



NATO STRATEGIC COMMUNICATIONS CENTRE OF EXCELLENCE

ANNUAL REPORT

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TABLE OF CONTENTS

TABLE OF CONTENTS	2
MANAGEMENT REPORT	3
FINANCIAL STATEMENTS	7
MANAGEMENT REPRESENTATION TO THE FINANCIAL STATEMENTS.....	7
BALANCE SHEET	8
STATEMENT OF FINANCIAL PERFORMANCE	8
CASH FLOW STATEMENT	9
STATEMENT OF CHANGES IN ASSETS	10
NOTES TO THE FINANCIAL STATEMENTS.....	11
NOTE 1 BASIS OF PREPARATION	11
NOTE 2 INTANGIBLE ASSETS	13
NOTE 3 FIXED ASSETS	14
NOTE 4 ADVANCE PAYMENT FOR FIXED ASSETS	14
NOTE 5 OFFICE EQUIPMENT/SMALL INVENTORY	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 FUNDS	17
NOTE 11 OTHER INCOME.....	17
BUDGET REPORT	18
2015 BUDGET	18
APPENDICES TO THE BUDGET REPORT	20
APPENDIX 1 BUDGET EXECUTION TABLE – 2014 SHARED BUDGET	20
APPENDIX 2 BUDGET EXECUTION TABLE – 2015 SHARED BUDGET	22
APPENDIX 3 BUDGET EXECUTION TABLE – 2014 FRAMEWORK NATION SUPPORT BUDGET	24
APPENDIX 4 BUDGET EXECUTION TABLE – 2015 FRAMEWORK NATION SUPPORT BUDGET	25

MANAGEMENT REPORT

General Information

The NATO Strategic Communications Centre of Excellence (Centre) has held the status of an international organization in Latvia according to the 1952 Paris Protocol from 1 October 2014. 2015 was the Centre's first full financial year of operation. This year marked a significant period of enhancement in the development of the Centre and a number of agreements and procedures were exercised and implemented for the first time. During the reporting period, the Centre implemented its substantive activities in line with the Programme of Work (POW) for 2015 and the budget for 2015 as approved by the Steering Committee (at its 2nd meeting on 27 November 2014). The gradual filling of posts at the Centre and the involvement of personnel in Centre's projects led to a more precise implementation of the budget as well as the growth of planned expenditures during the second part of the year. The level of competency and expertise at the Centre has also increased. Significant financial resources related to the Centre's relocation to its renovated permanent premises were spent in 2015. All related expenses were covered by Framework Nation Support funding.

The Centre's Mission and Tasks for 2015

The mission of the Centre 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 substantively to the improvement of NATO's strategic communications capabilities through research and analysis, concept development, experimentation, as well as education and training.

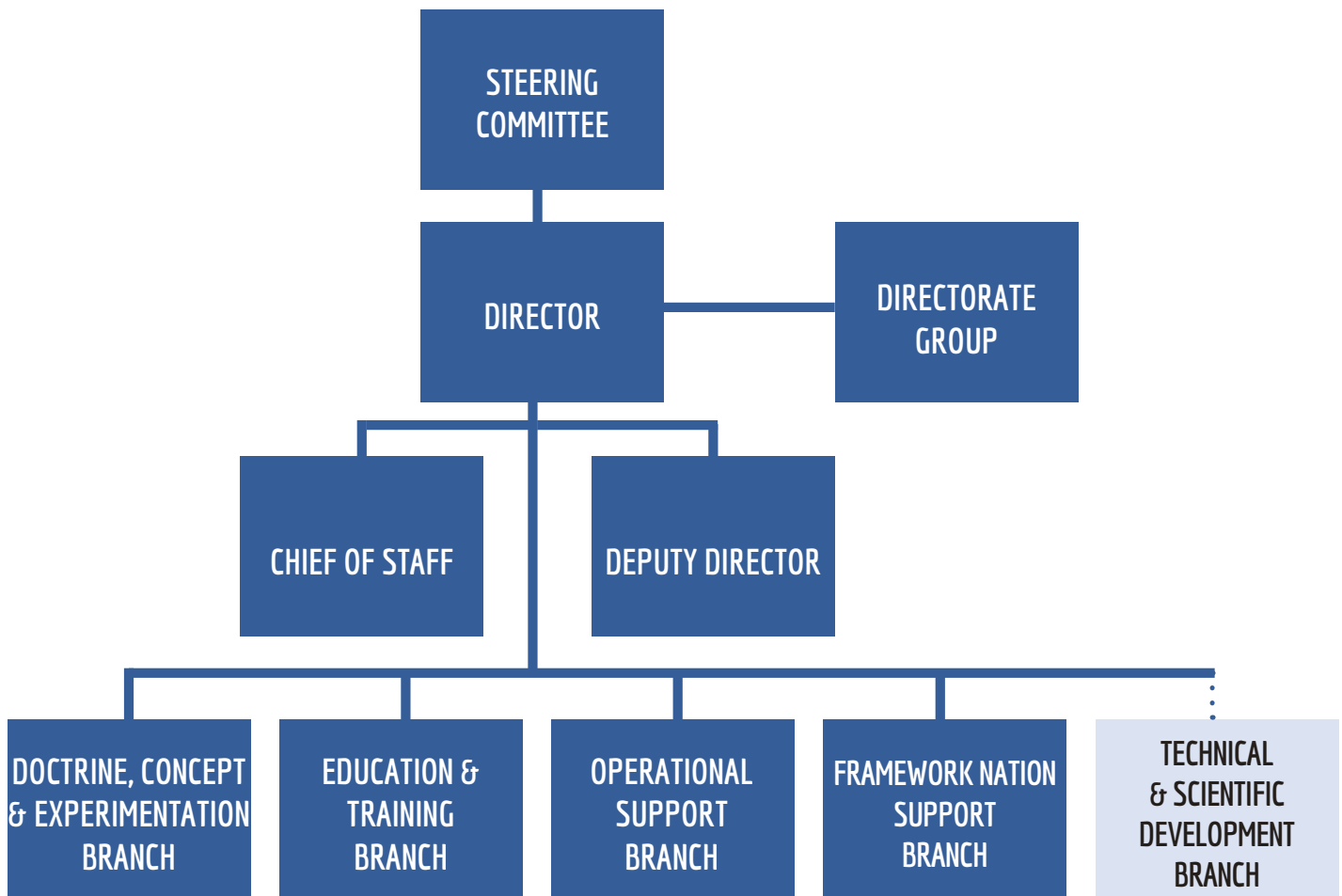
The Centre operates as a research hub and a facility for testing ideas and approaches. In 2015 the Centre brought together international experts in different strategic communications disciplines, including Public Diplomacy, Public Affairs, Military Public Affairs, Information Operations and Psychological Operations, as well as professionals from related domains at a number seminars organised by the Centre, and the main event - 'The Riga StratCom Dialogue: Perception Matters' conference.

The POW 2015 comprised 42 projects, divided into 82 subtasks. Sponsoring Nations contributed to the Centre's POW 2015 with 14 projects (divided into 21 subtasks), while 27 projects (divided into 60 subtasks) were received as Requests for Support from other NATO institutions, and one project was planned by Centre itself. In comparison to 2014, there was a significant increase in the amount of work performed by the Centre in 2015.

Structure

In 2015 the Centre consisted of 4 branches: the Doctrine, Concept and Experimentation Branch; the Education and Training Branch; the Operational Support Branch; and the Framework Nation Support Branch. The Directorate Group, staffed with a Legal Adviser, Financial Controller and Executive Assistant, provides the necessary administrative and organizational support. The Deputy Director is responsible for the substantive work of the Centre. The Chief of Staff is responsible for the coordination of staff and managing communication and information flows within the Centre.

The highest decision-making body - the Steering Committee - consists of representatives of all Sponsoring Nations and is headed by a representative of the Framework Nations. During its last meeting of 2015 the Steering Committee decided to increase the number of staff positions at the Centre and establish a new branch in 2016 - the Technical and Scientific Development Branch. Therefore, the new structure of the Centre would be as follows:



By the end of 2015, the number of positions filled increased by 40%, mainly due to the arrival of the international staff. Representatives from Poland, the United Kingdom, Italy and Lithuania arrived during the first part of the year, while two representatives from Germany and the second Lithuanian representative arrived during the second half of the year.

In addition to the contributions of the Sponsoring Nations, the Netherlands and NATO Partner Nation Finland each sent personnel to the Centre at the end of the year.

From June to September 2015, Centre's staff was complemented by voluntary contributions - two consecutive experts from the US. This gave invaluable support for the Centre's research projects, increasing Centre's knowledge about social networks.

This year also marked a change in leadership, when Ambassador Jānis Kārklīņš handed over his responsibilities to Mr Jānis Sārts in September 2015.

Main Achievements in 2015

All planned projects are divided among the Branches of the Centre. The number of active personnel at the Centre significantly influenced the assignment of tasks. The Operational Support Branch and the Education and Training Branch were understaffed for the better part of the year. Therefore, the greatest number of substantial projects was initially assigned to the Concept, Doctrine and Experimentation Branch.

The Centre's main projects in 2015 were:

- To support the development of a NATO Military Committee (MC) concerning policy and doctrine for strategic communications. It is imperative for Centre to build a common understanding about strategic communications among NATO nations, therefore the investment in MC policy development and doctrine preparation is vital for NATO;
- To recognise early the signals of a 'hybrid warfare scenario' in order to develop 'early-warning-measures';
- To begin development of a policy manual on the topic 'How NATO as an organisation and its members can protect themselves from subversive leverage';
- To conduct research on Russian information campaigns against the world and Ukraine in 2014;
- To analyse social media networks and activities that have the potential to be used as weapon or larger part of hybrid warfare;
- To conduct a StratCom mapping/review of NATO countries;
- To conduct an ISAF StratCom overview: 2003-2014;
- To develop a basic on-line course in StratCom;
- To develop a StratCom course for senior officials;
- To publish a peer-reviewed academic journal on strategic communications;
- To support the NATO exercises Trident Juncture, Trident Jaguar, Steadfast Pinnacle and Steadfast Pyramid.

This list of projects covers a wide range of interests including research, studies, publications, education and training. The key findings from the Centre's main studies and research were presented during the 20-21 August Conference 'The Riga StratCom Dialogue: Perception Matters'. Research, study and analysis are the basic means by which our knowledge and understanding are enhanced. In order to achieve results that are of academically and professionally recognized quality, the Centre has outsourced its research capabilities for many of the listed projects.

Carrying out its studies and research in 2015, the Centre cooperated with institutions such as the Latvian Political Scientist Association; the John Paul II Catholic University of Lublin; the Latvian Institute of International Affairs; the Eastern Europe Studies Centre (Lithuania); the Royal United Services Institute for Defence and Security Studies (United Kingdom); the Conflict Studies Research Centre (United Kingdom); Royal Military College of Canada; Estonian Defence Forces etc.

The Centre has engaged its communication experts in a number of the projects designated to facilitate the development of NATO capabilities, such as the US-led project Multinational Capability Development Campaign (MCDC) and the German-led project Multinational InfoOps Experiment (MNIOE).

In 2015 the Centre was pleased to receive financial support from the Canadian Government in order to support the Centre's efforts to improve its strategic communications research capabilities and develop knowledge concerning target audience analysis (TAA). The contractor, Strategic Communications Laboratory (SCL), delivered an intensive 8-week course where the SCL trained defence personnel from NATO Allied and Partner countries, as well as Centre personnel, in TAA methodology developed by the Behavioural Dynamics Institute (United Kingdom). Following the course, the Centre conducted a training seminar for Georgian, Ukrainian and Moldovan government officials to familiarize them with that particular TAA methodology and explain its role in the StratCom planning loop. A subject matter expert from the SCL contributed to the planning and delivery of the training.

The Centre is also developing its cooperation with other NATO Centers of Excellence (COEs). The Centre supported the cyber exercise carried out by the Cyber Defence COE in Estonia, the Joint Airpower Competence Centre received Centre's support for its conference on strategic communications, and a lecturer from the Centre supported the Defence Against Terrorism COE. The Supreme Allied Command Transformation (SACT) coordinates the relationships between NATO institutions and COEs. By the request of the ACT and the COE Directors, the Centre has helped in developing a common directive 'NATO Centers of Excellence, Strategic Communication Framework for 2016 and beyond'. This was done in order to unite our common efforts for advertising the work of the COEs.

Cooperation with the NATO School and the Baltic Defence College in the year 2015 was fruitful. COE experts gave lectures at the NATO School Senior Officers Policy Course, the course on Strategic Communication for senior officials and on various topics for the students of the Baltic Defence College. These activities have enhanced the capacity and broadened the overall knowledge on the Strategic Communications matters in the NATO community.

Jānis Sārts

Director

31 March 2016

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 8 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 Annual Accounts Act of the Republic of Latvia.
2. The financial statements give a true and fair view of the financial position of the organization and the results of its operations and cash flows.
3. The organization is able to continue as a going concern.

Jānis Sārts

Director

31 March 2016

BALANCE SHEET

	31.12.2015 Total EUR	31.12.2015 incl. Budget A (SH) EUR	31.12.2014 Total EUR	31.12.2014 incl. Budget A (SH) EUR	Notes
Intangible assets	45 049	11 107	698	0	2
Fixed assets	215 648	681	17 632	0	3
Advance payments for fixed assets	20 264	0	4 753	0	4
Office equipment	16 093	2 644	3 781	0	5
Total fixed assets	297 054	14 432	26 864	0	
Accounts receivable and prepayments	22 546	2 294	2 556	2 388	6
Cash and cash equivalents	2 440 059	420 691	1 952 343	593 492	7
Total current assets	2 462 605	422 985	1 954 899	595 880	
TOTAL ASSETS	2 759 659	437 417	1 981 763	595 880	
Accounts payable	70 265	8 558	25 418	1 451	8
Deferred income	2 689 394	428 859	1 956 345	594 429	9
Total current liabilities	2 759 659	437 417	1 981 763	595 880	
TOTAL LIABILITIES AND NET ASSETS	2 759 659	437 417	1 981 763	595 880	

STATEMENT OF FINANCIAL PERFORMANCE

	2015 Total EUR	2015 incl. Budget A (SH) EUR	2015 incl. Budget C (CAN) EUR	01.10.2014- 31.12.2014 Total EUR	01.10.2014- 31.12.2014 incl. Budget A (SH) EUR	Notes
Contributions and related income	1 717 365	425 555	0	310 622	30 571	9
Funds Budget C (CAN)	701 064	0	701 064	0	0	10
Other income	94	0	0	0	0	11
Total revenue	2 418 523	425 555	701 064	310 622	30 571	
Operating expenses	1 478 038	423 736	701 064	67 480	30 571	
Personnel expenses	916 758	0	0	242 873	0	
Depreciation of fixed assets and intangible assets	23 727	1 819	0	269	0	2,3,5
Total expenses	2 418 523	425 555	701 064	310 622	30 571	
Surplus from operating activities	0	0	0	0	0	
Surplus for the period	0	0	0	0	0	

 Jānis Sārts, Director, 31 March 2016

CASH FLOW STATEMENT

	2015 Total EUR	2015 incl. Budget A (SH) EUR	01.10.2014- 31.12.2014 Total EUR	01.10.2014- 31.12.2014 incl. Budget A (SH) EUR	Notes
Surplus from operating activities	0	0	0	0	
Depreciation	23 727	1 819	269	0	2,3,5
Accrued expenses for unused vacations	21 043	0	18 363	0	
Change in accounts receivable	-19 990	94	-2 556	-2 388	
Change in liabilities and prepayments	23 803	7 107	7 055	1 451	
Total cash flows from operating activities	48 583	9 020	23 131	-937	
Fixed and intangible assets purchase	-293 916	-16 251	-27 133	0	2,3,4,5
Total cash flows from investment activities	-293 916	-16 251	-27 133	0	
Receipt of contributions, other deferred income	2 450 414	259 985	2 266 967	625 000	9
Contributions, other deferred income used	-1 717 365	-425 555	-310 622	-30 571	9
Total cash flows from financing activities	733 049	-165 570	1 956 345	594 429	
Total cash flows	487 716	-172 801	1 952 343	593 492	
Cash and cash equivalents at the beginning of the period	1 952 343	593 492	0	0	
Net increase/(decrease) in cash and cash equivalents	487 716	-172 801	1 952 343	593 492	
Cash and cash equivalents at the end of the period	2 440 059	420 691	1 952 343	593 492	7

 Jānis Sārts

Director

31 March 2016

STATEMENT OF CHANGES IN ASSETS

	Retained earnings EUR	Surplus for the period Total EUR	Surplus/(decrease) for the period Budget A (SH) EUR	Total assets EUR
Total assets 01.10.2014	0	0	0	0
Surplus for 2014	0	1 981 763	595 880	1 981 763
Total assets 31.12.2014	0	1 981 763	595 880	1 981 763
Total assets 01.01.2015	0	1 981 763	595 880	1 981 763
Surplus/(decrease) for 2015	0	777 896	-158 463	777 896
Total assets 31.12.2015	0	2 759 659	437 417	2 759 659

Jānis Sārts

Director

31 March 2016

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 BASIS OF PREPARATION

The legal address of the Centre is Kalnciema 11 b, 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 Centre is registered with the Latvian State Revenue Service under the registration number 90010376683. Jānis Sārts is the Director of the Centre. PricewaterhouseCoopers SIA is the Centre's certified auditor. Certified auditor Ms Ilandra Lejiņa conducted the audit.

The financial statements of Centre have been prepared in accordance with the Law on Accounting and Law on Annual Reports of the Republic of Latvia. Paragraph 4 of the Annual Accounts Act 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 Annual Accounts Act Paragraph 5, part 1 was made. The said 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 October 2014 to 31 December 2014 was the first period of operations of the Centre. The period from 1 January 2015 to 31 December 2015 was the first full financial year during which the Centre operated.

The Financial Statements for these periods have been prepared using accruals-basis accounting, and the Budget Report was prepared using cash-basis accounting.

Significant Accounting policies and Measurement Bases:

A. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, balances of current accounts with banks and term deposits with an initial maturity of less than 3 months.

B. Foreign Currency

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

On the last day of the reporting period all monetary assets and liabilities were translated into euros in accordance with the rates published on the European Central Bank's website.

	31.12.2015.	31.12.2014.
	EUR	EUR
1 CAD	0.6616	0.7111

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance.

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 cost 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 Administrator 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 reporting period are covered with contributions.

H. Accruals

Amount of accruals for unused annual leave is determined by multiplying the average daily wage of employees for the last three months of the reporting period by the amount of accrued but unused annual leave at the end of the reporting period. The accruals have been recorded for audit based on the agreement concluded in 2014. Accruals for vendors are calculated based on liabilities that are reliably estimated.

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) to support Centre's substantive activities. In addition to the Framework Nation Support Budget and the Shared Budget in 2015 the Centre received a special contribution from the Canadian Government to support the Centre's efforts to improve its strategic communications capabilities. In the Tables below the Framework Nation Support Budget is referred to as 'Budget B' and the Shared Budget is called 'Budget A'. Contributions from Canada are 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 01.01.2015	0	698	698	Net book value 01.10.2014	0	0	0
Purchases in 2015	11 343	34 872	46 215	Purchases in 2014	0	698	698
Depreciation for 2015	-236	-1 628	-1 864	Depreciation for 2014	0	0	0
Purchase cost 31.12.2015	11 343	35 570	46 913	Purchase cost 31.12.2014	0	698	698
Accumulated depreciation 31.12.2015	-236	-1 628	-1 864	Accumulated depreciation 31.12.2014	0	0	0
Net book value 31.12.2015	11 107	33 942	45 049	Net book value 31.12.2014	0	698	698

NOTE 3 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 01.01.2015	0	17 632	17 632	Net book value 01.10.2014	0	0	0
Purchases in 2015	743	209 333	210 076	Purchases in 2014	0	17 792	17 792
Reclassified to fixed assets from advance payments	0	4 753	4 753	Reclassified to fixed assets from advance payments	0	0	0
Depreciation for 2015	-62	-16 751	-16 813	Depreciation for 2014	0	-160	-160
Purchase cost 31.12.2015	743	231 878	232 621	Purchase cost 31.12.2014	0	17 792	17 792
Accumulated depreciation 31.12.2015	-62	-16 911	-16 973	Accumulated depreciation 31.12.2014	0	-160	-160
Net book value 31.12.2015	681	214 967	215 648	Net book value 31.12.2014	0	17 632	17 632

NOTE 4 ADVANCE PAYMENT FOR FIXED ASSETS

	Budget A (SH)	Budget B (FN)	Total		Budget A (SH)	Budget B (FN)	Total
Net book value 01.01.2015	0	4 753	4 753	Net book value 01.10.2014	0	0	0
Purchases in 2015	0	20 264	20 264	Purchases in 2014	0	4 753	4 753
Reclassified to fixed assets in 2015	0	-4 753	-4 753	Reclassified to fixed assets in 2015	0	0	0
Purchase cost 31.12.2015	0	20 264	20 264	Purchase cost 31.12.2014	0	4 753	4 753
Net book value 31.12.2015	0	20 264	20 264	Net book value 31.12.2014	0	4 753	4 753

NOTE 5 OFFICE EQUIPMENT/SMALL INVENTORY

	Budget A (SH) equipment	Budget B (FN) equipment	Total equipment		Budget A (SH) equipment	Budget B (FN) equipment	Total equipment
Net book value 01.01.2015	0	3 781	3 781	Net book value 01.10.2014	0	0	0
Purchases in 2015	4 165	13 415	17 580	Purchases in 2014	0	3 890	3 890
Depreciation for 2015	1 521	3 529	5 050	Depreciation for 2014	0	109	109
Disposals in 2015	0	-262	-262	Disposals in 2015	0	0	0
Depreciation of disposed asset	0	-44	-44	Depreciation of disposed asset	0	0	0
Purchase cost 31.12.2015	4 165	17 043	21 208	Purchase cost 31.12.2014	0	3 890	3 890
Accumulated depreciation 31.12.2015	-1 521	-3 594	-5 115	Accumulated depreciation 31.12.2014	0	-109	-109
Net book value 31.12.2015	2 644	13 449	16 093	Net book value 31.12.2014	0	3 781	3 781

NOTE 6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	Budget A (SH) 31.12.2015	Budget B (FN) 31.12.2015	Total 31.12.2015	Budget A (SH) 31.12.2014	Budget B (FN) 31.12.2014	Total 31.12.2014
Prepaid taxes	0	5 531	5 531		147	147
Next period expenses	2 247	4 391	6 638	785	21	806
Prepayments for equipment	29	3	32	1 603	0	1 603
Accumulated VAT	0	1 251	1 251	0	0	0
Other receivables	18	70	88	0	0	0
Other prepayments	0	9 006	9 006	0	0	0
Total accounts receivable and prepayments	2 294	20 252	22 546	2 388	168	2 556

NOTE 7 CASH AND CASH EQUIVALENTS

	Budget A (SH) 31.12.2015	Budget B (FN) 31.12.2015	Total 31.12.2015	Budget A (SH) 31.12.2014	Budget B (FN) 31.12.2014	Total 31.12.2014
Cash at bank	420 691	2 019 368	2 440 059	593 492	1 358 851	1 952 343
Total cash and cash equivalents	420 691	2 019 368	2 440 059	593 492	1 358 851	1 952 343

NOTE 8 ACCOUNTS PAYABLE

	Budget A (SH) 31.12.2015	Budget B (FN) 31.12.2015	Total 31.12.2015	Budget A (SH) 31.12.2014	Budget B (FN) 31.12.2014	Total 31.12.2014
Trade payables	0	7 207	7 207	0	845	845
Accrued liabilities	8 558	15 094	23 652	1 451	4 759	6 210
Vacation accruals	0	39 406	39 406	0	18 363	18 363
Total accounts payable	8 558	61 707	70 265	1 451	23 967	25 418

NOTE 9 DEFERRED INCOME

	Budget A (SH) 2015	Budget B (FN) 2015	Total 2015		Budget A (SH) 2014	Budget B (FN) 2014	Total 2014
Net book value 01.01.2015	594 429	1 361 916	1 956 345	Net book value 01.10.2014	0	0	0
Contribution Latvia (for 2015)		1 360 686	1 360 686	Contribution Latvia (for 2015)	325 000	0	325 000
Contribution Germany (for 2015)	0	0	0	Contribution Germany (for 2015)	50 000	0	50 000
-	-	-	-	Contribution Latvia (for 2014)	250 000	1 641 967	1 891 967
Contribution Poland (for 2015)	25 000	0	25 000	-	-	-	-
Contribution Estonia (for 2015)	25 000	0	25 000	-	-	-	-
Contribution Italy (for 2015)	25 000	0	25 000	-	-	-	-
Contribution Great Britain (for 2015)	25 000	0	25 000	-	-	-	-
Contribution Lithuania (for 2015)	25 000	0	25 000	-	-	-	-
Contribution Latvia (for 2016)	104 000	778 299	882 299	-	-	-	-
Contribution Poland (for 2016-2017)	25 000	0	25 000	-	-	-	-
Received VAT reimbursement	5 833	50 955	56 788	-	-	-	-
Received/ calculated interest from saving account	152	489	641	-	-	-	-
Received deferred income	259 985	2 190 429	2 450 414	Received deferred income	625 000	1 641 967	2 266 967
Used in 2015	-425 555	-1 291 810	-1 717 365	Used in 2014	-30 571	-280 051	-310 622
Total deferred income 31.12.2015	428 859	2 260 535	2 689 394	Total deferred income 31.12.2014	594 429	1 361 916	1 956 345

NOTE 10 OTHER FUNDS

	Budget C (CAN)
31.12.2015	701 064
Total other funds	701 064

NOTE 11 OTHER INCOME

	Budget A (SH)	Budget B (FN)	Budget C (CAN)	Total
Other income	0	94	0	94
Total other income	0	94	0	94

BUDGET REPORT

2015 BUDGET

1. SUMMARY

In total, the Centre's budget consists of the Shared Budget - Sponsoring Nations (SN) funding to support Centre's substantive activities and the Framework Nation Support Budget - Framework Nation Support (FNS) funding to ensure functioning of the Centre. 2015 was special in terms of finances due to the additional funding/contribution from Canada to support the Centre's activities.

The budget report has been prepared on a cash basis.

2. SHARED BUDGET

During its 2nd meeting, the Steering Committee agreed on the SN's 2015 contributions with a total amount of 500,000 EUR based on 20 paid positions times 25,000 EUR for each position. The Shared budget for 2015 was approved in the amount of 505,250 EUR. From that amount 500,000 EUR were SN's contributions and 5,250 EUR were planned as revenue.

As of 31 December 2015, the total amount of expenditures was 309,856 EUR, representing 61% of planned expenditures. Budget savings were caused mainly by the smaller number of business trips and lesser communications costs than initially planned due to the arrival schedule of the international staff and positions not filled by the FN. Additional savings were due to the fact that some equipment was purchased from the FNS Budget and the Centre needed fewer outsourced services for equipment rental. In general, all substantive work regarding research (in accordance with the POW 2015) was accomplished in 2015. However, the greater part of designing and printing research papers wasn't finished in 2015 and therefore the budget foreseen for those activities wasn't spent. Savings in the budget foreseen for contractors are connected to the budget credits carried forward from 2014 (see below).

In addition to the above mentioned funding (505,250 EUR), 218,492 EUR was carried forward from 2014 to 2015 to cover commitments for administrative expenditures and to implement four outstanding projects from 2014 (including travel, contractors and administrative expenses). These four projects were listed in the POW for 2015. 122,913 EUR from the funds carried forward have been executed.

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

3. FRAMEWORK NATION SUPPORT BUDGET

In 2015 the FN Support Budget was planned in the amount of 2,719,537 EUR, including remuneration for the Centre's FN staff, the Centre's hired foreign experts, travel costs (according to the Operational MoU), administrative expenses, funds for maintenance of the premises and funds for the purchase of equipment and supplies. 1,358,851 EUR of the above-mentioned amount were carried forward from 2014 to continue the process of equipping the permanent premises of the Centre. In autumn 2015 the Centre moved to its permanent premises and by the end of the 2015 ~70% of the offices and workstations were fully equipped. During 2015, major investments were connected with the purchase of information technologies and communication equipment, the purchase of office furniture, two duty vehicles and the development of the Centre's homepage. Nearly 70,000 EUR were allocated to support the 'Riga StratCom Dialogue: Perception Matters' conference and the opening ceremony of the Centre's permanent premises.

As of 31 December 2015, the total amount of expenditures was 1,530,155 EUR. The balance amounting to a total of 1,189,382 EUR was carried forward to 2016 to continue making all necessary investments, especially in the field of information technologies and communication.

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

4. Canadian Contribution

In 2015 the Centre received 999,985 CAD as a special contribution from the Canadian government to support the Centre's efforts to improve its strategic communications capabilities. The UK based company Strategic Communications Laboratory (SCL) was contracted to conduct Target Audience Analysis (TAA) Train the Trainer course. 999,657 CAD have been paid to the SCL. The remaining funding was spent to cover bank transfers.

APPENDICES TO THE BUDGET REPORT

APPENDIX 1 BUDGET EXECUTION TABLE – 2014 SHARED BUDGET

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/Received in 2014	Committed/Carried forward to FY 2015
710000				PERSONNEL	0		0	0	0
	716000			Training	0		0	0	0
720000				CONTRACTUAL SUPPLIES AND SERVICES	250 000		250 000	31 508	218 492
	721000			General Support	16 700		28 700	15 624	13 076
		721100		Administration	1 000		6 000	2 625	3 375
			721110	Printing/ Photocopying/ Visual/Graphics/ Publications Supplies and Services	1 000	4 000	5 000	1 916	3 084
			721120	Office Supplies and Minor Office Equipment	0	1 000	1 000	709	291
			721130	Reference Materials	0		0	0	0
			721140	Postal/Shipping/ Banking Services	0		0	0	0
		721200		Hospitality	9 290	4 000	13 290	9 817	3 473
		721500		Furniture and Equipment	350	3 000	3 350	2 231	1 119
		721800		Non NATO StratCom COEs Facilities	6 060		6 060	951	5 109
	722000			Mission Support	0		0	0	0
		722100		Fuel/Oil/Gases and Fluids	0		0	0	0
		722300		AIS	0		0	0	0
			722310	Purchase/Rental and Operational Lease	0		0	0	0
			722320	Supplies and Consumables	0		0	0	0
			722330	Services and Maintenance	0		0	0	0
		722400		Communications	0		0	0	0
			722410	Purchase/Rental and Operational Lease	0		0	0	0
			722420	Supplies and Consumables	0		0	0	0
			722430	Telephone/Telefax/ Internet/Services and Maintenance	0		0	0	0

APPENDIX 1 (CONTINUED) BUDGET TABLE – 2014 SHARED BUDGET

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/Received in 2014	Committed/Carried forward to FY 2015
		722500		Mission Carriers	0		0	0	0
			722510	Rental and Operational Lease	0		0	0	0
			722520	Services and Maintenance	0		0	0	0
	723000			Travel	64 800		51 525	12 232	39 293
		723100		Transportation for Business Trips	64 800	-14 275	50 525	11 432	39 093
		723200		Transportation for Training	0		0	0	0
		723300		Fees	0	1 000	1 000	800	200
	725000			Miscellaneous Costs	0	500	500	314	186
	726000			Consultants/Contractors	168 500		169 275	3 338	165 937
		726100		Consultants	0	775	775	0	775
		726200		Contractors	168 500		168 500	3 338	165 162
730000				CAPITAL AND INVESTMENTS	0	0	0	0	0
	731000			AIS	0	0	0	0	0
	732000			Communications	0	0	0	0	0
	733000			Furniture and Equipment	0	0	0	0	0
TOTAL EXPENDITURES					250 000		250 000	31 508	218 492
740000				REVENUE	0	0	0	0	0
	741000			Revenues/from StratCom COE organized conference, course, workshop, etc. fees	0	0	0	0	0
TOTAL REVENUE					0	0	0	0	0
TOTAL NET-EXPENDITURES					250 000	0	250 000	31 508	218 492

APPENDIX 2 BUDGET EXECUTION TABLE – 2015 SHARED BUDGET

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/ Received in 2015	Lapsed
710000				PERSONNEL	4 500		4 500	257	4 243
	716000			Training	4 500		4 500	257	4 243
720000				CONTRACTUAL SUPPLIES AND SERVICES	500 750		500 750	309 599	191 151
	721000			General Support	106 090		101 390	58 379	43 011
		721100		Administration	53 000		48 300	25 130	23 170
			721110	Printing/ Photocopying/ Visual/Graphics/ Publications Supplies and Services	43 000	-14 700	28 300	8 408	19 892
			721120	Office Supplies and Minor Office Equipment	5 000	10 000	15 000	13 896	1 104
			721130	Reference Materials	3 000		3 000	2 278	722
			721140	Postal/Shipping/ Banking Services	2 000		2 000	548	1 452
		721200		Hospitality	33 840		33 840	27 110	6 730
		721500		Furniture and Equipment	14 000		14 000	3 337	10 663
		721800		Non NATO StratCom COEs Facilities	5 250		5 250	2 802	2 448
	722000			Mission Support	32 360		37 060	18 726	18 334
		722100		Fuel/Oil/Gases and Fluids	7 200		7 200	0	7 200
		722300		AIS	0		1 700	1 530	170
			722310	Purchase/Rental and Operational Lease	0	1 100	1 100	1 002	98
			722320	Supplies and Consumables	0		0	0	0
			722330	Services and Maintenance	0	600	600	528	72
		722400		Communications	23 260		24 260	14 728	9 532
			722410	Purchase/Rental and Operational Lease	5 400	1 000	6 400	5 651	749
			722420	Supplies and Consumables	0		0	0	0
			722430	Telephone/Telefax/ Internet/Services and Maintenance	17 860		17 860	9 077	8 783
		722500		Mission Carriers	1 900		3 900	2 468	1 432
			722510	Rental and Operational Lease	1 350	2 000	3 350	2 468	882
			722520	Services and Maintenance	550		550	0	550

APPENDIX 2 (CONTINUED) BUDGET EXECUTION TABLE – 2015 SHARED BUDGET

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/Received in 2015	Lapsed
	723000			Travel	130 200		130 200	53 622	76 578
		723100		Transportation for Business Trips	121 800	-500	121 300	50 133	71 167
		723200		Transportation for Training	6 000		6 000	942	5 058
		723300		Fees	2 400	500	2 900	2 547	353
	725000			Miscellaneous Costs	1 600		1 600	306	1 294
	726000			Consultants/Contractors	230 500		230 500	178 566	51 934
		726100		Consultants	0		0	0	0
		726200		Contractors	230 500		230 500	178 566	51 934
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					505 250		505 250	309 856	195 394
740000				REVENUE	5 250		5 250	5 584	-334
	741000			Revenue/ from StratCom COE organized conference, course, workshop, etc. fees	5 250		5 250	0	5 250
	742000			Revenue/Value added tax reimbursement				5 467	-5 467
	743000			Revenue/Other				117	-117
TOTAL REVENUE					5 250		5 250	5 584	-334
TOTAL NET-EXPENDITURES					500 000		500 000	304 272	195 728
CARRIED FORWARD FROM FY 2014									
	721000			General Support	13 076		13 076	6 305	6 771
	723000			Travel	39 293		39 293	2 211	37 082
	725000			Miscellaneous Costs	186		186	0	186
	726000			Consultants/Contractors	165 937		165 937	114 397	51 540
TOTAL EXPENDITURES CARRIED FORWARD FROM FY 2014					218 492		218 492	122 913	95 579
740000				REVENUE	0		0	384	-384
TOTAL REVENUE					0		0	384	-384
TOTAL NET-EXPENDITURES					218 492		218 492	122 529	95 963

APPENDIX 3 BUDGET EXECUTION TABLE – 2014 FRAMEWORK NATION SUPPORT BUDGET

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Spent/Received in 2014	Carried forward to FY 2015
1000				PERSONNEL	264 293	224 510	39 783
	1100			Salaries, Employee's Personal Income Tax, Employee's State Social Insurance Mandatory Contributions	213 870	181 693	32 177
	1200			Employer's State Social Insurance Mandatory Contributions, Benefits and Allowances	50 423	42 817	7 606
2000				SUPPLIES AND SERVICES	516 380	45 954	470 426
	2100			Travel Expenses	16 500	9 344	7 156
	2200			Services	91 530	10 109	81 421
		2210		Communications	2 500	837	1 663
		2220		Utilities	1 350	1 249	101
		2230		Administrative Expenditure	25 000	2 472	22 528
		2240		Renovation and Maintenance of Institution	45 380	5 465	39 915
			2241	Renovation of Buildings and Premises	42 400	4 948	37 452
			2242	Maintenance and Repair of Vehicles	1 830	0	1 830
			2243	Repair and Technical Services of Equipment and Inventory	0	0	0
			2244	Maintenance of Buildings and Premises	1 150	517	633
		2250		Information Technologies Maintenance	1 000	86	914
		2260		Rental	1 300	0	1 300
		2270		Other Services	15 000	0	15 000
	2300			Stocks, Materials, Office Supplies	364 850	26 501	338 349
		2310		Office Supplies, Minor Office Equipment and Furniture, Information Technologies and Communications/up to 10% of level A*	143 000	7 120	135 880
		2320		Inventory, Equipment, Furniture, Information Technologies and Communications/from 10% to 50% of level A*	83 350	19 246	64 104
		2330		Materials for Renovation and Maintenance of Institution	3 500	0	3 500
		2340		Other	135 000	135	134 865
	2400			Periodicals	0	0	0
	2500			Other	43 500	0	43 500
3000				CAPITAL AND INVESTMENTS/Credits required for the procurement of the equipment at cost of more than 50% Level A	861 294	12 652	848 642
	3100			Intangible Assets	45 000	0	45 000
	3200			Fixed Assets	816 294	12 652	803 642
		3210		Information Technologies	325 000	0	325 000
		3220		Communications	49 000	0	49 000
		3230		Other Investments	442 294	12 652	429 642
TOTAL EXPENDITURES					1 641 967	283 116	1 358 851

* Level A - 5 000 EUR

APPENDIX 4 BUDGET EXECUTION TABLE – 2015 FRAMEWORK NATION SUPPORT BUDGET

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/Received in 2015	Carried forward to FY 2016
1000				PERSONNEL	1 228 162		1 228 162	912 063	316 099
	1100			Salaries, Employee's Personal Income Tax, Employee's State Social Insurance Mandatory Contributions	993 732		993 732	761 201	232 531
	1200			Employer's State Social Insurance Mandatory Contributions, Benefits and Allowances	234 430		234 430	150 862	83 568
2000				SUPPLIES AND SERVICES	1 122 075		1 122 075	390 809	731 266
	2100			Travel Expenses	138 800		138 800	41 826	96 974
	2200			Services	370 115		357 115	96 480	260 635
		2210		Communications	550	5 000	5 550	2 544	3 006
		2220		Utilities	65 000		65 000	9 396	55 604
		2230		Administrative Expenditure	30 300		30 300	12 914	17 386
		2240		Renovation and Maintenance of Institution	243 830		225 830	69 607	156 223
			2241	Renovation of Buildings and Premises	110 000		110 000	18 236	91 764
			2242	Maintenance and Repair of Vehicles	1 830	2 000	3 830	2 077	1 753
			2243	Repair and Technical Services of Equipment and Inventory	7 000		7 000	4 248	2 752
			2244	Maintenance of Buildings and Premises	125 000	-20 000	105 000	45 046	59 954
		2250		Information Technologies Maintenance	21 540		21 540	218	21 322
		2260		Rental	2 550		2 550	212	2 338
		2270		Other Services	6 345		6 345	1 589	4 756
	2300			Stocks, Materials, Office Supplies	288 660		298 660	181 850	116 810
		2310		Office Supplies, Minor Office Equipment and Furniture, Information Technologies and Communications/up to 10% of level A*	105 000	10 000	115 000	108 242	6 758
		2320		Inventory, Equipment, Furniture, Information Technologies and Communications/from 10% to 50% of level A*	95 000		95 000	59 691	35 309
		2330		Materials for Renovation and Maintenance of Institution	25 500		25 500	9 705	15 795
		2340		Other	63 160		63 160	4 212	58 948
	2400			Periodicals	0	3 000	3 000	1 984	1 016

APPENDIX 4 (CONTINUED) BUDGET EXECUTION TABLE – 2015**FRAMEWORK NATION SUPPORT BUDGET**

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/Received in 2015	Carried forward to FY 2016
	2500			Other	324 500		324 500	68 669	255 831
3000				CAPITAL AND INVESTMENTS/ Credits required for the procurement of the equipment at cost of more than 50% Level A	369 300		369 300	227 283	142 017
	3100			Intangible Assets	30 000	5 000	35 000	34 872	128
	3200			Fixed Assets	339 300		334 300	192 411	141 889
		3210		Information Technologies	101 500	-10 000	91 500	32 233	59 267
		3220		Communications	129 000		129 000	48 586	80 414
		3230		Other Investments	108 800	5 000	113 800	111 592	2 208
TOTAL EXPENDITURES					2 719 537		2 719 537	1 530 155	1 189 382
4000				REVENUE	0		0	51 686	51 686
	4100			Revenue/Value added tax reimbursement	0		0	50 955	50 955
	4200			Revenue/Other reimbursement	0		0	312	312
	4300			Revenue/Other	0		0	419	419
TOTAL REVENUE **					0		0	51 686	51 686
TOTAL NET-EXPENDITURES ***					2 719 537		2 719 537	1 530 155	1 189 382

* Level A - 5 000 EUR

** 51 686 EUR will be incorporated in to the FNS Budget for 2016

*** 1 189 382 EUR will be incorporated in to the FNS Budget for 2016

Jānis Sārts
Director
31 March 2016



INDEPENDENT AUDITOR'S REPORT

To the Founders of NATO Strategic Communications Centre of Excellence

Report on the Financial Statements

We have audited the accompanying financial statements of NATO Strategic Communications Centre of Excellence set out on pages 7 to 18 of the accompanying annual report, which comprise the balance sheet as of 31 December 2015 and the statement of financial performance and the statements of changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Law of the Republic of Latvia on Annual Reports, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of NATO Strategic Communications Centre of Excellence as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

Report on Other Legal and Regulatory Requirements

We have read the Management Report for 2015 set out on pages 3 to 6 of the accompanying annual report for 2015 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2015.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168

Member of the Board

Riga, Latvia
31 March 2016



Independent Auditor's Report on the Budget report

To the Founders of NATO Strategic Communications Centre of Excellence

We have audited the accompanying Budget report of NATO Strategic Communications Centre of Excellence for the period from 1 January 2015 to 31 December 2015 set out on pages 19 to 27 of the accompanying annual report. The Budget report has been prepared on the basis set out in Summary to the Budget report, as set out on page 19 of this annual report.

Management's responsibility for the Budget report

Management is responsible for the preparation of this Budget report in accordance with the basis of preparation described in Summary to the Budget report, as set out on page 19 of this annual report, for determining that the basis of preparation is acceptable in the circumstances, and for such internal control as management determines is necessary to enable the preparation of Budget report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this Budget report based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Budget report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Budget report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Budget report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Budget report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Budget report.

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



Opinion

In our opinion, the accompanying Budget report have been prepared, in all material respects, in accordance with the basis set out in Summary to the Budget report, as set out on page 19 of this annual report.

Emphasis of Matter

Without qualifying our opinion, we draw attention that 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.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168

Member of the Board

Riga, Latvia
31 March 2016