

REGISTERED NO. 05598718

CHARITY NO. 1111806

# Virunga Foundation

Trustees' Report and Consolidated  
Financial Statements for the Year  
Ended 31 December 2020

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### **Chairman's Report**

2020 was an extraordinarily difficult year for Virunga Foundation. The year was marked by the single largest loss of lives of those working to protect the Park in an attack in April 2020, followed by a sequence of tragic events, including the death of two other Park officers in their efforts to protect the Park and its surrounding communities. The Foundation's chief flight instructor died in a fatal aircraft crash on 18th November and a Ranger was killed in an attack by an illegal armed group on the 10th of October. In 2021 violent militia attacks in Central and Southern Sectors of the Park cost the lives of eight Rangers. Our thoughts are with the family, friends and colleagues of all these extremely courageous individuals. Their sacrifices are deeply mourned and commemorated by their many colleagues, who continue to dedicate themselves to Virunga's vision.

While the security situation in the Park remains extremely challenging, the Virunga Foundation has worked closely with the Congolese wildlife agency, ICCN and other state agencies to increase protection for the civilian population living around the Park. In its efforts to uphold the rule of law, the Park's work has included dialogue with the communities and strengthening civilian protection efforts with other government security services. Several initiatives have been implemented, which have included the construction of forward operating bases and escorted convoys for the public passing through dangerous areas.

The Virunga Foundation's partnership with the ICCN is key to Virunga Foundation's work. The Virunga Foundation's 25 year contract with the ICCN, extending to 2040 is the cornerstone for the restoration and management of Virunga National Park. Generating significant benefits to the local community, especially the poorest and most vulnerable, is central to this mission.

A rapid succession of significant challenges have surfaced in recent months: The Ebola epidemic was a defining problem for all of our staff throughout 2020. Within days of the Ebola epidemic being successfully brought under control, it was followed by the Covid19 pandemic. Virunga was officially invited to the Ebola Response Committee, and was able to draw on its expertise and experience to support the Covid-19 response effort. This effort has focussed on staff protection, protection of the great ape populations, as well as on public health in general. The Foundation hired expert medical officers to support staff and define and implement the wildlife protection measures and adapted its development efforts towards community resilience. This included the establishment of strengthened control and tracking sites for travellers passing through the Park, significant investment in providing potable water infrastructure in the city of Goma and strengthening the micro-business sector to diminish the effects of the economic downturn due to Covid. While direct Covid mortality rates appear relatively low compared to many areas of the world, the indirect impact of measures taken to restrict the potential spread of the disease have been very significant, increasing insecurity and adversely affecting development and financial growth.

On the 22nd of May 2021 there was a major volcanic eruption on the flank of Mount Nyiragongo. The death toll of those killed by the lava was estimated to be in the region of 30 individuals. In the days following the eruption, a series of violent aftershocks provoked large scale population displacements. Moreover, water and electricity were cut off to over 2 million people in the city of Goma. Virunga's electricity subsidiary, Virunga Energies supplies about 70% of the power to Goma and powers the water pumps, which supply fresh water to over 1.1 million people, was severely affected by the volcanic eruption. One of the lava flows destroyed 9 kilometres of powerline and a kilometre of critical water pipeline to about 700,000 people. The restoration of power was critical, with the WHO warning of a major cholera outbreak risk if water supplies were not reinstated promptly. An emergency response was immediately initiated, with teams working in shifts, 24 hours a day. Virunga staff were able to restore power within a week and water within a month of the eruption, thereby averting a severe health threat to the Goma population.

While the impact of the eruption inevitably slowed Virunga Foundation's planned projects, the speed and effectiveness of the response reflected on the depth of experience and capability of the organisation and its staff, in limiting the potentially extremely adverse impact of this natural disaster.

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In what was another challenging year from a security and public health perspective, progress on conservation work has continued, with several positive developments.

The mountain gorilla population continues to grow with population growth amongst the habituated gorilla population equivalent to the natural growth rate. This has been consistent for six years, and has contributed to the IUCN reducing the threat level on the mountain gorilla sub species. A worrying increase in the use of snares for illegal trapping of animals in the Gorilla Sector was effectively addressed through a local initiative involving the support of over 100 community members. Over a period of about one month, in excess of 1,500 wire and nylon snares were located and destroyed.

The elephant population has shown a significant increase in 2020, from around 420 in 2019 to 700 in 2020 and is now back to a level not seen since the 1980s. The increase in the elephant population and of several ungulate species is significantly attributable to the “wildlife corridor” project with the neighbouring Queen Elizabeth National Park, in Uganda, which allows animals to move freely between the two parks. There have also been discussions with the Queen Elizabeth National Park about the reintroduction of wild dogs to Virunga National Park in the coming years. After two years of significant decline due to poaching, the hippopotamus population stabilised in 2020, increasing to one thousand two hundred.

Encroachment into the Park remains an ongoing threat, which requires the continuous engagement of Virunga Foundation staff to monitor and manage what remains a complex challenge at the core of Virunga’s vision of creating a vibrant sustainable local economy, which is based on the retention of the Park’s huge natural assets. The value of these sustainable assets being assessed in an independent report by Cambridge Econometrics in 2019 as having the potential to create 100,000 direct sustainable jobs.

Providing sustainable development opportunities to the 5 million people living around the Park remains a core element of the Foundation’s strategy to address issues of insecurity and poverty in the region, and offers the key to securing a future for the Park. Despite the ongoing challenges of security, natural disasters, including epidemics and volcanic eruption and other infrastructural limitations, the Foundation has made significant progress in its development work. The renewable energy subsidiary commissioned a new hydropower plant in 2020, which will almost double production capacity and a contract to construct a further plant was signed in December 2021. This renewable power has enabled the establishment of multiple commercial and related employment opportunities for local businesses, which now directly employ thousands of staff, as well as creating secondary employment opportunities. With direct investments supporting Chocolate, Soap and Chia seed businesses, as well as facilitating the improvement of facilities of local coffee co-operatives, and other local farmers and fishers, the Foundation supports a wide range of local initiatives. Furthermore, with the increasing scale of the electricity generation business, there is now a material contribution from the operation of this business, reliant on rivers flowing from the Park, towards funding the conservation activities in the Park.

From a financial perspective, the Foundation continues to be reliant on grants, loans and donations from its many of donors and lenders, ranging from large institutions, foundations and major donors, to individual public donations. The European Union continues to underpin both the conservation and the developments efforts, but are now joined by other major donors including USAID / INL and the World Bank. Private Foundations provided key support, with both long term support from partners such as the Schmidt Family and World We Want Foundations, as well as critical support for emergencies. The work and impact of the Virunga Foundation relies on the ongoing generosity of all its supporters.

In what has been another very challenging yet successful year for Virunga Foundation, I would like to thank the staff and partners of Virunga Foundation for their all too often extreme dedication in enabling the progress towards the Charity’s mission.

**Jan Bonde Nielsen, Chairman**

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**Legal and Administrative Details**

Trustees

Jan Bonde Nielsen (Chairman)

François Xavier de Donnea

Clare Back (Resigned 17 March 2021)

Joanna Natasegara

Michael Joseph

Paul Leander Engström

Annette Lanjouw (Appointed December 2020)

Company registration number:

Legal Form

Date of incorporation

Charity registration number:

Registered Address:

Company Secretary:

Chief Executive Officer:

Auditors:

Bankers:

Solicitors:

05598718

Company limited by guarantee

20 October 2005

1111806

48 Chancery Lane, London,  
WC2A 1JF

Keystone Law Limited, London.

Emmanuel de Merode

Crowe U.K. LLP, 55 Ludgate  
Hill, London, EC4M 7JY.

KBC Bank N.V., London, EC2N  
1BR

Trust Merchant Bank S.A, 1223  
Avenue Lumumba, Lubumbashi,  
Democratic Republic of Congo  
Keystone Law Limited, London.

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## **Trustees' Report**

The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their report and the audited consolidated financial statements of Virunga Foundation (the Charity) for the year ended 31 December 2020. The Trustees have adopted the provisions of the Charities SORP (FRS 102) in preparing the annual report and financial statements of the Charity.

## **Structure, Governance and Management**

### **Structure**

Virunga Foundation is a charitable company limited by guarantee, incorporated on 20th October 2005, and registered as a charity in England and Wales, with registered charity number 1111806.

Virunga Foundation's key partnership is with the Institut Congolais pour la Conservation de la Nature, (ICCN), the national Congolese nature conservation organisation, an institution of the Democratic Republic of Congo responsible for managing protected areas throughout the country. With a relationship going back to 2006, in 2015 the ICCN and Virunga Foundation signed a cooperation agreement - a public-private partnership – that runs until 12 April 2040. On the basis of this agreement with the Congolese Government, the majority of the charity's resources and efforts are dedicated to supporting the ICCN in protecting and re-establishing Virunga National Park and to provide support for communities around the Park.

In order to meet its objectives Virunga Foundation has established a number of subsidiary organisation and works closely with other partner organisations, as presented in the following paragraphs.

Under its Memorandum of Association, Virunga Foundation has the power to incorporate subsidiary companies to carry on any trade, which would, in the opinion of the trustees, promote or assist in furthering the Objects of the charity. Virunga Foundation Limited has one immediate subsidiary, Virunga SRL, (which itself has subsidiaries), one related company, Virunga Productions CIC and works in cooperation with a Belgian charity, Fonds Virunga Belgique and two US legal entities which own the aircraft operated by Virunga Foundation. The legal structures of all limited liability companies in the group are of companies with a social purpose.

### **Subsidiary entities**

#### Virunga SRL

Virunga SRL is a 100% owned subsidiary limited liability company, registered in Belgium, incorporated by Virunga Foundation in August 2013, to act as a holding company for limited companies, (Société Anonyme), registered in the Democratic Republic of Congo, (DRC). Virunga SRL ensures any profits generated by its subsidiary companies will not be taxed twice, due to the double taxation treaty existing between Belgium and the DRC. All entities of the Virunga Foundation Entities registered in DRC pay their taxes exclusively in the DRC.

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Virunga Energies SAU

Virunga Energies SAU is a limited liability company 100% owned by Virunga SRL. Virunga Energies SAU is engaged in the development, construction, operation and commercialisation of run-of-river hydroelectric projects in the proximity of the Park. These projects encompass the construction of generating plant, operation of the plant, construction and operating distribution networks and the sale of electricity to end customers, commercial and domestic. Any surplus generated from these activities is transferred to Virunga Foundation via Virunga SRL.

The Trustees determined that the development of hydro-power projects around the Park would promote the conservation and protection of the Park in two key ways:

- i. by providing communities living around the Park with access to electricity and jobs, resulting from the development opportunities brought about by such access, which will enable the Park to be seen as a source of beneficial change and opportunity, and over time reduce to communities reliance on the resources of the Park (e.g. illegal charcoal and firewood extraction);
- ii. in the medium and long term, by providing a revenue stream that can be used by Virunga Foundation to support its charitable objects.

Virunga Development SARL

Virunga Development is a limited liability company, a 100% subsidiary of Virunga SRL, established in 2013 to contribute to Virunga Foundation's overall charitable objectives through the management and support of sustainable development opportunities around the Park, including the development & management of industrial parks in the proximity of the Park, taking advantage of the hydroelectricity produced by Virunga Energies SAU.

Sicovir SARL

Sicovir is a limited liability company, 20% owned by Virunga SRL, which was created in October 2013. Sicovir produces various sorts of soap from sustainable palm oil producers established near the Park. The commercial products of Sicovir, are sold at lower prices than non-local alternatives, with their production being enabled by energy produced by Virunga Energies SAU.

Virunga Enzymes SARL

This limited liability company, 15% owned by Virunga SRL, established in 2015. It produces the plant-based enzyme ("papain") extracted from the latex of Papaya trees.

Virunga Chocolat SARL

Virunga Chocolat SARL is limited liability company, 20% owned by Virunga SRL established in 2020. Chocolat SARL produces high quality chocolate products from cocoa grown by local farmers, for sale both domestically and internationally.

Virunga Productions CIC

Virunga Productions CIC was established in 2013. A Community Interest Company (CIC) is a limited liability company that must use its profits and assets for the public good. The objects of Virunga Productions CIC are to carry on any activities, including TV and movie productions, which support and promote the conservation, protection and improvement of the wildlife and habitat in and around Virunga National Park. Virunga Foundation is the majority shareholder and has effective control of Virunga Productions CIC.

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## **Related Entities**

### Fonds Virunga Belgique

Fonds Virunga Belgique is a non-profit association, (ASBL/VZW), based in Belgium. It undertakes fundraising and awareness campaigns for the benefit of the Park (through Virunga Foundation). It has no formal legal relationship with Virunga Foundation but maintains strong co-operation with the Foundation.

### Virunga Foundation USA Inc. & Virunga Airwing LLC

Virunga Foundation USA Inc. & Virunga Airwing LLC are two USA registered entities which own aircraft leased to Virunga Foundation in support of its operations. Virunga Foundation retains US registration for the aircraft, which it leases from Virunga Airwing LLC, to ensure compliance with the highest international operating standards. These two USA registered entities are treated as one single entity from a US tax perspective, and are legally independent of Virunga Foundation.

## **Partnerships etc.**

### US CAF Friends Fund

In December 2019, a formal contract was established with CAF America, which manages a US Equivalency Determined, Friends Fund, for the sole benefit of Virunga Foundation. This Fund enables tax effective donations from legal persons subject to US, (individual or corporate).

### Farm Africa

Commencing in 2018, Virunga Foundation has worked closely with Farm Africa, another UK registered charity, to harness their expertise on coffee. Joint activities with Farm Africa are focussed on the cultivation, production and marketing of coffee grown by two farming co-operatives operating in the vicinity of the Park.

### Others

Virunga Foundation maintains close working relationships with nature conservation organisations such as the United Nations Education Science and Culture Organisation (UNESCO), the Zoological Society of London, the Frankfurt Zoological Society, the Wildlife Conservation Society, the International Union for the Conservation of Nature and the Congo Hounds project, etc.

## **Governance**

Virunga Foundation is a charity registered with the Charity Commission of England and Wales having the legal form of a company limited by guarantee. Virunga Foundation is managed by its trustees, in accordance with, all relevant legislation and guidance published by the Charity Commission of England and Wales, (CC,) as well as with UK corporate legislation governing the operation of limited companies. The Trustees are all members of the Board of Trustees of Virunga Foundation, being the governing body of the Charity.

### Charity Governance Code

The revised charity governance code was published in July 2017. The Trustees view is that the Board complies with the revised code. The Charity Governance Code, the Charity Commission Guidance CC3 and the Articles of Association have all been shared with Trustees. The Trustees are aware of the need to ensure a suitable mix of skills on the Board.



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Trustees continue to consider the composition of the Board in relation to ensuring the Board comprises individuals with experience across all key areas of the Charity's operations. A new Trustee was appointed in 2020 with extensive conservation and not for profit governance experience. There are currently six trustees, with a diverse range of professional skills and experience enabling them to contribute substantively to the governance oversight of the wide range of activities undertaken by the Charity. One Trustee resigned in the first quarter of 2021 and a process has been initiated by Trustees to identify one, or more, additional Trustees to further strengthen Board knowledge and experience.

A Finance and Audit Committee was established in 2020 which includes an external representative, to further strengthen financial oversight, in particular from a UK Charity perspective. The Committee meets regularly and maintains an overview of all financial and key risks based on management reports. The Charity's Articles were updated in March and September 2021 to clarify Member and Trustee interaction and to expand grounds for termination of Membership to meet good practice. The Virunga Foundation Board continues to assess and identify ways in which it can improve its performance in relation to the Charity Governance Code, which is reflected, among others, by continuing improvement of oversight and risk management practices.

### **Strategic Report**

The disclosure of strategic report activities as required under section 15.8 of Charities SORP for Charities registered in England and Wales are met through various disclosures within this Trustees Report.

#### Management

The senior executive of the Virunga Foundation is its Chief Executive Officer, (CEO), who is appointed by and responsible to the Board.

The CEO has executive responsibility and authority to manage and operate Virunga Foundation as defined in the articles of association, which were most recently updated in 2018 to comply with all relevant legislative obligations.

In order to deliver on the objectives of the Charity, the CEO oversees a team of managers, employed to manage and co-ordinate the wide-ranging operations of the Charity in and around the Virunga National Park.

The CEO reports formally to the Chairman of the Board.

The CEO also holds a formal position with the ICCN, whereby he is the Chief Warden of the Virunga National Park. There is a potential conflict of interest related to the holding of both positions of CEO and Chief Warden, of which the Board and the Charity Commission are aware. A specific Board instruction is in place to manage this conflict of interest.

#### Employees

Virunga Foundation employed 489 staff in 2020 and its main subsidiary Virunga Energies 247 staff making a total of 736 in 2020, compared to 690 in 2019.

A range of training initiatives are in place to support the development of full time staff, these include among others; vocational training including both practical and study based elements, training on internal IT based management systems, business support skills training, language training, (Swahili, French and English), professional development organised by the national institute, (funded from a national 1% salary deduction) and other ad-hoc initiatives based on identified needs.

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Virunga Energies employs between 1,200 and 1,800 daily workers on its ongoing projects, (construction and maintenance). These workers are employed in accordance with the national labour law, through local agreements, which support a fair sharing of the jobs within communities where the underlying level of unemployment is very high. These rotating 22 day contracts permit the provision of additional income to a much wider population base, than would otherwise be achievable.

**Public Benefit**

In carrying out their activities, the Trustees ensure that Virunga Foundation activities are in accordance with the Charity Commission's guidance on public benefit.

Virunga National Park is part of the territory under the control of the Institut Congolais pour la Conservation de la Nature (ICCN), the national Congolese nature conservation organisation, an institution of the Democratic Republic of Congo responsible for managing protected areas countrywide. Building upon a relationship going back to 2006, the ICCN and Virunga Foundation signed in 2015 a cooperation agreement - a public-private partnership – that runs until 12 April 2040.

As background to the public benefit objectives, Virunga Foundation's contract to manage the Virunga National Park is central to its charitable public benefit objectives. Located in the east of the Democratic Republic of Congo, (DRC), is Africa's oldest national park, founded in 1925 and was designated a World Heritage Site in 1979. In 1992, the Park was designated as a, 'World Heritage Site in Danger', by UNESCO, which indicated, being subject to the imminent threat of comprehensive destruction. Its loss would represent an irreversible loss to all of humanity, and so actions taken to save and restore the Park, are for the public benefit. Virunga Foundation's primary purpose is to prevent the loss or destruction of the Park, working with the Congolese authorities to do so. Virunga Foundation is the only organisation providing direct support for the management and protection of the Park, providing over 90% of the Park's funding.

As part of its charitable objectives, Virunga Foundation also plays a key role in the economic and social development of a region that is recovering from a catastrophic period of armed conflict. In 2013 Virunga Foundation launched the Virunga Alliance, an extensive multi-faceted programme dedicated to creating a healthy and peaceful post conflict economy through the sustainable development of resources in and around the Park, including tourism; the generation of hydroelectricity and the active development of fisheries and agribusiness.

The Charity's Objects, all considered to be for the public benefit, are set out in the Articles of Association as follows:

- i. the promotion for the benefit of the public of the conservation, protection and improvement of the physical and natural environment and biodiversity of the Protected Areas of Africa including Virunga National Park in the Democratic Republic of Congo, and the wildlife within the Protected Areas of Africa including Virunga National Park, including by means of the promotion of effective management;
- ii. the relief of financial need, hardship or poverty of people living and/or working in and around the Virunga National Park;
- iii. the promotion for the benefit of the public of sustainable development that supports the conservation of the physical and natural environment and biodiversity of the Virunga National Park including through
- iv. the preservation, conservation and the protection of the environment and the sustainable use of natural resources;
- v. the relief of poverty and the improvement of the conditions of life in socially and economically disadvantaged communities living in and around the Virunga National Park; and
- vi. the promotion of sustainable means of achieving economic growth and regeneration;

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- vii. to facilitate the administration of the law and the preservation of public order for the benefit of the public;
- viii. to promote conflict resolution and reconciliation for the public benefit between institutions, organisations, groups and people in and around the Virunga National Park; and
- ix. the education of the public on environmental issues including biodiversity, conservation, sustainability, and management of the wildlife Parks, reserves and protected conservation areas of Africa and the wildlife within them, including Virunga National Park, and in subjects relating to sustainable development.

#### Objectives, Progress and Achievements

In order to deliver on its charitable objects Virunga Foundation has initiated and manages an extensive and diverse range of projects, which together have as their objective, the establishment of a sustainable social and natural environment in North Kivu, with the goal, among others of enabling the conservation of the Virunga National Park.

The individual projects often contribute to simultaneously progressing on several charitable objectives.

The project objectives are categorised under the headings of, conservation, security and rule of law, sustainable development, poverty reduction and education, (across all of the aforementioned objectives).

The following sections of the Report present a summary of Virunga Foundation's achievements during 2020 in line with agreed strategic objectives, as well as future objectives.

#### **Conservation**

Virunga National Park is one of the World's most important conservation areas as attested to by its UNESCO World Heritage Site classification, as well as its recognition by multiple international nature and conservation organisations. Virunga National Park is critical for biodiversity conservation due to the unique role it plays linking distinct and very different areas in the Albertine Rift: from the glaciers of the Rwenzori mountains, active and extinct volcanoes, to the dense forests of the Congo Basin and the Savannah. The continuity between these habitats remains due to the past and present efforts of the ICCN Rangers. Conservation efforts in 2020 continued to make progress in a range of areas with the overall aims of achieving ecosystem integrity and achieving increased or stable wildlife populations.

#### Gorillas

In 2019, thanks to the exhaustive work of Rangers over many years in the three countries that lie across the Virunga massif (DRC, Rwanda and Uganda), the Mountain Gorilla species was downgraded from "critically endangered" to "endangered" for the first time since 1994. This conservation success is the outcome of a strategy known as "extreme conservation", which involves daily monitoring by rangers, community trackers and veterinarians. 2020 saw a continuation of the long term trend of population growth with the Mountain Gorilla population in the Virunga National Park growing from 147 at the end of 2019, to 160 at the end of 2020. Annual population growth is at natural growth levels of approximately 6% percent which represents a major conservation success. While in recent years the increase in the population shows the effectiveness of the conservation process, the project will continue to require significant resources to ensure the protection of the Mountain Gorilla population. In 2020, 32 kilometres of protective electric fencing was established in the south eastern park boundary which includes the gorilla sector. Fence construction meets a range of objectives, increasing local civilian protection from militias, increasing protection for the Park and protecting local population agriculture land from large mammal incursions. Fence construction continued across the park continued in 2021 and by November 2021, an additional 19 kilometers had been constructed, with a total fence length of in excess of 170km being in place across the park.

The Lowland Gorilla population is only 6 individuals and therefore at risk of extinction, plans are in progress for the introduction of other individuals from a Gorilla sanctuary to increase the population and genetic variation.

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### Elephant

The increase in the savannah elephant population in 2020 has been a very positive development, and with more than 550 elephants having moved from the adjoining Queen Elizabeth National Park in Uganda via a "Wildlife corridor" the population is now higher than in the past 40 years. This success is attributable to ICCN Rangers and Virunga Foundation staff. There were no major poaching incidents recorded in 2020 or in 2021 up to end of November 2021.

### Projects

Priority conservation projects going forward include habitat restoration, ecosystem integration and anti-poaching efforts in three park areas, which aim to support increases in the following key specie populations: mountain gorillas, lowland gorillas, forest elephants, forest buffalo, elephants, hippos, lions, buffalo, okapi, and chimpanzees.

### **Security / Rule of Law & Human Rights**

The ICCN Rangers are the key resource enforcing the rule of law within the Park boundaries, a task which they perform to high standards and at very high levels of personal risk. 2020 saw a very high fatality rate with the tragic loss of sixteen Rangers lives in the performance of their duties in 2020, with a further six Rangers losing their lives while performing their duties during an attack by an illegal armed group in January 2021. All those Rangers who gave their lives working to protect the Park and those living in its proximity, were killed by members of the numerous illegal armed groups, which operate in and around the Park.

Security remains a high priority for Virunga Foundation with significant resources expended in supporting the Rangers in their law enforcement activities, as well as continually investing to increase the security environment. These investments include, among others, establishing protected bases for Rangers in high risk locations, as well as in the gathering of intelligence to support targeted security initiatives.

The provision of Human Rights training to all Rangers on an agreed regular basis, in accordance with UN guidelines, is a key element of Virunga Foundation's support for the Rangers, to enable and ensure that their interventions comply with best practice.

### **Sustainable Development & Poverty reduction**

#### **Virunga Energies, (VE)**

Offering access to reliable and affordable energy is one of Virunga Foundation's key commitments to the 5 million people living in the proximity of the Virunga National Park. Virunga Energies was established in 2013 and has already invested over \$100m in a network of hydro-electric generation and electricity distribution assets with the support of, the European Union, the World Bank, CDC, USAID, The Howard Buffett Foundation, The Schmidt Family Foundation, and The World We Want Foundation.

Virunga Energies is a Congolese registered commercial entity which is run as a social enterprise, with dividends to be re-invested to support the goal of poverty alleviation in the region and the conservation of the Park.

Revenue has doubled every year over the past three years and in 2020 Virunga Energies achieved sales of \$5.2million, with Earnings before Interest, Taxes, Depreciation and Amortisation, EBITDA, of \$2.4million. Reliable, sustainably generated electricity is being supplied to 15,700 customers, (end 2020), in North Kivu, from three hydroelectric plants ( total 30 MW capacity) and their over 400 km distribution networks in and around the cities of Goma, Rutshuru, Kiwanja, and Mutwanga. Ambitious network expansion projects (Goma and the Lubero region) and the construction of a new 26 MW power plant in Rwanguba are planned for the

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next 2 to 3 years. Additionally "Smart" Grid technology is being implemented to best manage the network and to fully utilise the potential of the "smart" meters installed for our customers.

As a result of the ongoing network expansion and continuous improvement efforts, sales revenue in 2020 reached \$5.2 million, versus \$2.6 million in 2019. This revenue enabled the generation of an EBITDA in 2020 of \$2.4 million, versus \$0.1 million in 2019.

The first construction phase of the Goma distribution network was successfully completed, offering sustainably generated and reliable electricity supply to more than 8,400 households and SMEs in the fast-growing city of Goma.

In the course of 2020 Virunga Energies connected a first pumping station along Lake Kivu to the Virunga Energies electricity network to supply potable water to more than 300,000 people in Goma who had previously not had access to such a supply. Another notable landmark in 2020 was the successful commissioning of a new 14.6 MW hydropower plant in Luviro, in North Kivu, in the fourth quarter of 2020.

Virunga Energies saw continued growth in 2021 and in November 2021 was projecting to achieve sales revenue of \$ 6.8 million for 2021, representing a 30% increase on 2020. In terms of distribution and network expansion there was continued expansion of network within concession zones in Goma funded by the World Bank as co-financing to an EU grant. Customer numbers had increased to over 20,000 by October 2021. Critically, power was provided to a major water pumping station in Goma which will mean VE provided the power to provide clean drinking water to over 1 million inhabitants. In addition further expansion of the Goma power distribution network is planned, (Q4 2021). In Early December 2021 a contract was signed with the EU for a grant of Euro 20 million to fund the latest major addition to Virunga Energies hydropower generation capacity. This grant is for the Rwanguba 28 MW hydropower plant, located in the proximity of the existing Matebe plant and will supply the city of Goma where there remains significant untapped demand, which is expected to grow significantly.

### **Tourism**

Tourism plays a key role in Virunga Foundation's work, as much as an effective tool to communicate to an international audience the value of the Park and the Foundation's mission, as it is a source of income. Tourism activities do make a meaningful contribution towards Virunga Foundation's operating costs when the programme is operational, however, in recent years there have been a series of events, which have forced temporary suspensions. In the period since 2015 over 15,000 tourists have visited the Park, with close to 5,000 having visited in 2017, representing 45,000 overnights. In 2018 the kidnapping of two tourists, lead to the closure of the Park for the remainder of that year while a security review was completed and additional measures implemented. Tourism recommenced early in 2019, but was suspended again due to an Ebola outbreak in the proximity of the Park. In 2020 with the Ebola outbreak formally announced as being over, tourism reopened, only to be suspended in April of 2020 due to the Covid pandemic. In the course of 2020, there was very limited local tourism activity on a regional/national basis. There were just over 1,100 tourist visitors to the Park in 2020, spending over 1,500 nights in Virunga accommodation, compared to over 2,500 tourists in 2019 who spend over 3,800 nights.

Levels of tourist activities have remained lower than hoped for in 2021, for a combination of reasons. While Covid restrictions were eased allowing visitors to the Gorilla and Volcano attractions, the volcanic eruption in May 2021 ended Nyiragongo tourism for 2021. Heightened armed militia activity has also led to closures of Gorilla tourism activities. For the year to October 2021 there were 2,229 tourists visitors to the Park, contributing to 1,941 overnights. All accommodation and sites have been maintained and upgraded since the tourist number high recorded in 2015, with an entirely new camp, Ngila, completed in 2020 and ready to receive guests as soon as tourism activities recommence. It remains difficult to make predictions for 2022 Tourism activity levels, as these are largely dependent on the international Covid travel restrictions and regional security situation.

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**Virunga Development, (VD)**

The activities of Virunga Development, (VD), are aligned with the development and poverty reduction objectives of Virunga Foundation. In 2020 the key activities were the provision of loan financing to local entrepreneurs in association with Equity Bank and the development of business parks.

In the course of 2020, VD provided close to USD 400 thousand in loans to 136 entrepreneurs in North Kivu to expand existing businesses, or to establish new businesses.

The total lent at year end was around USD 950 thousand to 1,011 entrepreneurs. A rigorous due diligence process is undertaken for each loan, assessing not only financial, but also sustainability criteria, as well as management capacity. Each business is a customer of VE for electricity, which is a key synergy between operations of VE and VD. Performance of the loan portfolio is tracked regularly and despite only being in operation for three years has demonstrated the effectiveness of the programme in creating growth in employment as well as in electricity sales. The loan repayment system is an innovative mechanism, whereby loan repayments are made through a surcharge on electricity fees. This mechanism means that businesses loan repayments are in synchronisation with business activity levels, rather than a relatively inflexible standard loan repayment model. It has been proven to date that this system not only meets the needs of the borrowers, but also delivers tangible repayment results. At year end 2020 the loan portfolio of VD was sold to Equity Bank. The cash was then used by VD to reduce intercompany debt with VF. VF provided a guarantee to Equity Bank against loan default by borrowers.

The second key current element of VD operations is the establishment of business parks, including refrigerated containers. These Parks are funded by large external donors and as with the loans, have the goal of addressing the development needs in the proximity of the Park. Specific benefits include, affordable rental plots with established infrastructure, including, affordable sustainable electricity from VE, access to financial and management support, physical security of personnel and assets and access to essential services through shared service delivery. To date there is one completed business park, of 4.5 hectares, Mutwanga and one under construction of 5.3 hectares, Goma, expected to be operational in the course of 2022. The Mutwanga site currently has 4 businesses on site including the Virunga Chocolate factory and offices.

12 refrigerated containers were purchased second-hand from the UN, but are in good condition and are being installed. The operation of these refrigeration units will greatly increase the capacity to retain the value of foods produced in the proximity of the park where there are presently no cold storage facilities. By the end of 2020, 6 of the 12 containers had already been rented out at USD 500 per month, (less electricity costs) and indications are good that 2021 will see an increase in the number rented as the concept has been proven by local entrepreneurs.

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## **Agriculture**

A key element of Virunga's development agenda is in supporting sustainable agricultural projects to create long term reliable employment for individuals through the creation of a more stable agriculture sector. A number of projects located adjacent to all the sectors of the Park benefit from Virunga Foundation interventions, which range from the provision of education and training to the supply of processing equipment.

In the Northern sector coffee, cocoa and palm oil are the main projects, while in the Southern and Central sectors the projects include, vegetables, maize and fish.

### Coffee

The coffee project in 2020 involved working closely with two partner cooperatives with over 5,000 participating farmers with Organic, Rainforest Alliance and Fair Trade certification. Two new washing stations were constructed in 2020 and financial and management training provided to both Cooperatives. In the course of 2020, 268 tonnes of coffee were sold, (2019, 173 tonnes), representing 14 containers, (2019, 9 containers), generating an income of over USD 822 thousand. 2021 objectives included, increasing quality and volumes, reducing costs and improving management capabilities, as well as launching an agricultural training and coffee seedlings nursery, from which the first batch of 20,000 were distributed in September 2021. The coops have received Fairtrade certification which will increase their sale prices. Two European coffee roasters will be launching Virunga National Park brands in the coming months.

### Palm Oil

During 2020, 32,000 higher quality palm tree seedlings were sold on credit to 800 farmers who will repay their loans by selling future harvests to a new palm oil mill being built in collaboration with Sicovir SARL. Over 800 farmers were trained in best management practices for palm trees in accordance with sustainable and organic standards. In 2021 a further 32,000 seedlings were distributed and a new palm oil press was ordered and is due to commence production in the first quarter of 2022.

### Cocoa

The "Virunga Origins", Cocoa project has had significant success already in its initial months. The factory commenced commercial operations in September 2020, generating around USD 45 thousand of revenue from sales in DRC, Belgium, Denmark and Sweden. With the construction of a fermentation centre close to the factory, 1,000 cocoa farmers are now able to sell fresh cocoa directly, reducing the risk of beans decaying and reducing the volume of high quality beans. A project together with a local farmer co-operative, Sycoodep, has distributed 40,000 cocoa seedlings to increase production in the area. During 2021 the production capacity increased demand in new markets, international and national, from 1.5 tonnes to 15 tonnes a month. A new factory building and roaster will be constructed in 2022 In addition, Fairtrade certification is being sought for the Sycoodep cooperative and the chocolate factory has received certification. Chocolate is now also being sold in Kenya and Burundi.

### Vegetables

Over 200 farmers, the majority women, were trained in Best Management Practices for vegetables cultivation, with a focus on an organic and soil conservation approach, which included techniques to reduce the requirement for manufactured agriculture products. A savings and loan association was established with women's organisations to support female farmers. 2021 progress has included, extension of activities to work with 6 new farmer associations and 1,000 new farmers trained, as well as improving market access for farmers, despite security challenges.

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### Maize

Work in 2020 was very much preparatory with the diagnosis of the sector and selection of partner farmer organisations, as well as intervention strategy finalisation and preparation for 2021 activities. 2021 activities, based on 2020 work include, the supervision of 6 agricultural cooperatives and the creation of 12 farmer field schools for more than 1200 farmers, the introduction of 2 new improved maize varieties from east Africa and improving post-harvest activities to reduce waste and associated lost revenue potential. Virunga Foundation is now working with 8 coops, representing 1,200 households, to work on improving seeds, better processes, including post-harvest. These projects are working closely with Virunga Investissement which provides small business loans to farmers.

### Fish

The fishing projects all relate to fish sourced from Lake Edouard, in large part focussed on enabling the creation of a “cold chain” to increase the value of fish caught and reduce waste. In 2020, an Industrial ice machine for fish preservation was put into operation, insulated storage boxes purchased, a solar powered cold storage facility installed by the lake and a consultation with the local community held with various stakeholders in the fish value chain on the management of “cold chain” investments. The Solar powered cold room not installed due to local actor disagreements, but Virunga have distributed 100 cool boxes to local women who work as fish sellers, to whom Virunga provide the ice required for their operation.

### **Education**

Education on sustainable development to the population living in the vicinity of the park is considered an imperative and receives continuous awareness-raising efforts.

In all agriculture value chains training for small farmers represented a key element of the project listed above.

In 2020 and 2021 Covid restrictions limited the opportunities for schoolchildren and members of both associations and local authorities to visit Park locations as well as VE hydropower installations. Regular general public events were also suspended, including the very popular annual Amani Festival, where there are usually Virunga Park awareness raising initiatives.

The Meise botanical institute in Belgium contributes significantly towards Virunga Foundation conservation activities, including specifically environmental and sustainability education. The relationship with Meise generated additional funding in 2020. Visits to schools continued in 2020 and 2021. One specific program, on reforestation around Lake Edward, funded by Meise, commenced in July 2020 and continued in 2021.

Despite the effects of Covid restrictions overall public education activities increased in 2020 compared to previous years.

### **Fundraising**

#### Strategy and approach

In the later stages of 2020 and throughout 2021 there has been a concerted effort to increase the co-ordination and alignment of the Fundraising resources of Virunga Foundation. This work recognises that maximising the fundraising opportunities requires involvement of a range of internal stakeholders and for this reason there has been a focus on identifying the key internal stakeholders in Virunga Foundation's fundraising work, historical and future. To this end a Fundraising strategy map is under development which is aligned with the Virunga Foundation vision and mission.

Key aspects of this strategy map include,



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- i. the identification of all the active and target fundraising channels as well as the donor growth targets within each channel
- ii. the integration of the relevant internal stakeholders in each channel
- iii. development of internal structures including improved collaborative working practices

The implementation of this strategy will involve, more regular stakeholder meetings across functions, (not only for fundraising staff), training and education across multiple functions, including at governance level and developing the understanding that to be most effective, a Fundraising programme has to be fully integrated into operations from the planning stage onwards.

### Donors

The major source of Virunga Foundation's income is institutional and foundation donors, which has been the case since the Foundation was created. While the composition of the specific donors has altered over time, large institutional and foundation grants comprise in excess of 75% of total income. The rapid growth of the sustainable energy business of Virunga Energies SAU, has made it a key source of income, with in excess of 5 million USD of sales income being achieved in 2020.

The European Union (EU) remains Virunga's principal donor, and is therefore the key partner in the supporting the charity's activities including the conservation and development of Virunga National Park. The EU supports major projects with a range of objectives including the preservation of the flora and fauna of the Park, as well as improving the quality of life for people living in the proximity of the Park. The EU support encompasses all programs: Park operations, tourism, electricity, agriculture, entrepreneurship support, etc.

Other institutional donors include the World Bank and USAID. USAID signed its first grant contract with a value of 1.6 million USD in 2019. A new contract for 4.7 million USD was signed with USAID on 17 November 2021, payable on submission of expenditure reports and is expected to commence payments early in 2022 as qualifying expenditure already incurred. This contract also indicates USAID's intention to provide a further \$10.3 million in funding based on their fund availability.

Major project funding was also raised from a number of Charitable Foundations. The list includes The World We Want, 11<sup>th</sup> Hour, Wellspring and The Schmidt Family Foundation. Virunga Foundation holds an "Equivalency Determination", which recognises Virunga Foundation as being equivalent to a US charitable organisation from the perspective of a US donor, in relation to taxable deductibility of donations.

The proportion of funds raised from the general public, as indicated, comprises a relatively low but growing percentage of the total funds raised. While it does not represent a significant percentage of funds raised, public fundraising is a key element reflecting public awareness of the importance of the Park. Individual donors give through a range of fundraising providers including, a Friends Fund with CAF America, a Virgin Money Giving site in the UK and other tools including Donorbox on the website. Donations are also made directly to the Virunga Bank accounts in the UK and Belgium. In 2020 approximately 0.8 million USD was raised via these various mechanisms.

The Charity did not receive any complaints in the course of 2020, or up to November 2021, relating to its fundraising activity. The only proactive fundraising is via a page on the website and occasional emergency appeals. Individual donations arise from general public awareness of the work of the Charity, which is created through both conventional and social media channels, as well as word of mouth. The charity does not make any unsolicited fundraising approaches to individuals via marketing tools such as, email, text, or cold calling by any method and does not engage third party fundraisers, or fundraising volunteers. Due to the international scope and nature of the Charity's operations, there are no fundraising staff employed in the UK.

Virunga Foundation is registered with the UK Fundraising Regulator. Due to the predominance of institutional and Foundation grant funding Virunga Foundation is strongly focussed on meeting the exacting

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reporting and review requirements of donors through the performance of independent audits and provision of tailored reports, such as monitoring and evaluation reports. A review of personal data held was undertaken in 2018-19 to ensure compliance with the GDPR legislation, which is of particular relevance in the public fundraising area, even though this comprises a limited percentage of overall funding.

### **Investment Policy and Performance**

Under the Memorandum and Articles of Association, the charity has the power to invest funds in any manner the trustees deem appropriate, but only after obtaining such advice, as the trustees consider necessary, and having regard to the suitability of investments and the need for diversification.

The trustees, having regard to the current liquidity requirements of operating the charity, have operated a policy of keeping available funds in current accounts in order to make funds available to operations expeditiously.

### **Risk Management**

In October 2019 the Trustees formally adopted a Risk Management Policy for Virunga Foundation. This policy describes the risk management approach adopted by the Trustees, as well as the relative responsibilities of the Trustees and Senior Management in implementing procedures to ensure compliance with this policy.

The planned development of a more structured organisation risk management process was initiated in the course of 2020 subsequent to the recruitment of a head of internal control to lead on risk management.

A formal risk management model was presented to and approved by both the Board and Finance and Audit Committee in 2020. This model draws on current best practice on managing organisation risk. In summary, the process engages with relevant organisation stakeholders in developing risk profiles across functions and key activity areas. The framework uses the classical dimensions of impact and probability, adjusted for existing mitigating measures, to develop a profile of organisation risk. Senior managers and functional experts across the risk areas identified are responsible for the management of risk in their respective areas.

The output from the risk management process is a risk matrix summarizing the key areas of organisation risk, identifying current and proposed mitigation, to provide a post mitigation risk measure. As part of this risk management process, additional mitigation measures are identified where possible.

The Virunga Foundation's activities take place in the North Kivu region of the Democratic Republic of Congo, which is a high-risk environment both in terms of physical security and in the challenges in maintaining the highest levels of financial control.

The key identified risks to operational continuity and the measures in place to manage such risks are the following:

- i. Security

North Kivu is a region with an inherently high personal security risk due to the combination of limited law enforcement resources and a significant presence of illegal armed groups. These groups survive from a range of illegal activities, including extortion, poaching and kidnapping. Fatal attacks on the local population and ICCN Park Rangers result from the activities of these groups. The allocation of resources to protect people and the Park from the activities of these illegal groups is a main activity of the Park Rangers, who receive support from Virunga Foundation in their work.

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Mitigation measures include regular intelligence gathering, co-operation with military forces, national and UN, and the implementation of detailed security procedures, which are regularly reviewed. There are a range of standard operating security procedures covering all aspects of operations, from construction sites to tourism activities. Despite the major resource allocated to security and all the mitigations in place, security is and will likely remain one of the major risks facing the Charity's operations.

ii. Political and Regulatory instability

The political and related regulatory instability present in the DRC and North Kivu presents a significant risk for Virunga Foundation in its potential to adversely impact operations in unpredictable ways. There is a relatively high degree of regulatory and legislative intervention leading to significant compliance requirements, which increase costs, directly and indirectly, through new or revised legislation.

Examples of specific risks include dependency on the support of the ICCN a Government department, susceptible to shifting political agendas and the regulation of the electricity sector, being the forecast major future course of Virunga Foundation income from its sustainable energy producer, Virunga Energies.

While Virunga Foundation has 15 years of experience in managing these risks, changes in the political and regulatory environment cannot be predicted. Specific mitigation actions include integrating contracts and activities into a wide array of supportive and influential partners such as, Congolese Government institutions, the European Union, United Nations agencies and development institutions in the UK, Belgium, US, and Netherlands. Senior management staff and trustees maintain regular contact with government authorities in Kinshasa and at the provincial level enabling it to maintain a largely constructive and harmonious relationship.

iii. Funding Financial Risk

The nature and location of Virunga Foundation's work, combined with its funding model (based largely on restricted project grants), means that the scale and allocation of future funding, much beyond a year, is challenging. As the Charity and its subsidiaries have grown, in particular Virunga Energies, the challenges of obtaining adequate funding, via both grants and loans, has increased.

Addressing the funding challenges has involved a range of measures, including, the Finance and Audit Committee established in 2020, closely monitoring cash flow projections and discussing with management the measures to address funding flow risks.

While there is a strong focus on ensuring timely audits of projects to minimize any delay in receipt of subsequent funds, there are unavoidable timing differences between expenditure and receipt of funds in many instances.

Discussions at the Finance and Audit Committee have increased the focus at a governance level on the need to establish reserves to manage better fluctuating fund flows from grants and loans. The requirement to establish reserves as a priority has been identified at Board level and the aim is to progress this goal in 2020.

iv. Health threats

In recent years, two major diseases have had major impacts on the operation of the Virunga Foundation, Ebola and Covid. Virunga Foundation has a proactive and highly engaged approach to managing such threats, in order to minimise impacts for the Charity, as well as for the local population living in the proximity of the Park. In the Ebola outbreak, which was officially declared ended in June 2020 by the WHO, Virunga Foundation played a key role in working with the local authorities and WHO in working to end the outbreak. A single case of Ebola was identified in North Kivu in February 2021 and a further case in October 2021,

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however, based on management of the much more significant 2019-2020 outbreak using newly developed vaccines it is not currently considered a serious public health concern. The vaccines have proven to be effective in the prevention of the spread of the disease.

The impact of Covid on Virunga Foundation has been an indirect rather than direct one, as the mortality rate appears to have been low for a range of local factors. There are multiple diseases present in North Kivu, which have a much higher mortality rate than Covid and the majority of the population are directly exposed to several of these on an ongoing basis. The indirect impact of Covid has however been significant. Loss of Tourism income in 2020, project delays related to supplier issues, plus local restrictions, have all had an adverse impact. The indirect impact of Covid has been of an international nature and as such there have been limited options for dealing with the commercial implications. There have, however, been successful fundraising appeals based on indirect Covid effects.

Virunga Foundations close working relationship with the WHO, which has included engaging public health experts when required, has enabled it to continue most operations relatively unaffected, compared with the majority of international charity organisations.

The impacts of the risks i, ii and iv, in addition to unforeseen geological events can adversely affect income patterns, as well as adding to expenditure levels in having to manage unpredicted events. Having worked for many years in an inherently unstable operating environment Virunga Foundation has a range of procedures in place to enable it to reallocate resources as well as to work with existing partners and bring in new ones when emergency situations arise. Emergency situations also provide strong fundraising cases. Both the capacity to react and to generate large new funding flows in times of emergency was exemplified in the response to the Eruption and subsequent major disruption caused by the eruption of Nyiragongo in May of 2021. Virunga Foundation's response to this natural disaster illustrated the organisation's preparedness for even such a relatively rare event. In the hours following the eruption staff monitored developments, communicated with partners and commenced preparations for emergency response. With the evacuation of Goma, accommodation was provided for staff and their families forced to evacuate. Within a few days an electricity agreement was entered into with a Rwandan power company and a new connection established to compensate for powerlines destroyed by lava flows. Teams of technical staff worked 24/7 for over three weeks in order to construct interim power lines across the solidified lava flows to deliver Virunga Foundation's electricity to Goma. The WHO had warned of the high risk of a cholera outbreak, which was effectively mitigated when electricity was reconnected to key water pumping stations in Goma. The eruption response illustrates how the combination of flexibility, reactivity, strong technical and logistic capability and intelligence, together with local and international partnerships provide the base for highly effective emergency response capability. In this and other emergency situations highly material unbudgeted funding was received from major institution and foundation funders as well as from the general public in response to appeals for additional support. In the case of the eruption these fundraising results offset all the short and medium term costs of the disaster

### **Financial Review**

Total income from grants and donations for the year amounted to USD 28.9 million (2019: USD 21.5 million). The most material elements of this income was received in the form of grants from, EU, USAID, Schmidt Philanthropies and the World Bank.

Subsequent to a review of the stock held by Virunga Energies SAU, a small number of items were identified for which the unit price was incorrect. On investigation, this issue dated back to at least 31 December 2018. Accordingly, stock has been recalculated at 1 January 2019 and 31 December 2019, and a prior year adjustment was made in the financial statements reducing the stock value by \$2.2 million.

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Grants received are principally of a restricted nature, including significantly those for the construction of hydro power plants and electricity distribution infrastructure.

The EU is the largest single provider of donor funding to Virunga Foundation and has provided several large multi year grants, across all key areas of operation and development, including. Park Support, Lake protection, Agricultural development, Wildlife trafficking, Transboundary conservation and multiple grants to support the sustainable energy project managed by VE. These grants cover periods of between 2 and 7 years with grants totalling in excess of 95 million USD having been awarded in recent years. A major new EU Park grant in excess of 10 million is under negotiation and expected to be received in the third quarter of 2022.

While USAID's initial grant to Virunga Foundation was for 1.6 million USD in 2019, the relationship has proven positive and a second grant valued at 4.7 million USD was signed in November 2021, as part of a contract which expressed the intention to provide an additional 10 million USD assuming USAID have the funds available.

Schmidt Philanthropies, a private US Foundation has provided significant funding, both grants, over 8 million USD, as well as loan finance, to support the activities of VE in providing electricity to areas previously without access to an electricity network as well as to power a water distribution pumping system.

The World Bank provided a 5.2 million USD grant for electricity network in 2019 and additional grants are under discussion.

Expenditure on raising funds in 2020 amounted to USD 5.5 million (2019: USD 4.2 million), representing the costs of operating the hydropower subsidiary Virunga Energies. The total spent on charitable activities was USD 18.1 million (2019: USD 18.4 million) which relates primarily to the costs of protecting the Virunga National Park and expenditure on supporting ICCN Rangers.

Fixed assets principally comprise the hydro plants and distribution networks. Total net tangible fixed assets at 31 December 2020 amounted to USD 82.6 million (2019: USD 71.2 million). In accordance with UK accounting standards construction costs have been capitalised and are disclosed as fixed assets.

The net surplus for the year was USD 11.5 million (2019: USD 3.1 million). The restricted and unrestricted funds at year-end amounted to USD 17.2 million and USD 57.7 million respectively (2019: USD 27.5 million and USD 33.1 million respectively).

In addition to grants and donations, Virunga Foundation uses short-term and long-term debt facilities to fund its operations. Creditors falling due within one year at 31 December 2020 amounted to USD 18.3 million (2019: USD 18.1 million). Long-term debt amounted to USD 14.1 million (2019: USD 13.3 million) and is principally with the UK-based development bank CDC Group PLC.

### **Reserves**

Virunga Foundation has historically received relatively low levels of unrestricted funding in relation to its restricted income. This income pattern, together with the significant resource required for operational activities typically not funded by unrestricted income, which are necessary to support the restricted projects has made it very challenging to establish unrestricted reserves.

As an example, all of the material projects and activities of Virunga Foundation require a substantial security infrastructure, the costs of which are typically not all covered by restricted project income, which means a significant percentage of restricted income is allocated to support projects funded by restricted funding.

While the Trustees continue to review how Virunga can in future generate unrestricted cash reserves, to a level acceptable to beneficiaries and partners, as well as in line with good practice, this remains a major

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challenge. Events in 2020, including Covid impacts which forced the closure of tourism and likely contributed to the substantial increased illegal armed group activity have removed any scope for the establishment of reserves in the year. While the ultimate aim is to a cash reserve over time sufficient to cover the value of at least half a year of operational costs, i.e. in the region of USD 5m, this will require an increase in the unrestricted funds raised. The efforts to increase fundraising channels will be key to creating the opportunity for establishing reserves through unrestricted income.

As at 31 December 2020 the total consolidated funds held by the Group amounted to USD 69.9m (2019: USD 60.6m), of which USD 52.7m are unrestricted (2019: USD 33.1m), and USD 17.2m are restricted (2019: USD 27.5). As at 31 December 2020 the Group had net current liabilities of USD 2.7m.

It is not expected that any material amounts will be available to contribute to the creation of reserves in the course of 2021, however, through a combination of seeking increased fundraising opportunities for the Park, and the increased Virunga Energies contribution, operational self-sufficiency should be achievable by 2024. The Trustees are aware of the importance of starting to create to create reserves as described above, however, the short term priority is to generate operating surpluses to reduce debt and then to commence reserve building.

### **Going concern and uncertainties**

As this report highlights, Virunga Foundation operates in North Kivu, a region with very high inherent risks, specifically; physical security, political uncertainty, serious public health issues and geological threats of volcanic eruption and earthquakes. The combination of these risks regularly places unforeseen demands on the Group and its staff to react immediately in order to preserve lives. Unpredictable events therefore occur which create resource demands, as well as reducing income generating activities. For illustration, the eruption of the Nyiragongo volcano in May 2021 led to the immediate requirement to allocate resources to aid the local population, as well as requiring significantly increased short term expenditure to restore power and water utilities for the local population. At the same time as immediate increases in expenditure were required, income reduced, most significantly in terms of energy sales, but also tourism income, at a time when it was hoped to see an increase energy sales as well as international tourism income. The operating risk environment of Virunga Foundation is recognised as one of the most challenging in the world and as such there are multiple risks outside the control of the Group, which the mitigations for are necessarily limited.

The physical and political risk environments overlap and interact with the financial and funding risk environments. Virunga Foundation is highly dependent on a limited number of large grants to fund its operations, which creates a material level of uncertainty on the organisation's capacity to deliver on all planned activities. The timing of the initial receipt of these grants and subsequent tranches, is critical in ensuring there is adequate funding to support operations and to maintain ongoing operations, as well as to enable the implementation of key projects.

In a number of cases activities require to be pre-financed before funding is received, often on the basis of the completion of an audit to confirm past expenditure was valid. The complex negotiation and approval processes often mean that even after initial agreement for new grants has been achieved, it can take several months to receive the funds, on dates which are difficult to forecast. For example, whilst Virunga's relationship with its largest funder, the EU is good, the EU is a complex organisation requiring the careful managing of relationships and co-ordination with representatives in both Brussels and Kinshasa. Additionally, EU funding often requires approval by DRC authorities before remittance.

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While the forecast level of grants and other income is considered adequate to fund operational requirements for the coming two years, or more, the timing of finalisation of agreements and receipt of funds can pose significant challenges for the Charity in terms of cash flow.

The lack of any material free reserves is recognised as an ongoing challenge in addressing cash flow risks and for this reason, there is a focus on the generation of unrestricted income from among others, the sale of sustainably generated electricity. However, to date, unrestricted income has been allocated to fund ongoing operations. The creation of reserves remains a priority for the Board.

In order to manage these ongoing challenges, detailed cash flow projections are maintained, and updated weekly, to provide management with an oversight of the current funding needs in relation to projected funding receipts.

The end of 2021 saw the finalisation of two key funding contracts and a third major grant agreement signed. An EU grant for the construction of the Rwanguba powerplant was signed in December 2021 for Euro 20 million, (\$22 million), with Euro 10 million to be received prior to the end of 2021. A CDC \$10.3 million loan facility to support network and related expansion costs was agreed in November 2021 and was signed on the 15<sup>th</sup> of December 2021. On 17 November 2021 a grant contract for \$4.7 million was signed with USAID, (effective date 22 July 2021), as part of an intended \$16.6 million overall grant, with \$6.3 now contractually secured. This is of particular significance as this grant may be applied as co-financing for existing major contract co-financing obligations.

In addition to these major funding agreements in place management has also developed contingency plans identifying where expenditure can be reduced should projected income targets not be met. While reduction in planned expenditure would impact on planned development objectives, management is confident it would be able to maintain core operations and ensure the viability of the Foundation.

The Trustees are therefore satisfied that in most scenarios the Group will have sufficient funds to continue with its operations for the foreseeable future, being the period of at least twelve months from the date of approval of these financial statements and therefore it is appropriate to prepare these financial statements on the going concern basis.

However, there are inherent uncertainties in the operating context of the Group which may impact the Group's ability to raise funds and generate revenue, to mitigate sufficiently the impact of events arising from those uncertainties. These circumstances represent a material uncertainty that may raise doubt on the company's ability to continue as a going concern.

#### **Disclosure of Information to Auditors**

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable group's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable group's auditors are aware of that information.

#### **Auditors**

Crowe U.K. LLP has indicated its willingness to be reappointed as statutory auditor.

**VIRUNGA FOUNDATION**  
**(A COMPANY LIMITED BY GUARANTEE)**  
**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Trustees' Responsibilities Statement**

The Trustees (who are also directors of Virunga Foundation for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company and the group's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In approving this report, the Board of Trustees is also approving the Strategic Report included here in their capacity as company directors. This report was approved by the Trustees on 20 December 2020 and signed on their behalf by:



Jan Bonde Nielsen,  
Chairman.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRUNGA FOUNDATION FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **Opinion**

We have audited the financial statements of Virunga Foundation ('the charitable company') and its subsidiaries ('the group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Financial Activities, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2020 and of the group's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

### **Material uncertainty related to going concern**

We draw attention to note 1.2 in the financial statements, which explains that the operating risk environment of Virunga Foundation is recognised as one of the most challenging in the world with very high inherent risks, specifically; physical security, political uncertainty, serious public health issues and geological threats of volcanic eruption and earthquakes. As such there are multiple risks outside the control of the Group, which the mitigations for are necessarily limited. Unpredictable events therefore occur which create resource demands, as well as reducing income generating activities. Furthermore, whilst the forecast level of income is considered adequate for the next two years, the timing of finalisation of agreements and receipt of funds can pose significant challenges in terms of cash flows. The lack of any material free reserves limits the group's ability to respond to these challenges.

As stated in note 1.2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

### **Other information**

The trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRUNGA FOUNDATION FOR THE YEAR ENDED 31 DECEMBER 2020**

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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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion based on the work undertaken in the course of our audit

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement set out on pages 7-8 the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine 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 trustees are responsible for assessing the charitable company'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 trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

### **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 (UK) 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRUNGA FOUNDATION FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members and significant component audit teams. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011 and taxation legislation, together with the Charities SORP (FRS102) 2019. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charitable company's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company and the group for fraud. The laws and regulations we considered in this context for the UK operations were the General Data Protection Regulation (GDPR), Anti-fraud, bribery and corruption legislation and Employment legislation. We also considered compliance with local legislation for the group's overseas operating segments.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of grant and donation income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit, and the Finance and Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, sample testing of grant and donation income, reviewing regulatory correspondence with the Charity Commission, and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
VIRUNGA FOUNDATION FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Use of our report**

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*N. Hashemi*

Naziar Hashemi  
Senior Statutory Auditor  
For and on behalf of  
Crowe U.K. LLP  
Statutory Auditor

London, UK

Date: 20<sup>th</sup> December 2021

**VIRUNGA FOUNDATION**  
(A COMPANY LIMITED BY GUARANTEE)

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Unrestricted funds	Endowment and Restricted Funds	2020	2019 (as restated)
		\$	\$	\$	\$
<b>Income from:</b>					
Grants and donations	2	3,837,630	25,090,972	<b>28,928,602</b>	21,523,072
Income from charitable activities	3	492,015	-	<b>492,015</b>	2,177,305
Other trading activities	4	5,521,637	-	<b>5,521,637</b>	3,018,748
Investment income		<u>217,094</u>	<u>-</u>	<b><u>217,094</u></b>	<u>20,697</u>
<b>Total income</b>		<u>10,068,376</u>	<u>25,090,972</u>	<b><u>35,159,348</u></b>	<u>26,739,822</u>
<b>Expenditure on:</b>					
Raising funds					
- operational costs of hydro power plants	5	5,527,409	-	<b>5,527,409</b>	5,925,735
Charitable activities	6	<u>7,246,896</u>	<u>10,838,650</u>	<b><u>18,085,546</u></b>	<u>18,419,696</u>
<b>Total expenditure</b>		<u>12,774,305</u>	<u>10,838,650</u>	<b><u>23,612,955</u></b>	<u>24,345,431</u>
Net losses on investments		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net (expenditure)/income</b>	7	(2,705,929)	14,252,322	<b>11,546,393</b>	2,394,391
Transfers between funds	16	<u><b>24,514,466</b></u>	<u><b>(24,514,466)</b></u>	<u>-</u>	<u>-</u>
<b>Net movement in funds</b>		21,808,537	(10,262,144)	<b>11,546,393</b>	2,394,391
<b>Reconciliation of funds:</b>					
Total funds brought forward		30,874,617	27,482,749	<b>58,357,366</b>	55,962,975
<b>Total funds carried forward</b>	16	<u>52,683,154</u>	<u>17,220,605</u>	<b><u>69,903,759</u></b>	<u>58,357,366</u>

All activities relate to continuing operations.

Included within endowments and restricted funds is \$26k relating to an endowment fund set up for Fallen Rangers (2019: \$215k).

The notes on pages 42 to 59 form part of these financial statements

**VIRUNGA FOUNDATION**  
(A COMPANY LIMITED BY GUARANTEE)  
**CONSOLIDATED BALANCE SHEET**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020		2019 <i>(as restated)</i>	
		\$	\$	\$	\$
<b>Fixed assets</b>					
Intangible assets	9		1,680,389		1,951,280
Tangible assets	10		83,175,561		71,271,787
Investments	11		<u>1,390,435</u>		<u>1,390,435</u>
			<b>86,246,385</b>		<b>74,613,502</b>
<b>Debtors: amounts falling due after more than one year</b>	12		477,692		552,938
<b>Current assets</b>					
Stock		4,835,453			5,043,446
Debtors: amounts falling due within one year	13	4,285,161			5,189,144
Cash at bank and in hand		<u>6,515,577</u>			<u>4,400,929</u>
		<b>15,636,191</b>			<b>14,633,519</b>
<b>Creditors: amounts falling due within one year</b>	14	<u>(18,308,391)</u>			(18,109,691)
<b>Net current (liabilities) / assets</b>			<u>(2,672,200)</u>		<u>(3,476,172)</u>
<b>Total assets less current liabilities</b>			<b>84,051,877</b>		<b>71,690,268</b>
<b>Creditors: amounts falling due after more than one year</b>	14		(14,148,118)		(13,332,902)
<b>Net assets</b>			<u>69,903,759</u>		<u>58,357,366</u>
<b>Group Funds</b>					
Endowment funds	16		25,833		215,039
Restricted funds	16		17,194,772		27,267,710
Unrestricted funds	16		<u>52,683,154</u>		<u>30,874,617</u>
<b>Total funds</b>			<u>69,903,759</u>		<u>58,357,366</u>

The surplus for the financial year dealt with in the financial statements of the parent company was \$16,487,949 (2019: \$9,277,194).

The financial statements were approved and authorised by the Trustees on 20 December 2020 and signed on their behalf by:



Jan Bonde Nielsen, Chairman

The notes on pages 42 to 59 form part of these financial statements

**VIRUNGA FOUNDATION**  
(A COMPANY LIMITED BY GUARANTEE)  
**COMPANY BALANCE SHEET**  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020		2019	
		\$	\$	\$	\$
<b>Fixed assets</b>					
Investments	11		294,667		294,667
<b>Debtors: amounts falling due after more than one year</b>	12		87,745,735		70,775,557
<b>Current assets</b>					
Debtors: amounts falling due within one year	13	12,226,805		9,784,170	
Cash at bank and in hand		<u>4,841,783</u>		<u>3,639,208</u>	
		17,068,588		13,423,378	
<b>Creditors: amounts falling due within one year</b>	14	<u>(15,846,688)</u>		<u>(13,163,799)</u>	
<b>Net current assets</b>			<u>1,221,900</u>		<u>259,579</u>
<b>Creditors: amounts falling due after more than one year</b>	14		(3,719,835)		(2,275,285)
<b>Net assets</b>			<u>85,542,467</u>		<u>69,054,518</u>
<b>Charity Funds</b>					
Endowment funds	16		25,833		215,039
Restricted funds	16		35,422,127		21,443,482
Unrestricted funds	16		<u>50,094,506</u>		<u>47,395,997</u>
<b>Total funds</b>			<u>85,542,467</u>		<u>69,054,518</u>

The surplus for the financial year dealt with in the financial statements of the parent company was \$16,487,949 (2019: \$9,277,194).

The financial statements were approved by the Trustees on 20 December 2020 and signed on their behalf, by:



Jan Bonde Nielsen, Chairman

The notes on pages 42 to 59 form part of these financial statements

**VIRUNGA FOUNDATION**  
(A COMPANY LIMITED BY GUARANTEE)  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 \$	2019 (as restated) \$
<b>Cash flows from operating activities:</b>			
Net cash provided by operating activities	18	16,455,880	8,663,333
<b>Cash flows from investing activities:</b>			
Interest received		217,094	20,697
Purchase of intangible fixed assets		(394,617)	(770,355)
Purchase of tangible fixed assets		(15,173,703)	(13,798,517)
Purchase of investments		<u>-</u>	<u>(348,230)</u>
<b>Net cash used in investing activities</b>		<b><u>(15,351,226)</u></b>	<b><u>(14,896,405)</u></b>
<b>Cash flows from financing activities:</b>			
Repayments of borrowings		(3,498,002)	(366,581)
Cash inflows from new borrowing		<u>4,644,550</u>	<u>3,444,550</u>
<b>Net cash provided by financing activities</b>		<b><u>1,146,548</u></b>	<b><u>3,077,969</u></b>
<b>Change in cash and cash equivalents in the year</b>		<b>2,251,202</b>	<b>(3,155,103)</b>
Cash and cash equivalents brought forward		<u>2,380,730</u>	<u>5,538,833</u>
<b>Cash and cash equivalents carried forward</b>	19	<b><u>4,634,932</u></b>	<b><u>2,383,730</u></b>



**VIRUNGA FOUNDATION**  
(A COMPANY LIMITED BY GUARANTEE)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**1. Accounting Policies**

**1.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The company has adapted its balance sheet, as permitted by the regulations, to show debtors greater than one year as a separate line and not within current assets.

Virunga Foundation meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The Statement of Financial Activities (SOFA) and Balance Sheet consolidate the financial statements of the company and its subsidiary undertakings. The results of the subsidiaries are consolidated on a line by line basis. No separate SOFA has been presented for the company alone as permitted by section 408 of the Companies Act 2006.

**1.2 Going concern**

Virunga Foundation operates in North Kivu, a region with very high inherent risks, specifically; physical security, political uncertainty, serious public health issues and geological threats of volcanic eruption and earthquakes. The combination of these risks regularly places unforeseen demands on the Group and its staff to react immediately in order to preserve lives. Unpredictable events therefore occur which create resource demands, as well as reducing income generating activities.

The operating risk environment of Virunga Foundation is recognised as one of the most challenging in the world and as such there are multiple risks outside the control of the Group, which the mitigations for are necessarily limited.

The physical and political risk environments overlap and interact with the financial and funding risk environments. Virunga Foundation is highly dependent on a limited number of large grants to fund its operations, which creates a material level of uncertainty on the organisation's capacity to deliver on all planned activities. The timing of the initial receipt of these grants and subsequent tranches, is critical in ensuring there is adequate funding to support operations and to maintain ongoing operations, as well as to enable the implementation of key projects.

While the forecast level of grants and other income is considered adequate to fund operational requirements for the coming two years, or more, the timing of finalisation of agreements and receipt of funds can pose significant challenges for the Charity in terms of cash flow.

The lack of any material free reserves is recognised as an ongoing challenge in addressing cash flow risks and for this reason, there is a focus on the generation of unrestricted income from among others, the sale of sustainably generated electricity. However, to date, unrestricted income has been allocated to fund ongoing operations. The creation of reserves remains a priority for the Board.

In order to manage these ongoing challenges, detailed cash flow projections are maintained, and updated weekly, to provide management with an oversight of the current funding needs in relation to projected funding receipts.

**VIRUNGA FOUNDATION**  
(A COMPANY LIMITED BY GUARANTEE)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **1.2 Going concern (continued)**

Management has also developed contingency plans identifying where expenditure can be reduced should projected income targets not be met. While reduction in planned expenditure would impact on planned development objectives, management is confident it would be able to maintain core operations and ensure the viability of the Foundation.

The Trustees are therefore satisfied that in most scenarios the Group will have sufficient funds to continue with its operations for the foreseeable future, being the period of at least twelve months from the date of approval of these financial statements and therefore it is appropriate to prepare these financial statements on the going concern basis.

However, there are inherent uncertainties in the operating context of the Group which may impact the Group's ability to raise funds and generate revenue, to mitigate sufficiently the impact of events arising from those uncertainties. These circumstances represent a material uncertainty that may raise doubt on the company's ability to continue as a going concern.

### **1.3 Basis of consolidation**

The financial statements consolidate the accounts of Virunga Foundation and all of its subsidiary undertakings ('subsidiaries').

The results of subsidiaries acquired during the year are included from the effective date of acquisition.

The company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own Income and Expenditure Account.

### **1.4 Group status**

The company is a company limited by guarantee. The members of the company are certain of the Trustees named on page 1. In the event of the company being wound up, the liability in respect of the guarantee is limited to £10 in total.

### **1.5 Reporting Currency**

The functional and reporting currency used by the charity and group is United States Dollars and hence these accounts are reported in this currency.

### **1.6 Fund accounting**

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

**VIRUNGA FOUNDATION**  
(A COMPANY LIMITED BY GUARANTEE)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**1. Accounting Policies (continued)**

**1.7 Incoming resources**

All income is recognised once the company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Other income is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

**1.8 Expenditure**

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Support costs are those costs incurred directly in support of expenditure on the objects of the company and include project management carried out at Headquarters.

Charitable activities and Governance costs are costs incurred on the company's operations, including support costs and costs relating to the governance of the company apportioned to charitable activities.

**1.9 Tangible fixed assets and depreciation**

Expenditure on capital items for the parent charity is generally written off to the SOFA on the basis that the items acquired/constructed are for the benefit of the community/specific project and therefore they will not generate any future economic benefit for the charity.

**1.10 Tangible fixed assets and depreciation (continued)**

Tangible fixed assets in respect of the subsidiary entities are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Buildings	-	0-5% straight line
Plant, machinery and equipment	-	4% straight line
Motor vehicles	-	25% straight line
Computer equipment	-	20-33% straight line
Other fixed assets	-	20% straight line

**VIRUNGA FOUNDATION**  
(A COMPANY LIMITED BY GUARANTEE)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**1. Accounting Policies (continued)**

**1.11 Investments**

Investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the Balance Sheet date, unless fair value cannot be measured reliably in which case it is measured at cost less impairment. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Gains/(losses) on investments' in the Statement of Financial Activities.

- (i) **Subsidiary undertakings**  
Investments in subsidiaries are valued at cost less provision for impairment.
- (ii) **Associated undertakings**  
Investments in associates are valued at cost less provision for impairment.
- (ii) **Social investments**  
Social investments are initially recognised at cost, with the carrying amount adjusted each year to reflect additional amounts invested, any repayments and accrued interest, and are assessed for impairment on an annual basis.

**1.12 Interest receivable**

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the company; this is normally upon notification of the interest paid or payable by the Bank.

**1.13 Debtors**

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

**1.14 Cash at Bank and In hand**

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

**1.15 Liabilities**

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

**1.16 Financial instruments**

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

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**1. Accounting Policies (continued)**

**1.17 Deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

**1.18 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into dollars at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into dollars at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Statement of Financial Activities.

**1.19 Loans and borrowings**

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment. If an arrangement constitutes a finance transaction it is measured at present value.

**1.20 Stocks**

Stocks represents parts and consumables held in respect of the hydropower stations, and has been valued at cost.

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**2. Voluntary income**

	<b>Restricted and Endowment funds 2020 \$</b>	<b>Unrestricted funds 2020 \$</b>	<b>Total funds 2020 \$</b>	<i>Total funds 2019 \$</i>
Donations	916,234	1,460,634	2,376,868	1,486,284
Grants	<u>24,174,738</u>	<u>2,376,996</u>	<u>26,551,734</u>	<u>20,036,788</u>
	<u><b>25,090,972</b></u>	<u><b>3,837,630</b></u>	<u><b>28,928,602</b></u>	<u><b>21,523,072</b></u>

In 2019, of the total income from donations and legacies, \$1,217,264 was to unrestricted funds and \$20,305,808 was to restricted funds.

**3. Incoming resources from charitable activities**

	<b>Restricted funds 2020 \$</b>	<b>Unrestricted funds 2020 \$</b>	<b>Total funds 2020 \$</b>	<i>Total funds 2019 \$</i>
Tourism income	-	188,298	188,298	732,811
Lodge income	-	224,793	224,793	1,121,088
Other income	<u>-</u>	<u>78,924</u>	<u>78,924</u>	<u>323,406</u>
	<u><b>-</b></u>	<u><b>492,015</b></u>	<u><b>492,015</b></u>	<u><b>2,177,305</b></u>

In 2019, of the total other incoming resources, \$2,177,305 was to unrestricted funds and \$nil was to restricted funds.

**4. Trading income**

	<b>Restricted funds 2020 \$</b>	<b>Unrestricted funds 2020 \$</b>	<b>Total funds 2020 \$</b>	<i>Total funds 2019 \$</i>
Royalty income	-	52,310	-	41,916
Provision of electricity	-	5,423,345	-	2,822,719
Rent received and other trading income	<u>-</u>	<u>45,982</u>	<u>-</u>	<u>154,113</u>
	<u><b>-</b></u>	<u><b>5,521,637</b></u>	<u><b>-</b></u>	<u><b>3,018,748</b></u>

In 2019, of the total income from other trading activities, \$3,018,748 was to unrestricted funds and \$nil was to restricted funds.

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**5. Hydro power plant operational costs**

	Staff costs 2020 \$	Other direct costs 2020 \$	Total funds 2020 \$	Total funds 2019 (as restated) \$
Hydro power plant operational costs	<u>3,775,269</u>	<u>1,752,140</u>	<u>5,527,409</u>	<u>5,925,735</u>

In 2019, of the total expenditure on raising funds, \$5,925,735 was for unrestricted funds and \$nil was for restricted funds.

**6. Analysis of expenditure on charitable activities**

	Staff costs 2020 \$	Other direct costs 2020 \$	Support costs 2020 \$	Total 2020 \$	Total 2019 \$
Agriculture and development	690,553	1,394,260	6,550	2,091,363	2,000,393
Protection of Virunga National Park	8,579,823	7,335,634	50,005	15,965,462	16,318,116
Raising awareness	-	28,631	90	28,721	101,817
	<u>9,270,376</u>	<u>8,758,525</u>	<u>56,645</u>	<u>18,085,546</u>	<u>18,419,696</u>

In 2019, of the total expenditure, \$10,068,003 was expenditure from unrestricted funds and \$13,565,630 was expenditure from restricted funds.

Included in support costs are foreign exchange gains of \$3,837 (2019: losses of \$105,375) and governance costs of \$60,482 (2019: \$63,200).

**7. Net incoming resources**

This is stated after charging:

	2020 \$	2019 \$
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	41,075	37,040
Fees payable to the company's auditor and its associates in respect of:		
- The audit of subsidiaries of the company	26,177	23,376
- Non-audit services	18,811	23,214
Depreciation of tangible fixed assets owned by the charitable group	2,818,334	3,282,726
Amortisation of intangible fixed assets owned by the charitable group	561,588	636,770

During the year, no Trustees received any remuneration for their services as a trustee (2019: \$Nil).

During the year, no Trustees received any benefits in kind (2019: \$Nil). No Trustee received reimbursement of expenses in the current year (2019: One Trustee - \$2,759). Other transactions with Trustees are detailed in Note 20.

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**8. Staff costs**

Staff costs were as follows:

	<b>2020</b>	<i>2019</i>
	<b>\$</b>	<b>\$</b>
Wages and salaries	<u><b>13,045,645</b></u>	<u><i>12,124,040</i></u>

The average number of persons employed by the company during the year was as follows:

	<b>2020</b>	<i>2019</i>
	<b>No</b>	<i>No</i>
Charitable activities	<b>489</b>	<i>383</i>
Hydropower	<u><b>247</b></u>	<u><i>307</i></u>
	<b>736</b>	<i>690</i>

Staff costs above are inclusive of amounts paid by the Charity to the Park Rangers, who are employed by ICCN (the DRC governmental department in charge of the Park). As they are not employees of the Charity the Rangers are not included in the average number of staff figures above.

The number of higher paid employees was:

	<b>2020</b>	<i>2019</i>
	<b>No</b>	<i>No</i>
In the band £60,001 - £70,000 (\$76,635 - \$89,406)	<b>1</b>	<i>-</i>
In the band £70,001 - £80,000 (\$89,407 - \$102,179)	<b>1</b>	<i>1</i>
In the band £80,001 - £90,000 (\$102,180 - \$114,951)	<b>1</b>	<i>2</i>
In the band £90,001 - 100,000 (\$114,952 - \$127,723)	<b>2</b>	<i>1</i>

The key management personnel of the charity comprise the trustees and the senior management team. The total amount of employee benefits received by the senior management team for their services to the charity was \$1,234,256 (2019: \$1,118,368). The trustees receive no remuneration or benefit from the charity for acting as trustees.



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**9. Intangible fixed assets**

<b>Group</b>	<b>Computer software \$</b>	<b>Other fixed assets \$</b>	<b>Total \$</b>
<b>Cost</b>			
At 1 January 2020	857,188	2,287,470	<b>3,144,658</b>
Additions	209,048	185,569	<b>394,617</b>
At 31 December 2020	<u><b>1,066,236</b></u>	<u><b>2,473,039</b></u>	<u><b>3,539,275</b></u>
<b>Depreciation</b>			
At 1 January 2020	134,966	1,058,411	<b>1,193,377</b>
Charge for the year	72,118	593,391	<b>665,509</b>
At 31 December 2020	<u><b>207,084</b></u>	<u><b>1,651,802</b></u>	<u><b>1,858,886</b></u>
<b>Net book value</b>			
<b>At 31 December 2020</b>	<u><u><b>859,152</b></u></u>	<u><u><b>821,237</b></u></u>	<u><u><b>1,680,389</b></u></u>
At 31 December 2019	<u><u>722,222</u></u>	<u><u>1,229,059</u></u>	<u><u>1,951,281</u></u>

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**10. Tangible fixed assets**

Group	Land and buildings \$	Plant and machinery \$	Motor vehicles \$	Computer equipment \$	Other fixed assets \$	Total \$
<b>Cost</b>						
At 1 January 2020	48,226,425	28,787,585	5,366,085	390,275	150,495	82,920,865
Foreign exchange movements	(32,601)	(208)	-	(186)	-	(32,995)
Additions	<u>14,205,521</u>	<u>954,726</u>	<u>5,275</u>	<u>8,181</u>	<u>-</u>	<u>15,173,703</u>
At 31 December 2020	<u>62,399,345</u>	<u>29,742,103</u>	<u>5,371,360</u>	<u>398,270</u>	<u>150,495</u>	<u>98,061,573</u>
<b>Depreciation</b>						
At 1 January 2020	2,846,268	4,490,339	3,842,864	282,086	150,495	11,612,052
Foreign exchange movements	4,305	(172)	-	(102)	-	4,031
Charge for the year	<u>1,162,951</u>	<u>1,408,003</u>	<u>656,077</u>	<u>42,898</u>	<u>-</u>	<u>3,269,929</u>
At 31 December 2020	<u>4,013,524</u>	<u>5,898,170</u>	<u>4,498,941</u>	<u>324,882</u>	<u>150,495</u>	<u>14,886,012</u>
<b>Net book value</b>						
At 31 December 2019	<u>45,343,251</u>	<u>24,297,210</u>	<u>1,523,221</u>	<u>108,105</u>	<u>-</u>	<u>71,271,787</u>
<b>At 31 December 2020</b>	<b><u>58,385,821</u></b>	<b><u>23,843,933</u></b>	<b><u>872,419</u></b>	<b><u>73,388</u></b>	<b><u>-</u></b>	<b><u>83,175,561</u></b>

Included in the above are fixed assets under the course of construction of \$9,106,409 (2019: \$26,573,270).

Included in land and buildings is freehold land at cost of \$886,514 (2019: \$886,514) which is not depreciated.

Company	Motor Vehicles \$	Other fixed assets \$	Total \$
<b>Cost</b>			
At 1 January 2020 and 31 December 2020	<u>549,905</u>	<u>150,495</u>	<u>700,400</u>
<b>Depreciation</b>			
At 1 January 2020 and 31 December 2020	<u>549,905</u>	<u>150,495</u>	<u>700,400</u>
<b>Net book value</b>			
<b>At 31 December 2019 and 31 December 2020</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

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**11. Fixed asset investments**

<b>Group</b>	<b>Other investments \$</b>
<b>Cost</b>	
At 1 January 2020	1,390,435
Foreign exchange movement	-
Purchases	-
	<hr/>
At 31 December 2020	<u><u>1,390,435</u></u>

**Group investments at cost comprise:**

	<b>2020 \$</b>	<b>2019 \$</b>
Listed investments at market value	73	73
Other fixed asset investments	1,390,362	1,390,362
	<hr/>	<hr/>
	<u><u>1,390,435</u></u>	<u><u>1,390,435</u></u>

All the other fixed asset investments are held in Belgium by Virunga SRL, the fully owned subsidiary of Virunga Foundation.

<b>Company</b>	<b>Shares in group undertakings \$</b>
<b>Cost</b>	
At 1 January 2020 and 31 December 2020	<u><u>294,667</u></u>

**Company investments at cost comprise:**

	<b>2020 \$</b>	<b>2019 \$</b>
<b>Investment in subsidiaries</b>	<u><u>294,667</u></u>	<u><u>294,667</u></u>

Details of the principal subsidiaries and associates can be found under note number 21.

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**12. Debtors due after more than one year**

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Deferred tax asset	477,692	552,938	-	-
Virunga SRL	-	-	1,692,844	1,700,081
Virunga Energies SAU	-	-	<u>86,052,891</u>	<u>69,075,476</u>
	<u>477,692</u>	<u>552,938</u>	<u>87,745,735</u>	<u>70,775,557</u>

The movement in value for the year was as follows:

	\$
Value at 1 January 2020	70,775,557
Additional loans	12,435,746
Repayments	(92,241)
Accrued interest	4,626,673
<b>Value at 31 December 2020</b>	<b><u>87,745,735</u></b>

**13. Debtors**

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
<b>Due within one year</b>				
Trade debtors	1,146,723	357,489	-	-
Amounts owed by group undertakings	-	-	9,118,059	9,161,401
Other debtors	473,063	4,632,154	444,193	447,668
Prepayments and accrued income	<u>2,665,374</u>	<u>199,501</u>	<u>2,664,553</u>	<u>175,101</u>
	<u>4,285,161</u>	<u>5,189,144</u>	<u>12,226,805</u>	<u>9,784,170</u>

**14. Creditors:  
Amounts falling due within one year**

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Bank loan and overdrafts	2,378,561	2,383,670	-	-
Other loans	2,200,000	2,000,000	2,200,000	2,000,000
Trade creditors	2,528,177	1,642,054	512,796	731,303
Other taxation and social security	90,897	1,132,586	90,769	131,770
Other creditors	103,140	172,552	88,257	25,600
Accruals and deferred income	<u>12,961,036</u>	<u>10,778,830</u>	<u>12,954,865</u>	<u>10,275,126</u>
	<u>18,308,391</u>	<u>18,109,691</u>	<u>15,846,688</u>	<u>13,163,799</u>

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**14. Creditors (continued):**

**Amounts falling due after one year**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$	\$
Deferred income	-	-	-	-
Other loans	<b>3,719,835</b>	2,275,285	<b>3,719,835</b>	2,275,285
Bank loans	<b>10,428,283</b>	11,057,617	-	-
	<b><u>14,148,118</u></b>	<u>13,332,902</u>	<b><u>3,719,835</u></b>	<u>2,275,285</u>
Analysis of loans -				
Amounts falling due within 1-2 years	<b>537,744</b>	497,916	-	-
Amounts falling due within 2-5 years	<b>13,610,374</b>	6,140,727	<b>3,719,835</b>	1,137,643
Amounts falling due after more than 5 years	-	6,694,259	-	1,137,642
	<b><u>14,148,118</u></b>	<u>13,332,902</u>	<b><u>3,719,835</u></b>	<u>2,275,285</u>

Bank and other loans comprise the following -

- A \$9m loan from CDC repayable over the period ending 31 December 2025. Interest is charged at 5% per annum interest plus an additional 1% per annum commitment fee interest.
- A \$2.5m loan from Illeros Limited repayable over the period ending 31 December 2025. Interest is charged at 2% per annum.
- A \$2.2m bridging loan from the World We Want Foundation repayable over the period ending 31 December 2022. Interest is charged at 2% per annum.
- A \$3.7m loan from Schmidt Family Foundation repayable over the period ending 31 December 2025. Interest is charged at 0.25% per annum.

Included within Other Loans is a loan of \$2.2m from World We Want. On 24 May 2021 following the volcanic eruption the Board of World We Want agreed to convert \$1m of the loan to a grant.

Virunga Foundation has also provided a guarantee to Equity Bank in respect of development loans previously issued by Virunga Developments which were purchased by Equity Bank in 2020. At 31 December 2020 the guaranteed amount to \$321k, for which a corresponding amount is held in a separate bank account.

**15. Deferred taxation**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$	\$
At beginning of year	<b>552,938</b>	656,842	-	-
Added/(released) during the year (P&L)	<b><u>(75,246)</u></b>	<u>(103,904)</u>	-	-
At end of year	<b><u>477,692</u></b>	<u>552,938</u>	<u>-</u>	<u>-</u>

The deferred taxation balance is made up as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$	\$
Accelerated capital allowances	<b><u>477,692</u></b>	<u>552,938</u>	<u>-</u>	<u>-</u>

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**16. Statement of funds**

	Brought forward \$	Income \$	Expenditure \$	Transfers in/out \$	Carried forward \$
<b>Unrestricted funds</b>					
General funds	<u>30,874,617</u>	<u>10,068,376</u>	<u>12,774,305</u>	<u>24,514,466</u>	<u>52,683,154</u>
<b>Restricted funds</b>					
Protection of Virunga National Park	537,531	9,064,698	8,568,563	-	1,033,666
Agriculture and development	156,909	8,978,669	2,080,881	-	7,054,697
Hydro power plant construction	<u>26,573,270</u>	<u>7,047,605</u>	<u>-</u>	<u>(24,514,466)</u>	<u>9,106,409</u>
	<u>27,267,710</u>	<u>25,090,972</u>	<u>10,649,444</u>	<u>(24,514,466)</u>	<u>17,194,772</u>
<b>Expendable endowment funds</b>					
Fallen rangers fund	<u>215,039</u>	<u>-</u>	<u>189,206</u>	<u>-</u>	<u>25,833</u>
<b>Total Restricted and Endowment funds</b>	<u>27,482,749</u>	<u>25,090,972</u>	<u>10,838,650</u>	<u>(24,514,466)</u>	<u>17,220,605</u>
<b>TOTAL OF FUNDS</b>	<u>58,357,366</u>	<u>35,159,348</u>	<u>23,612,955</u>	<u>-</u>	<u>69,903,759</u>
<i>2019 comparatives (as restated)</i>	<i>Brought forward \$</i>	<i>Income \$</i>	<i>Expenditure \$</i>	<i>Transfers in/out \$</i>	<i>Carried forward \$</i>
<i>Unrestricted funds</i>					
<i>General funds</i>	<u>25,792,957</u>	<u>6,434,014</u>	<u>(10,779,801)</u>	<u>9,427,447</u>	<u>30,874,617</u>
<i>Restricted funds</i>					
<i>Protection of Virunga National Park</i>	272,870	11,849,205	(11,584,544)	-	537,531
<i>Agriculture and development</i>	12,821	2,125,174	(1,981,086)	-	156,909
<i>Hydro power plant construction</i>	<u>29,669,288</u>	<u>6,331,429</u>	<u>-</u>	<u>(9,427,447)</u>	<u>26,573,270</u>
	<u>29,954,979</u>	<u>20,305,808</u>	<u>(13,565,630)</u>	<u>(9,427,447)</u>	<u>27,267,710</u>
<i>Expendable endowment funds</i>					
<i>Fallen rangers fund</i>	<u>215,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,039</u>
<i>Total Restricted and Endowment funds</i>	<u>30,170,018</u>	<u>20,305,808</u>	<u>(13,565,630)</u>	<u>(9,427,447)</u>	<u>27,482,749</u>
<i>Total of funds</i>	<u>55,962,975</u>	<u>26,739,822</u>	<u>(24,345,431)</u>	<u>-</u>	<u>58,357,366</u>

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**16. Statement of funds (continued)**

**UNRESTRICTED FUNDS**

The unrestricted funds in these consolidated accounts are, as can be seen above, an amalgamation of the individual charity's unrestricted funds surplus and the trading losses of its subsidiaries. This is the third year of the subsidiaries and all continued to incur certain levels of set up and administration costs as a result. The subsidiaries are also to a large extent funded this year by loan funding from the charity's supporters rather than donations etc. which means there is less income available to cover these costs. However, future income is expected to cover these losses in the future.

**RESTRICTED FUNDS**

- 1) **Agriculture and development** – This consists of funding received for agricultural development around the Park, including the construction of feeder roads and cold storage facilities, as well as facilities to produce and sell, amongst others, coffee, chocolate and chia seeds.
- 2) **Protection of Virunga National Park (PVNP)** -This consists of protecting and conserving the wildlife and natural resources of the Virunga National Park and emergency support for rangers by means of providing food and shelter to Park rangers and their families who have been displaced by the current civil conflict in the Democratic Republic of Congo. Another part is the charity developing their websites for marketing purposes to increase public awareness and online donation income.
- 3) **Hydro Power Plants** - Funding was received for the design and building of hydro power plants to provide electricity to villages surrounding Virunga National Park. Transfers from the fund during the year relate to the completed hydro power plants being transferred into unrestricted funds as the restriction on the associated income has been extinguished.

**ENDOWMENT FUNDS**

**Fallen Ranger fund** – an expendable endowment created to secure the future of the rangers and their families for years to come. Fallen rangers leave behind families who relied on them as the main breadwinners, and an injured ranger poses a financial burden on a family. The fund will be used to not only pay for pensions for those widows and retired rangers, but also help pay for medical treatment for rangers injured in the line of duty.

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**17. Analysis of net assets between funds**

	Endowment funds 2020 \$	Restricted funds 2020 \$	Unrestricted funds 2020 \$	Total funds 2020 \$
Intangible fixed assets	-	-	1,680,389	1,680,389
Tangible fixed assets	-	9,106,409	74,069,152	83,175,561
Fixed asset investments	-	-	1,390,435	1,390,435
Debtors due after more than 1 year	-	-	477,692	477,692
Net current assets / (liabilities)	25,833	8,088,363	(10,786,396)	(2,672,200)
Creditors due in more than one year	-	-	(14,148,118)	(14,148,118)
	<u>25,833</u>	<u>17,194,772</u>	<u>52,683,154</u>	<u>69,903,759</u>
<i>As restated</i>	<i>Endowment funds 2019 \$</i>	<i>Restricted funds 2019 \$</i>	<i>Unrestricted funds 2019 \$</i>	<i>Total funds 2019 \$</i>
Intangible fixed assets	-	-	1,951,280	1,951,280
Tangible fixed assets	-	26,573,270	44,698,517	71,271,787
Fixed asset investments	-	-	1,390,435	1,390,435
Debtors due after more than 1 year	-	-	552,938	552,938
Net current assets / (liabilities)	215,039	694,440	(4,385,651)	(3,476,172)
Creditors due in more than one year	-	-	(13,332,902)	(13,332,902)
	<u>215,039</u>	<u>27,267,710</u>	<u>30,874,617</u>	<u>58,357,366</u>

**18. Reconciliation of net movement in funds to net cash flow from operating activities**

	2020 \$	2019 (as restated) \$
Net income for the year (as per Statement of financial activities)	11,546,393	2,394,391
<b>Adjustment for:</b>		
Investment income	(217,094)	(20,697)
Depreciation of tangibles fixed assets	3,269,929	3,282,726
Amortisation of intangible fixed assets	665,509	636,770
Servicing of finance	-	51,800
(Increase)/decrease in stock	207,393	(1,775,455)
(Decrease)/increase in debtors	847,343	3,545,223
Increase in creditors	<u>135,807</u>	<u>548,575</u>
<b>Net cash provided by operating activities</b>	<u>16,455,880</u>	<u>8,663,333</u>



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**19. Analysis of cash and cash equivalents**

	2020 \$	2019 \$
Cash in hand	6,515,577	4,400,929
Bank overdraft	<u>(1,880,645)</u>	<u>(2,017,199)</u>
Total	<u><b>4,634,932</b></u>	<u><b>2,383,730</b></u>

**20. Analysis of changes in net debt**

	At 1 January 2020 \$	Cash flows \$	Other non-cash changes \$	At 31 December 2020 \$
<b>Cash and cash equivalents</b>				
Cash in hand	4,400,929	2,114,648	-	6,515,577
Bank overdraft	(2,017,199)	136,554	-	(1,880,645)
	<b>2,383,730</b>	<b>2,251,202</b>	-	<b>4,634,932</b>
<b>Borrowings</b>				
Debt due within one year	(2,366,471)	(166,471)	(164,974)	(2,697,916)
Debt due after one year	(13,332,902)	(980,303)	165,087	(14,148,118)
	<b>(15,699,373)</b>	<b>(1,146,774)</b>	<b>113</b>	<b>(16,846,034)</b>
<b>TOTAL</b>	<b>(13,315,643)</b>	<b><u>1,104,428</u></b>	<b><u>113</u></b>	<b><u>(12,211,102)</u></b>

**21. Related party transactions**

In order to fulfil VF's mandate as manager of Virunga National Park, Emmanuel de Merode has been appointed as a director of the Virunga Park (in which role he is sworn in as a Public official), which is separate from his role as CEO of the Charity.

Emmanuel holds a senior rank within the ICCN as Park Director in order to be able to command the Rangers, as well as being the CEO of VF. The Rangers, who Emmanuel oversees in his role as Park Director, are fundamental to the protection of the Park, as well as to the provision of security to the civilian population living in the vicinity of the Park, and to the staff and operations of VF. Though not a financial transaction, as no remuneration is provided by ICCN, this related party relationship is highlighted due to its significance for the operation of VF. In the event of conflicts arising from holding these two roles, Emmanuel will recuse himself from any discussions.

During the year transactions with the following related parties occurred:

Virunga SRL	-	Wholly owned subsidiary of VF
Virunga Energies SAU	-	Wholly owned subsidiary of Virunga SRL
Virunga Productions C.I.C.	-	Wholly owned subsidiary of VF
Virunga Development SARL	-	Wholly owned subsidiary of Virunga SRL
Virunga Fund Inc.	-	Sister company
Violet Films Limited	-	Company controlled by J Natasegara

The charity is the only subscriber and a director of the social enterprise - Virunga Productions C.I.C.

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**21. Related party transactions (continued)**

The charity has a relationship with Virunga Fund Inc. (VFI), a US based 'Not-for-Profit' organisation whereby it runs projects that are sponsored by funding awarded to VFI. The two work in partnership to achieve their objectives which are similar in nature and focus on supporting and protecting the Virunga National Park.

During the year, Virunga Foundation provided Virunga SRL with further funding to cover running costs and paid for expenses on its behalf amounting to \$nil (2019 - \$4,077) and provided Virunga Development SARL with further funding to cover running costs amounting to \$37,450 (2019 - \$ nil).

During the year, Virunga Foundation has advanced short term loan and paid for expenses on behalf of Virunga Energies SAU amounting to \$195,567 (2019 - \$265,470). An amount of \$6,949,096 (2019 - \$6,753,529) was outstanding at the year end.

Virunga Foundation has advanced a long term loan to Virunga Energies SAU. The main terms of this loan are that interest will be paid on an annual basis, with capital repayment only required if the conditions regarding repayment occur. Interest is accruing at 6% per annum on this loan and interest received in the year amounted to \$4,541,669 (2019 - \$3,597,506). Additional funds of \$12,435,745 were loaned during the period.

Virunga Foundation has advanced a long term loan to Virunga SRL. The main terms of this loan are that interest will be paid on an annual basis, with capital repayment only required if the conditions regarding repayment occur. Interest is accruing at 6% per annum on this loan and interest received in the year amounted to \$141,675 (2019 - \$125,995).

During the year and included in the accounts, a further loan of \$47,519 was advanced to Virunga Productions C.I.C., to fund media related costs. Repayment is only required if the conditions regarding repayment occur.

During the year Virunga Foundation received a total of \$181,000 (2019: \$1,268,904) from VFI for various projects.

During the year Violet Films Limited provided professional media services to Virunga Productions CIC amounting to \$33,590 (2019: \$56,000). Violet Films is a company controlled by J. Natasegara, a Trustee of Virunga Foundation. The payment is authorised under the Charity's governing document.

During the year Jan Bonde Nielsen made payments of \$74,878 to a consultant on behalf of the Virunga Foundation for fundraising consultancy services. The consultancy engaged Birgitte Kleftakis, a daughter of Jan Bonde Nielsen, for which she received \$7,702.

Jan Bonde Nielsen is a Trustee of Farm Africa. During the year payments of \$193,749 were made to Farm Africa in respect of consultancy services provided for the Virunga coffee programme. \$68,843 was outstanding at the year end.

At the year end the following amounts were due from/(to) the related parties:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Virunga SRL – long term loan	<b>1,692,844</b>	<i>1,700,081</i>
Virunga Energies SAU – long term loan	<b>86,052,891</b>	<i>69,075,476</i>
Virunga Development SARL	<b>498,806</b>	<i>756,785</i>
Virunga Productions C.I.C	<b>479,044</b>	<i>431,525</i>
Virunga SRL – short term loan	<b>1,191,112</b>	<i>1,219,562</i>

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**21. Principal subsidiaries, joint ventures and associates**

**a. Principal subsidiaries**

Company name	Registered Office	Percentage Shareholding
Virunga Productions CIC	United Kingdom	100%
Virunga SRL	Belgium	100%
Virunga Energies SAU*	Democratic Republic of Congo	100%
Virunga Development SARL*	Democratic Republic of Congo	100%

\*held through Virunga SRL

**b. Other participating interests**

Company name	Country	Percentage Shareholding
Virunga Enzymes SARL*	Democratic Republic of Congo	15%
SICOVIR SARL*	Democratic Republic of Congo	20%
Virunga Chocolat SARL*	Democratic Republic of Congo	20%

\*held through Virunga SRL

**22. Prior year adjustment**

Following a detailed review of the stock held by Virunga Energies SAU, a small number of items were identified for which the unit price held was incorrect. On investigation, this issue dated back to at least 31 December 2018. Accordingly, stock has been recalculated at 1 January 2019 and 31 December 2019, and a prior year adjustment made in the financial statements.

The impact on the opening unrestricted funds as at 1 January 2019 and the closing unrestricted funds as at 31 December 2019 is as follows:

	2019	Adjustment	Restated 2019
	\$	\$	\$
Opening unrestricted funds	27,328,843	(1,535,886)	25,792,957
Net income	3,106,189	(711,798)	2,394,391
<b>Closing unrestricted funds</b>	<b>33,122,301</b>	<b>(2,247,684)</b>	<b>30,874,817</b>

**23. Post balance sheet events**

On 15 December 2021 Virunga Foundation entered into a financing agreement with CDC for a new loan facility of \$10.3m. The loan is repayable over 10 years with interest charged at a rate of 6% per annum.