan		69
West Bank and Gaza		145
Total		34,017

Note 14: Expenses

Expenses for 2022 amounted to € 42,954 (2021: € 41,031). The balance is mainly composed of:

- Programme costs of € 30,150 (2021: € 31,356).
- Wages, salaries, employee benefits and other staff costs of € 8,984 (2021: € 6,989).
- Office expenses including depreciation of € 1,585 (2021: € 1,369).
- Institutional costs of € 2,236 (2021: € 1,317).

Note 15: Foreign exchange gains/losses and write offs

(in EUR thousand)	2022	2021
Foreign exchange loss / (gain)	238	(452)
Total accounts payable and Accrued expenses	238	(452)

The Foreign exchange loss and write off balances on 31 December 2022 amounted to € 238 (31 December 2021: gain of € 452). The decrease reflects the financial markets in 2022, which experienced heightened volatility. The loss is mainly due to the appreciation of the Euro in relation to other currencies in which IDLO holds liquid funds and transacts in, mainly U.S. Dollars (USD), but also Swedish krona (SEK). The Euro dropped below the value of the US Dollar by September 2022 but re-appreciated during the last two months of 2022, with a significant jump in the value of the Euro in relation to the U.S. Dollar from October to November. The Swedish Krona consistently depreciated against the Euro in 2022 since the month of August, also affecting IDLO's bottom line.

Note 16: Finance investment income

(in EUR thousand)	2022	2021
Total realized and unrealized loss / (gain)	1,163	(148)
Other finance (income) / expense	(46)	15
Total return on investment	1,117	(133)

Note 17: Segments

The Organization operates and reports financial information in two segments: *Strategic Objectives* and *Enablers*.

Strategic Objectives set out the substantive focus of IDLO's programming in support of the impact goals. *Enablers* constitute a set of organizational priorities, which seek to strengthen IDLO's effectiveness and efficiency.

Revenue is allocated according to the nature of the grant. Restricted and earmarked revenue are allocated by IDLO to Strategic Objectives because they are utilized in execution of programmes. Unrestricted revenue received from donors to support IDLO is allocated to the Enablers segment.

The allocation of expenses to Strategic Objectives and Enablers for employee 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 ended 31 December 2022, and the total of Assets and Liability, on a segment basis, is as follows:

(in EUR thousand)	31-Dec-22		
	Strategic Objectives	Enablers	Total
Total Assets	67,979	23,629	91,608
Total Liabilities	(66,802)	(9,536)	(76,338)
Total equity	1,177	14,092	15,270
Revenue			
Unrestricted grants	-	8,895	8,895
Earmarked grants	-	-	-
Restricted grants - programs	34,017	-	34,017
Other revenue	-	5	5
Total Revenue	34,017	8,901	42,918
Expenses			
Wages, salaries, employee benefits and other staff costs - HQ	(4,242)	(4,741)	(8,984)
Office expenses - HQ	(686)	(805)	(1,491)
Institutional costs - HQ	(647)	(1,589)	(2,236)
Depreciation - HQ	(43)	(51)	(94)
Wages, salaries, employee benefits and other staff costs - Programmes	(12,444)	-	(12,444)
Consultants internal - Programmes	(1,488)	-	(1,488)
Rent - Programmes	(1,474)	-	(1,474)
Travel - Programmes	(1,700)	-	(1,700)
Training - Programmes	(3,729)	-	(3,729)
Subgrants & Partners - Programmes	(4,021)	-	(4,021)
Consultant external - Programmes	(2,911)	-	(2,911)
Supplies and consumable use - Programmes	(766)	-	(766)
Other expenses - Programmes	(1,617)	-	(1,617)
Total Expenses	(35,770)	(7,187)	(42,956)
Non operating income and expenses			
Foreign exchange gain / (losses) and write offs	-	(238)	(238)
Finance income / (expenses)	42	(1,159)	(1,117)
Total non operating income and expenses	42	(1,397)	(1,355)
Financial Result	(1,710)	317	(1,392)

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 for 2022.

The difference between the budgeted and the actual amounts in the Unrestricted Revenue amounts to € 2,145 and is due to an additional contribution by the Government of the Netherlands which was signed in the last quarter of 2021 and a slightly increased contribution from the Government of the Philippines. The

impact of foreign exchange rates fluctuations (namely on SEK and USD against the Euro) has also contributed to the variation.

Restricted programme revenue shows a variation of € 2.2 million. The 2022 Operating Budget was prepared at a time when the impact of the COVID 19 pandemic continued as well as instability in several countries of operations.

The Direct Programme Activities costs registered an increase of €1.67 million. This was driven by higher project implementation than initially budgeted as explained in the Revenue section.

The institutional costs (institutional projects and activities) registered a variation of € 43 driven mainly by underspend in the institutional projects.

The employee-related costs registered an overspend of € 164 from the budgeted amounts. This is linked to various reasons including adjustments due to a worldwide salary survey.

Office costs registered an underspend of € 134, the primary reason for which was lower depreciation as a result of delayed refurbishment of the HQ building in Rome.

Note 19: Taxation

The rules regarding taxation of IDLO in Italy are 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(e) exempts members of the staff from "any form of direct taxation on salaries, emoluments and 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 including the Director-General for the year ended 31 December 2022 was as follows:

Related parties - 2022

(in EUR thousand)

Key management personnel	Number of individuals	Basic pay	Provident Funds (14%)	Insurance plan (cost to IDLO)	Education allowance	Expatriate Allowance (8%)/ Housing Allowance
2021	9	903	126	39	45	94
2022	13	1,329	175	67	49	120

The table above includes the Director-General and the following Senior Leadership members:

- General Counsel
- Director, Programmes
- Director, Finance and Support Services
- Director, Human Resources and Office Services
- Director, Research and Learning
- Director, External Relations, and Partnerships
- Director, IDLO Branch Office in The Hague
- Permanent Observer to the UN and other International Organizations in Geneva
- Permanent Observer to the UN and other International Organizations in New York

The number of individuals for the year 2022 is shown as 13 (in 2021, 9) since IDLO had two employees transitioning in the position of General Counsel and three employees overlapped during 2022 in the position of Director, Programmes.

The cost of basic pay in 2022 has increased to € 1,329 (in 2021 € 903). It should be noted that IDLO increased the Cost Differential allowance for Geneva with 10%. In 2021, the Permanent Observer, New York position was vacant, and the position of Director, IDLO Branch Office in The Hague was only covered for two months. In addition, the Director, External Relations and Partnerships and the Permanent Observer in Geneva started mid-year of 2021.

Note 21: Employee Benefits

The IDLO health insurance plan with the insurance company Cigna International provides coverage for Medical, Temporary Incapacity, Permanent Invalidity and Death by any cause. The Long-Term Care cover is provided to employees on Indefinite and Fixed-term contracts. In addition, IDLO provides services such as an International Employee Assistance Programme (EAP) for any work, life, personal, or family issues, and Global Telehealth for remote medical advice. These services are open to all employees and their dependents.

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 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 a 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* assists expatriate Professional employees on 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 426 as 31 December 2022 (2021: 423 employees).

Note 22: Events after the reporting date

The Organization's reporting date is 31 December. 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.



Jan Beagle
(Director General)



Haroun Atallah
(Director Finance & Support Service)