

Annual Financial Report for the Financial Year 2018

I. Introduction

1. In accordance with the DECISION 8-I-18R adopted by the 1st Session of the Assembly, the functions, personnel, assets, and archives of the interim Secretariat has been transferred to the Secretariat for the Asian Forest Cooperation Organization.

2. Accordingly, the Secretariat submits to the Assembly the Annual Financial Report and audited financial statement with independent auditor's report for FY 2018 in accordance with paragraph 7.5 under the Financial Regulations of AFoCO. The reporting period is from 1 January 2018 to 31 December 2018.

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

3. The approved budget for the 2018 operating cost was US\$ 2,241,593. As the supplementary budget of US\$ 811,257.96 for the 2018 operating cost was made from the unobligated balance of 2017 operating cost, the finalized budget for 2018 operating cost amounted US\$ 3,052,850.

4. The amount of total expenditures for the 2018 operating cost was US\$ 2,515,196.9 and the total amount of unobligated balance subject to carryforward to the Working Capital Reserve was US\$ 537,653.1.

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

5. The approved budget for cooperative activities in FY 2018 was US\$ 3,805,412. As the supplementary budget of US\$ 1,165,147 for cooperative activities in FY 2018 was made from the unobligated balance arising from the completed regional projects (US\$ 1,156,886) and special activities (US\$ 8,261) in the previous years (2013-2016), the finalized budget for cooperative activities in FY 2018 was US\$ 4,970,559.

6. The amount of total expenditures for projects in FY 2018 was US\$ 3,137,824 and the total amount of remaining balance committed for ongoing projects was US\$ 3,087,957.

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

7. A total amount of cash surplus over expenditures carried forward to the Working Capital Reserve was US\$ 537,653.1 arising from: 1) the unobligated balance of operating cost, 2) other incomes arising from the refund of company insurance premium for the separated Staff Members, 3) the interest incomes on the Administrative Account, and 4) the interest incomes on project funds.

8. Since most of the contributions in cash from the Republic of Korea has been paid in the currency of Korean Won, the Administrative Account for the Working Capital Reserve has been established and managed separately for Korean Won (KRW) and United States dollar (US\$). The remaining balance in the Working Capital Reserve after the carryforward of cash surplus over expenditures in FY 2018 is KRW 1,955,974,971 and US\$ 283,480.48.

V. Status of Contributions from the Parties

10. As the Agreement for the establishment of AFoCO was entered into force on 27 April 2018, no Parties was obligated to pay the mandatory contribution in FY 2018 in accordance with the Financial Regulations of AFoCO.

11. In conformity with the decision of the 8th Session of the Governing Council of the ASEAN-ROK Forest Cooperation on the transitional arrangement for the interim Secretariat, the Republic of Korea, through the Korea Forest Service fully contributed the 2018 operating cost in the amount of US\$ 3,052,850 including carried forward balance from the previous year for the supplementary budget arrangement and project funds for FY 2018 in the amount of US\$ 4,970,559 including supplementary budget made from the unobligated balance arising from the completed cooperative activities.

VI. Status of Investment

12. N/A

VII. Audited Financial Statement with Independent Auditor's Report

13. The financial audit was conducted for two (2) months from February 2019, 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 of December 31, 2018, and the result of its financial performance and its cash flows operations for the year then ended in accordance with Accounting Standard for Non-Public Entities in the Republic of Korea”.

14. Audited Financial Statements for FY 2018 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, 2018 and 2017.

Table 1. Status of the Administrative Account for Operating Cost(in thousand US\$ / *Converted to thousand KRW¹⁾*)

Budget Heading	Revenue			Expenditure (D)	Balance (E=C-D)	
	Approved (A)	Supplementary (B)	Finalized (C=A+B)			
A. Salaries and Benefits	US\$	1,079.86		1,079.86	809.15	270.71
	KRW	1,220,245		1,220,245	914,345	305,900
B. Official Travel	US\$	290.99	8.85	299.84	298.96	0.88
	KRW	328,817	10,000	338,817	337,825	992
C. Office Rent & Utilities	US\$	230.8	642.73	873.53	784.42	89.11
	KRW	260,800	726,280	987,080	886,389	100,691
D. Equipment & Facilities	US\$	118.94	35.4	154.34	92.09	62.25
	KRW	134,400	40,000	174,400	104,064	70,336
E. General Operating Expenses	US\$	493.88	124.28	618.16	507.33	110.83
	KRW	558,088	140,442	698,530	573,285	125,245
F. Hospitality	US\$	27.12		27.12	23.24	3.88
	KRW	30,650		30,650	26,265	4,385
Total	US\$	2,241.59	811.26	3,052.85	2,515.2	537.7
	KRW	2,533,000	916,722	3,449,722	2,842,173	607,549

¹⁾ Applied exchange rate: KRW1,130 for a unit of United States dollar (USD) in accordance with reference exchange rates announced by the Ministry of Strategy and Finance of ROK for the budget year 2018

Table 2. Status of the Special Accounts for Cooperative Activities

(in thousand US\$ / *Converted to thousand KRW*)

Project	Revenue			Total (D=A+B+C)	Expenditure		Balance (G=D-E-F)	
	2013-2017 Cumulative (A)	2018 Approved (B)	2018 Supplementary (C)		Cumulative for 2013-2017 (E)	2018 (F)		
A. Landmark Program (H)	US\$	11,324	3,234	8	14,566	10,626	1,931	2,009
	<i>KRW</i>	<i>12,410,990</i>	<i>3,653,824</i>	<i>9,451</i>	<i>16,074,265</i>	<i>11,615,368</i>	<i>2,311,096</i>	<i>2,147,801</i>
B. Regional Projects (I)	US\$	5,071	572	1,157	6,800	4,514	1,207	1,079
	<i>KRW</i>	<i>5,670,783</i>	<i>646,176</i>	<i>1,307,281</i>	<i>7,624,241</i>	<i>4,975,996</i>	<i>1,314,569</i>	<i>1,333,676</i>
• New BIPS	US\$	652	0	0	652	391	170	91
	<i>KRW</i>	<i>717,719</i>	<i>0</i>	<i>0</i>	<i>717,719</i>	<i>356,648</i>	<i>190,293</i>	<i>170,778</i>
• Capacity Building	US\$	1,848	0	0	1,848	1,693	0	154
	<i>KRW</i>	<i>2,032,281</i>	<i>0</i>	<i>0</i>	<i>2,032,281</i>	<i>1,847,344</i>	<i>0</i>	<i>184,936</i>
• Cambodia and Vietnam	US\$	716	0	284	1,000	706	160	134
	<i>KRW</i>	<i>812,335</i>	<i>0</i>	<i>321,165</i>	<i>1,133,500</i>	<i>807,534</i>	<i>177,379</i>	<i>148,587</i>
• Philippines, Indonesia and Thailand	US\$	991	0	509	1,500	892	375	234
	<i>KRW</i>	<i>1,127,174</i>	<i>0</i>	<i>574,678</i>	<i>1,701,853</i>	<i>1,022,210</i>	<i>410,535</i>	<i>269,108</i>
• Vietnam and Thailand	US\$	416	0	184	600	419	181	0
	<i>KRW</i>	<i>472,435</i>	<i>0</i>	<i>208,374</i>	<i>680,809</i>	<i>471,091</i>	<i>202,865</i>	<i>6,854</i>
• Malaysia and Thailand	US\$	448	572	180	1,200	414	321	465
	<i>KRW</i>	<i>508,839</i>	<i>646,176</i>	<i>203,063</i>	<i>1,358,078</i>	<i>471,169</i>	<i>357,294</i>	<i>529,615</i>
Total (H+I)	US\$	16,395	3,805	1,165	21,366	15,140	3,138	3,088
	<i>KRW</i>	<i>18,081,774</i>	<i>4,300,000</i>	<i>1,316,732</i>	<i>23,698,506</i>	<i>16,591,364</i>	<i>3,649,462</i>	<i>3,457,680</i>

Table 3. Status of the Working Capital Reserve

Description	Amount	
	KRW	USD
Balance at the close of the FY 2018 2018	1,327,422,740	283,474.05
Cash surplus from the FY 2018	628,522,231	6.43
- <i>Unobligated Balance of Operating Cost</i>	607,548,994	
- <i>Other income</i> <i>(Refund of company insurance premium for the</i> <i>separated Staff Members)</i>	73,116	
- <i>Interest incomes on the Administrative Account</i>	6,485,857	
- <i>Interest incomes on project funds</i>	14,444,264	
Total Amount	1,955,974,971 (equiv. to US\$ 1,749,373.91¹⁾)	283,480.48
Total Amount converted to USD		2,032,854.39

¹⁾ Applied exchange rate: KRW1,118.10 for a unit of United States dollar (USD) in accordance with reference exchange rates published from the Seoul Money Brokerage Service as at the 31 December 2018 (closing rate for yearly settlement of accounts)

Appendix

Independent Auditor's Report and Financial Statements for the Years Ended December 31, 2018