

2020 Financial REPORT



Annual Financial Report for the Fiscal Year of 2020

I. Overview

1. This financial report was prepared for the fiscal year of 2020 started on 1 January 2020 and ended on 31 December 2020 in accordance with paragraph 7.5 under the Financial Regulations of the Asian Forest Cooperation Organization (AFoCO). This report provides the statement of financial performance under the cash basis accounting for all funds of the AFoCO.
2. A significant amount of contributions 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 footnote under each table.
3. The Administrative Account for operating cost, which amounts to USD 4,469,538, was managed based on the annual budget plan approved by the Third Session of the AFoCO Assembly (Decision 33-III-9R) held on 28-29 October 2019 in Seoul, Korea. It is composed of USD 3,905,630 (87.4%) and USD 563,908 (12.6%) to be secured from mandatory contributions from the Parties and other sources respectively. The revenue actually secured for the operational expenditures in FY2020 amounted to 95.2% of the planned budget approved by the Assembly. 98.5% of the total assessed amount of mandatory contributions from the Parties for FY2020 and 72.9% of the total amount of other sources planned to be raised in FY2020 were secured. The budget execution rate for the operating cost was relatively low (74.9% of its revenue in FY2020) compared to previous years due to the COVID-19-related restrictions on organizational interventions and activities.
4. The total amount of voluntary contributions received to the Special Accounts for financing cooperative activities (Programs and Projects) in FY2020 was USD 4,201,681, which was committed towards on-going activities under the Landmark Program, regional projects, and newly approved projects. All voluntary contributions to the Special Accounts in FY2020 were committed by ROK through the Korea Forest Service. The fund execution rate under the Special Account in FY2020 is 31% (36.4% for the on-going projects including the Landmark Program and 26.4% for the new projects launched in 2020) which amounts USD 1,299,880 in total.
5. The due amount of mandatory contributions for the Parties to the operating cost of AFoCO assessed by the Third Session of the Assembly for FY2020 is USD 4,048,183. 98.5% of this assessed amount of mandatory contribution has been paid by the ten (10) Parties among the twelve (12) obligated to pay the mandatory contribution in FY2020.

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

6. The amount of total revenue actually secured in FY2020 was equivalent to USD 4,256,356.51. Around 90.3% of the total revenue actually secured for the operating cost in FY2020 were the mandatory contributions from the Parties as assessed by the Assembly in a form of cash (99.2%) and in-kind contribution (0.8%). Around 9.7% of the total revenue in FY2020 was secured by voluntary contributions in a form of cash (59%) and in-kind contributions (41%) from the Parties and other organizations including private sectors as follows: UN Food and Agriculture Organization (FAO), UN Environment Program (UNEP), National Institute of Forest Science (NIFoS), Korea National Arboretum, Korea Forest Welfare Institute, Uiwang City, Keunchang Co., Ltd., and Ubee Trading Corp.
7. To enhance the financial integrity and accountability of the Organization, reallocation of the budget expected to be unobligated under the limitation of organizational intervention amid COVID-19 pandemic in FY2020 was approved by the Forth Session of the Assembly (Decision 39-IV-20R) held for 25-26 November in Seoul, Korea. In accordance with the Decision by the Assembly, a total of USD 180,672 was reallocated from A.2 Official Travel to the budgetary heading A.6 Asset Acquisition to cover the expenses for the replacement of assets whose useful life have expired.
8. The amount of total expenditures in the operating cost for FY 2020 was equivalent to USD 3,188,030.24 and the total amount of unobligated balance in the operating cost subject to carryforward to the Working Capital Reserve in FY 2020 was equivalent to USD 1,068,326.27.

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

9. Voluntary contributions to the Special Accounts for cooperative activities in FY2020 amounted USD 4,201,681 (equivalent to KRW 5,000,000,000) which were committed by the Korea Forest Service for on-going Landmark Program (USD 1,655,462) and regional projects (USD 252,101) and the eight (8) new projects (USD 2,294,118).
10. The amount of total expenditures for cooperative activities in FY2020 was USD 1,299,880 (31% of total amount committed in FY2020) composed of USD 550,037 for the Landmark Program, USD 145,251 for two (2) on-going regional projects, and USD 604,592 for eight (8) newly approved projects since 2018. The amount of unobligated balance in the Special Account is USD 8,620,291 as at the close of FY2020 (29% of total amount committed since FY2013 until FY2020).
11. The relatively low rate of project fund execution in FY2020 is mainly attributable to the delay of inception arrangements for newly approved projects and restriction in field verification activities for on-going projects which are difficult to be replaced with virtual meetings amid COVID-19 pandemic sustained throughout the year. The Secretariat analyzed the impacts and challenges of COVID-19 pandemic on project implementation and inception arrangement through the series of project management meetings, and developed the "General Guidelines on COVID-19 Coping-up Measures" to devise catch-up plans and alternative activities in 2021 for achieving project goals.

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

12. In accordance with paragraph 2.5.7 under the Financial Regulations of AFoCO, cash surplus under the administrative account, which is arose from the balance of the appropriations remaining unobligated at the close of each financial year and all interest incomes on the Administrative Account, shall be accounted under the Working Capital Reserve.
13. A total amount of cash surplus over expenditures under the Administrative Account in FY2020 subject to be carried forward to the Working Capital Reserve was USD 1,071,336.43 in total as translated from the actual amount of KRW 887,466,956 and USD 325,565.88 respectively arising from: 1) the unobligated balance of operating cost (KRW 883,953,496 and USD 325,508.21) and 2) interest incomes on the Administrative Account (KRW 3,513,460 and USD 55.67). The remaining balance in the Working Capital Reserve after the carryforward of cash surplus over expenditures under the Administrative Account in FY2020 is USD 1,969,140.41 as translated from the actual amount of KRW 1,473,397,920 and USD 730,990.90.

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

14. In accordance with paragraph 1.1 and 3.1 under the Financial Regulations of AFoCO, all interest incomes imposed on project funds under the Special Account shall be accounted under the Unearmarked Sub-Account.
15. A total amount of interest incomes on the Special Account in FY2020 subject to be carried forward to the Unearmarked Sub-Account is equivalent to USD 11,879.91 in total as translated from the actual amount of KRW 14,078,632 and USD 49.13. The remaining balance in the Unearmarked Sub-Account after the carryforward of interest incomes on the Special Account earned in FY2020 is equivalent to USD 228,017.57 in total as translated from the actual amount of KRW 271,274,512 and USD 55.80. This amount includes interest incomes of KRW 106,107 on the Unearmarked Sub-Account earned in FY2020.

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

16. 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 (30,000) US dollars.
17. A total amount of mandatory contribution actually paid in FY2020 was USD 3,845,630 (98.5% of the total assessed amount for the Parties' mandatory contribution in 2020) in a form of cash (USD 3,815,630) and in-kind contribution (USD 30,000) from the following ten (10) Parties who fully paid their assessed amount for mandatory contribution this year, namely Bhutan, Brunei Darussalam, Kazakhstan, Lao PDR, Myanmar, Philippines, Republic of Korea, Thailand, Timor-Leste, and Vietnam.
18. As stipulated in paragraph 2.4 of the Financial Regulations of AFoCO, in case of 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

19. None.

VIII. Audited Financial Statement with Independent Auditor's Report

20. In accordance with paragraph 9.3 under the Financial Regulations of AFoCO, the external audit of the financial statement for FY2020 was conducted for two (2) months from February 2021, 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, 2020 and 2019, 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”.

21. Audited Financial Statements for FY2020 are appended along 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, 2020 and 2019.

Table 1. Status of the Administrative Account for Operational Expenditures

	Plan (USD)		Actual Amount		
	Approved	Revised Final ¹⁾	KRW (A)	USD (B)	Translated Total Amount in USD (A+B) ²⁾
Revenue					
Mandatory Contributions	3,905,630	3,905,630	4,255,000,000	269,893.41 ³⁾	3,845,523.66
Voluntary Contributions & Other Sources	563,908	563,908	108,830,000	319,369.62	410,823.40
Other Incomes	-	-	11,240	-	9.45
Total Annual Revenue (A)	4,469,538	4,469,538	4,363,841,240	589,263.03	4,256,356.51
Expenditure					
A. Salaries and Benefits	2,047,095	2,047,095	1,288,758,440	110,268	1,193,258.29
B. Official Travel	346,515	165,843	55,759,261	-	46,856.52
C. Special Activity	276,934	276,934	65,369,081	-	54,932.00
D. General Operating Expenses	1,481,139	1,481,139	1,668,596,360	8,000	1,410,181.82
E. Hospitality	40,160	40,160	30,898,007	-	25,964.71
F. Asset Acquisition	188,304	368,976	265,186,595	-	222,845.88
G. Provisions and Contingencies	89,391	89,391	-	-	-
H. Others	-	-	105,320,000	145,486.82	233,991.02
Total Annual Expenditure (B)	4,469,538	4,469,538	3,479,887,74⁴⁾	263,754.82⁴⁾	3,188,030.24
Net Total (A-B)			883,953,496	325,508.21	1,068,326.27

Table 2. Status of the Special Accounts for Cooperative Activities (Programs & Projects) (in USD)

Project	Revenue ⁵⁾		Total (C=A+B)	Expenditure ⁶⁾		Balance (F=C-D-E)
	Cumulative for 2013-2019 (A)	Committed for 2020 (B)		Cumulative for 2013-2019 (D)	2020 (E)	
Landmark Program (G)	15,808,425	1,655,462	17,463,887	13,131,088	550,037	3,782,762
Regional Projects (H)	6,800,000	252,101	7,052,101	6,306,964	145,251	599,886
• New BIPS (R011)	652,472	-	652,472	592,672	-	59,800
• Capacity Building (R002-Completed)	1,847,528	-	1,847,528	1,693,237	-	154,291
• Cambodia and Vietnam (R003)	1,000,000	84,034	1,084,034	998,486	-	85,548
• Philippines, Indonesia and Thailand (R004)	1,500,000	-	1,500,000	1,500,000	-	-
• Vietnam and Thailand (R009-Completed)	600,000	-	600,000	600,000	-	-
• Malaysia and Thailand (R010)	1,200,000	168,067	1,368,067	922,569	145,251	300,247
New Projects (I)	2,548,117	2,294,118	4,842,235	-	604,592	4,237,643
• Cambodia (NP012)	249,411	132,648	382,058	-	132,648	249,411
• Vietnam (NP013)	233,608	152,721	386,329	-	152,741	233,588
• Myanmar (NP014)	508,950	386,660	895,610	-	184,705	710,905
• Myanmar (NP015)	331,500	373,500	705,000	-	88,999	616,001
• Philippines (NP016)	678,478	361,353	1,039,831	-	-	1,039,831
• Bhutan (NP017)	-	45,500	45,500	-	45,500	-
• Timor-Leste (NP018)	-	102,000	102,000	-	-	102,000
• CLMV (PP-2019-MC-008)	546,170	739,736	1,285,906	-	-	1,285,906
Total (G+H+I)	25,156,542	4,201,681	29,358,223	19,438,052	1,299,880	8,620,291

¹⁾ Refer to the Assembly's Decision 39-IV-20R.

²⁾ 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 FY2020 (KRW1,190 for a unit of United States dollar).

³⁾ The amount of bank charges (a total of US\$ 106.59) arose from international money transfer for the Parties' contribution were excluded.

⁴⁾ Exclusive of the Account Payable which amounts KRW 137,765,753 and USD 8,00

⁵⁾ 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.

⁶⁾ The amounts 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 (WCR)

Description	Actual Amount		Translated Total Amount in USD (A+B) ⁷¹	
	KRW (A)	USD (B)		
Balance at the close of FY2019	575,076,905	380,429.50	863,687.40	
Refund of Rental Deposit (Official Residence for Fellowship Official)	10,000,000	-	8,403.36	
Un-appropriated balance	883,953,496	325,508.21	1,068,326.27	
Cash Surplus in FY2020	Interest Incomes on the Administrative Account	3,513,460	57.67	3,010.16
Payment of Mandatory Contributions for Arrears on 2019	-	24,923.72	24,923.72	
Interest income on WCR in FY2020	854,059	71.8	789.50	
Total Amount	1,473,397,920	730,990.90	1,969,140.41	

Table 4. Status of the Unearmarked Sub-Account (UEA)

Description	Actual Amount		Translated Total Amount in USD (A+B) ⁷¹
	KRW (A)	USD (B)	
Interest Incomes on the Special Account for FY2013 – FY2019	257,089,773	6.67	216,048.50
Interest Incomes on the Special Account in FY2020	14,078,632	49.13	11,879.91
Interest Incomes on UEA in FY2020	106,107	-	89.17
Total Amount	271,274,512	55.80	228,017.57

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	-	-
Brunei Darussalam	30,000	30,000	-	-
Cambodia	30,000	-	-	30,000
Indonesia	30,000	-	-	30,000
Kazakhstan	30,000	30,000	-	-
Lao PDR	30,000	30,000	-	-
Myanmar ⁸¹	30,000	-	30,000	-
Philippines	30,000	30,000	-	-
ROK	3,575,630	3,575,630	-	-
Thailand	30,000	30,000	-	-
Timor-Leste	30,000	30,000	-	-
Vietnam	30,000	30,000	-	-
Total Amount	3,905,630	3,815,630	30,000	60,000

⁷¹ The actual amounts in KRW were translated to USD in total by applying the reference exchange rate published by MOSF of ROK for the FY2020.

⁸¹ Myanmar contributed the additional amount of USD 80,268 in a form of in-kind contribution as a voluntary contribution to the Operational Expenditures.

Appendix

Independent Auditor's Report and Financial Statements for the Years Ended December 31, 2020



Secretariat for the Asian Forest Cooperation Organization
December 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 and those charged with governance 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.

Those charged with governance are responsible for overseeing the Secretariat'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 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.

Seoul, Korea
March 4, 2021

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.

Haroul LLC

Secretariat for the Asian Forest Cooperation Organization

Financial Statements December 31, 2020 and 2019

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

Ricardo L. Calderon
Executive Director
Secretariat for the Asian Forest Cooperation Organization

Secretariat for the Asian Forest Cooperation Organization
Statements of Financial Position
As of December 31, 2020 and 2019

	Notes	USD		KRW	
		2020	2019	2020	2019
Assets					
Current assets					
Cash and cash equivalents	4	10,971,891	6,532,520	11,937,416,971	7,563,351,521
Accounts receivable – other		60,287	24,924	65,592,000	28,856,683
Leasehold deposits		2,484,666	-	2,703,317,060	-
Total current assets		13,516,844	6,557,444	14,706,326,031	7,592,208,204
Non-current assets					
Pension plan assets	8	5,443	3,577	5,921,954	4,141,191
Property and equipment, net	5	99,343	28,777	108,085,211	33,318,229
Intangible assets	6	49,736	66,324	54,113,098	76,789,983
Leasehold deposits		827,206	2,300,326	900,000,000	2,663,317,060
Total non-current assets		981,728	2,399,004	1,068,120,263	2,777,566,463
Total assets		14,498,572	8,956,448	15,774,446,294	10,369,774,667
Liabilities					
Current liabilities					
Accounts payable – other		135,652	11,660	147,588,953	13,500,000
Deposits		15,090	-	16,418,390	-
-Unearned revenues	7	8,994,713	5,421,653	9,786,247,234	6,277,189,516
Total current liabilities		9,145,455	5,433,313	9,950,254,577	6,290,689,516
Non-current liabilities					
Provision for retirement and severance benefits	8	485,461	352,882	528,181,122	408,566,758
Pension plan assets	8	(485,461)	(352,882)	(528,181,122)	(408,566,758)
Total non-current liabilities		-	-	-	-
Total liabilities		9,145,455	5,433,313	9,950,254,577	6,290,689,516
Net asset					
Accumulated effect of foreign currency translation		378,966	27,826	-	-
Retained earnings		4,974,151	3,495,309	5,824,191,717	4,079,085,151
Total net asset		5,353,117	3,523,135	5,824,191,717	4,079,085,151
Total liabilities and net asset		14,498,572	8,956,448	15,774,446,294	10,369,774,667

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, 2020 and 2019

	<i>Note</i>	USD		KRW	
		2020	2019	2020	2019
Revenue					
Voluntary contributions		1,263,457	1,158,573	1,490,942,282	1,350,490,616
Mandatory contributions		3,935,068	3,829,644	4,643,576,434	4,464,024,479
Income from other sources		421,022	635,045	496,827,137	740,240,210
Interest income		23,816	28,002	28,104,148	32,640,550
Gain on foreign currency translation		-	15,045	-	17,537,705
Other income		10	-	11,240	-
Total revenue		5,643,373	5,666,309	6,659,461,241	6,604,933,560
Expenses					
Expense for cooperative activities		1,263,457	1,158,573	1,490,942,282	1,350,490,616
Expense for operating costs	10	2,747,307	3,700,354	3,241,960,046	4,313,367,921
Loss on foreign currency transaction		-	-	-	363
Loss on foreign currency translation		150,870	7,650	178,033,929	8,917,512
Income tax		2,897	3,764	3,418,418	4,387,660
Total expenses		4,164,531	4,870,384	4,914,354,675	5,677,164,072
Net surplus(deficit) for the year		1,478,842	795,925	1,745,106,566	927,769,488

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, 2020 and 2019

	USD		KRW	
	2020	2019	2020	2019
Cash flows from operating activities				
Net surplus(deficit) for the year	1,478,842	795,925	1,745,106,566	927,769,488
Adjustments for:				
Accrual for retirement and severance benefits	101,364	108,927	119,614,364	126,970,671
Depreciation	24,957	26,501	29,450,471	30,890,924
Amortization	21,675	19,676	25,577,035	22,935,799
	<u>147,996</u>	<u>155,104</u>	<u>174,641,870</u>	<u>180,797,394</u>
Changes in assets and liabilities:				
Accounts receivable - other	(31,130)	(24,756)	(36,735,317)	(28,856,683)
Accounts payable - other	113,630	(37,382)	134,088,953	(43,574,500)
Unearned revenues	2,973,652	2,418,830	3,509,057,718	2,819,509,384
Withholdings	13,913	-	16,418,390	-
Provision for severance benefits	-	-	-	-
Pension plan assets	(102,873)	(110,090)	(121,395,127)	(128,325,857)
	<u>2,967,192</u>	<u>2,246,602</u>	<u>3,501,434,617</u>	<u>2,618,752,344</u>
Net cash provided by (used in) operating activities	<u>4,594,030</u>	<u>3,197,631</u>	<u>5,421,183,053</u>	<u>3,727,319,226</u>
Cash flows from investing activities				
Acquisition of property and equipment	(88,316)	(1,287)	(104,217,453)	(1,500,000)
Acquisition of intangible assets	(2,458)	(40,209)	(2,900,150)	(46,870,000)
Increase in leasehold deposits	(796,576)	(583,366)	(940,000,000)	(680,000,000)
	<u>(887,350)</u>	<u>(624,862)</u>	<u>(1,047,117,603)</u>	<u>(728,370,000)</u>
Net cash used in investing activities	<u>(887,350)</u>	<u>(624,862)</u>	<u>(1,047,117,603)</u>	<u>(728,370,000)</u>
Cash flows from financing activities	-	-	-	-
Net cash provided by financing activities	-	-	-	-
Effect of exchange rate changes on cash and cash equivalent	732,691	(122,533)	-	-
Net increase(decrease) in cash and cash equivalents	4,439,371	2,450,236	4,374,065,450	2,998,949,226
Cash and cash equivalents at the beginning of the year	6,532,520	4,082,284	7,563,351,521	4,564,402,295
Cash and cash equivalents at the end of the year	<u>10,971,891</u>	<u>6,532,520</u>	<u>11,937,416,971</u>	<u>7,563,351,521</u>

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, 2020 and 2019

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 (the “AFoCO Agreement”) was adopted on September 22, 2015 in Seoul and entered into force on April 27, 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. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from Korean financial statements.

(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)
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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 summarized 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.

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Notes to the Financial Statements (Cont'd)
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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 member countries (the "Parties") 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.

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Notes to the Financial Statements (Cont'd)
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4. Cash and cash equivalents

Details of cash and equivalents as of December 31, 2020 and 2019 are as follows:

(Unit: USD)

Type	Financial Institutions	2020	2019
Ordinary Deposit	Shinhan Bank	8,158,912	6,151,496
Foreign Currency Deposit	Shinhan Bank	2,812,979	381,024
Total		10,971,891	6,532,520

5. Property and equipment

(1) Details of property and equipment as of December 31, 2020 are as follows:

(Unit: USD)

Assets	Beginning	Acquisition	Others	Depreciation	Ending
Vehicles	1	40,494	3,427	-	43,922
Equipment	25,635	32,400	2,811	(18,605)	42,241
Structure	3,141	15,422	969	(6,352)	13,180
Total	28,777	88,316	7,207	(24,957)	99,343

(2) 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	56,085	1,287	(2,094)	(26,501)	28,777

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6. Intangible asset

(1) Changes in intangible assets for the year ended December 31, 2020 are as follows:

(Unit: USD)

Assets	Beginning	Acquisition	Others	Amortization	Ending
Software	66,324	2,458	2,629	(21,675)	49,736

(2) 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

7. Unearned revenues

Deferred income as of December 31, 2020 and 2019 are as follows:

(Unit: USD)

Type	2020	2019
Multiyear cooperative activities	8,994,713	5,421,653

8. Retirement and severance benefits

(1) Changes in provision for retirement and severance benefits for the years ended December 31, 2020 and 2019 are as follows:

(Unit: USD)

Type	2020	2019
Beginning balance	352,882	251,852
Increase	101,364	108,927
Payments	-	-
Others	31,215	(7,897)
Ending balance	485,461	352,882

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8. Retirement and severance benefits (cont'd)

(2) Changes in pension plan assets for the years ended December 31, 2020 and 2019 are as follows:

(Unit: USD)		
Type	2020	2019
Beginning balance	356,459	254,344
Increase	102,873	110,090
Decrease	-	-
Others	31,572	(7,975)
Ending balance	<u>490,904</u>	<u>356,459</u>

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9. Assessed amount of revenue

(1) Details of voluntary contributions from the Parties for the years ended December 31, 2020 and 2019 are as follows:

(Unit: USD)

Type	Nations	2020	2019
Cash	Republic of Korea	1,263,457	1,158,573
	Total	1,263,457	1,158,573

(2) Details of mandatory contributions from the Parties for the years ended December 31, 2020 and 2019 are as follows:

(Unit: USD)

Type	Nations	2020	2019
	Bhutan	31,203	29,226
	Brunei Darussalam	30,838	24,756
	Cambodia	27,792 ^(*1)	30,701
	Indonesia	27,792 ^(*1)	-
	Kazakhstan	30,918	-
Cash	Laos	29,482	-
	Philippines	30,656	-
	Republic of Korea	3,605,779	3,650,324
	Thailand	30,372	-
	Timor-Leste	27,906	30,363
	Vietnam	31,182	29,786
In-kind	Brunei Darussalam	-	5,284
	Myanmar	31,148 ^(*2)	29,203
	Total	3,935,068	3,829,643

(*1) Account Receivable

(*2) Myanmar contributed an excess amount of USD 83,339 in the form of In-kind contribution.

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10. Expenses for operating costs

Details of expenses for operating costs for the years ended December 31, 2020 and 2019 are as follows:

(Unit: USD)

Type	2020	2019
Salaries and benefits	1,468,362	1,200,689
Official travel	47,252	371,384
Rent and utilities	84,084	81,322
Equipment and facilities	26,609	35,598
General operating expenses	1,033,917	1,926,008
Hospitality	22,155	22,405
Depreciation and amortization	46,631	46,177
Taxes and dues	18,297	16,814
Total	2,747,307	3,700,397

11. The difference of financial settlement and budget settlement

Details of the differences between financial settlement and budget settlement for the year ended December 31, 2020 are as follows:

(Unit: USD)

Type	Financial Statement (A)	Budget (B)	Difference (A-B)	Note
Voluntary contributions	1,263,457	4,237,110	(2,973,653)	(*1)
Mandatory contributions	3,935,068	3,879,483	55,585	(*2)
Income from other sources	421,022	470,588	(49,566)	(*3)
Pension plan assets	102,873	97,855	5,019	(*4)
Depreciation	24,957	-	24,957	(*5)
Amortization	21,675	-	21,675	(*6)

(*1) Recognized as unearned revenues for unexecuted amounts

(*2) Accounts receivable

(*3) Refund amount (Korea Green Fund)

(*4) Interest income

(*5) Depreciation of the equipment and structure

(*6) Amortization of the software

Asian Forest Cooperation Organization

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