

International Development Law Organization

*Financial Statements and notes for the year ended
31 December 2021*



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 2021 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 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 YEAR ENDED 31 DECEMBER 2021



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 2021, 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 2021, 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 (ISA Italia). 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.

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,

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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 (ISA Italia) 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 (ISA Italia), 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 ISA Italia, 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, 31 March 2022

PricewaterhouseCoopers SpA



Scott Cunningham
(Partner)

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
 STATEMENT I
 STATEMENT OF FINANCIAL POSITION
 AT 31 DECEMBER 2021

<i>(in EUR thousand)</i>	<i>Note</i>	December 31	
		2021	2020
Assets			
Current Assets			
Cash and cash equivalents	3	66,589	56,853
Receivables from non-exchange transactions	4	2,036	2,016
Prepayments and other current assets	5	1,980	1,244
		70,605	60,113
Non current Assets			
Investments	6	17,068	9,454
Property, plant and equipment	7	445	319
		17,513	9,773
Total Assets		88,118	69,886
Liabilities			
Current Liabilities			
Accounts payable	8	(1,094)	(523)
Accrued expenses	8	(1,619)	(1,492)
Employee benefits obligation	9	(8,416)	(7,117)
Deferred revenue	10	(60,327)	(46,206)
Total Liabilities		(71,456)	(55,338)
Equity	12		
Accumulated surplus		(9,883)	(9,298)
Earmarked fund		(1,117)	(1,048)
Operational fund		(4,887)	(3,441)
Donor endowment fund		(774)	(760)
Total Equity		(16,662)	(14,548)
Total Liabilities and Equity		(88,118)	(69,886)

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

INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
 STATEMENT II
 STATEMENT OF FINANCIAL PERFORMANCE
 AT 31 DECEMBER 2021

<i>(in EUR thousand)</i>	<i>Note</i>	December 31	
		2021	2020
Revenue			
Unrestricted grants		7,116	6,852
Earmarked grants		1,300	949
Restricted grants - programs		34,145	30,877
Other revenue		-	17
Total Revenue	13	42,560	38,695
Expenses			
Wages, salaries, employee benefits and other staff costs - HQ		(6,989)	(6,621)
Office expenses - HQ		(1,278)	(1,175)
Institutional costs - HQ		(1,317)	(835)
Depreciation - HQ		(91)	(116)
Wages, salaries, employee benefits and other staff costs - Programmes		(12,340)	(12,612)
Consultants internal - Programmes		(1,907)	(1,758)
Rent - Programmes		(1,536)	(1,546)
Travel - Programmes		(1,120)	(745)
Training - Programmes		(5,351)	(2,741)
Subgrants & Partners - Programmes		(3,961)	(3,501)
Consultant external - Programmes		(2,982)	(2,921)
Supplies and consummable use - Programmes		(778)	(711)
Other expenses - Programmes		(1,381)	(1,357)
Total Expenses	14	(41,031)	(36,639)
Non operating income and expenses			
Foreign exchange gain / (loss) and write offs	15	452	(455)
Finance income	16	133	140
Total non operating income and expenses		585	(315)
Surplus for the year		2,114	1,741

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 2021

<i>(in EUR thousand)</i>	Accumulated surplus / (deficit)	Earmarked fund	Operational fund	Donor endowment funds	Total equity
Balance as at 1 Jan 2020	(9,018)	(521)	(2,508)	(759)	(12,807)
Surplus for the period	(1,741)	-	-	-	(1,741)
2020 Institutional projects to earmarked fund	632	(632)	-	-	-
2020 balance transferred to operational fund	969	-	(969)	-	-
Net change in endowment funds	1	-	-	(1)	-
Movements for the period	(141)	105	36	-	-
Balance year ended 31 Dec 2020	(9,298)	(1,048)	(3,441)	(760)	(14,548)
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)

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 2021

(in EUR thousand)	Note	December 31	
		2021	2020
Cash flows from operating activities			
Surplus / (deficit) for the period		2,114	1,741
Adjustments required to reconcile surplus / (deficit) for the period to cash flows from operating activities:			
Depreciation and amortization	7	91	116
Unrealized (gain)/ loss on short-term investments	15	(357)	
(Increase)/ Decrease in market value of investment portfolio	16	(133)	(5)
Changes in assets and liabilities:			
(Increase)/ Decrease in receivables from non-exchange transactions	4	(20)	143
(Increase)/ Decrease in market value of endowment funds		-	1
(Increase)/ Decrease in other assets	5	(736)	(409)
Increase/(Decrease) in deferred revenues	10	14,121	(794)
Increase/(Decrease) in account payables and accrued liabilities	8	698	(652)
Increase/(Decrease) in employee benefits obligation	9	1,299	322
Net cash flows from operating activities		17,077	463
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	(216)	(40)
(Increase)/ Decrease in Investments	6	(7,124)	(327)
Net cash flows from investing activities		(7,340)	(367)
Cash and cash equivalents at beginning of period	3	56,853	56,751
Cash at the end of the period	3	66,589	56,847
Net increase / (decrease) in cash and cash equivalents		9,736	96
Cash and cash equivalents at beginning of period	3	56,853	56,751
Net increase / (decrease) in cash and cash equivalents		9,736	102
Cash and cash equivalents at end of period		66,589	56,853
<i>Cash</i>	3	12,500	5,953
<i>Deposits</i>	3	54,089	50,900
Cash and cash equivalents at end of period		66,589	56,853

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 2021

(in EUR thousand)

<i>Description</i>	Approved 2021 Budget ⁽¹⁾	Actual Jan-Dec ⁽²⁾	Variance	Variance (%)
Revenue				
Unrestricted revenue	6,750	7,116	366	5%
Earmarked revenue	1,304	1,300	(4)	0%
Restricted program revenue	36,720	34,145	(2,575)	-7%
Total Revenue	44,774	42,560	(2,212)	-5%
EXPENSES				
Direct Program Activities	33,425	31,356	(2,069)	-6%
Institutional projects	1,400	351	(1,049)	-75%
Institutional activities	1,460	967	(493)	-34%
Employee related costs	8,160	6,989	(1,171)	-14%
Office costs (includes depreciation)	1,700	1,369	(331)	-19%
Total Expenses	46,145	41,031	(5,114)	-11%
Operational Result	(1,371)	1,529		
Forex gain and reversal of write off		452		
Investment income		133		
Institutional Projects balance carried forward	1,371			
Net Result	0	2,114		

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

⁽¹⁾ The budget was approved on November 24, 2020, by the Assembly of Parties.

⁽²⁾ As of December 31, 2021.

**INTERNATIONAL DEVELOPMENT LAW ORGANIZATION
STATEMENT VI
STATEMENT OF CONTRIBUTIONS REVENUE
FOR THE YEAR ENDED 31 DECEMBER 2021 AND 2020**

(in EUR unit)

Donors	Unrestricted Grants	Earmarked Grants	Restricted Grants Programs Implemented	Total grants received & utilized 2021	Total grants received & utilized 2020
Bill and Melinda Gates Foundation (1)	42,073			42,073	45,721
British Council			131,361	131,361	652
European Bank for Reconstruction and Development (EBRD)			830,838	830,838	913,282
European Union			1,010,009	1,010,009	757,310
Government of Canada (CIDA & DFAIT)			492,530	492,530	467,449
Government of China	20,000		51,217	71,217	20,084
Government of Denmark (DANIDA)			417,569	417,569	1,127,942
Government of Germany (GIZ)			8,178	8,178	60,916
Government of Italy	4,032,914		31,158	4,064,071	4,131,198
Government of the Netherlands	200,000	1,299,804	7,674,880	9,174,684	4,620,925
Government of Philippines				-	8,356
Government of Sweden (SIDA) (2)	2,457,292		4,223,270	6,680,562	3,768,556
Government of Switzerland (SDC)			648,081	648,081	411,930
Government of the United Kingdom (DFID/FCDO)			348,635	348,635	833,050
Government of the United States of America (DOS & USAID) (3)	327,198		17,169,915	17,497,113	19,213,142
Kuwait Fund for Arab Economic Development				-	198,590
OPEC Fund for International Development (OFID)			283,568	283,568	134,903
The Netherlands Institute of International Relations "Clingendael"				-	47,745
United Nations Development Programme (UNDP)			508,745	508,745	1,577,659
United Nations Children's Fund (UNICEF)			142,914	142,914	339,059
United Nations Population Fund (UNFPA)			48,681	48,681	-
United Nations Department of Economic and Social Affairs (UNDESA)			68,972	68,972	-
Development Alternatives Inc. (DAI)			54,204	54,204	-
Other	36,044		-	36,044	-
Total revenue from donors	7,115,522	1,299,804	34,144,725	42,560,051	38,678,469

- (1) The unrestricted contribution from the Gates Foundation 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 USA in original currency was USD 400,000

Notes to the Financial Statements at 31 December 2021

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 institutions 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 18 country offices, including, Afghanistan, Burkina Faso, Honduras, Indonesia, Jordan, Kenya, Kyrgyzstan, Liberia, Mali, Moldova, Mongolia, Myanmar, Niger, Philippines, Somalia, Tunisia, Uganda, and Ukraine (2020: 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 (as of December 2020: 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 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 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 program support from government agencies, multilateral organizations, and private foundations.

In 2021 IDLO received unrestricted budget support from five sovereign donors (refer to Statement VI for more details on this) and one foundation. 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 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 the personnel policies; the adoption of recommendations relating the Organization's policies and management; the approval of the admission of new members of the Organization and the election of the President and Vice-President of the Assembly; and the appointment of the Director-General, *ad hoc* members of the Standing Committee, the Audit and Finance 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. 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 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 audited financial statements.

As of November 23, 2021, the IDLO Standing Committee is composed of the representatives of Pakistan (President), the United States (Vice-President); Italy (*ex officio* Vice-President), Ecuador, Kuwait, Philippines, and Senegal (members).

Audit and Finance Committee

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 its 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 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. As of November 23, 2021, the Audit and Finance Committee is composed of the representative of Italy (Chair), China, Kenya, Kuwait, Turkey, and the United States.

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. 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 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 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 year-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 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
Fixtures, furniture, & 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 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 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.

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.

Alternatively, defined benefit plans are post-employment benefit plans other than defined contribution plans. These types of plans require the application of actuarial considerations.

In IDLO, the provident fund scheme is like 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.

Since all the contributions are retained in the name of IDLO, the fund cannot be described as an exact defined contribution plan despite IDLO 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 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 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.

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

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

Grants restricted by the donor for program 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 programs 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 & Finance Committee for its review and recommendation. The budget goes together with the management plan to the Standing Committee for its review and recommendation to the Assembly of Parties (AOP). The AOP approves the management plan (biannually) and budget (annually) at its meeting held in November.

Note 3: Cash and cash equivalents

<i>(in EUR thousand)</i>	December 31	
	2021	2020
Cash	12,500	5,953
Deposits	54,089	50,900
Total cash and deposits	66,589	56,853

Cash in bank is denominated in Euro.

The balances in 2021 have increased as a reflection of IDLO's program implementation during the year, plus new program funds being advanced from some donors in 2021.

Note 4: Receivables from non-exchange transactions

As of December 31, 2021, Receivables from non-exchange transactions amounted to €2,036 thousand (2020: €2,016 thousand). It mainly refers to outstanding amounts of grants not yet collected for specific projects that have been implemented.

Note 5: Prepayments and other assets

<i>(in EUR thousand)</i>	December 31	
	2021	2020
Advances	1,383	786
Prepaid expenses	374	259
Other	223	199
Total prepayments and other assets	1,980	1,244

As at December 31, 2021, prepayments, and other assets amount to € 1,980 thousand (2020: € 1,244 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 assets)

<i>(in EUR thousand)</i>	December 31	
	2021	2020
Employee benefit investments	8,416	7,117
Investment portfolio	7,878	1,577
Donor endowment funds	774	760
Total investment	17,068	9,454

As at December 31, 2021, Investments amounted to € 17,068 thousand (2020: € 9,454 thousand), reflecting an increase of € 7,614 thousand.

Employee benefit investments (Provident Fund)

<i>(in EUR thousand)</i>	December 31	
	2021	2020
Cash holdings		
UBS	3,424	3,198
BPS	880	561
Total cash holdings	4,304	3,759
BNP Paribas investment funds	4,112	3,358
Total Provident Fund Holdings	8,416	7,117

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

Investment Portfolio

<i>(in EUR thousand)</i>	December 31	
	2021	2020
Liquidity	1,204	85
Bonds	4,943	1,091
Equities	1,716	395
Others	15	6
Total Investment Portfolio	7,878	1,577

In 2021 IDLO moved unrestricted reserves from cash accounts to its investment portfolio.

Donor Endowment Funds

<i>(in EUR thousand)</i>	December 31	
	2021	2020
Arab Fund	466	458
Kuwait Fund	308	302
Total Donor Endowment Funds	774	760

Investments

<i>(in EUR thousand)</i>	Opening balances as of 31.12.2020	Increase - new investments	Change in market value and foreign exchange	Closing balance as of 31.12.2021
Funds held in Investments	1,577	6,052	249	7,878
	1,577	6,052	249	7,878
Arab Endowment Fund	458		9	467
Kuwait Endowment Fund	302		5	307
	760		14	774
Total funds held in Investments	2,336	6,052	263	8,652

The investment portfolio at year end December 31, 2021, had a market value of € 8,652 thousand (2020: € 2.336 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.

Investment portfolio by asset class

<i>(in EUR thousand)</i>	December 31, 2021		December 31, 2020		Change in Value
Liquidity	1,242	14%	126	5%	1,116
Bonds	5,488	63%	1,618	69%	3,870
Equities	1,907	22%	586	25%	1,321
Total	8,637	100%	2,330	100%	6,307
Other	15	0%	6	0%	9
Total Asset Value	8,652	100%	2,336	100%	6,316

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 thousand)</i>	Leasehold improvements	Furniture, Fixtures & Equipment	Computers	Total
Cost as of January 1, 2021	6,007	1,602	912	8,521
Additions	61	43	117	221
Adjustments	(6)	-	-	(6)
Cost as of December 31, 2021	6,062	1,646	1,029	8,736
Depreciation as of January 1, 2021	5,799	1,592	811	8,202
Depreciation	-	8	50	58
Amortization	32	-	-	32
Adjustments	-	1	(2)	(1)
Depreciation as of December 31, 2021	5,832	1,601	859	8,292
Balance as of December 31, 2021	230	45	170	445

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

As at December 31, 2021, accounts payable amounts to € 1,094 thousand (2020: € 523 thousand) and accrued expenses amounts to € 1,619 thousand (2020: € 1,492 thousand). Accounts payable and accrued expenses refers to vendors, consultants, and medical insurance for employees.

Note 9: Employee benefits obligation

Employee benefit obligations represent the Provident Fund liability of € 8,416 thousand (2020: € 7,117 thousand), which is equal to the Provident Fund investment balance described in Note 6 "Investments".

Note 10: Deferred revenue

The deferred revenue balance of € 60,327 thousand (2020: € 46,206 thousand) includes grants for projects for € 58,197 thousand (2020: € 46,076 thousand) and earmarked activities for € 2,130 thousand (2020: € 130 thousand) received in 2021 and prior years but not utilized as at December 31, 2021.

Note 11: Operating lease commitments

As of December 31, 2021, the minimum future rental payments for all headquarters leases are shown in the following table:

<i>(in EUR thousand)</i>		<i>As of December 31, 2021</i>			
Corporate Office	Currency	2022	2023	2024	2025
Rome	<i>Euro</i>	464,958	478,906	493,273	508,072
New York	<i>Euro</i>	68,515	69,886	35,289	-
Geneva	<i>Euro</i>	9,520	-	-	-
The Hague	<i>Euro</i>	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, 2021, the total Equity is composed of the Accumulated surplus of € 9,883 thousand (2020: € 9,298 thousand), Donor endowment funds that amount to € 774 thousand (2020: € 760 thousand), with a positive result for the year of € 2,114 thousand (2019: € 1,741 thousand).

As of December 31, 2021, the Operational Fund amounts to € 4,887 thousand (2020: € 3,441 thousand).

Moreover, in line with the IDLO reserves policy, budgets approved for institutional projects in 2021 that were not completed are carried forward in the "Earmarked fund". As of December 31, 2021, the Earmarked fund amounted to € 1,117 thousand (2020: €1,048 thousand).

Note 13: Revenue

<i>(in EUR thousand)</i>	December 31	
	2021	2020
Unrestricted grants	(7,116)	(6,852)
Earmarked grants	(1,300)	(949)
Restricted grants - programs	(34,145)	(30,877)
Other revenue	-	(17)
Total Revenue	(42,560)	(38,695)

Total revenues as of December 31, 2021, amount to € 42,560 thousand (2020: € 38,695 thousand). The balance is mainly composed of:

- Restricted grants revenue of € 34,145 thousand (2020: € 30,877 thousand) being revenue recognised based on program implementation within the year.
- Unrestricted grants revenue of € 7,116 thousand (2020: € 6,852 thousand) being funds received from donors during the year to support operational

and institutional expenses incurred.

- Earmarked grants revenue of € 1,300 thousand (2020: € 949 thousand) being funds received from donors to support specific expenses incurred during the year.

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

<i>(in EUR thousand)</i>	2021
Revenue by Country	Total
Afghanistan	6,852
Armenia	516
Bahamas	119
Global	195
Global (Kenya, Mali, Sierra Leone, Somalia, Tanzania, Uganda, The Philippines)	1,300
Global (Kenya, Tanzania, Uganda, Bangladesh, Sri Lanka)	932
Global (Ethiopia, Liberia, Malawi, Rwanda, Somalia, The Gambia, Uganda)	155
Honduras	775
Indonesia	363
Jordan	113
Kenya	3,364
Kyrgyzstan	713
Liberia	1,006
Mexico	3,148
Moldova	278
Mongolia	688
Montenegro	51
Myanmar	977
Philippines	469
Regional (Africa: Kenya, Tanzania and Uganda)	28
Regional (Africa - G5 Sahel: Burkina Faso, Mali, Niger)	4,127
Romania	1
Rwanda	437
Serbia	(2)
Somalia	4,928
Tajikistan	20
Tunisia	331
Uganda	2,406
Ukraine	935
Uzbekistan	22
West Bank and Gaza	45
Yemen	154
Total	35,445
Revenue - Earmarked grants	1,300
Revenue - Restricted grants	34,145
	35,445

In August 2021, IDLO operations in Afghanistan were temporarily suspended because of conflict. Our primary concern was the well-being of our personnel. IDLO hopes to resume work in Afghanistan with the continuing support of donors.

Note 14: Expenses

Total expenses as of December 31, 2021, amount to € 41,031 thousand (2020: € 36,639 thousand). The balance is mainly composed of:

- Program costs of € 31,356 thousand (2020: € 27,892 thousand).
- Wages, salaries, employee benefits and other staff costs of € 6,989 thousand (2020: €6,621 thousand).
- Office expenses of € 1,278 thousand (2020: € 1,175 thousand).
- Institutional costs of € 1,317 thousand (2020: € 835 thousand).

Note 15: Foreign exchange gains/losses and write offs

The Foreign exchange gain and write off balances as of December 31, 2021, amount to € 452 thousand (2020: loss of € 455 thousand). The balance includes an exchange gain of 357 thousand (2020: loss of 367 thousand) and reversal of previous write off amount of 95 thousand (2020: loss of 88 thousand).

Note 16: Finance income

<i>(in EUR thousand)</i>	December 31	
	2021	2020
Total realized and unrealized (gains)	(148)	(4)
Other loss / (income)	15	(136)
Total investment income	(133)	(140)

Note 17: Segments

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

Strategic Objectives sets out the substantive focus of IDLO's programming in support of the impact goals. *Enablers* 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 Strategic Objectives, because they are utilized in execution of projects and programs. Similarly, unrestricted grants are funds received from donors to support operational and institutional expenses incurred and have been allocated accordingly.

The allocation of expenses to Strategic Objectives and Enablers 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 ended December 31, 2021, and the total of Assets and Liability, on a segment basis, is as follows:

<i>(in EUR thousand)</i>	31-Dec-21		
	Strategic Objectives	Enablers	Total
Total Assets	65,795	22,323	88,118
Total Liabilities	(64,473)	(6,983)	(71,456)
Total equity	1,323	15,340	16,662
Revenue			
Unrestricted grants	-	7,116	7,116
Earmarked grants	1,300	-	1,300
Restricted grants - programmes	34,145	-	34,145
Total Revenue	35,445	7,116	42,561
Expenses			
Wages, salaries, employee benefits and other staff costs - HQ	(3,667)	(3,322)	(6,989)
Office expenses - HQ	(639)	(639)	(1,278)
Institutional costs - HQ	(382)	(935)	(1,317)
Depreciation - HQ	(45)	(45)	(91)
Wages, salaries, employee benefits and other staff costs - Programmes	(12,340)		(12,340)
Consultants internal - Programmes	(1,907)		(1,907)
Rent - Programmes	(1,536)		(1,536)
Travel - Programmes	(1,120)		(1,120)
Training - Programmes	(5,351)		(5,351)
Subgrants & Partners - Programmes	(3,961)		(3,961)
Consultant external - Programmes	(2,982)		(2,982)
Supplies and consumable use - Programmes	(778)		(778)
Other expenses - Programmes	(1,381)		(1,381)
Total Expenses	(36,090)	(4,941)	(41,031)
Non operating income and expenses			
Foreign exchange gain / (losses) and write offs	-	452	452
Finance income / (expenses)	-	133	133
Total non operating income and expenses	-	585	585
Financial Result	(645)	2,760	2,114

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 at December 31, 2021.

The difference between the budget and the actual amounts in the Unrestricted Revenue amounts to € 329 thousand and is due to a new funding Agreement

with the Government of the Netherlands which was signed in the last quarter of 2021 and the impact of foreign exchange rates fluctuations (namely on SEK and USD against the Euro).

Restricted program revenue shows a variation of Euro 2.6 million which is largely driven by the continued impact of the COVID 19 pandemic and the prolonged health measures on project implementation. In addition, political instability in certain countries of operations has also had an impact on the smooth implementation and operations of IDLO's country offices.

The Direct Program Activities cost registered an underspend of €2.1million. The underspend on project activities in 2021 was driven by the impact from the continued COVID19 related restrictions. Conversion from in-person to online activities took place where possible. This resulted in savings on travel and other training related costs. Other activities were rescheduled/postponed for implementation in 2022.

The institutional costs (institutional projects and activities) registered an underspend of € 1.5 million. Delivery of planned projects was impacted by lockdowns and restrictions on commerce and movement which required IDLO to carry forward some system reforms and other internal projects to 2022.

The Employee related costs registered an underspend of € 1.2 million from the budgeted amounts. The COVID 19 pandemic had an impact on timing of recruitment and related relocations.

Office costs registered an underspend of € 331 thousand, the biggest element of which was depreciation, with an actual expenditure of € 91 thousand against € 330 thousand in the approved budget. This was due to delays in carrying out renovation works during the pandemic. In addition, assets were fully depreciated, and the organization invested in limited additional assets in the past year. Expenses in IDLO's HQ, Branch and UN representation offices were also impacted by health measures in response to COVID 19 pandemic which resulted in a reduced presence of employees.

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 2021 was as follows:

Related parties - 2021

(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
2020	8	898	126	48	0	88
2021	9	903	126	39	45	94

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

- General Counsel
- Director, Programs
- 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

Note 21: Employee Benefits

The IDLO health insurance plan with the insurance company Cigna provides coverage for Medical, Temporary Incapacity, Permanent Invalidity, Death by any cause and Long-Term Care. In addition, IDLO provides an Employee Assistance Program (EAP) for any work, life, personal, or family issues and Global Telehealth for remote medical advice.

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 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 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 423 as December 31, 2021 (2020: 416 employees).

Note 22: Events after the reporting date

The Organization's reporting date is 31 December 2021 for the 2021 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.

The breakout of conflict in Ukraine in February 2022 has impacted IDLO ability to continue operations in the country. The primary priority has been the safety of our personnel. There is no material financial impact from the events in Ukraine.



Jan Beagle
(Director General)



Haroun Atallah
(Director Finance & Support Service)