

**Pan Eco
Berg am Irchel**

**Report of the statutory auditor
on the limited statutory examination
to the board of trustees**

Financial Statements 2017

Report of the statutory auditor on the limited statutory examination to the board of trustees of **Pan Eco - Foundation for Sustainable Development and Intercultural Exchange**, Berg am Irchel

As statutory auditor, we have examined the financial statements (balance sheet, income statement, statement of changes in capital, cash flow statement and notes) of Pan Eco for the year ended **December 31, 2017**. In accordance with Swiss GAAP FER 21 the content of the performance report is not subject to the audit.

These financial statements in accordance with Swiss GAAP FER are the responsibility of the board of trustees. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not give a true and fair view of the financial position, the result of operations and the cash flows in accordance with Swiss GAAP FER or do not comply with Swiss law and the foundation's articles of incorporation.

Winterthur, March 1, 2018

Consultive Revisions AG



Urs Boner

Licensed audit expert
Auditor in charge

Enclosures: Financial statements

Balance sheet as of 31 December 2017

Comparison current year / prior year

	2017		2016	
	CHF	%	CHF	%
ASSETS				
Cash	1'638'392.72	62%	926'906.17	45%
Trade accounts receivables	774.00	0%	12'476.20	1%
Other accounts receivables	301.25	0%	58'575.00	3%
Inventory	7'062.60	0%	7'296.35	0%
Accrued Income	35'698.35	1%	38'196.95	2%
Current assets	1'682'228.92	64%	1'043'450.67	50%
Tangible fixed assets	956'435.47	36%	1'035'166.86	50%
Non-current assets	956'435.47	36%	1'035'166.86	50%
ASSETS	2'638'664.39	100%	2'078'617.53	100%
LIABILITIES, FUNDS AND CAPITAL				
Liabilities	93'796.22	4%	121'039.54	6%
Accrued liabilities	525'523.27	20%	258'640.90	12%
Short-term Liabilities	619'319.49	24%	379'680.44	18%
Loans	200'000.00	8%	200'000.00	10%
Loans from related parties	1'166'000.00	44%	1'166'000.00	56%
Long-term Liabilities	1'366'000.00	52%	1'366'000.00	66%
Restricted Funds	537'256.12	20%	294'596.12	14%
Paid-in capital	10'000.00	0%	10'000.00	0%
Internally generated unrestricted operating funds	106'088.78	4%	28'340.97	1%
Capital of the organisation	116'088.78	4%	38'340.97	2%
LIABILITIES, FUNDS AND CAPITAL	2'638'664.39	100%	2'078'617.53	100%

Statement of operations for the year ended 31 December 2017

Comparison current year / prior year

	2017		2016	
	CHF	%	CHF	%
INCOME				
Income from fund raising campaigns	3'526'987.21	87%	3'501'839.94	72%
Income from services rendered	537'747.85	13%	1'390'898.25	28%
OPERATING INCOME	<u>4'064'735.06</u>	100%	<u>4'892'738.19</u>	100%
EXPENDITURE ON SERVICES				
Environmental education Switzerland	-770'187.12	-19%	-1'795'046.17	-37%
Environmental education Indonesia	-47'784.13	-1%	-145'400.14	-3%
Environmental education	<u>-817'971.25</u>	-20%	<u>-1'940'446.31</u>	-40%
Environmental protection Switzerland	-409'068.92	-10%	-448'448.38	-9%
Environmental protection Indonesia	-1'910'296.29	-47%	-2'254'787.77	-46%
Environmental protection	<u>-2'319'365.21</u>	-57%	<u>-2'703'236.15</u>	-55%
Partnerships and other projects	-56'267.13	-1%	-111'650.09	-2%
Direct project expenditure	<u>-3'193'603.59</u>	-79%	<u>-4'755'332.55</u>	-97%
Communication and fund raising	-257'992.90	-6%	-262'300.37	-5%
Administration	<u>-192'650.90</u>	-5%	<u>-214'276.66</u>	-4%
EXPENDITURE ON SERVICES	<u>-3'644'247.39</u>	-90%	<u>-5'231'909.58</u>	-107%
OPERATING RESULT	<u>420'487.67</u>	10%	<u>-339'171.39</u>	-7%

Statement of operations for the year ended 31 December 2017

Comparison current year / prior year

	2017		2016	
	CHF	%	CHF	%
OPERATING RESULT	420'487.67		-339'171.39	
Financial income	857.85		92.10	
Financial expenses incl. Forex differences	12'400.41		-4'580.16	
Financial result	13'258.26		-4'488.06	
Extraordinary non-operating income	12'523.46		2'797'988.39	
Extraordinary non-operating expenses	-125'861.58		-2'850'883.63	
Extraordinary non-operating expenses/income	-113'338.12		-52'895.24	
RESULT BEFORE ALLOCATION AND USE OF FUNDS	320'407.81		-396'554.69	
Allocation	-3'252'367.16		-3'015'377.35	
Use	3'009'707.16		3'411'932.04	
Result from restricted funds	-242'660.00		396'554.69	
YEAR RESULT	77'747.81		-	
Use	-		-	
Allocation	-77'747.81		-	
Result from capital of the organisation	-77'747.81		-	
RESULT AFTER ALLOCATION AND USE OF FUNDS	-		-	

Statement of changes in capital 2017

Comparison current year / prior year

in CHF

	Opening balance 1 Jan 2017	Allocation	Use	Closing balance 31 Dec 2017
RESTRICTED FUNDS				
Environmental education Switzerland	57'126.97	634'074.82	-634'074.82	57'126.97
Environmental protection Switzerland	-	455'048.92	-409'068.92	45'980.00
Environmental education Indonesia	-	-	-	-
Environmental protection Indonesia	217'120.00	2'160'779.72	-1'963'899.72	414'000.00
Other projects	20'349.15	2'463.70	-2'663.70	20'149.15
	294'596.12	3'252'367.16	-3'009'707.16	537'256.12
CAPITAL OF THE ORGANISATION				
Paid-in capital	10'000.00	-	-	10'000.00
Internally generated unrestricted operating funds	28'340.97	77'747.81	-	106'088.78
	38'340.97	77'747.81	-	116'088.78

Cash flow statement for the year ended 31 December 2017

Comparison current year / prior year

	2017	2016
	CHF	CHF
Result before allocation and use of funds	320'407.81	-396'554.69
Reversal of non-current items		
Depreciation of non-current assets	78'731.39	3'008'989.81
Change in net current assets items		
(Increase) Decrease trade accounts receivables	11'702.20	1'100.50
(Increase) Decrease other accounts receivables	58'273.75	10'455.00
(Increase) Decrease inventory	233.75	10'870.16
(Increase) Decrease accrued income	2'498.60	34'571.60
Increase (Decrease) liabilities	-27'243.32	7'934.03
Increase (Decrease) accrued liabilities	266'882.37	-282.75
Cash flow from operating activities	711'486.55	2'677'083.66
(Investments) Disinvestments in fixed assets	-	-
Cash flow used for investing activities	-	-
Increase (Decrease) loans		
third parties	-	-349'000.00
related parties	-	-2'490'000.00
Cash flow used for financing activities	-	-2'839'000.00
Increase (Decrease) Cash and cash equivalents	711'486.55	-161'916.34
Cash and cash equivalents as of 1 January	926'906.17	1'088'822.51
Increase (Decrease) Cash and cash equivalents	711'486.55	-161'916.34
Cash and cash equivalents as of 31 December	1'638'392.72	926'906.17

Notes to the financial statements 2017

Comparison current year / prior year

in CHF

1. Accounting principles

The financial statements of PanEco have been prepared in accordance with Swiss GAAP FER (core FER and FER 21) and give a true and fair view of the financial position and the results of operations. The financial statements comply with Swiss law, the charter and regulations of the foundation and the provisions of ZEWO Foundation (Certification body for non-profit organisations with regard to donations).

The assets are valued at historical costs (aquisition costs or costs of production) and are valued individually. Expenses and income are recognized on an accrual basis.

Foreign currency positions are converted at year end exchange rates of the Swiss Federal Tax Administration into Swiss Francs ("CHF"). Conversion differences are recognized in the income statement. Conversion of expenses and income are done on monthly average exchange rate of the Swiss Federal Tax Administration.

2. Explanations of balance sheet positions

Cash

Cash is valued at the nominal amount.

Accounts receivable

Receivables are valued at par value less impairment, if any.

Accrued income

In the current year, no prepayments for projects have been transferred. This position includes the objective and chronological correction of expense and income items resulting into accrued income. The valuation is at nominal value.

Notes to the financial statements 2017

Comparison current year / prior year

in CHF

Tangible fixed assets

Tangible fixed assets are valued at historical costs less accumulated depreciation. The depreciation is recognised on a systematic basis over the useful life time. Assets above CHF 2'000 are capitalised.

The useful life time is estimated:

Equipment	5 - 15 years
Hard- and Software	3 years
Vehicles	5 years
Buildings	20 years

	Land and buildings	Machines and equipment	Other tangible fixed assets	Total
<u>Accumulated gross values of cost</u>				
Opening balance 1.1.2017	4'039'957.02	2'089'643.43	129'739.80	6'259'340.25
Additions	-	-	-	-
Closing balance 31.12.2017	4'039'957.02	2'089'643.43	129'739.80	6'259'340.25
<u>Accumulated depreciation</u>				
Opening balance 1.1.2017	-3'032'083.82	-2'062'349.79	-129'739.80	-5'224'173.39
Depreciation	-53'992.54	-24'738.85	-	-78'731.39
Closing balance 31.12.2017	-3'086'076.36	-2'087'088.64	-129'739.80	-5'302'904.78
Net carrying amounts 2017	953'880.67	2'554.80	0.00	956'435.47
<u>Accumulated gross values of cost</u>				
Opening balance 1.1.2016	4'039'957.02	2'089'643.43	129'739.80	6'259'340.25
Decreases	-	-	-	-
Closing balance 31.12.2016	4'039'957.02	2'089'643.43	129'739.80	6'259'340.25
<u>Accumulated depreciation</u>				
Opening balance 1.1.2016	-571'038.07	-1'517'028.36	-127'117.14	-2'215'183.57
Depreciation*	-2'461'045.75	-545'321.43	-2'622.65	-3'008'989.81
Closing 31.12.2016	-3'032'083.82	-2'062'349.79	-129'739.79	-5'224'173.39
Net carrying amounts 2016	1'007'873.21	27'293.65	0.00	1'035'166.86
* including an extraordinary depreciation of				-2'775'375.54

Fire insurance values	2017	2016
Buildings	2'400'000	2'400'000
Other tangible fixed assets	1'695'000	1'563'600

Notes to the financial statements 2017

Comparison current year / prior year

in CHF

Liabilities and accrued liabilities

These balance sheet items are mainly not related directly to operational projects. Liabilities are assessed at nominal value. Accrued liabilities include the objective and chronological correction of expense and income positions resulting into liabilities. The valuation is at nominal value.

Restricted funds and capital of the organisation

The detail and the changes in restricted funds and capital of the organisation can be found in the "Statement of changes in capital". Restricted funds include funds with limited possibilities given by the donors with regard to the use as per the statutes of the foundation PanEco.

3. Explanations of positions of the statement of operations

Expenditure on services

The expenditure on services are subdivided according to Swiss GAAP FER 21 in direct project expenditure (projects of the foundation) and administrative project expenditure (communication and fundraising, purchase of goods and administration).

	2017	2016
<u>Direct project expenditure</u>		
Personnel costs	1'164'420.10	1'711'825.57
Travel and representation	33'785.93	16'430.08
Maintenance	37'175.34	25'820.75
Operating expenditure	1'454'043.84	2'393'438.93
Fundraising	425'446.99	377'213.30
Depreciation	78'731.39	230'603.92
	<u>3'193'603.59</u>	<u>4'755'332.55</u>
<u>Administrative project expenditure</u>		
Personnel costs	323'201.71	354'649.48
Travel and representation	11'956.78	9'952.43
Operating expenditure	82'277.60	95'488.31
Fundraising	33'004.96	13'423.76
Maintenance	202.75	52.70
Depreciation	-	3'010.35
	<u>450'643.80</u>	<u>476'577.03</u>
Expenditure on services	<u>3'644'247.39</u>	<u>5'231'909.58</u>
thereof fund raising/marketing incl. personnel	683'439.89	639'513.67
thereof administration incl. personnel	192'650.90	214'276.66

Since the financial year 2011 depreciation charges have been allocated directly to the projects. Other Expenses are charged directly to projects as well whenever possible.

Notes to the financial statements 2017

Comparison current year / prior year

in CHF

Direct project expenditure

The foundation's regional, national and international project descriptions, the targets achieved and the future challenges are outlined in the detailed annual report.

The following transactions (cash transfers) with related parties (legally independent organisations, partnerships) took place in the current year:

	2017	2016
Yayasan Ekosistem Lestari, Medan, Indonesia	1'223'269.91	1'706'081.00
Environmental Education Center, Seloliman, Java	6'500.00	20'400.00
Environmental Education Center, Puntondo, Sulawesi	10'000.00	20'400.00

Communication and fund raising

The activities are described in more detail in the annual report.

Administration

Administration expenses include expenditures for management, legal advice, human resources, accounting, information technology and logistics. These divisions render services to the overall foundation PanEco and to the partnerships.

Result from restricted funds and capital of the organisation

The detail and the changes in result from restricted funds and capital of the organisation can be found in the statement of changes in capital in the column "allocation" and "use".

4. Explanations to the Statement of changes in capital

Allocation and use

The columns allocation and use outline the positions disclosed in the statement of operations in more detail (by fund). The purpose of this regulation is to prove that the restricted funds received are spent in accordance with the purpose dedicated.

5. Off-balance-sheet transactions

Other non-recognised commitments are long-term rental contracts. These are two rental contracts which are cancelable at the earliest at the end of 2023 resp. end of 2029. The future obligations amount to a total of CHF 100'080.

Notes to the financial statements 2017

Comparison current year / prior year

in CHF

6. Other disclosure

Remuneration to Members of the Board of Foundation

There were no pocket expenses paid to the members of the board of foundation.

Transaction with related parties

Related parties include the Board of Foundation, advisory board and foreign partner organisations. Other transactions than those outlined in chapter 3 (Explanations of positions of the statement of operations) are payments to organisations in the amount of CHF 0.00 (2016: CHF 2'775.00) where Members of the Board of Foundation have interests. These expenses are mainly related to projects.

	2017	2016
Donations from		
Regina Frey	0	609'232
Orang-Utan Regenwald GmbH	83'223	50'000
Stiftung Regenwald	50'000	50'000

Volunteer services

Employees of the foundation and third parties rendered volunteer work to the foundation. The recognition would cause disproportional time and effort. However, the foundation has started to implement a "volunteer services management" for the Nature Reserve Thurauen which means that in 2017 a total amount of 726 hours by 7 volunteers (2016: 336 hours by 8 volunteers) were contributed.

Events occurring after the balance sheet date

The Board of the foundation has approved the financial statement on 26 March 2018.

There are no events known after the balance sheet date that might have a negative impact on the financial statement 2017.

7. Risk assessment

Based on a periodic and systematic risk identification, material risks for the foundation are assessed and evaluated for their probability of occurrence and the extent of the financial impact. With adequate actions decided by the Board of Foundation, these risks are avoided, reduced or transferred. The remaining risks are monitored consequently. The last risk assessment has been performed on 26 March 2018.