



2021 FINANCIAL REPORT



Annual Financial Report for the Fiscal Year of 2021

I. Overview

1. This financial report was prepared for the fiscal year of 2021 started on 1 January 2021 and ended on 31 December 2021 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 for all funds of AFoCO with Independent Auditor's Report and audited financial statements for FY2021 attached hereto.
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 the footnote under each table.
3. Administrative Account for operating cost was managed based on the annual budget plan approved by the Fourth Session of the AFoCO Assembly (Decision 40-IV-20R) virtually held on 25-26 November 2020. The total amount of operating budget approved by the Assembly amounted to USD 4,395,662 which is composed of mandatory contributions from the Parties (88%, USD 3,876,530) and funds from other sources (12%, USD 519,132). The revenue actually secured for the operating budget in FY2021 amounted to USD 4,137,397 (94% of the planned budget approved by the Assembly) among which 92% was secured by the Parties' mandatory contribution and 8% was raised from other funding sources including voluntary contribution from the Party. The budget execution rate for the operating budget was 90% of the actual revenue.
4. The total amount of voluntary contributions received to the Special Accounts for financing cooperative activities (Programs and Projects) in FY2021 was USD 4,132,231 which was committed for on-going activities under the Landmark Program and regional/individual projects and newly approved projects. All voluntary contributions to the Special Accounts in FY2021 were committed by ROK through the Korea Forest Service. The fund execution rate under the Special Account in FY2021 is around 51% of the total amount committed in FY2021 which amounts to USD 2,123,552 in total.
5. The due amount of mandatory contributions for the Parties to the operating budget of AFoCO assessed by the Fourth Session of the Assembly for FY2021 is USD 3,876,530. Around 98% of this assessed amount of mandatory contribution has been paid by the ten (10) Parties among the thirteen (13) Parties obligated to pay the mandatory contribution in FY2021.

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

6. The amount of total revenue actually secured in FY2021 was equivalent to USD 4,137,397 exclusive of carry-forward budget (USD 85,545) for AFoCO-NIFoS Cooperation activities which was received in FY2020 and remobilized from the Working Capital Reserve in 2021 (Assembly Decision-40-IV-20R). Mandatory contributions from the Parties are account for around 92% (USD 3,786,404) of the actual revenue for the operating budget in FY2021 in a form of cash (99.2%) and in-kind contribution (0.8%). Remaining 8% (USD 351,186) of the operating budget actually secured in FY2021 was raised from voluntary contribution in-kind from Myanmar and other funding sources including incidental and extra budgetary incomes as follows: 1) International Tropical Timber Organization (ITTO) for joint workshop, 2) Korea National Institute of Forest Science (NIFoS) for cooperative projects, 3) Insurance proceeds collected from the defect liability bond for the RETC construction, and 4) Cash donation from Nonghyup (NH) Bank fully used for the sponsorship of the 15th Session of World Forest Congress (WFC). Around 98% of the total assessed amount of mandatory contributions from the Parties and 67% of the total amount of other sources planned to be raised in FY2021 were actually secured for operational expenditures of AFoCO.
7. The amount of total expenditures in the operating budget for FY2021 is equivalent to USD 3,715,538 (90% of actual revenue and 85% of planned budget) and the total amount of unobligated balance in the operating budget subject to carryforward to the Working Capital Reserve in FY2021 is equivalent to USD 421,859. Following last year, restrictions on travel and public gathering amid sustained COVID-19 pandemic in 2021 caused a significant amount of budget savings and unobligated balance in the relevant operating budget assigned for overseas travel and meetings/events planned under the Special Activity and General Operating Expenses and hospitality as well, since the most meetings and events including training activities at RETC which were originally planned in-person activities were held in virtual mode or postponed/cancelled.
8. AFoCO received the donations of forest equipment which are worth about USD 31,405 in total from the private sectors in FY 2021 as follow: 1) Drone for forest monitoring from ENORD and 2) GNSS Receiver from JY System which is worth about USD 16,529 and USD 14,876 respectively. Those forest equipment donated from the private sectors will be managed as an asset of AFoCO and used for training purpose for capacity building of the AFoCO Member countries.

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

9. Voluntary contributions to the Special Account for cooperative activities in FY2021 amounted to USD 4,132,231 (equivalent to KRW 5,000,000,000) which were fully committed by the Korea Forest Service for Landmark Program (USD 167,769), two (2) regional projects (USD 567,007), seven (7) on-going individual projects (USD 1,404,885) and four (4) new projects (USD 1,992,573).
10. There were refunds of unobligated balance from the two (2) completed regional projects which amounted to USD 19,901 in total as follows: 1) USD 3,146 from AFoCO/003/2014 entitled: Promotion of Forest Rehabilitation in Cambodia and Viet Nam through Demonstration Models and Improvement of Seed Supply System; 2) USD 18,431 from AFoCO/004/2014 entitled: Facilitating the Participatory Planning of Community-based Forest Management Using Geographic Information System and Remote Sensing Technologies in Forest Resources Management in the Philippines, Indonesia and Thailand; 3) USD 3 from AFoCO/009/2015 entitled: Developing High Valuable Species in Viet Nam and Thailand as a Mechanism for Sustainable Forest Management and Livelihood Improvement for Local Communities, and; 4) USD 34,441 from AFoCO/011/2016 entitled: Capacity Building for Landscape Approach to Support the Sustainable Natural Resources Management in Brunei, Indonesia, Philippines, and Singapore. In accordance with the Financial Regulations of AFoCO, the use of unobligated balances from completed projects will be determined by agreement with the donor.
11. During the Third AFoCO Donors Meeting held on 26 February 2021, the Secretariat was requested to put the top priority on project fund execution, particularly in responding to the anticipation of enhanced monitoring requirement of the Korean government on its contributions to the international organizations under the "Act on Contributions to International Organization" which will be newly enforced from 2022. In this regard, the Secretariat developed the General Guidelines on COVID-19 Coping-up Measures for AFoCO Projects based on the analysis of the impact and challenges of COVID-19 pandemic on project implementation and inception arrangements. Subsequent catch-up plan for the delay of project implementation attributable to the COVID-19 pandemic in 2020 and alternative activities to achieve project goals amid sustained COVID-19 pandemic in 2021 were devised in consultation with the Implementing Agencies (IAs) of the proponent countries based on the Guidelines on COVID-19 Coping-up Measures.
12. The Secretariat also disseminated relevant information on the ODA strategy and guidelines of the Korean government under its newly enforced "Act on Contributions to International Organization" to the IAs through the series of project related meetings and encouraged them to pursue results- and impact-oriented approaches on project management. At the same time, the Secretariat has appointed contract-based local project coordinators and established partnership agreement with the Korea-Mekong Forest Cooperation Center to beef-up the Secretariat's function on project monitoring and evaluation under current travel restrictions inflicted by the COVID-19 pandemic.
13. However, there have still been delays in project fund execution in FY2021 due to unavoidable constraints posed by prolonged COVID-19 pandemic and other country-specific conditions as well under which international transfer of project funds was banned or domestic process for project inception was significantly hindered. The total amount of expenditures for cooperative activities under the Special Account in FY2021 is USD 2,123,552 (51% of total amount committed in FY2021) composed of USD 562,120 for the Landmark Program, USD 59,058 for regional projects, USD 815,011 for five (5) individual projects, and USD 687,364 for three (3) new projects. The amount of unobligated balance from the funds in the Special Account committed for cooperative activities since 2013 is USD 10,684,991 in total as at the close of FY2021 including the refunds of unobligated balance from the four (4) completed projects (32% of total amount committed since FY2013 until FY2021).

IV. Status of the Working Capital Reserve (Refer to Table 4)

14. 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.
15. A total amount of cash surplus over expenditures for operating budget under the Administrative Account in FY2021 subject to be carried forward to the Working Capital Reserve is equivalent to USD 509,814 in total as translated from the actual amount of KRW 154,876,693 and USD 381,816 respectively arising from: 1) the unobligated balance of operating budget (KRW 152,013,563 and USD 381,773) and 2) interest incomes on the Administrative Account (KRW 2,863,130 and USD 44. The remaining balance in the Working Capital Reserve after the carryforward of cash surplus over expenditures under the Administrative Account in FY2021 is USD 2,435,560 as translated from the actual amount of KRW 1,658,013,665 and USD 1,065,300.

V. Status of the Unearmarked Sub-Account (Refer to Table 5)

16. 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.
17. A total amount of interest incomes on the Special Account in FY2021 subject to be carried forward to the Unearmarked Sub-Account is equivalent to USD 10,852 in total as translated from the actual amount of KRW 12,916,132 and USD 177. The remaining balance in the Unearmarked Sub-Account after the carryforward of interest incomes on the Special Account earned in FY2021 is equivalent to USD 235,283 in total as translated from the actual amount of KRW 284,410,388 and USD 233. This amount includes interest incomes of KRW 219,744 on the Unearmarked Sub-Account earned in FY2021.

VI. Status of Mandatory Contributions from the Parties (Refer to Table 6)

18. 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.
19. Total amount of mandatory contributions assessed by the Fourth Session of the AFoCO Assembly for operational expenditures in FY2021 was USD 3,876,530 for thirteen (13) Parties obligated to pay a mandatory contribution in 2021. A total amount of mandatory contributions actually paid in FY2021 is USD 3,816,530 (98.5% of the total assessed amount for the Parties' mandatory contribution in FY2021) in a form of cash (USD 3,786,530) and in-kind contribution (USD 30,000) from the following ten (10) Parties who fully paid their assessed amount for mandatory contribution in 2021, namely Bhutan, Cambodia, Kazakhstan, Lao PDR, Mongolia, Myanmar, Philippines, Republic of Korea, Thailand, and Vietnam. Brunei Darussalam has fully paid its arrears on 2021 in cash on February 2022.
20. Myanmar provided an additional amount of USD 101,178 in a form of in-kind as their voluntary contribution for the operational expenditures in 2021. Following the stipulation of paragraph 2.4 under the Financial Regulations of AFoCO, in case where an excess amount of contribution is made by the Parties in a form of in-kind contribution, only the amount due for the current year as assessed by the Assembly is considered for the concerned calculations of financial statements.

VII. Status of Investment

21. None.

VIII. Audited Financial Statement with Independent Auditor's Report

22. In accordance with paragraph 9.3 under the Financial Regulations of AFoCO, the external audit of the financial statement for FY2021 was conducted for two (2) months from January 2022, 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, 2021 and 2020, 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”.

23. Audited Financial Statements for FY2021 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, 2021 and 2010.

Table 1. Status of the Administrative Account for Operational Expenditures

	Approved Plan (USD)	Actual Amount		
		KRW (A)	USD (B)	Translated Total Amount in USD (A+B) ¹⁾
Revenue				
Mandatory Contributions	3,876,530	4,255,000,000	269,875 ²⁾	3,786,404
Voluntary Contributions & Other Sources ³⁾	519,132	38,502,032	252,941 ²⁾	284,761
Other Incomes ⁴⁾	-	80,140,855	-	66,232
Total Annual Revenue (A)	4,395,662	4,373,642,887	522,824	4,137,397
Expenditure				
A. Salaries and Benefits	1,808,336	1,759,360,284	131,178	1,585,195
B. Official Travel	421,511	83,360,722	4,471	73,364
C. Special Activity	293,832	49,343,851	62,281	103,061
D. General Operating Expenses	1,512,640	1,924,480,452	28,658	1,619,138
E. Hospitality	39,645	19,483,950	-	16,102
F. Asset Acquisition	231,785	305,459,210	-	252,446
G. Provisions and Contingencies	87,913	-	-	-
H. Other Expenditures ⁴⁾	-	80,140,855	-	66,232
Total Annual Expenditure (B)	4,395,662	4,221,629,324	226,588	3,715,538
Balance (A-B)	0	152,013,563	296,228	421,859

¹⁾ 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 FY2021 (KRW 1,210 for a unit of United States dollar).

²⁾ Exclusive of bank charges (USD 125.34 for Mandatory Contributions and USD 8.91 for Voluntary & Other Sources)

³⁾ 1) Voluntary Contribution in-kind from Myanmar (USD 101,178); 2) Fund from NIFoS for 2021 AFoCO-NIFoS Collaboration activities (USD 148,982); 3) Fund from ITTO for Joint Workshop (USD 10,000) and 4) Cash donation from Nonghyup (NH) Bank used for the 15th Session of WFC Sponsorship (KRW 30,000,000)

⁴⁾ Insurance proceeds collected from the defect liability bond for the RETC construction received and expended for the RETC defective work. They were included in 'Other Income' and 'Other expenditure' as they are incidental and extra-budgetary.

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

Project	Revenue ⁵⁾			Total (D=A+B+C)	Expenditure ⁶⁾		Balance (G=D-E-F)
	Cumulative for 2013-2020 (A)	2021 Committed (B)	Refunded (C) ⁷⁾		Cumulative for 2013- 2020 (E)	2021 (F)	
Landmark Program (H)	17,463,887	167,769	0	17,631,655	13,681,125	562,120⁸⁾	3,388,410
Regional Projects (I)	8,338,007	567,007	56,021	8,961,035	6,452,215	59,058	2,449,762
• AFoCO/002/2012 (Completed)	1,847,528	0	0	1,847,528	1,693,237	0	154,291
• AFoCO/003/2014 (Completed)	1,084,034	0	3,146	1,087,180	998,486	0	88,694
• AFoCO/004/2014 (Completed)	1,500,000	0	18,431	1,518,431	1,500,000	0	18,431
• AFoCO/009/2015 (Completed)	600,000	0	3	600,003	600,000	0	3
• AFoCO/010/2016	1,368,067	82,645	0	1,450,712	1,067,820	59,058	323,834
• AFoCO/011/2016 (Completed)	652,472	0	34,441	686,913	592,672	0	94,241
• AFoCO/032/2022	1,285,906	484,362	0	1,770,268	0	0	1,770,268
Individual Projects (J)	3,556,328	1,404,885	0	4,961,213	604,592	815,010	3,541,610
• AFoCO/012/2019	382,058	116,763	0	498,821	132,648	116,857	249,317
• AFoCO/013/2020	386,329	255,128	0	641,457	152,741	172,578	316,138
• AFoCO/014/2020	895,610	165,225	0	1,060,835	184,705	0	876,130
• AFoCO/015/2020	705,000	315,900	0	1,020,900	88,999	0	931,901
• AFoCO/016/2020	1,039,831	48,669	0	1,088,500	0	39,921	1,048,579
• AFoCO/017/2020	45,500	311,500	0	357,000	45,500	311,500	0
• AFoCO/018/2020	102,000	191,700	0	293,700	0	174,155	119,545
New Projects (K)	0	1,992,573	0	1,992,573	0	687,364	1,305,209
• AFoCO/023/2021	0	349,279	0	349,279	0	124,146	225,133
• AFoCO/024/2021	0	453,200	0	453,200	0	325,170	128,030
• AFoCO/025/2021	0	591,392	0	591,392	0	238,047	353,344
• AFoCO/026/2021	0	598,702	0	598,702	0	0	598,702
Total (H+I+J+K)	29,358,223	4,132,234	56,021	33,546,476	20,737,933	2,123,553	10,684,991

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 2021 announced by MOSF of ROK for domestic transactions.

⁷⁾ Inclusive of missing refunds which were made in FY2020 as follows: USD 33,168 for AFoCO/011/2016, USD 3,146 for AFoCO/003/2014 and USD 3 for AFoCO/009/2015

⁸⁾ Inclusive of Account Payable for the Contract on Design Work for the Establishment of RETC Experimental Forest which amounts to USD 170,000

Table 3. List of AFoCO Projects

Project Code	Countries ⁹⁾	Project Title
Regional Projects		
AFoCO/002/2012	BD / KH / ID / LA / MM / PH / TH / VN	Capacity Building on Improving Forest Resources Assessment and Enhancing the Involvement of the Local Communities to Address the Impact of Climate Change
AFoCO/003/2014	KH / VN	Promotion of Forest Rehabilitation in Cambodia and Viet Nam through Demonstration Models and Improvement of Seed Supply System
AFoCO/004/2014	PH / ID / TH	Facilitating the Participatory Planning of Community-based Forest Management Using Geographic Information System and Remote Sensing Technologies in Forest Resources Management in the Philippines, Indonesia and Thailand
AFoCO/009/2015	TH / VN	Developing High Valuable Species in Viet Nam and Thailand as a Mechanism for Sustainable Forest Management and Livelihood Improvement for Local Communities
AFoCO/010/2016	MY / TH	Domestication of Endangered, Endemic and Threatened Plant Species in Disturbed Terrestrial Ecosystems in Malaysia and Thailand
AFoCO/011/2016	BD / ID / PH / SG	Capacity Building for Landscape Approach to Support the Sustainable Natural Resources Management in Brunei, Indonesia, Philippines, and Singapore
AFoCO/032/2022	KH / LA / MM / VN	Capacity Building on Enhancing Resilience to Forest Fire, and Local Livelihood and Market Linkages
Individual Projects		
AFoCO/012/2019	KH	The registration of small-scale private forest plantations in Cambodia
AFoCO/013/2020	VN	Improving Pinus caribaea Morelet for planation on degraded land
AFoCO/014/2020	MM	Integrated pest and disease management in teak plantations
AFoCO/015/2020	MM	Development of community-based enterprise and forest conservation
AFoCO/016/2020	PH	Promotion of vertical integration in wood processing
AFoCO/017/2020	BT	Sustainable community-based enterprise development
AFoCO/018/2020	TL	Development of agroforestry models
New Projects		
AFoCO/023/2021	ID	Innovative solutions for climate change and biodiversity landscape strategy
AFoCO/024/2021	VN	Conservation and development of forest ecosystems biodiversity resources
AFoCO/025/2021	LA	Integrated village-driven forest rehabilitation and livelihood improvement
AFoCO/026/2021	TL	Re-greening the bare lands in Timor-Leste

⁹⁾ Bhutan (BT), Brunei Darussalam (BD); Cambodia (KH); Indonesia (ID); Lao PDR (LA); Malaysia (MY); Myanmar (MM); Philippines (PH); Singapore (SG); Thailand (TH); Timor-Leste (TL); Vietnam (VN)

Table 4. Status of the Working Capital Reserve (WCR)

Description	Actual Amount		Translated Total Amount in USD (A+B) ⁽¹⁰⁾	
	KRW (A)	USD (B)		
Balance at the close of FY2020	1,473,397,920	730,991	1,948,675	
Refunds from Operational Expenditures in the Previous Years	14,604,050	0.00	12,069	
Unobligated Balance from AP in 2020	14,280,000	8,000	19,802	
Payment of Mandatory Contributions for Arrears on 2020	-	30,000	30,000	
Remobilized fund for AFoCO-NIFoS Collaboration activities	-	-85,545	-85,545	
Cash Surplus in FY2021	Un-appropriated balance	152,013,563	381,773	507,404
	Interest Incomes on the Administrative Account	2,863,130	44	2,410
Interest income on WCR in FY2021	855,002	38	745	
Total Amount	1,658,013,665	1,065,300	2,435,560	

Table 5. Status of the Unearmarked Sub-Account (UEA)

Description	Actual Amount		Translated Total Amount in US\$ (A+B) ¹⁰⁾
	KRW (A)	USD (B)	
Balance at the close of FY2020	271,274,512	56	224,250
Interest Incomes on the Special Account in FY2021	12,916,132	177	10,851
Interest Incomes on UEA in FY2021	219,744	-	182
Total Amount	284,410,388	233	235,283

Table 6. 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 ¹¹⁾	30,000	30,000	-	-
Cambodia	30,000	30,000	-	-
Indonesia	30,000	-	-	60,000
Kazakhstan	30,000	30,000	-	-
Lao PDR	30,000	30,000	-	-
Mongolia	30,000	30,000	-	-
Myanmar ¹²⁾	30,000	-	30,000	-
Philippines	30,000	30,000	-	-
ROK	3,516,530	3,516,530	-	-
Thailand	30,000	30,000	-	-
Timor-Leste	30,000	-	-	30,000
Vietnam	30,000	30,000	-	-
Total Amount	3,876,530	3,786,530	30,000	90,000
		3,816,530		

¹⁰⁾ The actual amounts in KRW were translated to USD in total by applying the reference exchange rate published by MOSF of ROK for the FY2021.¹¹⁾ Brunei Darussalam has fully paid its assessed contribution for FY2021 in cash on February 2022¹²⁾ Myanmar provided the additional amount of USD 101,178 in a form of in-kind contribution as a voluntary contribution to the Operational Expenditures in FY2021.

Appendix

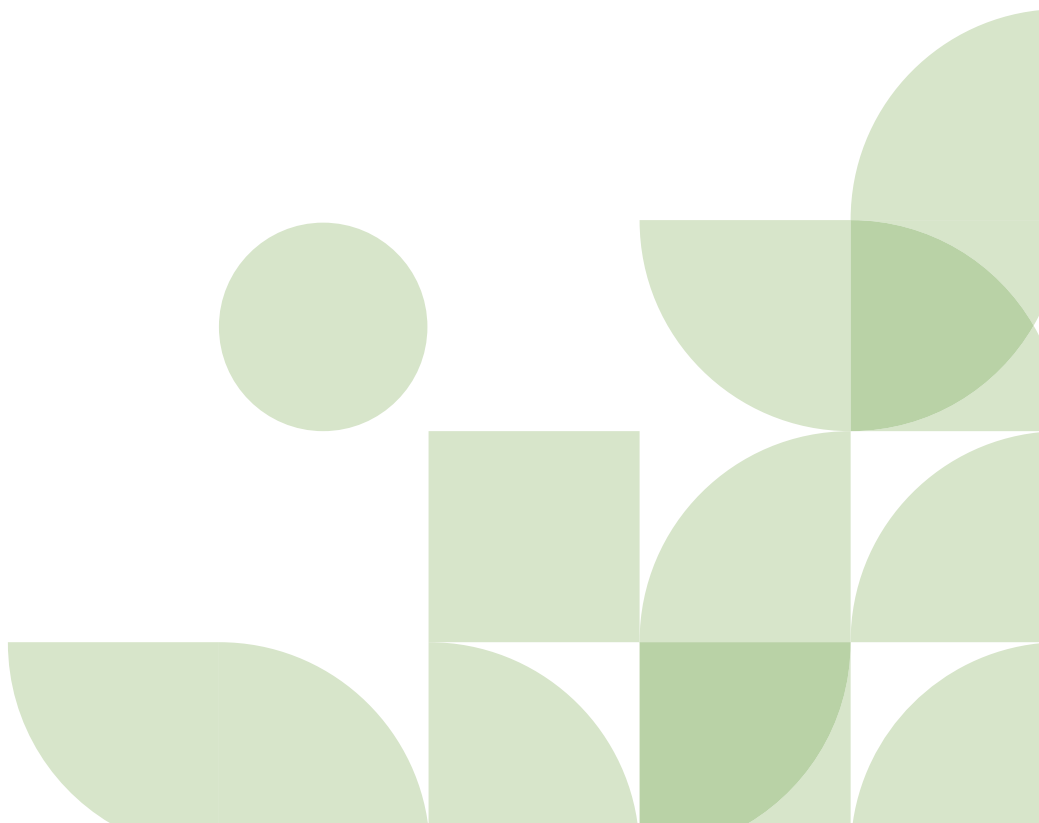
Independent Auditor's Report and Financial Statements for the Years Ended December 31, 2021



Secretariat for the Asian Forest Cooperation Organization
December 31, 2021 and 2020

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Independent auditors' report

English translation of a report originally issued in Korean

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, 2021 and 2020, 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, 2021 and 2020, 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.

Harrold LLC

Seoul, Korea
February 23, 2022

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, 2021 and 2020

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, 2021 and 2020

	<i>Notes</i>	USD		KRW	
		2021	2020	2021	2020
Assets					
Current assets					
Cash and cash equivalents	4	13,632,667	10,971,891	16,161,526,850	11,937,416,971
Accounts receivable – other		117,664	60,287	139,491,000	65,592,000
Leasehold deposits		702,925	2,484,666	833,317,060	2,703,317,060
Inventories		32,054	-	38,000,000	-
Total current assets		14,485,310	13,516,844	17,172,334,910	14,706,326,031
Non-current assets					
Pension plan assets	8	56,517	5,443	67,000,778	5,921,954
Property and equipment, net	5	75,068	99,343	88,993,445	108,085,211
Intangible assets	6	38,137	49,736	45,211,503	54,113,098
Leasehold deposits		2,901,729	827,206	3,440,000,000	900,000,000
Total non-current assets		3,071,451	981,728	3,641,205,726	1,068,120,263
Total assets		17,556,761	14,498,572	20,813,540,636	15,774,446,294
Liabilities					
Current liabilities					
Accounts payable – other		290,402	135,652	344,271,810	147,588,953
Deposits		-	15,090	-	16,418,390
Unearned revenues	7	10,561,959	8,994,713	12,521,202,154	9,786,247,234
Provision for annual leave allowance		25,615	-	30,366,868	-
Total current liabilities		10,877,976	9,145,455	12,895,840,832	9,950,254,577
Non-current liabilities					
Provision for retirement and severance benefits	8	417,106	485,461	494,479,384	528,181,122
Pension plan assets	8	(417,106)	(485,461)	(494,479,384)	(528,181,122)
Total non-current liabilities		-	-	-	-
Total liabilities		10,877,976	9,145,455	12,895,840,832	9,950,254,577
Net asset					
Accumulated effect of foreign currency translation		(124,685)	378,966	-	-
Retained earnings		6,803,470	4,974,151	7,917,699,804	5,824,191,717
Total net asset		6,678,785	5,353,117	7,917,699,804	5,824,191,717
Total liabilities and net asset		17,556,761	14,498,572	20,813,540,636	15,774,446,294

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, 2021 and 2020

	<i>Note</i>	USD		KRW	
		2021	2020	2021	2020
Revenue					
Voluntary contributions		1,979,208	1,263,457	2,265,045,080	1,490,942,282
Mandatory contributions		4,080,196	3,935,068	4,669,457,439	4,643,576,434
Income from other sources		315,831	421,022	361,442,831	496,827,137
Interest income		22,108	23,816	25,300,590	28,104,148
Gain on foreign currency translation		255,444	-	292,334,964	-
Other income		95,112	10	108,848,105	11,240
Total revenue		6,747,899	5,643,373	7,722,429,009	6,659,461,241
Expenses					
Expense for cooperative activities		1,979,208	1,263,457	2,265,045,080	1,490,942,282
Expense for operating costs	10	2,936,645	2,747,307	3,360,755,462	3,241,960,046
Loss on foreign currency transaction		-	-	-	-
Loss on foreign currency translation		-	150,870	-	178,033,929
Income tax		2,727	2,897	3,120,380	3,418,418
Total expenses		4,918,580	4,164,531	5,628,920,922	4,914,354,675
Net surplus(deficit) for the year		1,829,319	1,478,842	2,093,508,087	1,745,106,566

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, 2021 and 2020

	USD		KRW	
	2021	2020	2021	2020
Cash flows from operating activities				
Net surplus(deficit) for the year	1,829,318	1,478,842	2,093,508,087	1,745,106,566
Adjustments for:				
Accrual for retirement and severance benefits	82,092	101,364	93,947,376	119,614,364
Depreciation	46,798	24,957	53,556,966	29,450,471
Amortization	19,804	21,675	22,664,612	25,577,035
Assets donated in kind	(33,205)	-	(38,000,000)	-
	115,489	147,996	132,168,954	174,641,870
Changes in assets and liabilities:				
Accounts receivable - other	(64,573)	(31,130)	(73,899,000)	(36,735,317)
Accounts payable - other	171,862	113,630	196,682,857	134,088,953
Unearned revenues	2,389,817	2,973,652	2,734,954,920	3,509,057,718
Withholdings	(14,346)	13,913	(16,418,390)	16,418,390
Provision for annual leave allowance	26,535	-	30,366,868	-
Provision for severance benefits	(111,540)	-	(127,649,114)	-
Pension plan assets	(23,922)	(102,873)	(27,377,086)	(121,395,127)
	2,373,833	2,967,192	2,716,661,055	3,501,434,617
Net cash provided by (used in) operating activities	4,318,640	4,594,030	4,942,338,096	5,421,183,053
Cash flows from investing activities				
Acquisition of property and equipment	(30,116)	(88,316)	(34,465,200)	(104,217,453)
Acquisition of intangible assets	(12,026)	(2,458)	(13,763,017)	(2,900,150)
Increase in leasehold deposits	(585,449)	(796,576)	(670,000,000)	(940,000,000)
Net cash used in investing activities	(627,591)	(887,350)	(718,228,217)	(1,047,117,603)
Cash flows from financing activities	-	-	-	-
Net cash provided by financing activities	-	-	-	-
Effect of exchange rate changes on cash and cash equivalent	(1,030,273)	732,691	-	-
Net increase(decrease) in cash and cash equivalents	2,660,776	4,439,371	4,224,109,879	4,374,065,450
Cash and cash equivalents at the beginning of the year	10,971,891	6,532,520	11,937,416,971	7,563,351,521
Cash and cash equivalents at the end of the year	13,632,667	10,971,891	16,161,526,850	11,937,416,971

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, 2021 and 2020

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)
December 31, 2021 and 2020

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.

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 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, 2021 and 2020

4. Cash and cash equivalents

Details of cash and equivalents as of December 31, 2021 and 2020 are as follows:

(Unit: USD)

Type	Financial Institutions	2021	2020
Ordinary Deposit	Shinhan Bank	11,254,338	8,158,912
Foreign Currency Deposit	Shinhan Bank	2,378,329	2,812,979
Total		13,632,667	10,971,891

5. Property and equipment

(1) Details of property and equipment as of December 31, 2021 are as follows:

(Unit: USD)

Assets	Beginning	Acquisition	Others	Depreciation	Ending
Vehicles	43,922	-	(2,960)	(18,832)	22,130
Equipment	42,241	779	(2,861)	(18,500)	21,659
Structure	13,180	29,337	(1,772)	(9,466)	31,279
Total	99,343	30,116	(7,593)	(46,798)	75,068

(2) 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

Secretariat for the Asian Forest Cooperation Organization
Notes to the Financial Statements (Cont'd)
December 31, 2021 and 2020

6. Intangible asset

(1) Changes in intangible assets for the year ended December 31, 2021 are as follows:

(Unit: USD)

Assets	Beginning	Acquisition	Others	Amortization	Ending
Software	49,736	-	(3,404)	(19,804)	26,528

(2) 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

7. Unearned revenues

Deferred income as of December 31, 2021 and 2020 are as follows:

(Unit: USD)

Type	2021	2020
Multiyear cooperative activities	10,561,959	8,994,713

8. Retirement and severance benefits

(1) Changes in provision for retirement and severance benefits for the years ended December 31, 2021 and 2020 are as follows:

(Unit: USD)

Type	2021	2020
Beginning balance	485,461	352,882
Increase	82,092	101,364
Payments	(111,540)	-
Others	(38,907)	31,215
Ending balance	417,106	485,461

Secretariat for the Asian Forest Cooperation Organization
Notes to the Financial Statements (Cont'd)
December 31, 2021 and 2020

8. Retirement and severance benefits (cont'd)

(2) Changes in pension plan assets for the years ended December 31, 2021 and 2020 are as follows:

	(Unit: USD)	
Type	2021	2020
Beginning balance	490,904	356,459
Increase	137,614	102,873
Decrease	(113,692)	-
Others	(41,203)	31,572
Ending balance	473,623	490,904

Secretariat for the Asian Forest Cooperation Organization
Notes to the Financial Statements (Cont'd)
December 31, 2021 and 2020

9. Assessed amount of revenue

(1) Details of voluntary contributions from the Parties for the years ended December 31, 2021 and 2020 are as follows:

(Unit: USD)

Type	Nations	2021	2020
Cash	Republic of Korea	1,979,208	1,263,457
Total		1,979,208	1,158,573

(2) Details of mandatory contributions from the Parties for the years ended December 31, 2021 and 2020 are as follows:

(Unit: USD)

Type	Nations	2021	2020
Cash	Bhutan	29,800	31,203
	Brunei Darussalam	31,077 ^(*1)	30,838
	Cambodia	29,913	27,792
	Indonesia	31,077 ^(*1)	27,792 ^(*1)
	Kazakhstan	29,527	30,918
	Laos	30,164	29,482
	Philippines	29,700	30,656
	Republic of Korea	3,718,041	3,605,779
	Thailand	30,155	30,372
	Timor-Leste	31,077 ^(*1)	27,906
	Vietnam	29,298	31,182
	Mongol	31,060	-
In-kind	Myanmar	29,307 ^(*2)	31,148 ^(*2)
Total		4,080,196	3,829,643

(*1) Account Receivable

(*2) Myanmar contributed an excess amount of USD 101,178 (2020: USD 83,339) in the form of In-kind contribution, which was recognized as income from other sources.

Secretariat for the Asian Forest Cooperation Organization
Notes to the Financial Statements (Cont'd)
December 31, 2021 and 2020

10. Expenses for operating costs

Details of expenses for operating costs for the years ended December 31, 2021 and 2020 are as follows:

(Unit: USD)

Type	2021	2020
Salaries and benefits	1,480,169	1,468,362
Official travel	77,453	47,252
Rent and utilities	96,780	84,084
Equipment and facilities	87,126	26,609
General operating expenses	1,090,417	1,033,917
Hospitality	17,025	22,155
Depreciation and amortization	66,603	46,631
Taxes and dues	21,072	18,297
Total	2,936,645	2,747,307

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, 2021 are as follows:

(Unit: USD)

Type	Financial Statement (A)	Budget (B)	Difference (A-B)	Note
Voluntary contributions	1,979,208	4,369,026	(2,389,818)	(*1)
Mandatory contributions	4,080,196	3,986,965	93,231	(*2)
Income from other sources	315,831	373,073	(57,242)	(*3)
Interest on pension plan assets	22,108	-	22,108	(*4)
Gain on foreign currency translation	255,444	-	255,444	(*5)
Miscellaneous income	25,085	-	25,085	(*6)
Depreciation	46,798	-	46,798	(*7)
Amortization	19,804	-	19,804	(*8)

(*1) Recognized as unearned revenues for unexecuted amounts

(*2) Accounts receivable

(*3) Refund amount (Korea Green Fund)

(*4) Interest income

(*5) Gain on foreign currency translation

(*6) Miscellaneous income

(*7) Depreciation of the equipment and structure

(*8) Amortization of the software

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