

Beginning of the reporting period:	1 January 2019
End of the reporting period:	31 December 2019
Registry code:	90010376683
Address:	Kalniciema 11 b, Riga, LV-1048
Telephone:	0037167335462
E-mail:	info@stratcomcoe.org
Web page:	www.stratcomcoe.org

TABLE OF CONTENTS

TABLE OF CONTENTS.....	2
MANAGEMENT REPORT.....	3
FINANCIAL STATEMENTS.....	8
MANAGEMENT REPRESENTATION TO THE FINANCIAL STATEMENTS.....	8
BALANCE SHEET.....	9
STATEMENT OF FINANCIAL PERFORMANCE.....	9
CASH FLOW STATEMENT.....	10
STATEMENT OF CHANGES IN NET ASSETS.....	11
NOTES TO THE FINANCIAL STATEMENTS.....	12
NOTE 1 BASIS OF PREPARATION.....	12
NOTE 2 INTANGIBLE ASSETS.....	14
NOTE 3 ADVANCE PAYMENTS FOR INTANGIBLE ASSETS.....	14
NOTE 4 FIXED ASSETS.....	14
NOTE 5 OFFICE EQUIPMENT.....	15
NOTE 6 ACCOUNTS RECEIVABLE AND PREPAYMENTS.....	15
NOTE 7 CASH AND CASH EQUIVALENTS.....	15
NOTE 8 ACCOUNTS PAYABLE.....	16
NOTE 9 DEFERRED INCOME.....	16
NOTE 10 OTHER INCOME.....	17
BUDGET REPORT.....	18
2019 BUDGET.....	18
APPENDICES TO THE BUDGET REPORT.....	21
APPENDIX 1 BUDGET EXECUTION TABLE – 2018 SHARED BUDGET.....	21
APPENDIX 2 BUDGET EXECUTION TABLE – 2019 SHARED BUDGET.....	22
APPENDIX 3 BUDGET EXECUTION TABLE – 2018 FRAMEWORK NATION SUPPORT BUDGET.....	23
APPENDIX 4 BUDGET EXECUTION TABLE – 2019 FRAMEWORK NATION SUPPORT BUDGET.....	24

MANAGEMENT REPORT

General Information

Since 1 October 2014, the NATO Strategic Communications Centre of Excellence (Centre) in Latvia has held the status of an international organisation as defined by the 1952 Paris Protocol. Initially founded by seven nations – Estonia, Germany, Italy, Latvia, Lithuania, Poland, and the United Kingdom – as Sponsoring Nations. In the following years, the Netherlands, Canada, and the Slovak Republic joined the Centre as a Sponsoring Nations, while Finland and Sweden joined as Contributing Partners.

2019 was the Centre's fifth full financial year of operation and fourth year at full operational capability. During the reporting period, the Centre implemented substantive activities in line with its Programme of Work for 2019 (POW 2019) and Budget for 2019 as approved by the Steering Committee at its 10th meeting.

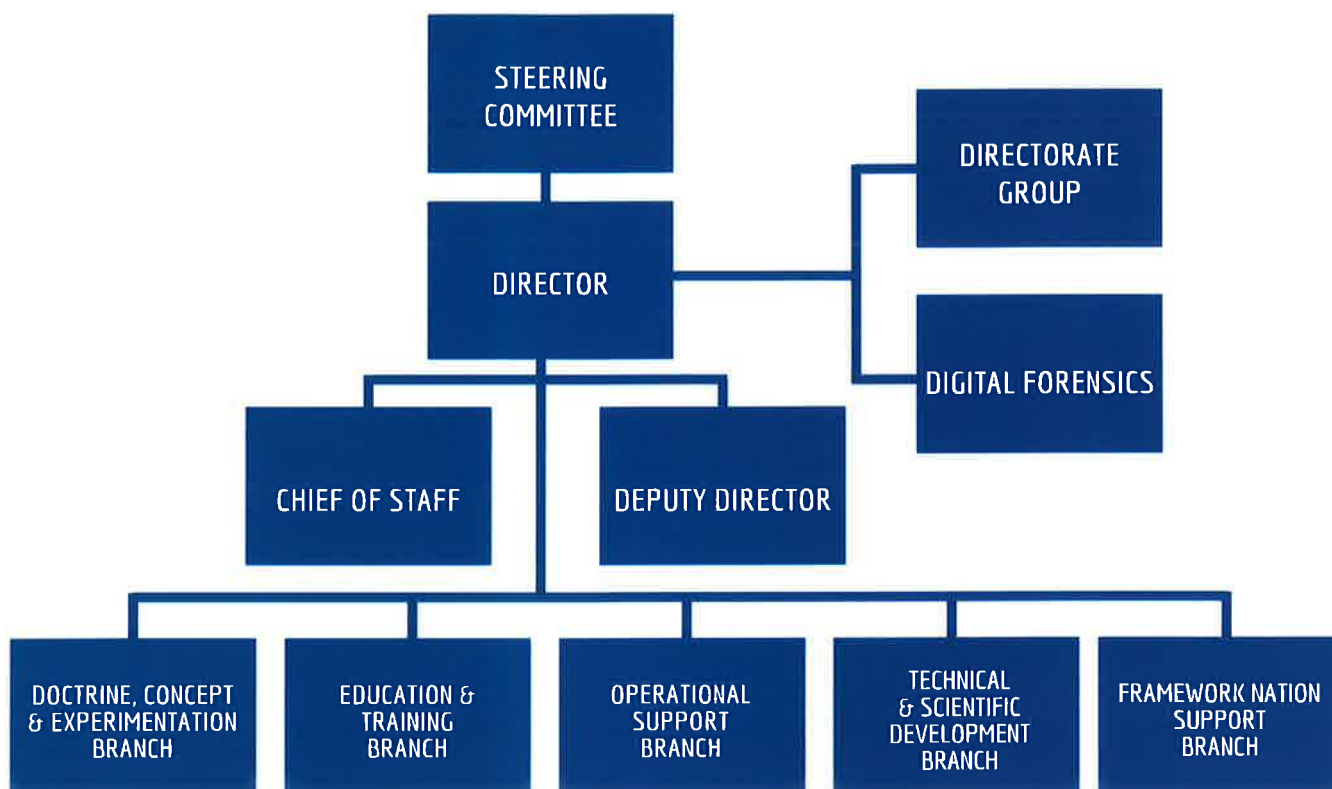
The Centre's Mission and Tasks for 2019

The Centre's mission is to support NATO's capability development process, mission effectiveness, and interoperability by providing comprehensive and timely expertise in the field of strategic communications. The Centre's aim is to contribute substantially to the improvement of NATO's strategic communications capabilities through research and analysis, concept development and experimentation, the Lessons Learned process, as well as through investing in the continuing development of strategic communications education and training. To provide a common understanding of strategic communications and the use of strategic communications within the traditional disciplines employed by NATO, NATO Allies, and Partner Nations, the Centre helps address any identified shortcomings and helps find contemporary solutions to existing challenges. This is done by pooling resources, sharing best practices, building networks of strategic communications experts, and providing platforms for debate; the Centre also monitors and evaluates the ongoing challenges of the modern information environment.

In 2019 the Centre was engaged in a wide range of activities and events connected to various strategic communications disciplines. The POW 2019 comprised 60 projects; these included tasks assigned by Sponsoring Nations and Contributing Partners and Requests for Support from NATO entities and EU institutions. The Centre focused on issues related to StratCom doctrine development, information environment assessment, and data and technology projects. The total number of research projects, studies, and reports has increased from 13 to 21 in comparison to 2018.

Structure

The Centre's highest decision-making body – the Steering Committee – consists of representatives of all Sponsoring Nations and is headed by a representative of the Framework Nation. Representatives of the Contributing Partners are always invited to share their views at Steering Committee meetings in an advisory capacity. 92% of the approved staff positions were filled by the end of December 2019.



During 2019, five newcomers arrived at the Centre, four of whom on rotation/replacement basis. In addition to the contributions of the Sponsoring Nations and Contributing Partners, joining nations Hungary and Denmark each contributed to the Centre with a subject matter expert and France, as a joining nation, continued to contribute with one officer.

Fourteen interns and one fellow successfully completed their internships/fellowships during 2019, substantially contributing to the ongoing research and organisation of the Centre's conducted events.

Main Activities in 2019

In 2019, the Centre actively engaged in NATO StratCom policy and doctrine development. Being the custodian of the Allied Joint Doctrine for Strategic Communications (AJP-10) the Centre developed the working draft of the doctrine. The Centre continued contributing to the implementation of the MC Policy on Military Strategic Communications and its related policies, doctrines, and handbooks. The Centre also continued its engagement in activities such as the US-led project Multinational Capability Development Campaign (MCDC), the German-led project Multinational InfoOps Experiment (MNIOE), as well as events organised by the StratCom, Military PA, PSYOPS, and InfoOps communities of interest.

The Centre established a NATO StratCom Community of Interest on the NATO Lessons Learned Portal together with the NATO Joint Analysis and Lessons Learned Centre (JALLC).

The Centre supports NATO Global Programming by acting as the Department Head for the NATO StratCom Discipline Education and Training since 27 September 2019.

During 2019, the Centre has also supported SHAPE's Communications Division by actively engaging in the STANAG development process of the NATO Strategic Communications Education and Training. The Centre has adjusted the terminology, as well as provided remarks and suggestions to the substantial content of the document.

The Centre also provided support for the strategic-level NATO Crisis Management Exercise, operational-level exercise Trident Jupiter 2019, and tactical-level exercise Trident Jackal 2019.

In 2019, the Centre's Social Media Analysis course and online course Introduction to StratCom were certified by NATO as NATO SELECTED.

The Centre provided support to the NATO School Oberammergau (NSO) by contributing lecturers, mentors, and experts from the Centre for the following NATO approved courses: NATO StratCom Practitioners' Course, NATO StratCom Familiarisation Course, NATO Crisis Management Course, NATO Senior InfoOps course, as well as for the NSO Mobile Training Teams to Slovenia, Turkey, and the NATO Allied Command Transformation. The Centre contributed to Steadfast Pyramid/Pinnacle training events and to the NATO pre-deployment training at the Joint Force Training Centre in Poland. The Centre also sent its experts to lecture at the Baltic Defence College in Tartu, the Bundeswehr Command and Staff College, and other universities.

On the auspices of the Riga StratCom Dialogue 2019, the Centre has co-organised a Strategic Communications Summer Academy for students of Master's Programme for Strategic Communications, the King's College London (KCL). The Centre has also supported the implementation of the Master's Programme by assigning an online seminar leader to work with NATO students and delivering a lecture at the KCL.

The Centre also supported the development of the NATO Warfighting Capstone Concept (NWCC), led by ACT. The NWCC is scheduled to be approved at the beginning of 2021 and will inform the Alliance' Warfighting Development Agenda and the upcoming NATO Defence Planning Process (NDPP) cycles.

The Centre continued its active cooperation with other NATO Centres of Excellence (COEs). In 2019 the Centre worked closely with the NATO Cooperative Cyber Defence COE, the NATO Energy Security COE, and the NATO Crisis Management and Disaster Response COE. The joint research project Nuclear Energy and the Current Security Environment in the Era of Hybrid Threats was completed in collaboration with the NATO Cooperative Cyber Defence COE, the NATO Energy Security COE, and the Hybrid COE in Helsinki. The Centre supported the NATO Cooperative Cyber Defence COE's annual CyCon conference and the NATO Energy Security COE's Tabletop exercises.

The Centre provided support to the following NATO Partner Nations – to Sweden and Finland by supporting the organisation of a Joint Tabletop Exercise for their governments' communicators, to Moldova by organising seminars for its senior officials, and to Georgia by organising a StratCom Masterclass.

The Centre has been conducting a joint project with the European External Action Service East StratCom Task Force on Russia's footprint in the Western Balkan information environment. The Centre also cooperated on the protection of EU elections and within this framework helped with preparation and execution of workshops and public seminars in Estonia and Latvia. Altogether, the Centre contributed to 23 joint events/engagements with European Union institutions.

In accordance with POW 2019, numerous studies were conducted, and several research papers were finalised for publication.

The main publications on Centres webpage in 2019 include:

- *Protecting Elections – A StratCom Perspective*
- *Improving NATO Strategic Communications Terminology*

- *Robotic Networks in Social Media (4 volumes)*
- *Academic Journal: Defence Strategic Communications (2 volumes)*
- *The Use of Geo-targeting During Elections*
- *Daesh Propaganda, Before and After its Collapse*
- *Trends and Developments in the Malicious Use of Social Media*
- *The Role of Deepfakes in Malign Influence Campaigns*
- *Towards Rule of Law in the Digital Environment*
- *The Role of Communicators in Countering the Malicious Use of Social Media*
- *The Black Market for Social Media Manipulation*
- *The Current Digital Arena and its Risks to Serving Military Personnel*
- *Responding to Cognitive Security Challenges*
- *Four Work Models of Political Trolling in the Philippines*
- *Nuclear Energy and the Current Security Environment in the Era of Hybrid Threats*
- *Russia's Strategic Interests and Tools of Influence in the Western Balkans*
- *Malicious Use of Social Media: Case Studies from BBC Monitoring*
- *How Social Media Companies are Failing to Combat Inauthentic Behaviour Online*
- *Arctic Narratives and Political Values: Arctic States, China and NATO*

The Centre organised and conducted numerous strategic communications related events in 2019:

- Seminar: Malicious Use of Social Media, 14 February 2019, Washington, USA
- Seminar: Disinformation in Western Balkans: Challenges and Solutions, 27 February 2019, Riga, Latvia
- Tabletop Exercise: Hybrid Threats Tabletop Exercise (in cooperation with RAND), 28 February 2019, Riga, Latvia
- Sixth Workshop: The Russian Disinformation Campaign in the Nordic-Baltic Countries, 21–22 March 2019, Riga, Latvia
- Seminar: Emerging Trends in Social Media, 25 March 2019, Riga, Latvia
- NATO Selected Course: Social Media Analysis, 26–29 March 2019, Riga, Latvia
- StratCom Education and Training Annual Discipline Conference, 9–11 April 2019, Riga, Latvia
- Workshop: Safeguarding the Vote: Journalism as a Pillar of Democracy, 16 May 2019, Ottawa, Canada
- Conference: The Riga StratCom Dialogue, 11–12 June 2019, Riga, Latvia
- Workshop: Russia's Activities in Cyberspace, 13 June 2019, Riga, Latvia
- Course: Digital Forensics for Practitioners, 2–4 July 2019, Tartu, Estonia
- Seminar: StratCom Masterclass, 11 July 2019, Tbilisi, Georgia

- Seventh Workshop: The Russian Disinformation Campaign in the Nordic-Baltic Countries, 15–16 October 2019, Riga, Latvia
- Seminar: StratCom for Senior Officials, 8 October 2019, Vilnius, Lithuania
- Seminar: StratCom for Practitioners, 9 October 2019, Vilnius, Lithuania
- Workshop: StratCom Terminology, 17–18 October 2019, London, UK
- Seminar: StratCom for Government Officials, 25 October 2019, Chisinau, Moldova
- Seminar: Digital Communication Strategies, 30 October 2019, Riga, Latvia
- Seminar: StratCom for Senior Officials, 3 December 2019, Rome, Italy
- Research Presentation: Influence Campaigns in the Digital Environment, 6 December 2019, Riga, Latvia
- Research Presentation: Arctic Narratives and Political Values: Arctic States, China and NATO, 10 December 2019, Riga, Latvia
- Seminar: Towards Rule of Law in the Digital Environment, 11 December 2019, Brussels, Belgium



Jānis Sārts, Director, 30 March 2020

FINANCIAL STATEMENTS

MANAGEMENT REPRESENTATION TO THE FINANCIAL STATEMENTS

We hereby take responsibility for the preparation of the financial statements of the NATO Strategic Communications Centre of Excellence set out on pages 9 to 17 and confirm that:

1. The accounting principles used in preparing the financial statements are in compliance with the generally accepted accounting principles of the Republic of Latvia and Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.
2. The financial statements give a true and fair view of the financial position of the organisation and the results of its operations and cash flows.
3. The organisation is able to continue as a going concern.



Jānis Sārts, Director, 30 March 2020

BALANCE SHEET

	31.12.2019 Total	31.12.2019 incl. Budget A (SH)	31.12.2018 Total	31.12.2018 incl. Budget A (SH)	Notes
	EUR	EUR	EUR	EUR	
Intangible assets	37 634	6 443	50 304	12 998	2
Advance payments for intangible assets	2 970	0	2 970	0	3
Fixed assets	141 687	2 849	188 086	4 455	4
Office equipment	6 555	4 231	11 417	4 047	5
Total fixed assets	188 846	13 523	252 777	21 500	
Accounts receivable and prepayments	47 265	4 168	47 602	9 189	6
Cash and cash equivalents	4 541 214	591 241	4 212 727	425 982	7
Total current assets	4 588 479	595 409	4 260 329	435 171	
TOTAL ASSETS	4 777 325	608 932	4 513 106	456 671	
Accounts payable	196 837	24 880	123 749	24 519	8
Deferred income	4 580 488	584 052	4 389 357	432 152	9
Total current liabilities	4 777 325	608 932	4 513 106	456 671	
TOTAL LIABILITIES AND NET ASSETS	4 777 325	608 932	4 513 106	456 671	

STATEMENT OF FINANCIAL PERFORMANCE

	31.12.2019 Total	31.12.2019 incl. Budget A (SH)	31.12.2018 Total	31.12.2018 incl. Budget A (SH)	Notes
	EUR	EUR	EUR	EUR	
Contributions and related income	3 207 859	555 200	3 027 843	425 482	9
Other income	60 754	24 314	14 711	9 127	10
Total revenue	3 268 613	579 514	3 042 554	434 609	
Operating expenses	1 389 381	568 672	1 273 812	425 563	
Personnel expenses	1 745 669	0	1 633 770	0	
Depreciation of fixed assets and intangible assets	133 563	10 842	134 972	9 046	2,4,5
Total expenses	3 268 613	579 514	3 042 554	434 609	
Surplus from operating activities	0	0	0	0	
Surplus for the period	0	0	0	0	


Jānis Sārts, Director, 30 March 2020

CASH FLOW STATEMENT

	31.12.2019 Total EUR	31.12.2019 incl. Budget A (SH) EUR	31.12.2018 Total EUR	31.12.2018 incl. Budget A (SH) EUR	Notes
Surplus from operating activities	0	0	0	0	
Depreciation	133 563	10 842	134 972	9 045	2,4,5
Accrued expenses for unused vacations	26 771	0	-2 622	0	
Change in accounts receivable	337	5 021	-1 458	-1 112	
Change in liabilities and prepayments	46 317	361	-30 824	-7 092	
Total cash flows from operating activities	206 988	16 224	100 068	841	
Fixed and intangible assets purchase	-69 632	-2 865	-44 489	-7 423	2,4,5
Total cash flows used in investment activities	-69 632	-2 865	-44 489	-7 423	
Receipt of contributions, other deferred income	3 301 372	681 570	3 865 178	590 976	9
Contributions, other deferred income used	-3 110 241	-529 670	-2 932 232	-406 833	9
Total cash flows from financing activities	191 131	151 900	932 946	184 143	
Total cash flows	328 487	165 259	988 525	177 561	
Cash and cash equivalents at the beginning of the period	4 212 727	425 982	3 224 202	248 421	
Net increase in cash and cash equivalents	328 487	165 259	988 525	177 561	
Cash and cash equivalents at the end of the period	4 541 214	591 241	4 212 727	425 982	7



Jānis Sārts, Director, 30 March 2020

STATEMENT OF CHANGES IN NET ASSETS

	Retained earnings EUR	Surplus for the period Total EUR	Surplus for the period Budget A (SH) EUR	Total net assets EUR
Total net assets 31.12.2016	0	3 335 434	278 370	3 335 434
Surplus/(decrease) for 2017	0	278 172	1 250	278 172
Total net assets 31.12.2017	0	3 613 606	279 620	3 613 606
Surplus/(decrease) for 2018	0	899 500	177 051	899 500
Total net assets 31.12.2018	0	4 513 106	456 671	4 513 106
Surplus/(decrease) for 2019	0	264 219	152 261	264 219
Total net assets 31.12.2019	0	4 777 325	608 932	4 777 325



Jānis Sārts, Director, 30 March 2020

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 BASIS OF PREPARATION

The legal address of the Centre is Kalnciema 11b, Riga, LV-1048. The Centre was established by seven member states – Estonia, Germany, Italy, Latvia, Lithuania, Poland, and the United Kingdom – that signed memorandums of understanding. The Netherlands joined the Centre as a Sponsoring Nation in 2016 as did Canada in 2018 and the Slovak Republic in 2019. Finland and Sweden joined the Centre as Contributing Partners in 2016 and 2017, respectively. The Centre is registered with the Latvian State Revenue Service under registration number 90010376683. Jānis Sārts is the Director of the Centre. PricewaterhouseCoopers SIA is the Centre's certified audit company. The audit for 2019 was conducted by certified auditor Ms Terēze Labzova-Ceicāne.

The financial statements of Centre have been prepared in accordance with the Law on Accounting and Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia. Paragraph 4 of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia requires that the Annual Accounts should give a true and fair view of the financial position of the Centre. In view of the special status of the Centre, and in order to comply with the provisions of Paragraph 4, it should be noted that during the preparation of these Financial Statements a deviation from the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia Paragraph 5 and 7 was made. The mentioned deviation relates to the change of headings and layout of the Profit and Loss Statement and Balance Sheet Items in order to reflect the specific status of the Centre. The deviation has no effect on the total assets and liabilities, financial position of the Centre, or the overall result for the year in question.

The monetary unit used in the financial statements is the Euro (EUR).

The Cash Flow Statement has been prepared using the indirect cash flow method.

The period from 1 January 2019 to 31 December 2019 was the fifth full financial year during which the Centre operated.

The Financial Statements have been prepared using accruals-basis accounting, and the Budget Report has been prepared using cash-basis accounting.

Significant Accounting Policies and Measurement Bases:

A. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and balances of current accounts in the bank.

B. Foreign Currency

Foreign currency transactions have been converted into euros applying the exchange rate determined by the conversion procedure between the central banks of the European System of Central Banks and other central banks, published on the European Central Bank's website.

C. Deferred Income

Deferred income comprises contributions received for the next financial year and other deferred income that has not been included in the revenue of the reporting period.

D. Property and Equipment

Assets are recognised as fixed assets if the Centre expects to use them for more than one year and if their cost exceeds 500 EUR. Assets that have a useful lifecycle extending beyond one year, but the cost of which is less than 250 EUR, are recognised as expenses upon implementation. The useful lifecycle for assets with an acquisition value of 250 to 500 EUR is two years.

Depreciation of fixed assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives using the following rates set by management:

Depreciation rates for classes of property and equipment are as follows:	% per annum
• Intangible assets (software)	25%
• Communication and IT equipment	25%
• Vehicles	20%
• Other fixed assets	20%
• Furniture, office equipment	10%

E. Tax Refunds

The Centre submits a quarterly application to the Ministry of Foreign Affairs of the Republic of Latvia for refunding value added tax (VAT), attaching invoice copies to the application. The Ministry of Foreign Affairs shall certify the right of the applicant to apply for the VAT refund. The Ministry of Foreign Affairs shall submit the application together with the documents to the Latvian State Revenue Service. The Tax Administration shall make the decision concerning the validity of the application and transfer the sum of the refund to the bank account specified in the application.

F. Financial Liabilities

A financial liability is classified as current when it is due to be settled within twelve months after the reporting period.

G. Revenue and Expenses

Revenue is comprised of contributions received and used during the reporting period to ensure the operations of the Centre. Revenues and expenses are recognised on an accrual basis. Revenues and expenses are represented net of discounts and VAT. The expenses for the reporting period are covered by contributions.

H. Accruals

The amount of accruals for unused annual leave is determined by multiplying the average daily wage of employees for the last six months of the reporting period by the amount of accrued but unused annual leave at the end of the reporting period. Accruals have been recorded for the audit based on the agreement concluded in 2018. Accruals for vendors are calculated based on reliably-estimated liabilities.

I. Budgets

The Centre has two main sources of funding – Framework Nation Support funding (Framework Nation Support Budget), which ensures the functioning of the Centre, and Sponsoring Nations funding (Shared Budget), which supports the Centre's substantive activities. In the Tables below the Shared Budget is referred to as 'Budget A' and the Framework Nation Support Budget is referred to as 'Budget B'. Support for the competition by Latvijas Mobilais Telefons LTD is called 'Budget C'.

NOTE 2 INTANGIBLE ASSETS

	Budget A (SH) intangible assets	Budget B (FN) intangible assets	Total intangible assets		Budget A (SH) intangible assets	Budget B (FN) intangible assets	Total intangible assets
Net book value 01.01.2019	12 998	37 306	50 304	Net book value 01.01.2018	14 988	23 885	38 873
Purchases in 2019	0	10 120	10 120	Purchases in 2018	4 304	25 831	30 135
Depreciation for 2019	-6 555	-16 235	-22 790	Depreciation for 2018	-6 294	-12 410	-18 704
Purchase cost 31.12.2019	27 166	80 583	107 749	Purchase cost 31.12.2018	27 166	70 463	97 629
Accumulated depreciation 31.12.2019	-20 723	-49 392	-70 115	Accumulated depreciation 31.12.2018	-14 168	-33 157	-47 325
Net book value 31.12.2019	6 443	31 191	37 634	Net book value 31.12.2018	12 998	37 306	50 304

NOTE 3 ADVANCE PAYMENTS FOR INTANGIBLE ASSETS

	Budget A (SH)	Budget B (FN)	Total		Budget A (SH)	Budget B (FN)	Total
Net book value 01.01.2019	0	2 970	2 970	Net book value 01.01.2018	1 800	8 659	10 459
Purchases in 2019	0	0	0	Purchases in 2018	1 400	13 623	15 023
Reclassified to fixed assets in 2019	0	0	0	Reclassified to fixed assets in 2018	-3 200	-19 312	-22 512
Purchase cost 31.12.2019	0	2 970	2 970	Purchase cost 31.12.2018	0	2 970	2 970

NOTE 4 FIXED ASSETS

	Budget A (SH) fixed assets	Budget B (FN) fixed assets	Total fixed assets		Budget A (SH) fixed assets	Budget B (FN) fixed assets	Total fixed assets
Net book value 01.01.2019	4 047	7 370	11 417	Net book value 01.01.2018	1 103	10 370	11 473
Purchases in 2019	2 865	959	3 824	Purchases in 2018	4 045	6 472	10 517
Depreciation for 2019	-2 681	-6 005	-8 686	Depreciation for 2018	-1 101	-9 472	-10 573
Disposals in 2019	-265	-1436	-1 701	Disposals in 2018	-596	-1 602	-2 198
Purchase cost 31.12.2019	13 219	41 210	54 429	Purchase cost 31.12.2018	10 619	41 687	52 306
Accumulated depreciation 31.12.2019	-8 988	-38 886	-47 874	Accumulated depreciation 31.12.2018	-6 572	-34 317	-40 889
Net book value 31.12.2019	4 231	2 324	6 555	Net book value 31.12.2018	4 047	7 370	11 417
Net book value 31.12.2019	2 849	138 838	141 687	Net book value 31.12.2018	4 455	183 631	188 086

NOTE 5 OFFICE EQUIPMENT

	Budget A (SH) equipment	Budget B (FN) equipment	Total equipment		Budget A (SH) equipment	Budget B (FN) equipment	Total equipment
Net book value 01.01.2019	4 047	7 370	11 417	Net book value 01.01.2018	1 103	10 370	11 473
Purchases in 2019	2 865	959	3 824	Purchases in 2018	4 045	6 472	10 517
Depreciation for 2019	-2 681	-6 005	-8 686	Depreciation for 2018	-1 101	-9 472	-10 573
Disposals in 2019	-265	-1436	-1 701	Disposals in 2018	-596	-1 602	-2 198
Purchase cost 31.12.2019	13 219	41 210	54 429	Purchase cost 31.12.2018	10 619	41 687	52 306
Accumulated depreciation 31.12.2019	-8 988	-38 886	-47 874	Accumulated depreciation 31.12.2018	-6 572	-34 317	-40 889
Net book value 31.12.2019	4 231	2 324	6 555	Net book value 31.12.2018	4 047	7 370	11 417

NOTE 6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	Budget A (SH) 31.12.2019	Budget B (FN) 31.12.2019	Total 31.12.2019	Budget A (SH) 31.12.2018	Budget B (FN) 31.12.2018	Total 31.12.2018
Prepaid taxes	0	0	0	0	0	0
Next period expenses	3 664	40 633	44 297	7 698	36 032	43 730
Prepayments for equipment	0	1 690	1 690	782	1 666	2 448
Accumulated VAT	434	704	1 138	264	715	979
Other receivables	70	70	140	445	0	445
Other prepayments	0	0	0	0	0	0
Total accounts receivable and prepayments	4 168	43 097	47 265	9 189	38 413	47 602

NOTE 7 CASH AND CASH EQUIVALENTS

	Budget A (SH) 31.12.2019	Budget B (FN) 31.12.2019	Budget C (OH) 31.12.2019	Total 31.12.2019	Budget A (SH) 31.12.2018	Budget B (FN) 31.12.2018	Budget C (OH) 31.12.2018	Total 31.12.2018
Cash on bank account	591 236	3 949 972	0	4 541 208	425 974	3 781 745	5 000	4 212 719
Cash in cash box	5	1	0	6	8	0	0	8
Total cash and cash equivalents	591 241	3 949 973	0	4 541 214	425 982	3 781 745	5 000	4 212 727

NOTE 8 ACCOUNTS PAYABLE

	Budget A (SH) 31.12.2019	Budget B (FN) 31.12.2019	Budget C (OH) 31.12.2019	Total 31.12.2019	Budget A (SH) 31.12.2018	Budget B (FN) 31.12.2018	Budget C (OH) 31.12.2019	Total 31.12.2018
Trade payables	21 102	29 484	0	50 586	5 303	4 505	3 815	13 623
Accrued liabilities	3 253	51 330	0	54 583	18 135	24 987	0	43 122
Vacation accruals	0	88 691	0	88 691	0	61 920	0	61 920
Personal income tax	525	2 452	0	2 977	1 081	2 818	1 185	5 084
Total accounts payable	24 880	171 957	0	196 837	24 519	94 230	5 000	123 749

NOTE 9 DEFERRED INCOME

	Budget A (SH) 2019	Budget B (FN) 2019	Total 2019		Budget A (SH) 2018	Budget B (FN) 2018	Total 2018
Net book value 01.01.2019	432 152	3 957 205	4 389 357	Net book value 01.01.2018	248 009	3 208 402	3 456 411
Contribution Latvia (for 2019)	213 120	1 964 852	2 177 972	Contribution Latvia (for 2018)	258 656	2 619 802	2 878 458
Contribution Latvia (for 2020)	161 038	654 950	815 988	Contribution Latvia (for 2019)	57 057	654 950	712 007
Contribution Poland (for 2019)	20 783		20 783	Contribution Poland (for 2018)	13 206	0	13 206
Contribution Germany (for 2019)	41 566		41 566	Contribution Germany (for 2018)	49 613	0	49 613
Contribution Estonia (for 2019)	20 783		20 783	Contribution Estonia (for 2018)	13 206	0	13 206
Contribution Italy (for 2019)	20 783		20 783	Contribution Italy (for 2018)	24 806	0	24 806
Contribution Great Britain (for 2019)	20 783		20 783	Contribution Great Britain (for 2018)	13 206	0	13 206
Contribution Lithuania (for 2019)	4 565		4 565	Contribution Lithuania (for 2018)	49 613	0	49 613
Contribution Lithuania (for 2019 paid by Poland) *	25 000		25 000	Contribution Lithuania (for 2019)	12 000	0	12 000
Contribution Finland (for 2019)	20 783		20 783	Contribution Finland (for 2018)	24 806	0	24 806
Contribution Finland (for 2020)	400		400				
Contribution Netherlands (for 2019)	20 783		20 783	Contribution Netherlands (for 2018)	24 806	0	24 806
Contribution Sweden (for 2019)	20 783		20 783	Contribution Sweden (for 2018)	25 000	0	25 000
Contribution Sweden (for 2020)	15 400		15 400				
Contribution Canada (for 2019)	25 000		25 000	Contribution Canada (for 2018)	25 000	0	25 000

NOTE 9 DEFERRED INCOME (CONTINUED)

Contribution Slovakia (for 2019)	25 000		25 000				
Contribution Slovakia (for 2020)	25 000		25 000				
Received VAT reimbursement	23 531	74 087	97 618	Received VAT reimbursement	18 100	76 962	95 062
Received deferred income	705 101	2 693 889	3 398 990	Received deferred income	609 075	3 351 714	3 960 789
Used in 2019	-555 201	-2 652 658	-3 207 859	Used in 2018	-425 482	-2 602 361	-3 027 843
Conference fee 2019	2 000	-2 000	0	Conference fee 2018	550	-550	0
Total deferred income 31.12.2019	584 052	3 996 436	4 580 488	Total deferred income 31.12.2018	432 152	3 957 205	4 389 357

* Position filled by Polish representative

NOTE 10 OTHER INCOME

2018	Budget A (SH)	Budget B (FN)	Budget C (OH)	Total
Other income	9 127	584	5 000	14 711
Total other income	9 127	584	5 000	14 711

2019	Budget A (SH)	Budget B (FN)	Budget C (OH)	Total
Other income	24 314	36 440	0	60 754
Total other income	24 314	36 440	0	60 754

BUDGET REPORT

2019 BUDGET

SUMMARY

In total, the Centre's budget consists of the Shared Budget – the Sponsoring Nations (SN) and Contributing Partners (CP) funding in support of the Centre's substantive activities, and the Framework Nation Support (FNS) Budget – funding that ensures the functioning of the Centre. The budget report has been prepared on a cash basis.

1. SHARED BUDGET

During its 10th meeting, the Steering Committee agreed on SN contributions for 2019 in the amount of 625,000 EUR based on 25 paid positions times 25,000 EUR for each position, and CP contributions in the amount of 50,000 EUR based on 2 paid positions times 25,000 EUR for each position. The Shared Budget for 2019 was approved in the amount of 700,500 EUR. From that amount, 675,000 EUR were planned as contributions from SN and CP, and 25,500 EUR were planned as revenue from value added tax reimbursements and collected conference fees.

Calls for Funds were issued for contributions for the financial year 2019:

<i>First Call for Funds 2019</i>	<i>300,000</i>
<i>Second Call for Funds 2019 (Reduced by surpluses from FY 2017)</i>	<i>224,589</i>
<i>Surplus from Financial Year 2017</i>	<i>101,211</i>
<i>Call for Funds for Slovak Republic 2019</i>	<i>25,000</i>
Total (EUR) for FY 2019*	650,000
Advance (EUR) for FY 2020 (FIN and SWE)	800

**Call for Funds (25,000 EUR) was not issued for France as the joining process has not been completed.*

As of 31 December 2019, the total amount of expenditures was 489,168 EUR; in addition, 152,705 EUR were carried forward to complete commitments and to support projects from FY 2019 continuing in 2020.

In the Budget Chapter 720000 Contractual Supplies and Services the following main budget positions resulted in savings – Travel, and Contractors:

- Savings in funds allocated for Travel were due to the fact that a significant number of business trips were covered by the inviting side and fewer transatlantic trips were executed than initially planned;
- Savings in funds allocated for Contractors were due to the fact that research for one project was carried out without using outsourced contractors and for another project research part was postponed to 2020. Contracting amounts for several projects were smaller than initially planned and fewer events with guest speakers were carried out than initially planned.

In 2019, the budget within Chapter 720000 was amended (transfers of budget credits), mainly to ensure the funding necessary for conference/events rooms and equipment rental, as well as printing of research papers.

As regards the funding (83,668 EUR) carried forward from FY 2018 the amount of 78,248 EUR was spent as follows: 59,808 EUR to cover commitments and 18,440 EUR spent for POW 2018 Project No. 54 (in POW 2019 Project No.68). One final payment for this particular project in amount of 909 EUR

was pending at the end of the 2019 since the confirmation of completion of the peer review was awaited and received only at the beginning of FY 2020.

The following funds from 2019 have been carried forward into 2020:

1) committed funds for which the payments were not executed by the end of the FY 2019. Such funds came to a total of 55,705 EUR, including:

- 33,029 EUR for contractors (research; reports; peer reviews) for POW 2019 Projects No.19-4, 19-5, 19-6, 19-25, 19-32, 19-56, 19-59, and 19-65;
- 14,835 EUR for editing and layout design of research papers and printouts for POW 2019 Projects No. 19-4, 19-6, 19-7, 19-8, 19-14, 19-32, 19-47, 19-56, 19-58, 19-60, 19-61 and 19-65;
- 4,290 EUR events' expenses for POW 2019 Projects No.19-16, 19-56, and 19-65;
- 1,624 EUR for IT services;
- 1,012 EUR for reference materials;
- 915 EUR for ScholarOne subscription for academic journal POW 2019 Project 19-8.

2) 18,000 EUR for the implementation of POW 2019 and 2020 Project No. 66 and 79,000 EUR for the audience analysis of POW 2019 and 2020 Project No. 60.

2019 was the first year when the Conference fee for the Riga StratCom Dialogue 2019 was collected. In total 40,070 EUR were received, from which 4,796 EUR correspond to the Shared budget and 35,274 EUR correspond to the FNS budget based on proportional shared expenditures for the Riga StratCom Dialogue 2019.

The lapsed amounts will be offset against SN and CP contributions in the upcoming years based on the participation of each country for particular financial years (posts assigned and contributions paid), unless the SC decides on a different course of action.

*Refer to **Appendix 1 and Appendix 2** for further details.*

2. FRAMEWORK NATION SUPPORT BUDGET

The FNS Budget for 2019 was planned in the amount of 5,746,597 EUR to cover the costs of remuneration for the Centre's FN staff, the Centre's hired foreign experts, travel costs, administrative expenses, maintenance of the premises, and the purchase of equipment and supplies.

As of 31 December 2019, the total amount of expenditures was 2,561,059 EUR. 320,866 EUR were spent from budget item 2500 to support the Centre's substantive activities, including the Riga StratCom Dialogue conference in June 2019; rental of the event registration system service – Cvent; internships; services of the Editor-in-Chief of the Centre's academic journal *Defence Strategic Communications*; the terminology review project; cooperation with King's College London; and others.

In order to facilitate the lack of working space, it was decided to set up a container - type office as a temporary solution. Therefore, the budget within Chapter 3000 was amended and the necessary funding was shifted from information technologies to other investments (container-type office).

Due to the outside factors, there was unforeseen delay in one of the planned information technologies and communications projects; the project was postponed to 2020/2021.

Unused funding and contributions are carried forward into the next financial year to continue to support the Centre's activities.

*Refer to **Appendix 3 and Appendix 4** for further details.*

3. SUPPORT FOR THE COMPETITION BY LATVIJAS MOBILAIS TELEFONS LTD

In 2018 the Centre received 5,000 EUR from Latvijas Mobilais telefons LTD to pay out as a prize to the winner of the competition “How to Detect the Malicious Use of Video/Photographic Content Online?” organised by the Centre. In 2019 the prize was paid to the winning team from the University of Aveiro (Portugal).

APPENDICES TO THE BUDGET REPORT

APPENDIX 1 BUDGET EXECUTION TABLE – 2018 SHARED BUDGET

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/Received In 2018	Committed/Carried Forward to 2019	Lapsed
710000				PERSONNEL	0		0	0		0
	716000			Training	0		0	0		0
720000				CONTRACTUAL SUPPLIES AND SERVICES	675 890		675 890	390 978	83 668	201 244
	721000			General Support	148 009		148 009	92 929	4 526	50 554
		721100		Administration	61 609		62 609	45 898	3 020	13 691
			721110	Printing/Photocopying/ Visual/Graphics/ Publications Supplies and Services	42 259		42 259	30 972	3 020	8 267
			721120	Office Supplies and Minor Office Equipment	8 950		8 950	7 618		1 332
			721130	Reference Materials	4 800	1 000	5 800	4 737		1 063
			721140	Postal/Shipping/Banking Services	5 600		5 600	2 571		3 029
		721200		Hospitality	61 230	-1 000	60 230	29 240	596	30 394
		721500		Furniture and Equipment	6 300	6 700	13 000	11 035	160	1 805
		721800		Non NATO StratCom COEs Facilities	18 870	-6 700	12 170	6 756	750	4 664
	722000			Mission Support	47 000		52 750	38 583		13 975
		722100		Fuel/Oil/Gases and Fluids	0		0	0		0
		722300		AIS	15 590		21 340	19 206	192	1 942
			722310	Purchase/Rental and Operational Lease	14 740		14 740	12 840		1 900
			722320	Supplies and Consumables	850		850	649	192	9
			722330	Services and Maintenance	0	5 750	5 750	5 717		33
		722400		Communications	30 660		30 660	19 256		11 404
			722410	Purchase/Rental and Operational Lease	7 000		7 000	5 130		1 870
			722420	Supplies and Consumables	800		800	35		765
			722430	Telephone/Telefax/Internet/Services and Maintenance	22 860		22 860	14 091		8 769
		722500		Mission Carriers	750		750	121		629
			722510	Rental and Operational Lease	750		750	121		629
			722520	Services and Maintenance	0		0	0		0
	723000			Travel	176 000		176 000	82 095		93 905
		723100		Transportation for Business Trips	168 760		168 760	77 061		91 699
		723200		Transportation for Training	1 500		1 500	1 336		164
		723300		Fees	5 740		5 740	3 698		2 042
	725000			Miscellaneous Costs	800		800	489		311
	726000			Consultants/Contractors	304 081		298 331	176 882	78 950	42 499
		726100		Consultants	0		0	0		0
		726200		Contractors	304 081	-5 750	298 331	176 882	78 950	42 499
730000				CAPITAL AND INVESTMENTS*	0		0	0		0
	731000			AIS	0		0	0		0
	732000			Communications	0		0	0		0
	733000			Furniture and Equipment	0		0	0		0
TOTAL EXPENDITURES					675 890		675 890	390 978	83 668	201 244
740000				REVENUE	25 890		25 890	21 691		4 199
	741000			Revenue/from StratCom COE organised conference, course, workshop, etc. fees	15 650		15 650	9 483		6 167
	742000			Revenue/Value added tax reimbursement**	10 240		10 240	12 122		-1 882
	743000			Revenue/Other	0		0	86		-86
TOTAL REVENUE					25 890		25 890	21 691		4 199
CONTRIBUTIONS PLANNED/RECEIVED***					650 000		650 000	625 000		25 000
TOTAL NET-EXPENDITURES					625 000		625 000	369 287	83 668	172 045
CARRIED FORWARD FROM FY 2017										
	721000			General Support	8 891	1 227	10 118	7 662		2 456
	726000			Consultants/Contractors	56 753	-1 227	55 526	41 696		13 830
	731000			AIS	1 400		1 400	1 400		0
TOTAL EXPENDITURES CARRIED FORWARD FROM FY 2017					67 044		67 044	50 758		16 286
REVENUE FROM FY 2017										
740000				REVENUE****	0		0	6 630		-6 630
TOTAL NET EXPENDITURES					67 044		67 044	44 128		22 916

* Credits required for the procurement of the equipment at cost of more than 50% Level A (Level A - 5 000 EUR)

** For the first three quarters of FY 2018

*** 650 000 EUR were approved contributions from Sponsoring Nations and Contributing Partners. As the joining process of France in 2018 is not yet complete, the contribution (25 000 EUR) wasn't received

**** 652 EUR in reimbursements for payments made in FY 2017; 4 582 EUR VAT reimbursement for the 4th quarter of FY 2017; 1 396 EUR VAT reimbursement for the funds carried forward from FY 2017

APPENDIX 2 BUDGET EXECUTION TABLE – 2019 SHARED BUDGET

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/Received in 2019	Committed/Carried forward to 2020	Lapsed
710000				PERSONNEL	900		900	900		0
	716000			Training	900		900	900		0
720000				CONTRACTUAL SUPPLIES AND SERVICES	699 600		699 600	488 268	152 706	58 627
	721000			General Support	138 555		138 555	122 866	6 549	9 140
		721100		Administration	51 560		54 060	44 974	5 094	3 992
			721110	Printing/Photocopying/Visual/Graphics/Publications Supplies and Services	29 660	6 000	35 660	31 421	4 082	157
			721120	Office Supplies and Minor Office Equipment	10 000		10 000	9 698		302
			721130	Reference Materials	7 300	-2 500	4 800	1 762	1 012	2 026
			721140	Postal/Shipping/ Banking Services	4 600	-1 000	3 600	2 093		1 507
		721200		Hospitality	55 765	-9 150	46 615	42 150	600	3 865
		721500		Furniture and Equipment	15 350	6 650	22 000	21 594	355	51
		721800		Non NATO StratCom COEs Facilities	15 880		15 880	14 148	500	1 232
	722000			Mission Support	42 120		42 120	28 884	2 540	10 696
		722100		Fuel/Oil/Gases and Fluids	0		0	0		0
		722300		AIS	20 180		20 180	11 823	2 540	5 817
			722310	Purchase/Rental and Operational Lease	14 090		14 090	10 609	915	2 566
			722320	Supplies and Consumables	350		350	343	0	7
			722330	Services and Maintenance	5 740		5 740	871	1 625	3 244
		722400		Communications	21 140		21 140	16 940		4 200
			722410	Purchase/Rental and Operational Lease	3 840		3 840	3 467		373
			722420	Supplies and Consumables	200		200	80		120
			722430	Telephone/Telefax/Internet/Services and Maintenance	17 100		17 100	13 393		3 707
		722500		Mission Carriers	800		800	121		679
			722510	Rental and Operational Lease	800		800	121		679
			722520	Services and Maintenance	0		0	0		0
	723000			Travel	145 700		145 700	106 741	1 000	37 959
		723100		Transportation for Business Trips	140 240	-2 000	138 240	100 405	1 000	36 835
		723200		Transportation for Training	1 000	1 000	2 000	1 638		362
		723300		Fees	4 460	1 000	5 460	4 698		762
	725000			Miscellaneous Costs	700		700	66		634
	726000			Consultants/Contractors	372 525		372 525	229 711	142 616	198
		726100		Consultants	0		0	0		0
		726200		Contractors	372 525		372 525	229 711	142 616	198
730000				CAPITAL AND INVESTMENTS*	0		0	0		0
	731000			AIS	0		0	0		0
	732000			Communications	0		0	0		0
	733000			Furniture and Equipment	0		0	0		0
TOTAL EXPENDITURES					700 500		700 500	489 168	152 706	58 627
740000				REVENUE	25 500		25 500	41 718		-16 218
	741000			Revenue/from StratCom COE organised conference, course, workshop, etc. fees**	17 000		17 000	25 794		-8 794
	742000			Revenue/Value added tax reimbursement***	8 500		8 500	15 924		-7 424
	743000			Revenue/Other	0		0	0		0
TOTAL REVENUE					25 500		25 500	41 718		-16 218
CONTRIBUTIONS PLANNED/RECEIVED****					675 000		675 000	650 000		25 000
TOTAL NET-EXPENDITURES					650 000		650 000	447 450	152 706	49 845
CARRIED FORWARD FROM FY 2018										
	721000			General Support	4 526		4 526	3 199		1 327
	722000			Mission Support	192		192	192		0
	723000			Travel	0	68	68	68		0
	726000			Consultants/Contractors	78 950	-68	78 882	74 789	909	3 184
TOTAL EXPENDITURES CARRIED FORWARD FROM FY 2018					83 668		83 668	78 248		4 511
REVENUE FROM FY 2018										
740000				REVENUE*****	0		0	9 387		-9 387
TOTAL NET EXPENDITURES					83 668		83 668	68 861	909	13 898

* Credits required for the procurement of the equipment at cost of more than 50% Level A (Level A - 5 000 EUR)

** including 4 796 EUR from Riga StratCom Dialogue 2019

*** For the first three quarters of FY 2019

**** 675 000 EUR were approved contributions from Sponsoring Nations and Contributing Partners. As the joining process of France in 2019 is not yet complete, the contribution (25 000 EUR) wasn't received

***** 1 781 EUR in reimbursements for payments made in FY 2018; 7 309 EUR VAT reimbursement for the 4th quarter of FY 2018; 297 EUR VAT reimbursement for the funds carried forward from FY 2018

APPENDIX 3 BUDGET EXECUTION TABLE – 2018 FRAMEWORK NATION SUPPORT BUDGET

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credit	Final Budget	Spent/Received in 2018	Carried Forward to 2019
1000				PERSONNEL	1 731 197		1 731 197	1 649 630	81 567
	1100			Salaries, Employee's Personal Income Tax, Employee's State Social Insurance Mandatory Contributions	1 388 417		1 388 417	1 318 933	69 484
	1200			Employer's State Social Insurance Mandatory Contributions, Benefits and Allowances	342 780		342 780	330 698	12 082
2000				SUPPLIES AND SERVICES	3 826 771		3 826 771	888 960	2 937 820
	2100			Travel Expenses	97 460		97 460	74 197	23 263
	2200			Services	485 564		485 564	347 963	137 601
		2210		Communications	21 000		21 000	11 041	9 959
		2220		Utilities	53 880		53 880	38 718	15 162
		2230		Administrative Expenditure	46 892		46 892	46 221	671
		2240		Renovation and Maintenance of Institution	310 242		310 242	207 205	103 037
		2241		Renovation of Buildings and Premises	20 000		20 000	163	19 837
		2242		Maintenance and Repair of Vehicles	8 650		8 650	4 358	4 292
		2243		Repair and Technical Services of Equipment and Inventory	14 350		14 350	5 919	8 431
		2244		Maintenance of Buildings and Premises	267 242		267 242	196 765	70 477
		2250		Information Technologies Maintenance	45 550		45 550	39 212	6 338
		2260		Rental	3 000	-600	2 400	0	2 400
		2270		Other Services	5 000	600	5 600	5 565	35
	2300			Stocks, Materials, Office Supplies	89 600		89 600	44 477	45 323
		2310		Office Supplies, Minor Office Equipment and Furniture, Information Technologies and Communications/up to 10% of level A*	31 000		31 000	19 427	11 573
		2320		Inventory, Equipment, Furniture, Information Technologies and Communications/from 10% to 50% of level A*	44 300		44 300	18 794	25 506
		2330		Materials for Renovation and Maintenance of Institution	5 000		5 000	838	4 162
		2340		Other	9 500		9 500	5 418	4 082
	2400			Periodicals	15 000		15 000	7 184	7 816
	2500			Other (FN Voluntary Contributions for Centre's Substantive Activities)	3 138 947		3 138 947	415 130	2 723 817
3000				CAPITAL AND INVESTMENTS/Credits required for the procurement of the equipment at cost of more than 50% Level A*	37 615		37 615	8 132	29 483
	3100			Intangible Assets	13 115		13 115	6 672	6 443
	3200			Fixed Assets	24 500		24 500	1 460	23 040
		3210		Information Technologies	11 500		11 500	0	11 500
		3220		Communications	9 000		9 000	0	9 000
		3230		Other Investments	4 000		4 000	1 460	2 540
TOTAL EXPENDITURES					5 595 583		5 595 583	2 546 713	3 048 870
4000				REVENUE	0		0	77 925	77 925
	4100			Revenue/Value added tax reimbursement **	0		0	76 962	76 962
	4200			Revenue/Other reimbursement from FY 2017	0		0	378	378
	4300			Revenue/Other (book selling)	0		0	585	585
TOTAL REVENUE ***					0		0	77 925	77 925
TOTAL NET-EXPENDITURES ****					5 595 583		5 595 583	2 546 713	3 048 870

* Level A - 5 000 EUR

** 12 328 EUR for the 4th quarter FY 2017 and 64 634 EUR for first three quarters of FY 2018

*** 77 925 EUR will be incorporated into the FNS Budget for 2019

**** 3 048 870 EUR will be incorporated into the FNS Budget for 2019

APPENDIX 4 BUDGET EXECUTION TABLE – 2019 FRAMEWORK NATION SUPPORT BUDGET

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/Received in 2019	Carried Forward to 2020
1000				PERSONNEL	1 798 475		1 798 475	1 733 185	65 290
	1100			Salaries, Employee's Personal Income Tax, Employee's State Social Insurance Mandatory Contributions	1 437 676		1 437 676	1 385 950	51 726
	1200			Employer's State Social Insurance Mandatory Contributions, Benefits and Allowances	360 799		360 799	347 235	13 564
2000				SUPPLIES AND SERVICES	3 878 072		3 878 072	779 719	3 098 353
	2100			Travel Expenses	82 100	1 000	83 100	82 615	485
	2200			Services	498 688		497 688	314 844	182 844
		2210		Communications	17 000		17 000	13 070	3 930
		2220		Utilities	43 800	-1 000	42 800	34 628	8 172
		2230		Administrative Expenditure	54 392		54 392	41 456	12 936
		2240		Renovation and Maintenance of Institution	225 310		225 310	187 269	38 041
		2241		Renovation of Buildings and Premises	10 000		10 000	0	10 000
		2242		Maintenance and Repair of Vehicles	5 510		5 510	2 950	2 560
		2243		Repair and Technical Services of Equipment and Inventory	10 000		10 000	1 425	8 575
		2244		Maintenance of Buildings and Premises	199 800		199 800	182 894	16 906
		2250		Information Technologies Maintenance	146 186		146 186	34 127	112 059
		2260		Rental	5 000		5 000	917	4 083
		2270		Other Services	7 000		7 000	3 377	3 623
	2300			Stocks, Materials, Office Supplies	70 740		70 740	54 591	16 149
		2310		Office Supplies, Minor Office Equipment and Furniture, Information Technologies and Communications/up to 10% of level A*	30 980		30 980	24 429	6 551
		2320		Inventory, Equipment, Furniture, Information Technologies and Communications/from 10% to 50% of level A*	25 260		25 260	21 714	3 546
		2330		Materials for Renovation and Maintenance of Institution	5 000		5 000	437	4 563
		2340		Other	9 500		9 500	8 011	1 489
	2400			Periodicals	9 000		9 000	6 803	2 197
	2500			Other (FN Voluntary Contributions for Centre's Substantive Activities)	3 217 544		3 217 544	320 866	2 896 678
3000				CAPITAL AND INVESTMENTS/Credits required for the procurement of the equipment at cost of more than 50% Level A*	70 050		70 050	48 165	21 885
	3100			Intangible Assets	13 000		13 000	5 082	7 918
	3200			Fixed Assets	57 050		57 050	43 073	13 977
		3210		Information Technologies	48 550	-22 000	26 550	13 275	13 275
		3220		Communications	0		0	0	0
		3230		Other Investments	8 500	22 000	30 500	29 798	702
TOTAL EXPENDITURES					5 746 597		5 746 597	2 561 059	3 185 538
4000				REVENUE	0		0	109 485	109 485
	4100			Revenue/Value added tax reimbursement **	0		0	74 087	74 087
	4200			Revenue/Other reimbursement	0		0	0	0
	4300			Revenue/Other ***	0		0	35 398	35 398
TOTAL REVENUE ****					0		0	109 485	109 485
TOTAL NET-EXPENDITURES *****					5 746 597		5 746 597	2 561 059	3 185 538

* Level A - 5 000 EUR

** 13 163 EUR for the 4th quarter FY 2018 and 60 924 EUR for first three quarters of FY 2019

*** including 35 274 EUR from the Riga StratCom Dialogue 2019 conference fees

**** 109 485 EUR will be incorporated into the FNS Budget for 2020

***** 3 185 538 EUR will be incorporated into the FNS Budget for 2020



 Jānis Sārts, Director, 30 March 2020



Independent Auditor's Report

To the Founders of NATO Strategic Communications Centre of Excellence

Our opinion

In our opinion, the accompanying financial statements set out on pages 9 to 17 of the accompanying annual report give a true and fair view of the financial position of NATO Strategic Communications Centre of Excellence (Organisation) as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

What we have audited

The financial statements comprise:

- the balance sheet as at 31 December 2019,
- the profit and loss account for the year then ended,
- the statement of changes in net assets for the year then ended,
- the cash flow statement for the year then ended, and
- the notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Law on Audit Services that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

Reporting on Other Information Including the Management Report

Management is responsible for the other information. The other information comprises:

- the Management Report as set out on pages 3 to 7 of the accompanying annual report,
- the Management Representation to the Financial Statements as set out on page 8 of the accompanying annual report,
- the Budget Report as set out on pages 18 to 24 of the accompanying annual report,

but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, including the Management Report.

PricewaterhouseCoopers SIA
Kr. Valdemāra iela 21-21, Rīga, LV-1010, Latvia, LV40003142793
T: +371 6709 4400, F: +371 6783 0055, www.pwc.lv

Translation note: This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we are required to report if we have identified material misstatements in the Management Report. We have nothing to report in this respect.

We have issued a separate independent auditor's report on the Budget Report contained in the other information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

A handwritten signature in blue ink, appearing to read "Terēze Labzova-Ceicāne".

Terēze Labzova-Ceicāne
Certified auditor in charge
Certificate No.184
Member of the Board

Riga, Latvia
30 March 2020



Independent Auditor's Report

To the Founders of NATO Strategic Communications Centre of Excellence

Our opinion

In our opinion, the accompanying Budget report of NATO Strategic Communications Centre of Excellence (Organisation) set out on pages 18 to 24 of the accompanying annual report has been prepared, in all material respects, in accordance with the basis of preparation set out in Summary to the Budget report on pages 18 to 20 of this annual report.

What we have audited

The Budget report comprise:

- Budget execution table – 2019 Shared Budget,
- Budget execution table – 2019 Framework Nation Support Budget, and
- Summary to the Budget report which includes the basis of preparation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Budget report section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Law on Audit Services that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

Emphasis of Matter

We draw attention to the Summary to the Budget report which describes the basis of preparation. The accounting policies used and disclosures made are not intended to, and do not comply with all the requirements of Law of the Republic of Latvia on Annual Reports and Consolidated Annual Reports. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Budget report

Management is responsible for the preparation of the Budget report in accordance with the basis of preparation as set out in Summary to the Budget report on pages 18 to 20 of the annual report, and for such internal control as management determines is necessary to enable the preparation of budget report that are free from material misstatement, whether due to fraud or error.

In preparing the Budget report, management is responsible for assessing the 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Budget report

Our objectives are to obtain reasonable assurance about whether the Budget report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Budget report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Budget report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Budget report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Budget report, including the disclosures, and whether the Budget report represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

A handwritten signature in blue ink, appearing to read "Terēze Labzova-Ceicāne".

Terēze Labzova-Ceicāne
Certified auditor in charge
Certificate No.184
Member of the Board

Riga, Latvia
30 March 2020