

TANZANIA FOREST CONSERVATION GROUP

PROJECTS MANAGEMENT COMMITTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Projects Management Committee (the "Committee") has pleasure in presenting their annual report and the audited financial statements of Tanzania Forest Conservation Group (the "Organisation" or "TFCG") for the year ended 31 December 2018.

1. Organisation background

TFCG is a national non-governmental organisation promoting the conservation of the Eastern Arc Mountain/Coastal forests. These forests are globally important biodiversity hotspots and provide vital ecosystem services including water catchment, soil conservation, and carbon storage. Tanzania Forest Conservation Group is governed by a voluntary committee comprised of dedicated conservationists from development partners, government, academia, civil society and private sector. The Organisation was established in 1985 under the Society's Ordinance of 1954. However, in 2006, it was registered as a non-government organisation (NGO) under the NGOs Act, 2002. During the 1980s, the Organisation focused primarily on advocacy and research. However, during the 1990s, the Organisation began to establish a network of field based projects in the Eastern Arc. For the last 33 years, the Organisation has worked to provide sustainable solutions to the problems that have driven deforestation in this unique area.

2. Mission and vision

Vision

TFCG envisages a world in which Tanzanians and the rest of humanity are enjoying the diverse benefits from well conserved, high biodiversity forests in Tanzania.

Mission

TFCG's mission is to reduce poverty in rural communities and to conserve the biodiversity of globally important forests in Tanzania for the benefit of the present and future generations. We achieve this through capacity building, advocacy, research, community development and protected area management, in ways that are sustainable and foster participation, gender equity and partnership.

3. Principal activities

TFCG's principal activities are: establishment and support of participatory forest management, community development, environmental education, communication and advocacy, research, institution development and partnership.

4. Operating and financial results

The impact of TFCG's work over the last 5 years ended December 2018 is summarized in this paragraph. Achievements include the establishment of 2,064 Km² of new protected areas and improved management effectiveness for the habitat of 41% of the Eastern Arc Mountains' endemic vertebrate species. TFCG has improved the livelihoods of women and men in more than 100 villages, including providing training to more than 10,000 people in microfinance, agriculture and forest-based enterprises. TFCG has raised awareness on the values that forests generate for Tanzania; and has advocated successfully for greater recognition of community rights to manage village forests.

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PROJECTS MANAGEMENT COMMITTEE'S REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

4. Operating and financial results (Continued)

The achievements of the last 5 years have been made possible through the support of our donors and partners. We are extremely grateful to all those who have supported our work. Directly and indirectly these include the Governments and citizens of Switzerland, Norway, the United Republic of Tanzania, Finland, Denmark, Italy, the European Union, the United Kingdom, the United States of America, the Netherlands and the Irish Republic. We are also grateful to the foundations and corporations that have generously supported our work including the African Rainforest Conservancy, the African Rainforest Trust, the Miranda Trust, the Newman's Own Foundation, the Critical Ecosystem Partnership Fund, the United Nations Development Programme, Vital Signs, the Danish Outdoor Council, the United Bank of Carbon, the McKnight Foundation, World Wide Fund (WWF), ONGAWA, Unilever, Songas Limited and the Tusk Trust.

TFCG developed the strategic plan for the next five years to guide and inspire the Organisation towards achieving its mission. TFCG is committed to working with integrity; promoting gender equality; and to evidence-based decision-making and action. With this plan, we also strive to motivate and encourage others to support our mission and work. Achieving our mission requires investment and multi-stakeholder collaboration. Cooperation and partnership are values that are central to this plan, including cooperation with the communities where we work; with our Central and Local government partners; as well as with the global community concerned with the fate of tropical forests, biodiversity, rural poverty and climate change.

The financial position and results for the year are shown in the statement of financial position and income and expenditure statement respectively.

5. Budgets

Detailed annual budgets are prepared by management for review by the Committee.

6. Going concern

The Committee confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Committee has reasonable expectation that the Organisation has adequate resources to continue in operational existence for the foreseeable future.

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PROJECTS MANAGEMENT COMMITTEE'S REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

7. Composition of the Committee

The Organisation's Committee comprises of 11 members. Apart from the Executive Director, no other members hold executive positions in the Organisation. The Committee takes overall responsibility for the Organisation, including responsibility of reviewing the performance of management plans, monitoring and identifying key risk areas of existing projects and considering significant financial matters. The Committee is also responsible for ensuring that a comprehensive system of internal control, policies and procedures is operative, and for compliance with sound Organisation governance principles.

The committee also recognizes the importance of integrity, transparency and accountability on one hand and compliance with the TFCG Constitution, donor contracts and legal requirements. In line with this, during the year, the Committee approved changes in the Organisation's Financial Policy and Procedures.

The following were the members of the Committee during the year and to the date of this report.

Name	Position
John Salehe	Chairperson
Neil Burgess	Vice Chairperson
Peter Sumbi	Treasurer
Felician Kilahama	Member
Gertrude Lyatuu	Member
Ruzika Muheto	Member
Tom Blomley	Member
Andrew Yohana	Member
Thabit Masoud	Member
Prof. Pantaleo Munishi	Member
Carter Coleman	Member

8. Meetings of the Committee

The Committee held two meetings during the year. All the members devoted reasonable time to the Committee's meetings. The Committee delegates the day-to-day management of the Organisation to the Executive Director who is assisted by the Senior Management team. The Senior Management team is invited to attend committee meetings and facilitates the effective control of the Organisation's operational activities.

9. Organisation management

The management of the Organisation is under the leadership of the Executive Director who is assisted by Project Managers and the Finance and Administration Director. In addition, the Organisation has a Technical Advisor who reports to the Executive Director.

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PROJECTS MANAGEMENT COMMITTEE'S REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

10. Risk management

The Committee accepts responsibility for the risk management and internal control system of the Organisation. It is the task of the Committee to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of the Organisation's operations
- The safeguarding of the Organisation's assets
- Compliance with the grant agreements and applicable laws and regulations
- The reliability of accounting records
- Responsible behavior towards all stakeholders

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Organisation's system is designed to provide the Organisation with reasonable assurance that the procedures in place are operating effectively.

11. Delegation

The overall objectives of the Organisation are agreed by the Committee, which delegates the day-to-day operations to management for execution. There is a clear organisation structure, detailing the lines of authority.

12. Competence

Staff skills are maintained both by a formal recruitment process and a performance appraisal system, which identifies training needs. Also, necessary training both in house and externally, helps to consolidate existing staff skills and competencies.

13. Employee benefit plan

The Public Service Social Security Fund Act, 2018 provided for establishment of the Public Service Social Security Scheme; to provide for contributions to and payments of social security benefits in respect of the service of employees in the public service; to repeal the Public Service Retirement Benefit Act, the LAPF Pensions Fund Act, the GEPF Retirement Benefits Fund Act and the PPF Pensions Fund Act and to provide for other related matters. TFCG and its employees contribute to the National Social Security Fund (NSSF) and those who are under PPF Pensions Fund (PPF) contributed to the Public Service Social Security Fund (PSSSF) during the transition period. The contributions are done on monthly basis. The Organisation's contributions to the defined contribution plans are charged to the income and expenditure statement in the year to which they relate. The Organisation has no other obligations to pay post-employment benefits.

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**PROJECTS MANAGEMENT COMMITTEE'S REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Relationship between management and employees

The relationship between management and employees continued to be good during the year. There were no unresolved complaints received by management from employees.

The Organisation places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees. This is achieved through formal and informal meetings, and notice.

15. Relationship between management and stakeholders

A healthy relationship continues to exist between management and stakeholders.

16. Training facilities

Training programs have been developed and are continually being developed to ensure employees are adequately trained at all levels. The Organisation spent money on facilitating staff training of the Human Resource Officer, Finance and Administration Director and various field staff. The Organization established on the job training for the field and head office staff. Five on-the-job training were conducted at head office and one Project Managers' meeting and a field visit were conducted during the year.

17. Financial assistance

The Organisation provides salary advances of up to one month's salary to all employees depending on the assessment of and the discretion of management as to the need and circumstances.

18. Medical assistance

All members of staff, their spouses and two children under the age of 18 years were availed medical insurance. The medical insurance service provider during the year was AAR Medical Insurance.

19. Persons with disabilities

The Organisation has not recruited any persons with disabilities. However, it is the policy of the Organisation not to discriminate persons with disability in recruitment.

20. Gender parity

The Organisation is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and regardless to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties. The Organisation had the following distribution of employees by gender.

Gender	2018	2017
Female	16	18
Male	<u>43</u>	<u>51</u>
Total	<u>59</u>	<u>69</u>

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**PROJECTS MANAGEMENT COMMITTEE'S REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

21. Future development plans

TFCG's future development plan includes the following five programmes:

- Participatory forest management – building the capacity of stakeholders
- Advocacy – improving governance and the legal and political context
- Education and communication - improving people's understanding of the forests and the steps needed to conserve them and encouraging greater dialogue between stakeholder
- Community development – supporting people living near the forests to achieve more sustainable livelihoods
- Research - improving our understanding of the forests and their conservation

22. Related party transactions

The related party transactions are disclosed in Note 21 to the financial statements.

23. Events after the reporting period

There are no events after the reporting period which requires adjustment to or disclosure in the financial statements.

24. Auditor

The auditor, Ernst & Young, is not eligible for re-appointment due to the Organisation's policy that requires that no auditor shall audit the Organisation's financial statements for more than three consecutive years. Ernst & Young has audited the TFCG financial statements for the three-year consecutive years from 2016 to 2018. A resolution proposing another auditor for the year 2019 will be presented at the TFCG Committee Meeting.

By order of the Committee,



John Saléhe
Chairman



Charles Meshack
Executive Director

02 July 2019



Building a better
working world

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INDEPENDENT AUDITOR'S REPORT
To the Projects Management Committee of Tanzania Forest Conservation Group

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Tanzania Forest Conservation Group (the "Organisation") set out on pages 13 to 36, which comprise the statement of financial position as at 31 December 2018, and the income and expenditure statement, statement of changes in fund balance and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tanzania Forest Conservation Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Organisation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information included in the Organization's 2018 Annual Report

The other information comprises the Organisation Information, Projects Management Committees' Report, Statement of Projects Management Committees' Responsibilities, the Declaration by the Head of Finance, and the Supplementary Information appended to the audited financial statements. The other information does not include the financial statements and our auditor's report thereon. The Projects Management Committee (the "Committee") is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (Continued)
To the Projects Management Committee of Tanzania Forest Conservation Group

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Responsibilities of the Committee for the Financial Statements

The Committee is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Committee 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, the Committee is responsible for assessing the Organisation'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 the Committee either intends to liquidate the Organisation or to cease operations, or has no realistic alternative but to do so.

The Committee is responsible for overseeing the Organisation'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 ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism 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 Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee.



INDEPENDENT AUDITOR'S REPORT (Continued)
To the Projects Management Committee of Tanzania Forest Conservation Group

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the Committees' 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 Organisation'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 Organisation 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 the Committee 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.

USE OF THIS REPORT

This report is made solely to the Committee, as a body, in accordance with the Non- Governmental Organizations Act, 2002. Our audit work has been undertaken so that we might report to the Committee those matters that we are required to report to them in an auditor's report pursuant to our letter of engagement, and not for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Committee, as a body, for our audit work, for this report, or for the audit opinion that we have issued.



Signed by: Julius Rwajekare
TACPA 2760
For and on behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam

Date: 04 July 2019



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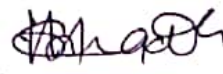
**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Notes	2018 TZS	2017 TZS
ASSETS			
Non-current assets			
Property and equipment	6	332,008,110	416,188,366
Current assets			
Accounts receivable	8	270,147,740	126,626,015
Grants receivable	11	361,540,936	807,559,756
Cash and bank balances	9	1,527,299,764	662,244,296
		<u>2,158,988,440</u>	<u>1,596,430,067</u>
TOTAL ASSETS		<u>2,490,996,550</u>	<u>2,012,618,433</u>
FUND BALANCE AND LIABILITIES			
Fund balance			
Accumulated fund balance		5,294,418	-
Non-current liabilities			
Capital grants	10	332,008,110	416,188,366
Current liabilities			
Deferred grants	11	2,000,034,778	1,545,164,765
Accounts payable	12	102,155,352	51,265,302
Income tax payable	24	51,503,892	-
		<u>2,153,694,022</u>	<u>1,596,430,067</u>
TOTAL LIABILITIES AND EQUITY		<u>2,490,996,550</u>	<u>2,012,618,433</u>

The financial statements were approved by the Projects Management Committee on 02nd July 2019 and were signed on its behalf by:



John Salehe
Chairman



Charles Meshack
Executive Director

TANZANIA FOREST CONSERVATION GROUP

**INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 TZS	2017 TZS
Grant income	14(a)	6,817,492,555	5,193,444,227
Programme costs	15	<u>(6,071,926,110)</u>	<u>(5,006,232,963)</u>
Gross surplus		<u>745,566,445</u>	<u>187,211,264</u>
Other income	14(b)	227,426,129	301,684,222
Administration costs	16	<u>(887,808,264)</u>	<u>(951,301,486)</u>
Results before tax		85,184,310	(462,406,000)
Tax expense	24	<u>(79,889,892)</u>	<u>-</u>
Results after tax		5,294,418	(462,406,000)
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the year, net of tax		<u>5,294,418</u>	<u>(462,406,000)</u>

TANZANIA FOREST CONSERVATION GROUP

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 TZS	2017 TZS
Operating activities			
Cash from/ (used in) operations	19	<u>865,055,468</u>	<u>(786,457,718)</u>
Net cash flows from/ (used in) operating activities		<u>865,055,468</u>	<u>(786,457,718)</u>
Investing activities			
Purchase of property and equipment	6	<u>(63,176,610)</u>	<u>(282,815,000)</u>
Net cash flows used in investing activities		<u>(63,176,610)</u>	<u>(282,815,000)</u>
Financing activities			
Capital grants received	10	<u>63,176,610</u>	<u>282,815,000</u>
Net cash flows from financing activities		<u>63,176,610</u>	<u>282,815,000</u>
Net increase/(decrease) in cash and cash equivalents		865,055,468	(786,457,718)
Cash and cash equivalents at 1 January		<u>662,244,296</u>	<u>1,448,702,014</u>
Cash and cash equivalents at 31 December	9	<u>1,527,299,764</u>	<u>662,244,296</u>