



NATO STRATEGIC COMMUNICATIONS CENTRE OF EXCELLENCE

ANNUAL REPORT

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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.....	15
NOTE 9 DEFERRED INCOME.....	16
NOTE 10 OTHER INCOME.....	17
BUDGET REPORT.....	18
2020 BUDGET.....	18
APPENDICES TO THE BUDGET REPORT.....	21
APPENDIX 1 BUDGET EXECUTION TABLE – 2019 SHARED BUDGET.....	21
APPENDIX 2 BUDGET EXECUTION TABLE – 2020 SHARED BUDGET.....	22
APPENDIX 3 BUDGET EXECUTION TABLE – 2019 FRAMEWORK NATION SUPPORT BUDGET.....	23
APPENDIX 4 BUDGET EXECUTION TABLE – 2020 FRAMEWORK NATION SUPPORT BUDGET.....	24
INDEPENDENT AUDITOR’S REPORT.....	25

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. The Centre was initially founded by seven Sponsoring Nations – Estonia, Germany, Italy, Latvia, Lithuania, Poland, and the United Kingdom. In the following years, the Netherlands, Canada, the Slovak Republic, Denmark, and the United States joined the Centre as Sponsoring Nations, and Finland and Sweden joined as Contributing Partners. Two more NATO Nations, France and Hungary, are undergoing joining procedures.

2020 was the Centre's sixth full financial year of operation and fifth year at full operational capability. During the reporting period, the Centre implemented substantive activities in line with its Programme of Work for 2020 (POW 2020) and Budget for 2020 as approved by the Steering Committee at its 12th meeting.

Over its first five years of full operational capability, the Centre has established itself as one of the primary research and information fusion hubs on the subjects of strategic communications (StratCom) and countering disinformation, revealing trends in digital security and understanding the strategies, tactics, methodologies, and techniques of hostile actors in the transatlantic area.

The heart of the Centre is its personnel – a diverse group of international experts, trainers, educators, analysts, and researchers with military, government, and academic backgrounds. This allows the Centre to address identified shortfalls and provide modern solutions to emerging challenges in the field of StratCom to NATO, and its Allies and Partners.

The Centre is a unique asset, helping to clarify and enhance NATO's role in the areas of transformation and innovation. It shall not duplicate any existing NATO subject matter areas, core assets, resources, or capabilities, but shall rather cooperate with relevant structures and bodies to foster StratCom capabilities.

The Centre's Mission and Tasks for 2020

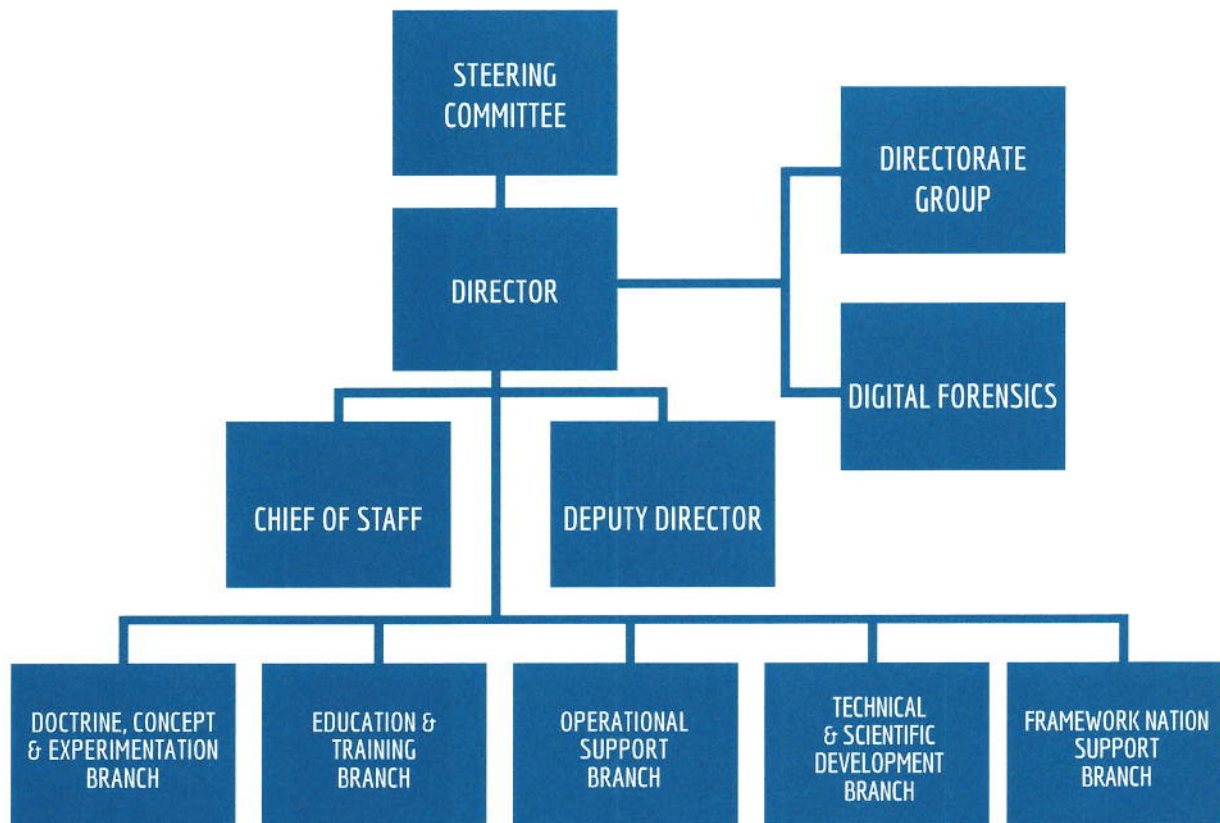
The Centre's mission is to support NATO's StratCom capability development process, mission effectiveness, and interoperability by bringing together military, government, academic, commercial, and third-sector knowledge and expertise. The Centre's aim is to contribute substantially to the improvement of the StratCom capabilities of NATO, its Allies, and its Partners through research, analysis, concept development, experimentation, doctrine development, standardisation, and the Lessons Learned process, and also investing in the continuing development of StratCom education and training.

The Centre helped to address identified shortfalls and provide modern solutions to emerging challenges in the field of StratCom. This was done by pooling resources, sharing best practices, building networks of experts, and providing platforms for debate, and by monitoring and evaluating the revolution in the current information environment driven by rapid technological development, which is having a substantial impact on the cognitive domain.

In 2020 the Centre was engaged in a wide range of activities and events connected to various StratCom disciplines. The POW 2020 comprised 62 projects; these included tasks assigned by Sponsoring Nations and Contributing Partners as well as Requests for Support from NATO entities and the European External Action Service.

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 Latvia. Representatives of the Contributing Partners are always invited to share their views at Steering Committee meetings in an advisory capacity. 100% of the approved staff positions were filled by the end of December 2020.



During 2020, eleven newcomers arrived at the Centre, ten of them on a rotation/replacement basis. In addition to the contributions of the Sponsoring Nations and Contributing Partners, joining nation Hungary continued to contribute to the Centre with a subject matter expert.

Five interns successfully completed their internships during 2020, substantially contributing to the ongoing research and organisation of the Centre's conducted events.

Main Activities in 2020

2020 has been a challenging year due to the limitations imposed by the pandemic. The Centre's main achievement last year was the reorganization of its battle rhythm and workflow to deliver the majority of projects planned for POW 2020. Continuing its work online, the Centre has introduced a series of webinars on various themes. The Centre has also closely followed developments in COVID-19-related disinformation and was able to advise NATO and its Allies on a request basis.

The Centre has continued to contribute to NATO StratCom Education and Training processes as the Department Head, and has supported the development of the STANAG led by SHAPE Communications Division, setting the minimum competency standards for NATO StratCom practitioners. It has also continued to contribute in its role as Custodian to the process of developing the AJP-10 Allied Joint Doctrine for StratCom.

Continued support was provided to the development of the NATO Warfighting Capstone Concept (NWCC), led by ACT, and to the NATO Information Environment Assessment Capability Development process led by NATO HQ and HQ SACT. The Centre maintained its active cooperation with other NATO Centres of Excellence (COEs), working closely with the NATO Cooperative Cyber Defence COE in Tallinn and the NATO Energy Security COE in Vilnius.

The Centre provided support to the NATO Defence College in Rome, the NATO School Oberammergau, the Baltic Defence College in Tartu, and the Bundeswehr Command and Staff College in Hamburg, by contributing lecturers, mentors, and experts (mostly in online engagements).

The Centre provided support to the NATO Partner Nation Georgia by organising the capacity-building course “Combating Disinformation and Propaganda” for the Georgian Ministry of Foreign Affairs, and the seminar “Current Trends in the Information Environment” for the Georgian National Security Council’s Office and state agencies.

The Centre has been conducting three joint projects with the European External Action Service: Russia’s Footprint in the Western Balkan Information Environment, Concept Development of the Disinformation Attack Simulating Training Module, and Russia’s Media Operations within the EU.

The Centre has 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), and other events organised by the StratCom, Military PA, PSYOPS, and InfoOps communities of interest.

In accordance with POW 2020, numerous studies were conducted, and several research papers were finalised for publication.

The main publications on Centre’s webpage in 2020 include:

- *The Academic Journal Defence Strategic Communications (Volume 7 and Volume 8)*
- *Arctic Narratives and Political Values: Arctic States, China and NATO*
- *Camouflage for the Digital Domain*
- *Clarifying Digital Terms*
- *Daesh Propaganda, Before and After its Collapse (in Arabic)*
- *Decoding Crimea. Pinpointing the Influence Strategies of Modern Information Warfare*
- *Deepfakes—Primer and Forecast*
- *Disinformation as a Global Problem—Regional Perspectives*
- *How East Asian Governments Responded to the COVID-19 Pandemic*
- *Information Laundering in Germany*
- *Information Laundering in the Nordic-Baltic Region*
- *Informationswäsche in Deutschland (in German)*
- *Iran’s Proxy War in Yemen: the Information Warfare Landscape*
- *Manipulation Ecosystem of Social Messaging Platforms*
- *Mapping Extremist Communities: A Social Network Analysis Approach*
- *Mitigating Disinformation in Southeast Asian Elections*
- *Online Influence and Hostile Narratives in Eastern Asia*
- *Risks and Vulnerabilities in the Western Balkans*
- *Robotrolling (4 volumes)*
- *Russia’s Footprint in the Nordic-Baltic Information Environment 2019/2020*
- *Russia’s Footprint in the Western Balkan Information Environment*
- *Russia’s Strategic Exercises: Messages and Implications*
- *Russia’s Narratives Toward the Western Balkans: Analysis of Sputnik Srbija*
- *Social Media Manipulation Report 2020*
- *StratCom in the Mediterranean and the Sahel*

- *The Legal Implications of Malicious Exploitation of Social Media*
- *The People's Republic of China and the Russian Federation as Strategic Allies*
- *Tracking Russia's Narratives in the Western Balkan Media*

The Centre organised and conducted numerous StratCom related events in 2020. Due to the pandemic caused by the spread of COVID-19, the small number of onsite events the Centre was able to safely host were complemented by numerous online events.

Onsite events:

- Nuclear Energy and the Current Security Environment in the Era of Hybrid Threats, 28 January 2020
- StratCom Planners Training Needs Analysis Workshop, 10–11 February 2020,
- StratCom Common Core Skills Training Needs Analysis Workshop, 12–13 February 2020
- Emerging Trends in Social Media, 9 March 2020
- Online and Social Media Analysis Course, 10–13 March 2020
- StratCom Terminology Review Workshop, 2–5 August 2020

Online events:

- Regular Nordic-Baltic SME Working Group Meeting, 29 April 2020
- Strategic Communications Annual Discipline Conference, 5–6 May 2020
- Online AJP-1-SD1 Adjudication Meeting, 6–8 October 2020
- Regular Nordic-Baltic SME Working Group Meeting, 10 December 2020
- Capacity Building Course: Combating Disinformation and Propaganda, 7–14 December, 2020

Online workshops and scoping meetings:

- NATO IEA Training Needs scoping meeting, 19 May 2020
- NATO Media Operations Training Needs Analysis workshop, 2–3 June, 2020
- NATO IEA Common Core skills Training Needs Analysis workshop, 1–2 July, 2020
- StratCom and Collective Training scoping meeting, 14 July 2020
- NATO IEA Audience Analysis Methodology Scoping Meetings, 30 November and 15 December 2020
- StratCom Terminology Review Workshop, 27 November 2020
- StratCom Terminology Review Workshop, 17 December 2020

Online webinars:

- COVID–19, Digital Security and Privacy, 15 April 2020
- The Role of StratCom in Crisis, 22 April 2020
- Country Responses to COVID–19, 28 April 2020
- Deepfakes, 6 May 2020
- Russia's Footprint in the Western Balkan Information Environment, 15 May 2020
- Disinformation in Asia, 20 May 2020
- Communicating Risk, 27 May 2020
- Securing Democracy: COVID–19 and Elections, 3 June 2020
- China's Influence in the Global Information Environment, 10 June 2020

- Disinformation: the View from the EU, 17 June 2020
- Russia's Strategic Exercises: Messages and Implications, 1 July 2020
- StratCom Talks: Influencer Marketing, 14 October 2020
- StratCom Talks: Current Communication Challenges, 21 October 2020
- StratCom Talks: How Simulation Tech 2.0 Improves Crisis Response Capability, 28 October 2020
- StratCom Talks: Data Brokers: Risks and Vulnerabilities, 4 November 2020
- StratCom Talks: Falsification of History, 30 November 2020
- StratCom Talks: Russia's Strategy in Cyberspace, 2 December 2020
- StratCom Talks: China's Influence in the Nordic-Baltic Region, 9 December 2020
- StratCom Talks: Trends in Strategic Communications. From 2020 towards 2021, 16 December 2020



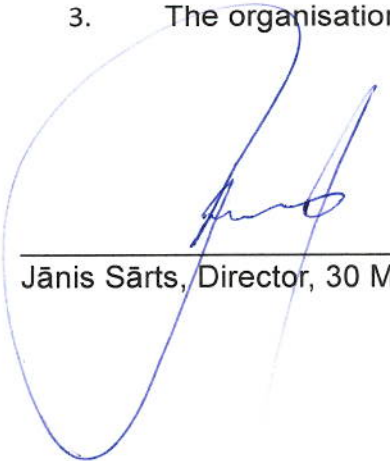
Jānis Sārts, Director, 30 March 2021

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 2021

BALANCE SHEET

	31.12.2020 Total EUR	31.12.2020 incl. Budget A (SH) EUR	31.12.2019 Total EUR	31.12.2019 incl. Budget A (SH) EUR	Notes
Intangible assets	32 347	2 880	37 634	6 443	2
Advance payments for intangible assets	0	0	2 970	0	3
Fixed assets	135 881	2 854	141 687	2 849	4
Office equipment	5 597	4 541	6 555	4 231	5
Total fixed assets	173 825	10 275	188 846	13 523	
Accounts receivable and prepayments	36 262	3 983	47 265	4 168	6
Cash and cash equivalents	4 692 033	376 619	4 541 214	591 241	7
Total current assets	4 728 295	380 602	4 588 479	595 409	
Total assets	4 902 120	390 877	4 777 325	608 932	
Accounts payable	141 870	2 026	196 837	24 880	8
Deferred income	4 760 250	388 851	4 580 488	584 052	9
Total current liabilities	4 902 120	390 877	4 777 325	608 932	
Total liabilities and net assets	4 902 120	390 877	4 777 325	608 932	

STATEMENT OF FINANCIAL PERFORMANCE

	31.12.2020 Total EUR	31.12.2020 incl. Budget A (SH) EUR	31.12.2019 Total EUR	31.12.2019 incl. Budget A (SH) EUR	Notes
Contributions and related income	2 919 437	629 671	3 207 859	555 200	9
Other income	10 798	10 798	60 754	24 314	10
Total revenue	2 930 235	640 469	3 268 613	579 514	
Operating expenses	1 127 644	631 505	1 389 381	568 672	
Personnel expenses	1 711 399	0	1 745 669	0	
Depreciation of fixed assets and intangible assets	91 192	8 964	133 563	10 842	2,4,5
Total expenses	2 930 235	640 469	3 268 613	579 514	
Surplus from operating activities	0	0	0	0	
Surplus for the period	0	0	0	0	



Jānis Sārns, Director, 30 March 2021

CASH FLOW STATEMENT

	31.12.2020 Total EUR	31.12.2020 incl. Budget A (SH) EUR	31.12.2019 Total EUR	31.12.2019 incl. Budget A (SH) EUR	Notes
Surplus from operating activities	0	0	0	0	
Depreciation	91 192	8 964	133 563	10 842	2,4,5
Change in accrued expenses for unused vacations	8 652	0	26 771	0	
Change in accounts receivable	11 003	185	337	5 021	
Change in liabilities and prepayments	-63 619	-22 854	46 317	361	
Total cash flows from operating activities	47 228	-13 705	206 988	16 224	
Fixed and intangible assets purchase	-76 171	-5 716	-69 632	-2 865	2,4,5
Total cash flows used in investment activities	-76 171	-5 716	-69 632	-2 865	
Receipt of contributions, other deferred income	3 031 233	411 431	3 301 372	681 570	9
Contributions, other deferred income used	-2 851 471	-606 632	-3 110 241	-529 670	9
Total cash flows from financing activities	179 762	-195 201	191 131	151 900	
Total cash flows	150 819	-214 622	328 487	165 259	
Cash and cash equivalents at the beginning of the period	4 541 214	591 241	4 212 727	425 982	
Net increase/decrease in cash and cash equivalents	150 819	-214 622	328 487	165 259	
Cash and cash equivalents at the end of the period	4 692 033	376 619	4 541 214	591 241	7



Jānis Sārts, Director, 30 March 2021

STATEMENT OF CHANGES IN NET ASSETS

	Retained earnings EUR	Surplus for the period Total EUR	Surplus for the period Budget A (SH) EUR	Total EUR
Total net assets 31.12.2016	0	3 335 434	278 370	3 335 434
Surplus 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 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 for 2019	0	264 219	152 261	264 219
Total net assets 31.12.2019	0	4 777 325	608 932	4 777 325
Surplus/(decrease) for 2020	0	124 795	-218 055	124 795
Total net assets 31.12.2020	0	4 902 120	390 877	4 902 120



Jānis Sārts, Director, 30 March 2021

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, the Slovak Republic in 2019, and Denmark and the United States of America in 2020. 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 2020 was conducted by certified auditor Ms Elīza Gulbe.

The financial statements of the Centre have been prepared in accordance with the Law on Accounting and the 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 2020 to 31 December 2020 was the sixth full financial year of operation for the Centre.

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 website of the European Central Bank.

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. The 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: Percent 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 necessary 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. 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’.

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 01.01.2020	6 443	31 191	37 634	Net book value 01.01.2019	12 998	37 306	50 304
Purchases in 2020	0	7 211	7 211	Purchases in 2019	0	10 120	10 120
Reclassified to intangible assets from advance payments	0	2 970	2 970	Reclassified to intangible assets from advance payments	0	0	0
Depreciation for 2020	-3 563	-11 905	-15 468	Depreciation for 2019	-6 555	-16 235	-22 790
Purchase cost 31.12.2020	27 166	90 764	117 930	Purchase cost 31.12.2019	27 166	80 583	107 749
Accumulated depreciation 31.12.2020	-24 286	-61 297	-85 583	Accumulated depreciation 31.12.2019	-20 723	-49 392	-70 115
Net book value 31.12.2020	2 880	29 467	32 347	Net book value 31.12.2019	6 443	31 191	37 634

NOTE 3 ADVANCE PAYMENTS FOR INTANGIBLE ASSETS

	Budget A (SH)	Budget B (FN)	Total		Budget A (SH)	Budget B (FN)	Total
Net book value 01.01.2020	0	2 970	2 970	Net book value 01.01.2019	0	2 970	2 970
Purchases in 2020	0	0	0	Purchases in 2019	0	0	0
Reclassified to fixed assets in 2020	0	-2 970	-2 970	Reclassified to fixed assets in 2019	0	0	0
Purchase cost 31.12.2020	0	0	0	Purchase cost 31.12.2019	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 01.01.2020	2 849	138 838	141 687	Net book value 01.01.2019	4 455	183 631	188 086
Purchases in 2020	1 519	65 609	67 128	Purchases in 2019		55 950	55 950
Depreciation for 2020	-1 514	-68 273	-69 787	Depreciation for 2019	-1 606	-100 481	-102 087
Disposals in 2020	0	-26 975	-26 975	Disposals in 2019	0	-1 142	-1 142
Accumulated depreciation of disposals 2020	0	-23 828	-23 828	Accumulated depreciation of disposals 2019	0	-880	-880
Purchase cost 31.12.2020	8 334	568 746	577 080	Purchase cost 31.12.2019	6 815	530 112	536 927
Accumulated depreciation 31.12.2020	-5 480	-435 719	-441 199	Accumulated depreciation 31.12.2019	-3 966	-391 274	-395 240
Net book value 31.12.2020	2 854	133 027	135 881	Net book value 31.12.2019	2 849	138 838	141 687

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 01.01.2020	4 231	2 324	6 555	Net book value 01.01.2019	4 047	7 370	11 417
Purchases in 2020	4 197	782	4 979	Purchases in 2019	2 865	959	3 824
Depreciation for 2020	-3 887	-2 050	-5 937	Depreciation for 2019	-2 681	-6 005	-8 686
Disposals in 2020	-596	-265	-861	Disposals in 2019	-265	-1 436	-1 701
Purchase cost 31.12.2020	16 820	41 727	58 547	Purchase cost 31.12.2019	13 219	41 210	54 429
Accumulated depreciation 31.12.2020	-12 279	-40 671	-52 950	Accumulated depreciation 31.12.2019	-8 988	-38 886	-47 874
Net book value 31.12.2020	4 541	1 056	5 597	Net book value 31.12.2019	4 231	2 324	6 555

NOTE 6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	Budget A (SH) 31.12.2020	Budget B (FN) 31.12.2020	Total 31.12.2020	Budget A (SH) 31.12.2019	Budget B (FN) 31.12.2019	Total 31.12.2019
Prepaid taxes	0	9 574	9 574	0	0	0
Next period expenses	3 923	20 195	24 118	3 664	40 633	44 297
Prepayments for equipment and services	0	2	2	0	1 690	1 690
Accumulated VAT	0	2 508	2 508	434	704	1 138
Other receivables	60	0	60	70	70	140
Total accounts receivable and prepayments	3 983	32 279	36 262	4 168	43 097	47 265

NOTE 7 CASH AND CASH EQUIVALENTS

	Budget A (SH) 31.12.2020	Budget B (FN) 31.12.2020	Total 31.12.2020	Budget A (SH) 31.12.2019	Budget B (FN) 31.12.2019	Total 31.12.2019
Cash on bank account	376 619	4 315 413	4 692 032	591 236	3 949 972	4 541 208
Cash in cash box	0	1	1	5	1	6
Total cash and cash equivalents	376 619	4 315 414	4 692 033	591 241	3 949 973	4 541 214

NOTE 8 ACCOUNTS PAYABLE

	Budget A (SH) 31.12.2020	Budget B (FN) 31.12.2020	Total 31.12.2020	Budget A (SH) 31.12.2019	Budget B (FN) 31.12.2019	Total 31.12.2019
Trade payables	41	17 188	17 229	21 102	29 484	50 586
Accrued liabilities	1 985	23 914	25 899	3 253	51 330	54 583
Vacation accruals	0	97 343	97 343	0	88 691	88 691
Calculated taxes	0	1 399	1 399	525	2 452	2 977
Total accounts payable	2 026	139 844	141 870	24 880	171 957	196 837

NOTE 9 DEFERRED INCOME

	Budget A (SH) 2020	Budget B (FN) 2020	Total 2020		Budget A (SH) 2019	Budget B (FN) 2019	Total 2019
Net book value 01.01.2020	584 052	3 996 436	4 580 488	Net book value 01.01.2019	432 152	3 957 205	4 389 357
Contribution Latvia (for 2020)	67 271	1 964 852	2 032 123	Contribution Latvia (for 2019)	213 120	1 964 852	2 177 972
Contribution Latvia (for 2021)	99 339	654 950	754 289	Contribution Latvia (for 2020)	161 038	654 950	815 988
Contribution Poland (for 2020)	17 562		17 562	Contribution Poland (for 2019)	20 783		20 783
Contribution Germany (for 2020)	35 125		35 125	Contribution Germany (for 2019)	41 566		41 566
Contribution Estonia (for 2020)	17 562		17 562	Contribution Estonia (for 2019)	20 783		20 783
Contribution Italy (for 2020)	17 562		17 562	Contribution Italy (for 2019)	20 783		20 783
Contribution Great Britain (for 2020)	17 562		17 562	Contribution Great Britain (for 2019)	20 783		20 783
Contribution Lithuania (for 2020)	10 125		10 125	Contribution Lithuania (for 2019)	4 565		4 565
Contribution Lithuania (for 2021)	4 875		4 875	Contribution Lithuania (for 2019 paid by Poland)*	25 000		25 000
Contribution Lithuania (for 2020 paid by Poland)*	25 000		25 000	Contribution Finland (for 2019)	20 783		20 783
Contribution Finland (for 2020)	17 162		17 162	Contribution Finland (for 2020)	400		400
Contribution Netherlands (for 2020)	17 562		17 562	Contribution Netherlands (for 2019)	20 783		20 783
Contribution Sweden (for 2020)	2 162		2 162	Contribution Sweden (for 2019)	20 783		20 783
Contribution Sweden (for 2021)	15 000		15 000	Contribution Sweden (for 2020)	15 400		15 400
Contribution Canada (for 2020)	17 562		17 562	Contribution Canada (for 2019)	25 000		25 000
Contribution Canada (for 2021)	15 000		15 000	Contribution Slovakia (for 2019)	25 000		25 000
Contribution Slovakia (for 2021)	15 000		15 000	Contribution Slovakia (for 2020)	25 000		25 000
Received VAT reimbursement	20 339	47 627	67 966	Received VAT reimbursement	23 530	74 088	97 618
Received deferred income	431 770	2 667 429	3 099 199	Received deferred income	705 100	2 693 890	3 398 990
Used in 2020	-629 671	-2 289 766	-2 919 437	Used in 2019	-555 200	-2 652 659	-3 207 859
Conference fee 2020	2 700	-2 700	0	Conference fee 2019	2 000	-2 000	0
Total deferred income 31.12.2020	388 851	4 371 399	4 760 250	Total deferred income 31.12.2019	584 052	3 996 436	4 580 488

* Position filled by Polish representative

** Contribution from Denmark for FY 2019 and FY 2020 was received in January 2021 after completion of joining procedures

*** Contribution from the United States of America for FY 2020 was received in February 2021 after completion of joining procedures

NOTE 10 OTHER INCOME

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

2020	Budget A (SH)	Budget B (FN)	Total
Other income	10 798	0	10 798
Total other income	10 798	0	10 798

BUDGET REPORT

2020 BUDGET

Summary

In total, the Centre's budget consists of the Shared Budget – funding provided by the Sponsoring Nations (SN) and Contributing Partners (CP) 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 12th meeting, the Steering Committee agreed on SN contributions for 2020 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 2020 was approved in the amount of 703,000 EUR. From that amount, 675,000 EUR were planned as contributions from SN and CP, and 28,000 EUR were planned as a revenue from value added tax reimbursements and collected conference fees.

Contributions for Shared Budget 2020:

First Call for Funds for FY 2020	375,000
Advance for FY 2020 (FIN and SWE paid in 2019)	800
Call for Funds for Slovak Republic for FY 2020	25,000
Second Call for Funds for FY 2020 (Reduced by surpluses from FY 2018 and advance)	68,132
Surplus from Financial Year 2018	185,943
Total (EUR) for FY 2020	650,000
Advance (EUR) for FY 2021 (LTU)	4,875
Call for Funds for Denmark for FY 2020*	25,000
Call for Funds for United States of America for FY 2020**	25,000

* Call for Funds for Denmark was issued only mid December 2020 after the Notes of Joining were received. Contribution was planned in the Shared Budget for 2020 but was received in January 2021

** Call for Funds for the United States of America was issued only mid December 2020 after the Notes of Joining were received. Contribution was not planned in the Shared Budget for 2020 and was received in February 2021

As of 31 December 2020, the total amount of expenditures was 523,331 EUR; in addition, 94,605 EUR were carried forward to complete commitments and to support projects from FY 2020 continuing in FY 2021.

The pandemic, and the measures taken to contain it, influenced the Centre's activities and budget in 2020, forcing the Centre to rearrange its resources and adapt to the online working environment.

In Budget Chapter 710000 Personnel, tuition fees for courses planned for the Centre's personnel were only partially used; starting from the end of March 2020, participation in courses was suspended due to the pandemic.

In Budget Chapter 720000 Contractual Supplies and Services, cancellations of onsite events resulted in savings in hospitality funds and fewer costs for guest speakers. The majority of the Centre's events were conducted online, and affiliated research papers and reports were also published mostly online, decreasing expenditures for printing. In order to ensure staff participation in various online events as speakers or participants, an internal video conference room was created, using rented equipment to begin with. However, due to the lasting impact of the COVID-19 pandemic and the high demand for remotely organized events, the decision was made to purchase the necessary equipment.

Adjusting to the pandemic environment, numerous events were conducted as webinars. Therefore, a portion of budgeted hospitality and travel funds were shifted to budget sub-item 721500 (Furniture and Equipment/rental and services) to ensure studio setup, lights, monitors, livestream, and

sound services for the webinars. Travel restrictions decreased the number of duty travels for the Centre's staff to the bare minimum. Despite savings in expenditures for guest speakers, budget sub-item 726200 Contractors was amended (increased), mainly for the implementation of POW 2020 Projects No. 2, No. 5, No. 32, and No. 60.

In 2020, the budget for Chapter 720000 was amended (transfers of budget credits), mainly to ensure the funding necessary for contractors for their work on research papers, and to cover the costs of equipment rentals for webinars.

As regards the funding (152,705 EUR) carried forward from FY 2019 to FY 2020, the amount was spent as follows: 50,114 EUR to cover commitments, 10,052 EUR for POW 2019/2020 Project No. 66, and 79,000 EUR for POW 2019/2020 Project No. 60. At the end of 2020, 6,264 EUR were still committed (for the layout design of POW 2019 Project No. 6 and for research contractors and language editing for POW 2019/2020 Project No. 66). Those committed funds have been again carried forward to FY 2021. 7,275 EUR were not spent, mainly due to the termination of agreements with contractors.

The 909 EUR carried forward from FY 2018 for the peer review of POW 2018 Project No. 54 (POW 2019 Project No. 68), were spent at the beginning of FY 2020.

The following funds (94,605 EUR) from 2020 have been carried forward to 2021:

- 1) committed funds for which the payments were not executed by the end of the FY 2020 came to a total of 22,605 EUR, including:
 - 16,450 EUR for contractors (research and research assistance) for POW 2020 Projects No. 19, No. 43, No. 56;
 - 5,805 EUR for studio space, equipment rental, and livestream services for webinars for POW 2020 Project No. 46;
 - 350 EUR for layout design for POW 2020 Project No. 41.
- 2) 60,000 EUR for the implementation of POW 2020 and POW 2021 Project No.38. From that amount, 40,000 EUR for budget Chapter 730000 Capital and Investments and 20,000 EUR for budget Chapter 720000 Contractual Supplies and Services.
- 3) 12,000 EUR for the layout and editing of various research papers and reports for POW 2020.

In 2020, 25,224 EUR were received as revenue, including 11,992 EUR from value added tax reimbursements and 13,232 EUR collected in conference fees for POW 2020 Projects No. 3 and No. 4.

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 2020 was planned in the amount of 5,914,825 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 the office equipment and supplies.

As of 31 December 2020, the total amount of expenditures was 2,302,157 EUR. Due to the pandemic, one of the Centre's most significant annual events – the Riga StratCom Dialogue (RSD) conference – was cancelled. Since the majority of the RSD expenditures are covered from the FNS budget, the cancellation resulted in savings to budget item 2500, which funds the Centre's substantive activities. In 2020, 85,398 EUR were spent from budget item 2500, including the rental of the event registration system service Cvent, the financing of several internships, the services of the Editor-in-Chief of the Centre's academic journal Defence Strategic Communications, the Centre's participation in the Munich Security Conference and the Annual Global Business Ethics Symposium, and others.

Adapting to the conditions of the pandemic, a studio space was rented for online events. The rent was covered from the FNS budget for the first half of the year, therefore the budget was amended.

In order to ensure the possibility of working remotely (due to the COVID-19), a number of additional laptops were procured; these were received and paid for in part in 2020, and in part in 2021. Therefore, the budget for Chapter 2000 was amended, and the necessary funding was shifted from the information technologies maintenance project, which has been postponed repeatedly due to outside factors.

The budget Chapter 3000 was mainly used for the acquisition of a new duty car, for an upgrade to the Centre's webpage, and for information technologies equipment.

Unused funding and contributions are carried forward to the next financial year to continue to support the Centre's activities and to facilitate possible solutions for the Centre's projected new premises. New premises have been sought for some time now because the current premises are becoming too small due to the constantly increasing number of staff.

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

APPENDICES TO THE BUDGET REPORT

APPENDIX 1 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	152 705	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	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	152 705	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	152 705	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	909	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 2 BUDGET EXECUTION TABLE – 2020 SHARED BUDGET

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/Received in 2020	Committed/Carried Forward to 2021	Lapsed
710000				PERSONNEL	2 700		2 700	900		1 800
	716000			Training	2 700		2 700	900		1 800
720000				CONTRACTUAL SUPPLIES AND SERVICES	700 300		700 300	522 431	94 605	83 264
	721000			General Support	151 130		151 130	96 620	18 155	36 355
		721100		Administration	74 535		71 575	29 661	12 350	29 564
			721110	Printing/Photocopying/Visual/Graphics/Publications Supplies and Services	56 065	-2 960	53 105	18 034	12 350	22 721
			721120	Office Supplies and Minor Office Equipment	8 070		8 070	7 219		851
			721130	Reference Materials	5 800		5 800	2 293		3 507
			721140	Postal/Shipping/Banking Services	4 600		4 600	2 115		2 485
		721200		Hospitality	44 940	-30 000	14 940	14 855		85
		721500		Furniture and Equipment	17 040	36 960	54 000	47 008	4 798	2 194
		721800		Non NATO StratCom COEs Facilities	14 615	-4 000	10 615	5 096	1 007	4 512
	722000			Mission Support	41 485		42 645	33 628		9 017
		722100		Fuel/Oil/Gases and Fluids	0		0	0		0
		722300		AIS	21 800		21 800	16 419		5 381
			722310	Purchase/Rental and Operational Lease	11 850	3 150	15 000	13 538		1 462
			722320	Supplies and Consumables	350		350	345		5
			722330	Services and Maintenance	9 600	-3 150	6 450	2 536		3 914
		722400		Communications	19 390		20 550	17 209		3 341
			722410	Purchase/Rental and Operational Lease	2 750	1 160	3 910	3 880		30
			722420	Supplies and Consumables	200		200	0		200
			722430	Telephone/Telefax/Internet/Services and Maintenance	16 440		16 440	13 329		3 111
		722500		Mission Carriers	295		295	0		295
			722510	Rental and Operational Lease	295		295	0		295
			722520	Services and Maintenance	0		0	0		0
	723000			Travel	137 745		109 585	13 085	60 000	36 500
		723100		Transportation for Business Trips	131 285	-28 160	103 125	10 988	60 000	32 137
		723200		Transportation for Training	2 000		2 000	1 595		405
		723300		Fees	4 460		4 460	502		3 958
	725000			Miscellaneous Costs	500		500	34		466
	726000			Consultants/Contractors	369 440		396 440	379 064	16 450	926
		726100		Consultants	0		0	0		0
		726200		Contractors	369 440	27 000	396 440	379 064	16 450	926
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					703 000		703 000	523 331	94 605	85 064
740000				REVENUE	28 000		28 000	25 224		2 776
	741000			Revenue/from StratCom COE organised conference, course, workshop, etc. fees	17 400		17 400	13 232		4 168
	742000			Revenue/Value added tax reimbursement**	10 600		10 600	11 992		-1 392
	743000			Revenue/Other	0		0	0		0
TOTAL REVENUE					28 000		28 000	25 224		2 776
CONTRIBUTIONS PLANNED/RECEIVED***					675 000		675 000	650 000		25 000
TOTAL NET-EXPENDITURES					650 000		650 000	498 107	94 605	57 288
CARRIED FORWARD FROM FY 2019										
	721000			General Support	6 549		6 549	4 426	600	1 523
	722000			Mission Support	2 540		2 540	2 528	0	12
	723000			Travel	1 000		1 000	0	0	1 000
	726000			Consultants/Contractors	142 616		142 616	132 212	5 664	4 740
TOTAL EXPENDITURES CARRIED FORWARD FROM FY 2019					152 705		152 705	139 166	6 264	7 275
740000				REVENUE****	0		0	12 127		-12 127
TOTAL NET EXPENDITURES					152 705		152 705	127 039	6 264	19 402
CARRIED FORWARD FROM FY 2018										
	726000			Consultants/Contractors	909		909	909		0
TOTAL EXPENDITURES CARRIED FORWARD FROM FY 2018					0		0	0		0
740000				REVENUE	0		0	0		0
TOTAL NET EXPENDITURES					909		909	909		0

* 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 2020

*** 675 000 EUR were approved contributions from Sponsoring Nations and Contributing Partners. As the joining process of Denmark was completed at the end of 2020, the contribution (25 000 EUR) was received in January 2021

**** 10 EUR from the Riga StratCom Dialogue 2019 conference fees (received in 2020); 7 773 EUR VAT reimbursement for the 4th quarter of FY 2019; 3 772 EUR reimbursements for payments made in FY 2019; 572 EUR VAT reimbursement for the funds carried forward from FY 2019

APPENDIX 3 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	48 155	21 895
	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	2 561 060	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	2 561 060	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

APPENDIX 4 BUDGET EXECUTION TABLE – 2020 FRAMEWORK NATION SUPPORT BUDGET

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/Received in 2020	Carried Forward to 2021
1000				PERSONNEL	1 767 296		1 767 296	1 716 609	50 687
	1100			Salaries, Employee's Personal Income Tax, Employee's State Social Insurance Mandatory Contributions	1 412 117		1 412 117	1 373 300	38 817
	1200			Employer's State Social Insurance Mandatory Contributions, Benefits and Allowances	355 179		355 179	343 309	11 870
2000				SUPPLIES AND SERVICES	4 076 379		4 076 379	542 551	3 533 828
	2100			Travel Expenses	63 920		63 920	14 506	49 414
	2200			Services	544 414		519 414	395 968	123 446
		2210		Communications	17 000		17 000	12 557	4 443
		2220		Utilities	43 800		43 800	26 889	16 911
		2230		Administrative Expenditure	54 392		54 392	43 707	10 685
		2240		Renovation and Maintenance of Institution	267 910		285 910	265 085	20 825
		2241		Renovation of Buildings and Premises	10 000		10 000	0	10 000
		2242		Maintenance and Repair of Vehicles	5 510		5 510	3 441	2 069
		2243		Repair and Technical Services of Equipment and Inventory	10 000		10 000	3 039	6 961
		2244		Maintenance of Buildings and Premises	242 400	18 000	260 400	258 605	1 795
		2250		Information Technologies Maintenance	149 312	-58 000	91 312	39 239	52 073
		2260		Rental	5 000	15 000	20 000	8 491	11 509
		2270		Other Services	7 000		7 000	0	7 000
	2300			Stocks, Materials, Office Supplies	65 660		90 660	40 410	50 250
		2310		Office Supplies, Minor Office Equipment and Furniture, Information Technologies and Communications/up to 10% of level A*	28 460		28 460	8 305	20 155
		2320		Inventory, Equipment, Furniture, Information Technologies and Communications/from 10% to 50% of level A*	22 700	25 000	47 700	23 898	23 802
		2330		Materials for Renovation and Maintenance of Institution	5 000		5 000	256	4 744
		2340		Other	9 500		9 500	7 951	1 549
	2400			Periodicals	9 000		9 000	6 269	2 731
	2500			Other (FN Voluntary Contributions for Centre's Substantive Activities)	3 393 385		3 393 385	85 398	3 307 987
3000				CAPITAL AND INVESTMENTS/Credits required for the procurement of the equipment at cost of more than 50% Level A*	71 150		71 150	42 997	28 153
	3100			Intangible Assets	2 800	5 200	8 000	7 532	468
	3200			Fixed Assets	68 350		63 150	35 465	27 685
		3210		Information Technologies	9 850		9 850	6 017	3 833
		3220		Communications	0		0	0	0
		3230		Other Investments	58 500	-5 200	53 300	29 448	23 852
TOTAL EXPENDITURES					5 914 825		5 914 825	2 302 157	3 612 668
4000				REVENUE	0		0	47 796	47 796
	4100			Revenue/Value added tax reimbursement**	0		0	47 628	47 628
	4200			Revenue/Other reimbursement	0		0	98	98
	4300			Revenue/Other***	0		0	70	70
TOTAL REVENUE ****					0		0	47 796	47 796
TOTAL NET-EXPENDITURES *****					5 914 825		5 914 825	2 302 157	3 612 668

* Level A - 5 000 EUR
 ** 19 511 EUR for the 4th quarter FY 2019 and 28 117 EUR for first three quarters of FY 2020
 *** 70 EUR from the Riga StratCom Dialogue 2019 conference fees (received in 2020)
 **** 47 796 EUR will be incorporated into the FNS Budget for 2021
 ***** 3 612 668 EUR will be incorporated into the FNS Budget for 2021



Jānis Sārts, Director, 30 March 2021



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 2020, and its financial performance and cash flows for the year ended 31 December 2020 in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2020,
- the statement of financial performance for the year ended 31 December 2020,
- the cash flow statement for the year ended 31 December 2020, the statement of changes in net assets for the year ended 31 December 2020, 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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.

Our opinion on the financial statements does not cover the other information.

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.



With respect to the Management Report, we also performed the procedures required by the Law on Audit Services. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports.

Based on the work undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with requirements of the Law on Annual Reports and Consolidated Annual Reports.

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 'Jegors Podosiņņikovs', written over a faint blue grid.

Jegors Podosiņņikovs
Persona per procura

A handwritten signature in blue ink, appearing to read 'Elīza Gulbe', written over a faint blue grid.

Elīza Gulbe
Certified auditor in charge
Certificate No. 219

Riga, Latvia
30 March 2021



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 – 2020 Shared Budget,
- Budget execution table – 2020 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 this 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.



Jegors Podosinnikovs
Persona per procura

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Licence No. 5



Elīza Gulbe
Certified auditor in charge
Certificate No. 219

Riga, Latvia
30 March 2021