



Purpose: Information

Fourth Meeting of the APFNet Council

25 March 2018 Beijing, China

APFNet Financial Status 2017

1. Basis of Report Preparation

The APFNet Secretariat prepared the Financial Status 2017, in conformity with its accounting policies which were approved by the Board of Directors, effective 1 January 2017 (Decision B. 0 2/05). The document presents transactions and events covering the 2017 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 Chinese Yuan (CNY) which was converted to the US Dollar (US\$) at an average exchange rate of 6.7283, calculated by APFNet.

The reader should note that, in this report, K and M are used to represent thousand and million respectively.

2. Financial Control and Risk Management

Given that the implementation of integrated risk management is in the early stages and that much remains to be done, APFNet's focus in 2017 was on monitoring and supporting divisions of the Secretariat, members, partners and other stakeholders when applying the policies, directives, and standards for financial controls stipulated in the APFNet Operations Manual. The guidelines outlined in the Manual cover the use of APFNet resources for financial management, procurement, travel and contracting.

Experience over the past year has shown that policies and regulations should be better specified, updated and more easily applicable. It was also noted that a sound monitoring system needs to be put in place and that responsibilities for monitoring and control need to be made clear.

Revisions have been proposed to fine-tune operations in 2018 with regard to procurement, contract management and financial management.

3. Financial performance and analysis

In 2017, APFNet received a total of CNY 59.20 M, or US\$ 8,799 K, broken down as follows:

- Contributions: CNY 20.18 M (US\$ 3 M)
- Grants: CNY 36.51 M (US\$ 5.43 M)
- In-kind contributions: CNY 1.24 M (US\$ 184 K).
- Revenue from the sale of goods: CNY 1.20 M (US\$ 179 K)
- Interest: CNY 67.2 K (US\$ 10 K)

Expenses amounted to CNY 53.42 M (US\$ 7,940 K), broken down as follows:

- *Programs: CNY 40.66 M (US\$ 6,043 K)
- Operations: CNY 12.76 M (US\$ 1,897 K)
- Loss in currency exchanges: CNY 30 K (US\$ 4,520)

*Capacity building, Regional policy dialogues, Projects, and Information sharing Partnerships, networking and activities supported from the APFNet Fund are listed separately.

3.1 Revenue

	Amounts in CNY		Amounts in US\$		Ratio	Notes
	2016	2017	2016	2017		
Contributions	10,988,800.00	20,184,900.00	1,600,000.00	3,000,000.00	88%	3.1.3(1)
In-kind contribution		1,238,124.70	-	184,017.46	N/A	3.1.4
Sales revenue		1,202,062.82	-	178,657.73	N/A	3.1.5
Grants	35,938,814.17	36,510,000.00	5,232,791.81	5,426,333.55	4%	3.1.3(2)
Other revenue	44,975.78	67,249.09	6,548.60	9,994.96	53%	3.1.6
Total	46,972,589.95	59,202,336.61	6,839,340.41	8,799,003.70	29%	

Notes:

- 3.1.1 APFNet revenue totals CNY 59.20 M (US\$ 8,799 K), an increase of CNY 12.23 M (US\$ 1,959 K) or by 29% over 2016 levels.
- 3.1.2 The Chinese government provided 95% of total revenue in the form of contributions (3.1.3(1)) and grants (3.1.3(2)), amounting to CNY 56.69 M (US\$ 8,426 K). This funding source is stable but might require diversification.
- 3.1.3 Monetary contributions increased by 88% over 2016 levels to support field work, communications, networking and outreach. These funds also allowed APFNet to recruit staff outside of China, but within the region, at a more competitive pay rate.
- 3.1.4 APFNet received its first in-kind contribution via the APFNet Fund, valued at CNY 200 M. In 2017, China Paper Ltd donated reams of printing paper worth CNY 123 M (US\$ 184 K) and will provide more, valued at CNY 770 K, in 2018.
- 3.1.5 Reams exceeding the Secretariat's needs were sold for CNY 120 M (US\$ 178K).
- 3.1.6 Other revenue refers to bank interest. The 53% rise in 2017 is due to the remarkable increase in monetary contributions (3.1.3) and higher interest rates set by the central bank of China.

3.2 Expenses

	Amounts in CNY		Amounts in US\$		Ratio	Notes
	2016	2017	2016	2017		
Programs						
Capacity building	4,548,468.35	7,595,392.74	662,269.71	1,128,872.48	70%	3.2.3
Supporting regional policy dialogues	729,526.64	1,296,980.59	106,221.12	192,764.98	81%	3.2.4
Partnership and networking	1,213,238.51	1,633,514.34	176,650.92	242,782.63	37%	3.2.5
Projects	18,301,562.62	25,360,977.86	2,664,758.68	3,769,299.51	41%	3.2.6
Information sharing	315,101.00	3,227,696.65	45,879.59	479,719.49	946%	3.2.7
Activities supported from APFNet Fund	832,560.00	1,543,553.11	121,223.06	229,412.05	89%	3.2.8
Subtotal	25,940,457.12	40,658,115.29	3,777,003.08	6,042,851.14		
Operations						
Governance (meetings and travel of Board and Council)	816,552.99	1,115,647.22	118,892.40	165,814.13	39%	
HR(salary, benefits, staff capacity building)	3,425,596.77	7,173,163.89	498,776.47	1,066,118.32	114%	3.2.9
Administration	4,135,062.56	4,476,932.89	602,076.67	665,388.42	11%	3.2.10
Subtotal	8,377,212.32	12,765,744.00	1,219,745.54	1,897,320.87	56%	
Total	34,317,669.44	53,423,859.29	4,996,748.62	7,940,172.01	59%	

Notes:

- 3.2.1 Expenses rose by CNY 19.10 M (US\$ 2,943 K) to total CNY 53.42 M (US\$ 7,940 K). This amount represents an increase of 59% from 2016 levels of CNY 34.32 M (US\$ 4,996 K).
- 3.2.2 CNY 40.65 M (US\$ 6,042 K) was spent on programs, accounting for 76 % of the total. CNY 12.77 M (US\$ 1,897 K), or 24% supported APFNet operations, including governance, HR, and administration.
- 3.2.3 Monies spent on capacity building increased by 70% over 2016 levels to US\$ 1,126 K. Funds were used to expand the APFNet Scholarship Program (ASP) to qualified forest officials from Great Central Asia and to support the Trainers in Forestry Network in terms of research, visits and symposia to exchange and share information.
- 3.2.4 Support to regional policy dialogues amounted to US\$ 192 K, an 81% increase over 2016 levels. CNY 664 K (US\$ 99 K) was spent on activities of the Asia-Pacific Forestry Planning Network in the form of workshops, research and report drafting by regional experts and network members to share forestry planning techniques and good practices.
- 3.2.5 Expenses related to partnerships and networking included visits, travel and meetings. They increased over 2016 levels by CNY 420 K, mainly due to enhanced networking and outreach.
- 3.2.6 In 2017, 17 projects were either started, were ongoing or were completed. Implementing agencies received US\$ 436 K to start new projects (see APFNet Project Implementation 2017).

The rise in expenses was also because of delayed disbursements to the following projects:

- Integrated Planning of Forest Ecosystem in Great Mekong Sub-region
- Rehabilitation and Management of degraded forests in Beijing's Miyun Reservoir watershed
- Sustainable Forest Management in Northern Provinces of Lao PDR

- Landscape Approach to Sustainable Management of Forests in Prek Thnot Watersheds

- 3.2.7 Expenses related to information sharing include US\$ 238 K for research and publication of 6 reports on *Forestry Development and Best Practices of Forest Management in the Greater Central Asia* in English and Chinese. In addition, CNY 101 M (US\$ 151 K) was spent to overhaul APFNet's website.
- 3.2.8 The APFNet Fund supported 2 projects: Small Community-based Forest Enterprise in the Greater Mekong Sub-region and Lopburi Forestry Plantation Cooperative for a total of US\$37 K and contributed US\$ 7K to activities under Awareness Raising of Forests in Chaoyang, China.
- 3.2.9 In-house human resource development amounted to US\$ 1,010 K, a 137% increase over 2016, mainly due to hiring 3 international employees and to staff exchanges. In addition, expenses to enhance capacity of the Secretariat was moved from capacity building for regional officials (3.2.3) to this subheading.
- 3.2.10 Administrative expenses cover office supplies, equipment, depreciation, rent and maintenance. Rent increased by US\$ 89K over 2016 levels to CNY 295 M (US\$ 438 K).

4. Financial statements

4.1 Balance sheet (in US\$)

	ASSETS	No.	31/12/2016	31/12/2017
Current assets:				
Monetary funds		1	3,670,330.11	4,674,754.46
Short-term investment		2	-	-
Accounts receivable		3	67,372.51	22,959.29
Accounts prepayment		4	190,280.71	39,601.39
Inventory		8	-	-
Prepaid expenses		9	109,737.97	126,718.30
Long-term debt investment due within one year		15	-	-
Other current assets		18	-	-
	Subtotal	20	4,037,721.30	4,864,033.43
Long-term investment:				
Long-term equity investment		21		
Long-term debt investment		24		
	Subtotal	30		
Fixed assets:				
Fixed assets		31	74,555.95	138,295.83
Less: Accumulated depreciation		32	29,922.28	50,838.51
Fixed assets-net value		33	44,633.67	87,457.31
Construction in process		34	-	-
Cultural assets		35	1,263.32	1,263.32
Disposal of fixed assets		38	-	-
	Subtotal	40	45,896.99	88,720.63
Intangible Assets:				
Intangible assets		41	-	-
Agent entrusted assets:				
Agent entrusted assets		51	-	-
	Assets Total	60	4,083,618.28	4,952,754.06

LIABILITIES AND NET ASSETS	No.	31/12/2016	31/12/2017
Current liabilities:			
Short-term loans	61	-	-
Accounts payable	62	3,393.41	16,704.24
Payroll payable	63	-	-
Tax payable	65	13,090.26	14,604.11
Accounts received in advance	66	-	-
Accrued expenses	71	-	-
Contingent liability	72	-	-
Long-term liabilities due within one year	74	-	-
Other long-term liabilities	78	-	-
Subtotal	80	16,483.67	31,308.35
Long-term liabilities:			
Long-term loans	81	-	-
Long-term accounts payable	84	-	-
Other long-term liabilities	88	-	-
Subtotal	90	-	-
Agent entrusted debt:			
Agent entrusted debt	91	-	-
Subtotal	100	16,483.67	31,308.35
Net assets:			
Unrestricted net assets	101	4,067,134.61	4,921,445.71
Restricted net assets	105	-	-
Subtotal	110	4,067,134.61	4,921,445.71
Total Liabilities and Net Assets	120	4,083,618.28	4,952,754.06

4.2 Statement of financial performance (in US\$)

	Item	No.	2016	2017
1.	Revenue			
	Contributions	1	1,633,220.87	3,184,017.46
	Member dues	2	-	
	Service revenue	3	-	
	Sales revenue	4	-	178,657.73
	Grants	5	5,341,440.51	5,426,333.55
	Other Income(interest)	9	6,684.57	9,994.96
	Total Income	11	<u>6,981,345.95</u>	<u>8,799,003.70</u>
2.	Expenses			
	Programs	12	4,663,542.06	6,042,851.13
	Administration and operations	22	824,254.42	1,897,320.87
	Other Expenses	24	-4,975.32	4,520.60
	Total Expenses	35	<u>5,482,821.16</u>	<u>7,944,692.60</u>
3.	Restricted Net Assets Transferred to Unrestricted Net Assets	40		
4.	Net Assets Changes Increase/(Decrease)	45	<u>1,498,524.78</u>	<u>854,311.10</u>

4.3 Statement of cash flows (in US\$)

Item	2016	2017
1. Cash Flows from Operations and Programs:		
Cash Received from Contributions	1,633,220.87	3,184,017.46
Cash Received from Member dues	-	-
Cash Received from Rendering of Services	-	-
Cash Received from Sales of Goods	-	178,657.73
Cash Received from Government grants	5,341,440.51	5,426,333.55
Other Cash Receipt Relating to Operations	6,684.57	9,994.96
Sub-total of Cash Inflows	<u>6,981,345.95</u>	<u>8,799,003.70</u>
Cash Paid for Donation	445,327.13	842,445.33
Cash Paid to and on Behalf of Employees	426,631.09	1,004,786.17
Cash Paid for Goods and Services	4,954,351.59	5,748,382.65
Other Cash Payment Relating to Operations	42,735.49	143,930.65
Sub-total of Cash Outflows	<u>5,869,045.30</u>	<u>7,739,544.79</u>
Net Cash Flows from Operations and Programs	1,112,300.65	1,059,458.91
2. Cash Flows from Investment Activities:	-	-
Cash Received from Return of Investments	-	-
Cash Received from Disposal of Fixed Assets	-	-
Net Cash Receipts from Disposal of Fixed Assets and Intangible Assets	-	-
Cash Received Relating to Other Investing Activities	-	-
Sub-total of Cash Inflows	<u>-</u>	<u>-</u>
Cash Paid to Acquire Fixed Assets and Intangible Assets	15,852.00	55,034.56
Cash Paid to Acquire Investments	-	-
Other Cash Payment Relating to Investing Activities	-	-
Sub-total of Cash Outflows	<u>15,852.00</u>	<u>55,034.56</u>
Net Cash Flows from Investment Activities	-15,852.00	-55,034.56
3. Cash Flows from Financing Activities:	-	-
Cash Received from Borrowings	-	-
Other Cash Receipt Relating to Financing Activities	-	-
Sub-total of Cash Inflows	<u>-</u>	<u>-</u>
Cash Repayments of Amounts Borrowed	-	-
Cash Paid for Interest Expenses	-	-
Other Cash Payment Relating to Financing Activities	-	-
Sub-total of Cash Outflows	<u>-</u>	<u>-</u>
Net Cash Flows from Financing Activities	-	-
4. Effect of Changes in Foreign Exchange Rate on Cash	-	-
5. Net Increase In Cash and Cash Equivalents	<u>1,096,448.65</u>	<u>1,004,424.35</u>

