

# Annual Financial Report for the Fiscal Year of 2019

## I. Overview

1. This financial report was prepared for the fiscal year of 2019 started on 1 January 2019 and ended on 31 December 2019 in accordance with paragraph 7.5 under the Financial Regulations of AFoCO. This report provides the statement of financial performance under the cash basis accounting for all fund of the AFoCO.
2. A significant amount of contribution in a form of cash has been received in Korean Won (KRW) from the Republic of Korea (ROK), and accordingly, all financial accounts have been established and managed separately for KRW and United States dollar (USD). In this regard, financial transactions made in KRW were translated into USD in total by applying the relevant exchange rates as indicated by foot note under each table.
3. Administrative Account for operating cost was managed based on the annual budget plan approved by the First Session of the AFoCO Assembly held on 13 November 2018 in Seoul, Korea, which amounts USD 5,017,046. The revenue secured for the operating cost in FY2019 amounted 97.1% of the planned budget approved by the Assembly. The budget execution rate for the operating cost was 92.9% of its revenue in FY2019.
4. The amount of voluntary contributions to the Special Accounts for cooperative activities in FY2019 was USD 3,790,909 in total committed for on-going activities under the Landmark program and regional projects and newly approved individual projects. All project funds in FY2019 were committed by ROK through the Korea Forest Service.
5. The due amount of mandatory contributions from the Parties to the operating cost of AFoCO assessed by the First Session of the Assembly for FY2019 is USD 4,048,183, and 99.4% of this assessed amount of mandatory contribution has been paid by the end of FY2019. Around 79% and 3% of the total revenue actually secured for the operating cost in FY2019 were the mandatory contributions from ROK and other Parties as assessed by the Assembly, respectively. Around 18% of the total revenue was secured from other sources including supplementary budget besides the Parties' mandatory contributions.

## II. Status of the Administrative Account for Operating Cost (Refer to Table 1)

6. The total budget approved for operating cost in FY2019 was USD 4,835,228. As the supplementary budget of USD 181,818 was made from the Working Capital Reserve for the sponsorship support to the 4th Asia-Pacific Forest Week (APFW) under the special activities (budgetary heading A.4) in accordance with the Assembly's DECISION 13-I-18R, the finalized budget for the FY2019 operating cost was planned to amount USD 5,017,046.
7. In accordance with the Decision by the Assembly, budget reallocations in the original budget plan were made from budgetary heading A.1 as follows: 1) USD 209,100 to budgetary heading A.6 for the provision of RETC training equipment including forest firefighting vehicles (DECISION 20-II-19S) and 2) USD 454,545 to the budgetary heading A.4 for the rental deposit of the official residence for new incumbent of the Secretariat as stipulated in the staff regulations (DECISION 32-III-19R). The amount of revenue actually secured for the operating cost in FY2019 was USD 4,873,004, which consists of the mandatory contributions from the Parties and funds from other sources including supplementary budget.
8. The amount of total expenditures in the operating cost for FY 2019 was USD 4,525,962, and the total amount of unobligated balance in the operating cost subject to carryforward to the Working Capital Reserve in FY 2019 was USD 347,041. Expenditures of a total amount of USD 533,126 which was mobilized from other sources were made for additional outreach activities as follows: 1) joint workshop with each of UNCCD, FAO and ITTO; 2) customized training programs at the RETC, and; 3) donation of firefighting vehicles from the Korea local governments.

### **III. Status of the Special Accounts for Cooperative Activities (Refer to Table 2)**

9. The Secretariat has taken over the on-going cooperative activities of the interim Secretariat for AFoCO in accordance with the DECISION 8-I-18R adopted by the First Session of the AFoCO Assembly. Voluntary contributions to the Special Accounts for cooperative activities in FY2019 amounted USD 1,242,792 for on-going Landmark program and USD 2,548,117 for the six (6) new individual projects approved by the First Session of the Assembly.
10. The amount of total expenditures for cooperative activities in FY2019 was USD 1,160,376, of which USD 973,531 has been transferred to the Parties for the project implementation. Voluntary contributions for the six (6) newly approved individual projects were committed on November 2019, and will be transferred to the implementing countries in FY 2020. The actual expenditures from the amount transferred to the Parties for the project implementation will be reported by separate arrangements for project implementation and management.

### **IV. Status of the Working Capital Reserve (Refer to Table 3)**

11. As the Financial Regulations of AFoCO entered into force on 1 January 2019, the interest incomes on the Special Account shall be considered as unearmarked contributions and accounted under the Unearmarked Sub-Account. In this regard, all interest incomes which have been imposed on project funds and managed under WCR for 2013-2018 transferred to the Unearmarked Sub-Account newly established under the Special Account.
12. A total amount of cash surplus over expenditures in FY2019 carried forward to the Working Capital Reserve was USD 354,730 as translated from the actual amount of KRW 250,601,631 and USD 126,911 arising from: 1) the unobligated balance of operating cost and 2) the interest incomes on the Administrative Account. The remaining balance in the Working Capital Reserve after the carryforward of cash surplus over expenditures in FY 2019 is USD 903,220 as translated from the actual amount of KRW 575,076,905 and USD 380,423.

### **V. Status of the Unearmarked Sub-Account (Refer to Table 4)**

13. A total amount of interest income on the Special Account in FY2019 carried forward to the Unearmarked Sub-Account is USD 12,860 in total as translated from the actual amount of KRW 14,145,240 and USD 0.2. The remaining balance in the Unearmarked Sub-Account after the carryforward of interest income on the Special Account earned in FY2019 is USD 246.584 in total as translated from the actual amount of KRW 271,235,013 and USD 6.67. This amount includes interest incomes of KRW 257,089,773 and USD 6.43 on the Special Account earned for 2013-2018 which were transferred from WCR.

### **VI. Status of Mandatory Contributions from the Parties (Refer to Table 5)**

14. In accordance with Article 12 of the "Agreement on the Establishment of the Asian Forest Cooperation Organization", ROK shall contribute eighty percent (80%) of the annual operational expenditures, whereas the other Parties shall each contribute one percent (1%) of the annual operational expenditures or a fixed amount of not less than thirty thousand US dollars.
15. A total of seven (7) Parties were obliged to pay mandatory contribution for the operational expenditures of AFoCO in FY2019. Total amount of mandatory contributions for FY2019 assessed by the First Session of the Assembly is USD 4,048,182, and total amount paid by the relevant Parties as their mandatory contributions was USD 4,023,258.
16. As stipulated in paragraph 2.4 under the Financial Regulations of AFoCO, if an excess amount of mandatory contribution was made in a form of in-kind contribution, only the amount due for the current year as assessed by the Assembly was considered for the concerned calculations of financial statements

### **VII. Status of Investment**

17. N/A

### **VIII. Audited Financial Statement with Independent Auditor's Report**

18. In accordance with paragraph 9.3 under the Financial Regulations of AFoCO, the external audit of the financial statement for FY2019 was conducted for two (3) months from February 2020, and the Secretariat received an unqualified opinion from its external auditors stating that:

"the financial statements present fairly, in all material respects, the financial position of the Secretariat as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standard for Non-Public Entities in the Republic of Korea".

19 Audited Financial Statements for FY2019 are appended together with the Audit Report by an independent external auditor. The Financial Statements included are the Statements of Financial Position, Statements of Financial Performance, Statements of Cash Flows, and Notes to those Financial Statements for the years ended December 31, 2019 and 2018.

**Table 1. Status of the Administrative Account for Operating Cost**

	Approved (US\$)		Actual		Translated Total Amount in US\$ (A+B) <sup>2)</sup>
	Original	Final <sup>1)</sup>	KRW (A)	US\$ (B)	
<b>Revenue</b>					
Assessed Contributions	4,048,182	4,048,182	4,255,000,000	155,027	4,023,209 <sup>3)</sup>
Others	787,046	787,046	661,108,714	66,969	667,977
Supplementary Budget		181,818	199,999,800	0	181,818
<b>Total Annual Revenue (A)</b>	<b>4,835,228</b>	<b>5,017,046</b>	<b>5,116,108,514</b>	<b>221,996</b>	<b>4,873,004</b>
<b>Expenditure</b>					
A.1. Salaries and Benefits	2,444,854	1,781,208	1,108,468,699	30,000	1,037,699
A.2. Official Travel	385,579	385,579	393,818,713	-6,905	351,112
A.3. Special Activity	413,644	595,462	567,029,309	-	515,481
A.4. General Operating Expenses	1,298,718	1,753,263	1,935,762,990	-	1,759,785
A.5. Hospitality	43,000	43,000	29,834,160	-	27,122
A.6. Asset Acquisition	152,728	361,829	331,801,727	-	301,638
A.7. Provisions and Contingencies	96,705	96,705	-	-	-
A.8. Others	0	0	507,188,888	72,045	533,126
<b>Total Annual Expenditure (B)</b>	<b>4,835,228</b>	<b>5,017,046</b>	<b>4,873,904,486</b>	<b>95,140</b>	<b>4,525,962</b>
<b>Net Total (A-B)</b>			<b>242,204,028</b>	<b>126,856</b>	<b>347,041</b>

**Note:** <sup>1)</sup> Refer to the Assembly's DECISION 13-I-18R; 20-II-19S, and; 32-III-19R ; <sup>2)</sup> The actual amounts in KRW were translated to USD in total by applying the reference exchange rates published by the Ministry of Strategy and Finance (MOSF) of ROK for the FY2019 (KRW1,100 for a unit of United States dollar); <sup>3)</sup> The amount of bank charges (a total of USD 49) arose from international money transfer for the Parties' contribution were excluded.

**Table 2. Status of the Special Accounts for Cooperative Activities**

Project	Revenue <sup>1)</sup>		Expenditure <sup>2)</sup>			Balance (F=C-D-E)
	Cumulative for 2013-2018 (A)	Committed in 2019 (B)	Total (C=A+B)	Cumulative for 2013-2018 (D)	2019 (E)	
<b>Landmark Program (G)</b>	<b>14,565,633</b>	<b>1,242,792</b>	<b>15,808,425</b>	<b>12,556,788</b>	<b>574,300</b>	<b>2,677,337</b>
<b>Regional Projects (H)</b>	<b>6,800,000</b>	<b>-</b>	<b>6,800,000</b>	<b>5,720,888</b>	<b>586,076</b>	<b>493,036</b>
• New BIPS (R011)	652,472	-	652,472	561,304	31,368	59,800
• Capacity Building (R002-Completed)	1,847,528	-	1,847,528	1,693,237	-	154,291
• Cambodia and Vietnam (R003)	1,000,000	-	1,000,000	865,663	132,823	1,514
• Philippines, Indonesia and Thailand (R004)	1,500,000	-	1,500,000	1,266,130	233,870	-
• Vietnam and Thailand (R009-Completed)	600,000	-	600,000	600,000	-	-
• Malaysia and Thailand (R010)	1,200,000	-	1,200,000	734,554	188,015	277,431
<b>New Individual Projects (I)</b>	<b>-</b>	<b>2,548,117</b>	<b>2,548,117</b>	<b>-</b>	<b>-</b>	<b>2,548,117</b>
• Cambodia (NP012)	-	249,411	249,411	-	-	249,411
• Vietnam (NP013)	-	233,608	233,608	-	-	233,608
• Myanmar (NP014)	-	508,950	508,950	-	-	508,950
• Myanmar (NP015)	-	331,500	331,500	-	-	331,500
• Philippines (NP016)	-	678,478	678,478	-	-	678,478
• CLMV (NP017)	-	546,170	546,170	-	-	546,170
<b>Total (G+H+I)</b>	<b>21,365,633</b>	<b>3,790,909</b>	<b>25,156,542</b>	<b>18,277,676</b>	<b>1,160,376</b>	<b>5,718,490</b>

**Note:** <sup>1)</sup> The amounts of revenue committed in KRW were translated to USD by applying the reference exchange rates published by MOSF of ROK for the year concerned; <sup>2)</sup> The amount of financial transactions made in KRW were translated to USD by applying the actual exchange rates at the date of the transactions for the international budget transfer to the project implementing countries and the reference exchange rates of 2019 announced by MOSF of ROK for domestic transactions.

**Table 3. Status of the Working Capital Reserve**

Description	Actual Amount		Translated Total Amount in USD (A+B) <sup>1)</sup>
	KRW (A)	USD (B)	
Balance at the close of FY2018	765,974,971.00	253,468	949,809.50
Transfer of interest incomes on Project funds	-242,944,533.00	-6.43	-220,865.10
Supplementary budget appropriation for the sponsorship to the 4 <sup>th</sup> APFW	-199,999,800.00		-181,818.00
	242,204,028.00	126,856	347,041.04
Cash surplus from FY 2019	Unobligated balance of the 2019 operating cost		
	Interest incomes on the Administrative Account	8,397,603.00	55.07
Interest income on WCR in FY2019	1,444,636.00	51.25	1,364.56
<b>Total Amount</b>	<b>575,076,905.00</b>	<b>380,423.07</b>	<b>903,220.26</b>

**Note:** <sup>1)</sup> The actual amounts in KRW were translated to USD in total by applying the reference exchange rate published by MOSF of ROK for the FY2019

**Table 4. Status of the Unearmarked Sub-Account**

Description	Actual Amount		Translated Total Amount in US\$(A+B) <sup>1)</sup>
	KRW (A)	US\$ (B)	
Interest Incomes on the Special Account for 2013-2018	257,089,773.00	6.43	233,724.41
Interest Incomes on the Special Account in 2019	14,145,240.00	0.24	12,859.55
<b>Total Amount</b>	<b>271,235,013.00</b>	<b>6.67</b>	<b>246,583.95</b>

**Note:** <sup>1)</sup> The actual amounts in KRW were translated to USD in total by applying the reference exchange rate published by MOSF of ROK for the FY2019

**Table 5. Status of the Mandatory Contributions from the Parties**

(In USD)

Party	Assessed Amount	Amount of Payment		Arrears
		Cash	In-kind	
Bhutan	30,000	30,000		0
Brunei Darussalam	30,000		5,076	24,924 <sup>1)</sup>
Cambodia	30,000	30,000		0
Myanmar	30,000		30,000 <sup>2)</sup>	0
ROK	3,868,182	3,868,182 <sup>3)</sup>		0
Timor-Leste	30,000	30,000		0
Vietnam	30,000	30,000		0
<b>Total Amount</b>	<b>4,048,182</b>	<b>3,988,182</b>	<b>35,076</b>	<b>24,924</b>
		<b>4,023,258</b>		

**Note:** <sup>1)</sup> Brunei Darussalam has fully paid its arrears in cash on February 2020; <sup>2)</sup> The excess amount of USD 5,120 in a form of in-kind contribution to the assessed amount is not included in accordance with Financial Regulations of AFoCO; <sup>3)</sup> Translated amount of KRW 4,255,000,000 by applying the reference exchange rate published by MOSF of ROK for the FY2019

# Appendix

**Independent Auditor's Report and Financial Statements for the Years Ended December 31, 2019**





Secretariat for the Asian Forest Cooperation Organization  
December 31, 2019 and 2018

# Appendix

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## Independent auditors' report

To the President of  
Assembly of the Asian Forest Cooperation Organization

### Opinion

We have audited the accompanying financial statements of the Secretariat for the Asian Forest Cooperation Organization (the "Secretariat"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of financial performance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Secretariat as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea.

### Basis for opinion

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Secretariat in accordance with the ethical requirements in the Republic of Korea that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### 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 Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Secretariat's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Secretariat'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 the Secretariat to cease to continue as a going concern.
- Evaluate 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 communicate with those charged with governance 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 identify during our audit.

*Hanul LLC*

Seoul, Korea  
February 14, 2020

This audit report is effective as of the date of this audit report. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the audit report date to the time this audit report is read. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

# **Secretariat for the Asian Forest Cooperation Organization**

## **Financial Statements December 31, 2019 and 2018**

The accompanying financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Secretariat.

Chencho Norbu  
Executive Director  
Secretariat for the Asian Forest Cooperation Organization

**Secretariat for the Asian Forest Cooperation Organization**  
**Statements of Financial Position**  
**As of December 31, 2019 and 2018**

	<i>Notes</i>	<b>USD</b>		<b>KRW</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>					
Current assets					
Cash and cash equivalents	4	6,532,520	4,082,284	7,563,351,521	4,564,402,295
Accounts receivable – other		24,924	-	28,856,683	-
<b>Total current assets</b>		<b>6,557,444</b>	<b>4,082,284</b>	<b>7,592,208,204</b>	<b>4,564,402,295</b>
Non-current assets					
Pension plan assets	8	3,577	2,492	4,141,191	2,786,005
Property and equipment, net	5	28,777	56,085	33,318,229	62,709,153
Intangible assets	6	66,324	47,273	76,789,983	52,855,782
Leasehold deposits		2,300,326	1,773,828	2,663,317,060	1,983,317,060
<b>Total non-current assets</b>		<b>2,399,004</b>	<b>1,879,678</b>	<b>2,777,566,463</b>	<b>2,101,668,000</b>
<b>Total assets</b>		<b>8,956,448</b>	<b>5,961,962</b>	<b>10,369,774,667</b>	<b>6,666,070,295</b>
<b>Liabilities</b>					
Current liabilities					
Accounts payable – other		11,660	51,046	13,500,000	57,074,500
Unearned revenues	7	5,421,653	3,092,461	6,277,189,516	3,457,680,132
<b>Total current liabilities</b>		<b>5,433,313</b>	<b>3,143,507</b>	<b>6,290,689,516</b>	<b>3,514,754,632</b>
Non-current liabilities					
Provision for retirement and severance benefits	8	352,882	251,852	408,566,758	281,596,087
Pension plan assets	8	(352,882)	(251,852)	(408,566,758)	(281,596,087)
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>5,433,313</b>	<b>3,143,507</b>	<b>6,290,689,516</b>	<b>3,514,754,632</b>
<b>Net asset</b>					
Accumulated effect of foreign currency translation		27,826	119,071	-	-
Retained earnings		3,495,309	2,699,384	4,079,085,151	3,151,315,663
<b>Total net asset</b>		<b>3,523,135</b>	<b>2,818,455</b>	<b>4,079,085,151</b>	<b>3,151,315,663</b>
<b>Total liabilities and net asset</b>		<b>8,956,448</b>	<b>5,961,962</b>	<b>10,369,774,667</b>	<b>6,666,070,295</b>

The accompanying notes are an integral part of these financial statements.

**Secretariat for the Asian Forest Cooperation Organization**  
**Statements of Financial Performance**  
**For the years ended December 31, 2019 and 2018**

	<u>Note</u>	<u>USD</u>		<u>KRW</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenue</b>					
Voluntary contributions		1,158,573	2,113,300	1,350,490,616	2,325,115,666
Mandatory contributions		3,829,644	2,302,246	4,464,024,479	2,533,000,000
Income from other sources		635,045	-	740,240,210	-
Interest income		28,002	32,530	32,640,550	35,789,947
Gain on foreign currency translation		15,045	10,408	17,537,705	11,451,135
Other income		-	67	-	73,555
<b>Total revenue</b>		<b>5,666,309</b>	<b>4,458,551</b>	<b>6,604,933,560</b>	<b>4,905,430,303</b>
<b>Expenses</b>					
Expense for cooperative activities		1,158,573	3,316,999	1,350,490,616	3,649,461,693
Expense for operating costs	10	3,700,354	1,883,334	4,313,367,921	2,072,100,566
Loss on foreign currency transaction		-	-	363	-
Loss on foreign currency translation		7,650	-	8,917,512	-
Income tax		3,764	4,617	4,387,660	5,080,258
<b>Total expenses</b>		<b>4,870,384</b>	<b>5,204,950</b>	<b>5,677,164,072</b>	<b>5,726,642,517</b>
<b>Net surplus(deficit) for the year</b>		<b>795,925</b>	<b>(746,399)</b>	<b>927,769,488</b>	<b>(821,212,214)</b>

The accompanying notes are an integral part of these financial statements.

**Secretariat for the Asian Forest Cooperation Organization**  
**Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**

	USD		KRW	
	2019	2018	2019	2018
<b>Cash flows from operating activities</b>				
Net surplus(deficit) for the year	795,925	(746,399)	927,769,488	(821,212,214)
Adjustments for:				
Accrual for retirement and severance benefits	108,927	60,646	126,970,671	66,724,884
Depreciation	26,501	18,249	30,890,924	20,078,576
Amortization	19,676	15,747	22,935,799	17,325,612
	155,104	94,642	180,797,394	104,129,072
Changes in assets and liabilities:				
Accounts receivable - other	(24,756)	-	(28,856,683)	-
Accounts payable - other	(37,382)	8,262	(43,574,500)	9,089,725
Unearned revenues	2,418,830	1,794,974	2,819,509,384	1,974,884,334
Withholdings	-	(4,098)	-	(4,509,234)
Provision for severance benefits	-	(52,294)	-	(57,535,728)
Pension plan assets	(110,090)	13,511	(128,325,857)	14,864,760
	2,246,602	1,760,355	2,618,752,344	1,936,793,857
<b>Net cash provided by (used in) operating activities</b>	<b>3,197,631</b>	<b>1,108,598</b>	<b>3,727,319,226</b>	<b>1,219,710,715</b>
<b>Cash flows from investing activities</b>				
Acquisition of property and equipment	(1,287)	(53,165)	(1,500,000)	(58,493,480)
Acquisition of intangible assets	(40,209)	(4,771)	(46,870,000)	(5,249,200)
Increase in leasehold deposits	(583,366)	(1,741,708)	(680,000,000)	(1,916,279,760)
<b>Net cash used in investing activities</b>	<b>(624,862)</b>	<b>(1,799,644)</b>	<b>(728,370,000)</b>	<b>(1,980,022,440)</b>
<b>Cash flows from financing activities</b>				
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Effect of exchange rate changes on cash and cash equivalent</b>	<b>(122,533)</b>	<b>(196,536)</b>	<b>-</b>	<b>-</b>
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>2,450,236</b>	<b>(887,582)</b>	<b>2,998,949,226</b>	<b>(760,311,725)</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>4,082,284</b>	<b>4,969,866</b>	<b>4,564,402,295</b>	<b>5,324,714,020</b>
<b>Cash and cash equivalents at the end of year</b>	<b>6,532,520</b>	<b>4,082,284</b>	<b>7,563,351,521</b>	<b>4,564,402,295</b>

The accompanying notes are an integral part of these financial statements.

**Secretariat for the Asian Forest Cooperation Organization**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**

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**1. Corporate information**

The Secretariat for the Asian Forest Cooperation Organization (hereinafter referred to as the "Secretariat") is a secretariat body to serve the Asian Forest Cooperation Organization (AFoCO).

AFoCO is an intergovernmental organization that is committed to strengthening regional forest cooperation by transforming proven technologies and policies into concrete actions in the context of sustainable forest management to address the impacts of climate change. The Agreement on the Establishment of AFoCO was adopted on 22 September 2015 in Seoul and entered into force on 27 April 2018.

**2. Basis of financial statement presentation**

(1) Application of accounting principles

The Secretariat maintains its official accounting records in Korean Won and US dollar and prepares statutory financial statements in Korean language in conformity with Accounting Standards for Non-Public Entities in the Republic of Korea.

(2) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the items mentioned in "3. Summary of significant accounting policies" below.

(3) Functional and presentation currency

These financial statements are presented in US dollar and Korean Won, which is the currency of the primary economic environment in which the Secretariat operates.

(4) Use of estimates and judgments

The preparation of the financial statements in conformity with Accounting Standards for Non-Public Entities in the Republic of Korea requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**Secretariat for the Asian Forest Cooperation Organization**  
**Notes to the Financial Statements (Cont'd)**  
**December 31, 2019 and 2018**

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**3. Summary of significant accounting policies**

The significant accounting policies applied by the Secretariat in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

(1) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Generally, equity investments are excluded from cash and cash equivalents. However, redeemable preference shares, for which the period from the acquisition to redemption is short, are classified as cash and cash equivalents.

(2) Property and equipment

Property and equipment is stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. It also includes the present value of the estimated cost of dismantling and removing the asset, and restoring the site after the termination of the asset's useful life, provided it meets the criteria for recognition of provisions.

Property and equipment are stated net of accumulated depreciation calculated based on the declining balance method and estimated useful lives:

	Estimated useful lives
Vehicles	5 years
Office equipment	5 years
Structure	5 years

Expenditures incurred after the acquisition or completions of assets are capitalized if they enhance the value of the related assets over their recently appraised value or extend the useful life of the related assets. Routine maintenance and repairs are charged to expense as incurred.

(3) Intangible assets

Intangible assets are stated at cost, which include acquisition cost, production cost and other costs required to prepare the asset for its intended use. Intangible assets are stated net of accumulated amortization calculated based on the straight-line method and estimated useful lives:

	Estimated useful lives
Software	5 years

(4) Retirement and severance benefits

Employees who have been with the Secretariat for more than one year are entitled to lump-sum payments based on current salary rates and length of services at the time they leave the Secretariat. The Secretariat's estimated liability, under the plan, which would be payable if all employees left at the end of the reporting period, is accrued in the accompanying statements of financial position.



**Secretariat for the Asian Forest Cooperation Organization**  
**Notes to the Financial Statements (Cont'd)**  
**December 31, 2019 and 2018**

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**3. Summary of significant accounting policies (cont'd)**

(5) Provisions

When there is a probability that an outflow of economic benefits will occur due to present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

(6) Revenue recognition

(i) Voluntary contributions

The Secretariat recognizes a liability (unearned revenue) when it receives contributions from the Parties countries for the implementation of the cooperative activities and recognizes revenue when it remits payment or deposits cash in separate accounts for specific projects or activities.

(ii) Mandatory contributions and others

The Secretariat receives the mandatory contributions from the Parties. The operating cost for implementation of the AFoCO Agreement shall cover all expenses necessary for non-project expenses for the Secretariat including the cost for salary of staff, infrastructure and facilities, hosting Assembly sessions, project review, utilities and consumables, transportation and travel, daily subsistence allowance, publications, taxations and miscellaneous expenses. The Secretariat recognizes revenue when it receives the contribution in cash.

The Secretariat recognizes interest income on an accrual basis.

(7) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the foreign exchange rate at the end of the reporting period, with the resulting gains or losses recognized in the statement of financial performance. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate on the date of the transaction.

**Secretariat for the Asian Forest Cooperation Organization**  
**Notes to the Financial Statements (Cont'd)**  
**December 31, 2019 and 2018**

**4. Cash and cash equivalents**

Details of cash and equivalents as of December 31, 2019 and 2018 are as follows:

(Unit : USD)

Type	Financial Institutions	2019	2018
Ordinary Deposit	Shinhan Bank	6,151,496	3,827,989
Foreign Currency Deposit	Shinhan Bank	381,024	254,295
Total		<u>6,532,520</u>	<u>4,082,284</u>

**5. Property and equipment**

(1) Details of property and equipment as of December 31, 2019 are as follows:

(Unit : USD)

Assets	Beginning	Acquisition	Others	Depreciation	Ending
Vehicles	1	-	-	-	1
Equipment	49,052	1,287	(1,829)	(22,875)	25,635
Structure	7,032	-	(265)	(3,626)	3,141
Total	<u>56,085</u>	<u>1,287</u>	<u>(2,094)</u>	<u>(26,501)</u>	<u>28,777</u>

(2) Details of property and equipment as of December 31, 2018 are as follows:

(Unit : USD)

Assets	Beginning	Acquisition	Others	Depreciation	Ending
Vehicles	1	-	-	-	1
Equipment	20,556	44,567	(1,336)	(14,735)	49,052
Structure	2,118	8,598	(170)	(3,514)	7,032
Total	<u>22,675</u>	<u>53,165</u>	<u>(1,506)</u>	<u>(18,249)</u>	<u>56,085</u>

**Secretariat for the Asian Forest Cooperation Organization**  
**Notes to the Financial Statements (Cont'd)**  
**For the years December 31, 2019 and 2018**

**6. Intangible asset**

(1) Changes in intangible assets for the year ended December 31, 2019 are as follows:

(Unit : USD)

Assets	Beginning	Acquisition	Others	Amortization	Ending
Software	47,273	40,209	(1,482)	(19,676)	66,324

(2) Changes in intangible assets for the year ended December 31, 2018 are as follows:

(Unit : USD)

Assets	Beginning	Acquisition	Others	Amortization	Ending
Software	60,605	4,771	(2,356)	(15,747)	47,273

**7. Unearned revenues**

Deferred income as of December 31, 2019 and 2018 are as follows:

(Unit : USD)

Type	2019	2018
Multiyear cooperative activities	5,421,653	3,092,461

**8. Retirement and severance benefits**

(1) Changes in retirement and severance benefits for the years ended December 31, 2019 and 2018 are as follows:

(Unit : USD)

Type	2019	2018
Provision for beginning balance	251,852	254,253
Accrual for retirement and severance benefits	108,927	60,646
Payments	-	(52,294)
Others	(7,897)	(10,753)
Provision for ending balance	352,882	251,852

**Secretariat for the Asian Forest Cooperation Organization**  
**Notes to the Financial Statements (Cont'd)**  
**For the years December 31, 2019 and 2018**

**8. Retirement and severance benefits (cont'd)**

(2) Changes in pension plan assets for the years ended December 31, 2019 and 2018 are as follows:

(Unit : USD)

Type	2019	2018
Beginning balance	254,344	279,304
Increase	110,090	79,043
Decrease	-	(92,553)
Others	(7,975)	(11,450)
Ending balance	<u>356,459</u>	<u>254,344</u>

**9. Assessed amount of revenue**

1) 1) Details of voluntary contributions from the Parties for the years ended December 31, 2019 and 2018 are as follows:

(Unit : USD)

Type	Nations	2019	2018
Cash	Republic of Korea	1,158,573	2,113,300
	Total	<u>1,158,573</u>	<u>2,113,300</u>

2) Details of mandatory contributions from the Parties for the years ended December 31, 2019 and 2018 are as follows:

(Unit : USD)

Type	Nations	2019	2018
	Republic of Korea	3,650,324	2,302,246
	Vietnam	29,787	-
Cash	Cambodia	30,701	-
	Bhutan	29,226	-
	Timor	30,363	-
Accounts receivable	Brunei(*1)	24,756	-
	Brunei	5,284	-
In-kind	Myanmar	29,203	-
	Total	<u>3,829,644</u>	<u>2,302,246</u>

(\*1) The accounts receivable for the assessed contribution of Brunei was received February 2020.

**Secretariat for the Asian Forest Cooperation Organization**  
**Notes to the Financial Statements (Cont'd)**  
**For the years December 31, 2019 and 2018**

**10. Expenses for operating costs**

Details of expenses for operating costs for the years ended December 31, 2019 and 2018 are as follows:

			(Unit : USD)	
Type	2019	2018		
Salaries and Benefits	1,200,689	791,681		
Official Travel	371,384	307,050		
Rent & Utilities	81,322	91,149		
Equipment & Facilities	35,598	37,492		
General Operating Expenses	1,926,008	581,064		
Hospitality	22,405	23,873		
Depreciation and amortization	46,177	33,997		
Taxes and dues	16,814	17,028		
Total	3,700,397	1,883,334		

**11. The difference of financial settlement and budget settlement**

Details of the difference of financial settlement and budget settlement for the year ended December 31, 2019 are as follows:

					(Unit : USD)	
Type	Financial Statement (A)	Budget (B)	Difference (A-B)	Note		
Voluntary contributions	1,158,573	3,577,404	(2,418,831)	(*1)		
Mandatory contributions	3,829,644	3,804,888	24,756	(*2)		
Income from other sources	635,045	230,285	404,760	(*3)		
Pension plan assets	110,090	106,538	3,552	(*4)		
Depreciation	26,501	-	26,501	(*5)		
Amortization	19,676	-	19,676	(*6)		

(\*1) Recognized as unearned revenues for unexecuted amounts.

(\*2) Accounts receivable.

(\*3) Excess income from other sources.

(\*4) Interest income

(\*5) Depreciation of the equipment and structure

(\*6) Amortization of the software