



Asia-Pacific Network for Sustainable
Forest Management and Rehabilitation
亚太森林恢复与可持续管理组织

Agenda item 4

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APFNet Financial Status Analysis Report 2018

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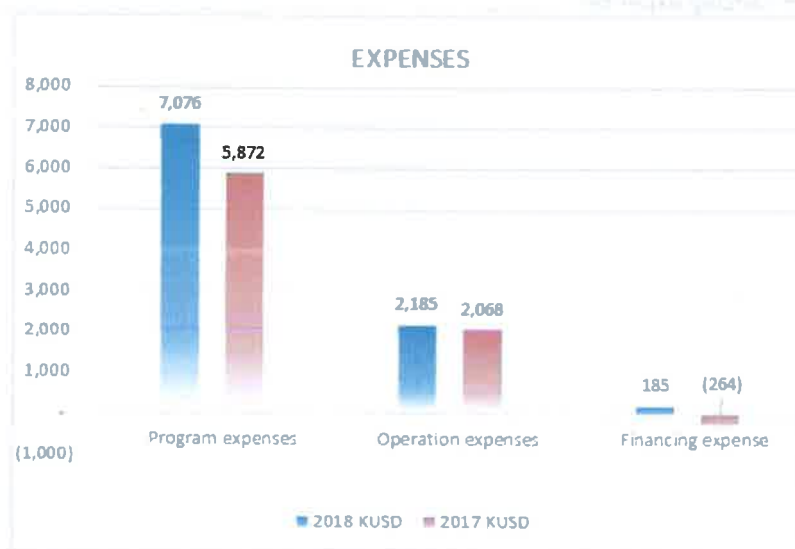
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1 BASIS OF REPORT PREPARATION

The APFNet Secretariat prepared the Financial Status 2018, in conformity with its accounting policies which were approved by the Board of Directors, effective May 2016 (Decision B. 0 2/05,2016). According to accounting firm's audit, the document presents transactions and events covering the 2018 calendar year. No significant changes occurred in the organization's accounting policies during this period. For accounting and reporting purposes, the functional currency is the Renminbi (RMB) which was converted by APFNet to the US Dollar (USD) at the exchange rate of 6.8632 quoted by the People's Bank of China for Balance Sheet and at the rate of 6.4206 for Statement of Financial Performance.

2 FINANCIAL PERFORMANCE HIGHLIGHT

KUSD	2018	%	2017	%	Diff	2018 Vs 2017 Var.	Note
Revenue	8,480		8,799		(319)	(4)%	3.1.1.
Expenses	9,446	100%	7,676	100%	1,770	23 %	
Program expenses	7,076	75%	5,872	76%	1,204	21 %	3.1.5
Operation expenses	2,185	23%	2,068	27%	117	6 %	3.1.6
Financing expense	185	2%	(264)	-3%	449	(170)%	3.1.7
Net Assets Variation	(966)		1,123		(2,089)	(186)%	
Total Net Assets	4,102		5,068		(966)	(19)%	



✦ Revenue:

These contributions and grants are from Chinese government.

✦ Expenses:

- Program expenses:

Program expense contributed RMB 45,436K (USD 7,076K) representing 75% of total expenses in 2018.

Comparing to year 2017, the program expenses increase was mostly driven by 2 key pillars: Demonstration projects and Communication and information sharing.

Geographically, expenses dedicated to interventions in two following regions represent 68% of total expense:

- Greater Central Asia: expense in this region strongly increased by RMB 8,541K (USD 1,389K) or 113% in 2018 comparing to 2017. The portion of expenses dedicated to Greater Central Asia has become the biggest (37%) in 2018.
- Greater Mekong Sub-region (“GMS”): expenses in this region slightly decreased by RMB 1,844K (USD 174K) or -7% in 2018.

Please refer to **Section 3.1.5** for detailed analysis.

- Operation expenses:

Operation expenses amounted to RMB 14,027K (USD 2,185K) representing 23% of total expenses, including governance, HR and administration cost. The overall operation expenses slightly increased RMB 118K (USD 117K) or 6% in 2018 compared with 2017.

Please refer to **Section 3.1.6** for detailed analysis.

- Financing expenses:

It mainly included the impact for the financial statement currency translation from functional currency RMB to presentation currency USD.

3 FINANCIAL STATEMENT ANALYSIS

3.1 STATEMENT OF ACTIVITIES

	2018		2017		2018 Vs 2017		Note
	KUSD	KRMB	KUSD	KRMB	Diff.	Var.	
1. REVENUE							
Contributions	3,000	19,262	3,000	20,185	-	-	3.1.1
Grants	5,435	34,896	5,426	36,510	9	0%	3.1.2
Sales Revenue	-	-	179	1,202	(179)	(100)%	3.1.3
Fund Donation	31	200	184	1,238	(153)	(83)%	3.1.3
Other Income (interest)	14	88	10	67	4	36%	3.1.4
Total Revenue	8,480	54,446	8,799	59,202	(319)	(9)%	
2. EXPENSES							
Program Expenses	7,076	45,435	5,872	39,515	1,204	21%	3.1.5
Operation Expenses	2,185	14,027	2,068	13,909	117	6%	3.1.6
Financial Expenses	185	(25)	(264)	30	449	(170)%	3.1.7
Total Expenses	9,446	59,437	7,676	53,454	1,770	23%	
Net Assets Changes Increase/(Decrease)	(966)	(4,991)	1,123	5,748	(2,089)	(186)%	

3.1.1 Contributions

Contributions (USD 3,000K per year) is from Chinese government, it is mainly used for enhancing APFNet's development as international organizations.

3.1.2 Grants

Grant of RMB 34,896K (USD 5,435K) is from Chinese government. Grants are mainly used for programs.

3.1.3 Sales Revenue and Fund Donation

Fund donation:

Donation of RMB 200K (USD 31K) is from the People's Insurance Company (Group) of China Limited ("PICC") for "Carbon Sink Forests Plantation and Rehabilitation" Project in December 2018.

China Paper Ltd donated reams of printing paper worth of RMB 1,238K (USD 184K) in 2017. This has been treated as in-kind donation in 2017.

Sales revenue:

Reams exceeding the Secretariat's needs were sold for RMB 1,202K (USD 179K) in 2017.

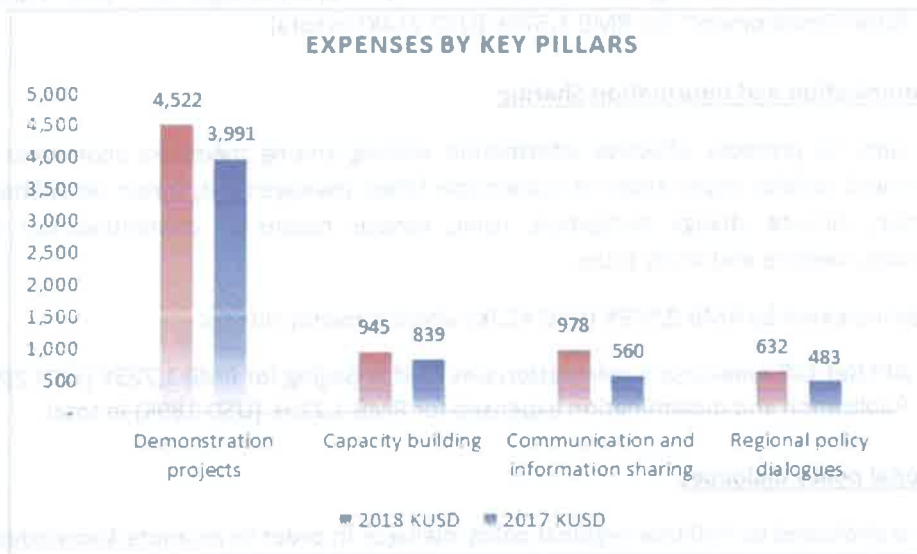
3.1.4 Other Income

Other revenue refers to interest income from Bank of Communications and Bank of Agricultural.

3.1.5 Program Expenses

Expenses by four interlinked key pillars

	2018			2017			2018 Vs 2017		Note
	KUSD	KRMB	%	KUSD	KRMB	%	Diff.	Var.	
Demonstration projects	4,522	29,035	64 %	3,991	26,854	68 %	531	13 %	A
Capacity building	945	6,068	13 %	839	5,646	14 %	106	13 %	B
Communication and information sharing	977	6,277	14 %	560	3,768	10 %	417	74 %	C
Regional policy dialogues	632	4,056	9%	483	3,247	8%	149	31 %	D
Total expenses by key pillars	7,076	45,436	100%	5,873	39,515	100%	1,203	20 %	



A: Demonstration projects

APFNet projects aim to demonstrate best practices on sustainable forest management & rehabilitation, help APFNet member economies to enhance their capacities on forest management, promote rehabilitation of degraded forests and improve people livelihood in target areas.

In 2018, APFNet implemented 25 projects in total compared with 22 projects in 2017. Those 25 projects were ongoing or were completed as of 31 December 2018. Demonstration projects expense increased by RMB 2,181K (USD 531K) or by 13% in 2018. Such increase is mainly due to new project contract signed with Wangyedian multi-functional forest experimental base project for RMB 10,043K (USD 1,564K), Integrated Planning of Forest Ecosystem in Greater Mekong Sub-region for RMB 5,697K (USD 887K) and Construction of a mini botanic park in Mongolia for RMB 2,087K (USD 325K).

B: Capacity building

Capacity building focuses on developing both the technical and managerial competencies of forestry professionals and practitioners so that they are able to effectively address the challenges of Sustainable Forest Management ("SFM") and ensure that forests contribute to sustainable development in the region.

In 2018, the increase were mainly contributed by:

- The capacity building which focuses on APFNet scholarship of RMB 3,720K (USD 579K) for students of 4 forestry universities in China;
- Two thematic trainings of "Forest rehabilitation and management" and "Forestry and Rural Development" for RMB 1,375K (USD 214K) in total.

C: Communication and Information Sharing

APFNet aims to promote effective information sharing among members economies on best practices and positive experiences in sustainable forest management, forest rehabilitation and restoration, climate change mitigation, using various means of communication including publications, website and study tours.

Expenses increased by RMB 2,509K (USD 417K) which is mainly due to:

- APFNet 10th anniversary celebration was held in Beijing for RMB 1,725K (USD 269K);
- Publication and dissemination expensed for RMB 1,215K (USD 189K) in total.

D: Regional policy dialogues

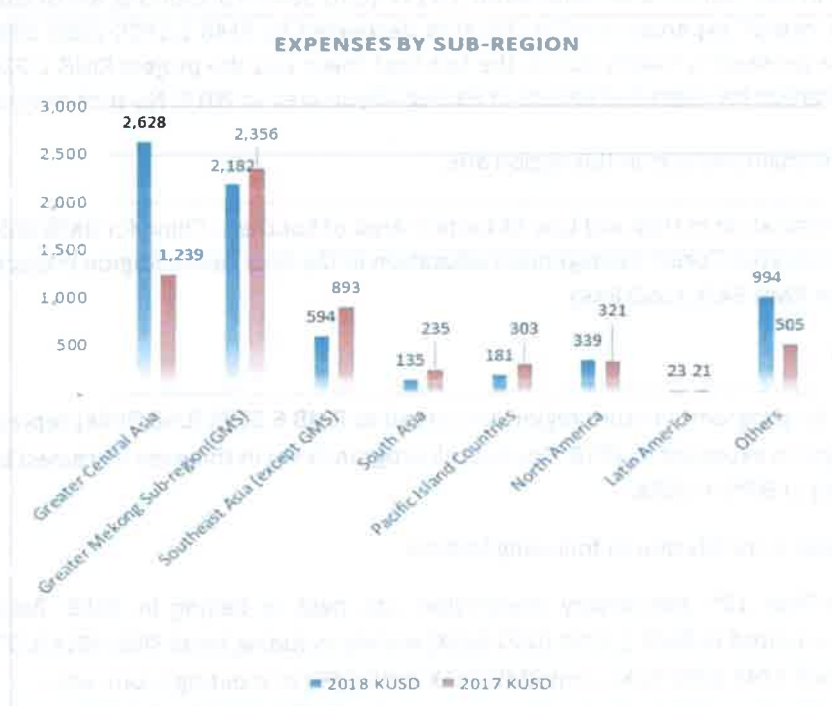
APFNet is dedicated to facilitate regional policy dialogue in order to promote knowledge sharing between high-level government officials from the Asia-Pacific region and to promote change and reform of existing policies and forestry governance systems.

This work is carried out via support to the Asia-pacific Economic Cooperation (APEC) and Greater Central Asia (GCA) meetings of ministers responsible for forestry, and through the establishment and implementation of the Asia-Pacific Forestry Planning Network (FPN).

In 2018, Regional policy dialogues increased by RMB 809K (USD 149K) or 31%. Such increase is mainly effected by the activities of the Asia-Pacific Education Conference and by participation to the 2nd Meeting of Ministers Responsible for forestry in Greater Central Asia (GCA) and the visit to Kazakhstan.

Expenses by Seven Sub-regions

	2018			2017			2018 Vs 2017 USD		Note
	KUSD	KRMB	%	KUSD	KRMB	%	Diff.	Var.	
Greater Central Asia	2,628	16,876	37 %	1,239	8,335	21 %	1,389	112%	A
Greater Mekong Sub-region ("GMS")	2,182	14,009	31 %	2,356	15,853	40 %	(174)	-7%	B
Southeast Asia (except GMS)	594	3,817	8 %	893	6,007	15 %	(299)	-33%	C
South Asia	135	870	2 %	235	1,579	4 %	(100)	-43%	
Pacific Island Countries	181	1,161	3 %	303	2,040	5 %	(122)	-40%	
North America	339	2,178	5 %	321	2,161	5 %	18	6%	
Latin America	23	146	0 %	21	140	0 %	2	10%	
Others	994	6,379	14 %	505	3,400	9 %	489	97%	D
Total expenses by sub-region	7,076	45,436	100 %	5,873	39,515	100 %	1,203	20%	



A: Greater Central Asia

Programs for this significantly increased by RMB 8,541K (USD 1,389K or 112%) and became the biggest activity expense center (representing 37% of total activity expenses) in 2018. This increase is mainly due to demonstration projects amounting to RMB 14,300K (USD 2,227K) including:

- Wangyedian multi-functional forest experimental base project for RMB 10,043K (USD 1,564K);
- Construction of a mini botanic park in Mongolia for RMB 2,087K (USD 325K).

B: Greater Mekong Sub-region ("GMS")

Programs in this region contributed RMB 14,009K (USD 2,182) and occupied 31% of total cost in 2018. The overall cost level in this area slightly decreased by RMB 1,844K (USD 174K) or - 7% in 2018.

In 2018, the main projects in this region were:

- Integrated Planning of Forest Ecosystem program for RMB5,697K (USD 887K);
- Greater Mekong Subregion Carbon Mapping Project for phase II for RMB 1,729K (USD 269K).

C: Southeast Asia (except GMS)

Programs in this region contributed RMB 3,817K (USD 594) representing 8% of total expenses in 2018. The overall expenses level in this area decreased by RMB 2,190K (USD 299K) or - 33% in 2018. The decrease is mainly due to the fact that there was the project RMB 1,924K (USD 300K) of rehabilitation for degraded forests in Beijing Miyun area in 2017. No such project in 2018.

In 2018 the main projects in this region are:

- Restoration in Hilly and Low Mountain Area of Southern China for RMB 965K (USD 150K);
- Innovative Forest management education in the Asia Pacific Region Project for phase II for RMB 542K (USD 84K).

D: Others

Expenses for programs in other region amounted to RMB 6,379K (USD 994K) representing 14% of total programs expenses in 2018. The overall program level in this area increased by RMB 2,979K (USD 489K) or 97% in 2018.

This increase is mainly due to following factors:

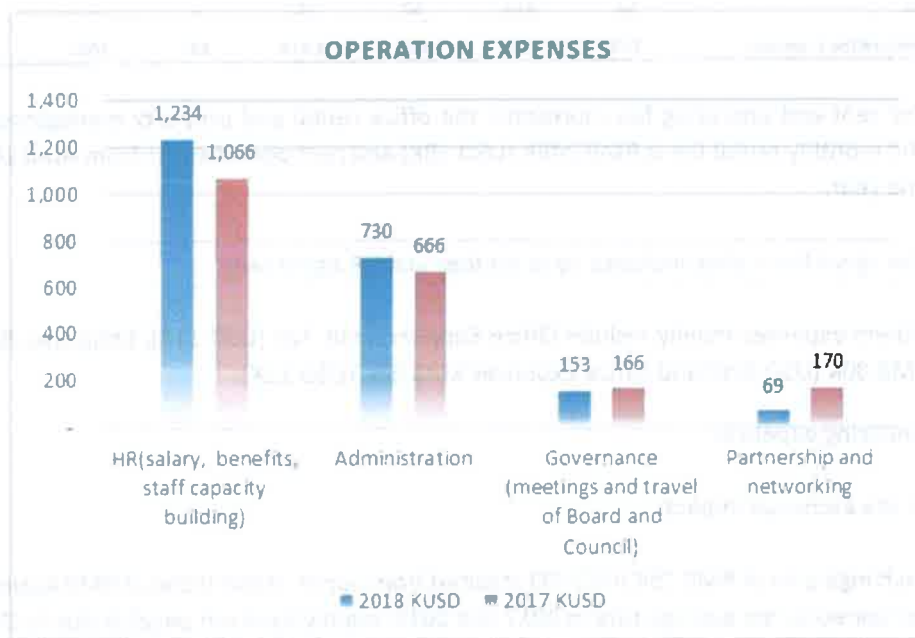
- APFNet 10th anniversary celebration was held in Beijing in 2018. Related expenses amounted to RMB 1,725K (USD 269K) mainly including hotel RMB 991K(USD 154K), meals RMB 334K (USD 52K), rent RMB 241K (USD 38K) of meeting room, etc.;
- Publication and dissemination expensed for RMB 1,915K (USD 189K) in total

Carryover and expenses

	Carryover 2017	Revenue 2018	Expenses 2018	Carryover 2017	Revenue 2018	Expenses 2018
	KRMB	KRMB	KRMB	KUSD	USD	KUSD
Demonstration projects	16,648	20,760	29,035	2,474	3,233	4,522
Capacity building	199	6,869	6,068	30	1,070	945
Communication and information sharing	4,176	4,291	6,277	621	668	977
Regional policy dialogues	(345)	5,070	4,056	(51)	790	632
Total	20,678	36,990	45,436	3,074	5,761	7,076

3.1.6 Operation Expenses

	2018		2017		2018 Vs 2017	
	KUSD	KRMB	KUSD	KRMB	Diff.	Var.
HR(salary, benefits, staff capacity building)	1,233	7,920	1,066	7,173	167	16 %
Administration	730	4,685	666	4,476	64	10 %
Governance (meetings and travel of Board and Council)	153	982	166	1,116	(13)	(8)%
Partnership and networking	69	440	170	1,144	(101)	(59)%
Total Operation Expenses	2,185	14,027	2,068	13,909	117	6 %



HR expenses

HR expenses increased by RMB 747K (USD 167K), which is mainly due to:

- Total annual salary increased by RMB 488K (USD 70K) (+5 %) compared to 2017.
- APFNet staff capacity building increased by RMB 259K (USD 40K) compared with 2017.

Governance expenses

It mainly included the traveling expenses RMB 448K (USD 70K) and allowance RMB 242K (USD 38K) for Board and Council to attended Fourth Meeting of the APFNet Board and Council and APFNet 10th anniversary celebration in 2018.

Administration

	2018		2017		2018 Vs 2017		Note
	KUSD	KRMB	KUSD	KRMB	Diff.	Var.	
Rent and operating fees	613	3,937	519	3,491	94	18 %	A
Depreciation/Amortisation	20	126	18	118	2	11 %	
Agent fees	16	104	45	301	(29)	(64)%	B
Urban transportation fee	31	199	34	229	(3)	(9)%	
Others	50	319	50	337	-	-	C
Total Administration Expenses	730	4,685	666	4,476	64	10%	

- A. The rent and operating fee represents the office rental and property management fee. The monthly rental fee is RMB 246K (USD 38K) and rent period starts from April 2018 for one year.
- B. The agent fee mainly included by audit fees and HR agent fees
- C. Others expenses mainly include Office Supplies RMB 72K (USD 11K), Employee Benefits RMB 80K (USD 12K) and Office expenses RMB 80K (USD 12K).

3.1.7 Financing expenses

It includes the exchange impact:

- Exchange gain of RMB 25K (USD 4K) resulted from appreciation trend of RMB against USD compared to the average rate in 2017 and 2018, mainly from net payable due to Oversea project in 2018.
- RMB 1,215K (USD 189K) is resulted from the financial statement currency translation from functional currency RMB to presentation currency USD. The exchange rate for balance sheet was 6.8632 as at 31 December 2018 while 6.4206 is used for statement of activities.