

TABLE OF CONTENTS

| | |
|---|----|
| TABLE OF CONTENTS..... | 2 |
| MANAGEMENT REPORT..... | 3 |
| FINANCIAL STATEMENTS..... | 5 |
| MANAGEMENT REPRESENTATION TO THE FINANCIAL STATEMENTS..... | 5 |
| BALANCE SHEET..... | 6 |
| STATEMENT OF FINANCIAL PERFORMANCE..... | 6 |
| CASH FLOW STATEMENT..... | 7 |
| STATEMENT OF CHANGES IN NET ASSETS..... | 7 |
| NOTES TO THE FINANCIAL STATEMENTS..... | 8 |
| NOTE 1 BASIS OF PREPARATION..... | 8 |
| NOTE 2 INTANGIBLE ASSETS..... | 9 |
| NOTE 3 FIXED ASSETS..... | 10 |
| NOTE 4 ADVANCE PAYMENT FOR FIXED ASSETS..... | 10 |
| NOTE 5 OFFICE EQUIPMENT/SMALL INVENTORY..... | 10 |
| NOTE 6 ACCOUNTS RECEIVABLE AND PREPAYMENTS..... | 10 |
| NOTE 7 PREPAID TAXES AND TAX LIABILITIES..... | 10 |
| NOTE 8 CASH AND CASH EQUIVALENTS..... | 11 |
| NOTE 9 ACCOUNTS PAYABLE..... | 11 |
| NOTE 10 DEFERRED INCOME..... | 11 |
| NOTE 11 CONTRIBUTIONS..... | 11 |
| BUDGET REPORT..... | 12 |
| 2014 BUDGET..... | 12 |
| APPENDICES TO THE BUDGET REPORT..... | 13 |
| APPENDIX 1 BUDGET TABLE – 2014 SHARED BUDGET..... | 13 |
| APPENDIX 2 BUDGET TABLE – 2014 FRAMEWORK NATION SUPPORT BUDGET..... | 15 |

MANAGEMENT REPORT

Brief History of the NATO Strategic Communications Centre of Excellence

The NATO Strategic Communication Centre of Excellence (Centre) was initially established in January 2014 as a Latvian national institution, under the supervision of the Latvian Ministry of Defence. On 1 July 2014, at the NATO Allied Command Transformation (ACT) Headquarters in Norfolk, the founding documents of the Centre were signed by representatives of Estonia, Germany, Italy, Latvia, Lithuania, Poland and the United Kingdom. At the first Steering Committee meeting that took place on 24-25 July 2014, the concept of the Centre, its manning table, budget and programme of work (POW) for 2014 were approved. Upon the recommendation of ACT, the NATO Military Committee (MC) decided to accredit the Centre. On 1 September 2014, the NATO North Atlantic Council endorsed the MC decision and activated the Centre as a NATO military body, however, that is not part of the Alliance's Command structure. At the NATO Wales summit in September 2014, the establishment of the Centre was acknowledged as a meaningful contribution to NATO efforts in the area of strategic communications. Since 1 October 2014, the Centre has a status of an international organization in Latvia according to the 1952 Paris Protocol. The Second Steering Committee meeting that took place on 27 November 2014 approved the COE's POW and budget for 2015.

Centre's Mission and Tasks

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 communication capabilities through research and analysis, concept development, experimentation, as well as education and training. The Centre helps in addressing shortfalls identified in successive NATO operations as well as identifying lessons that should be taken into account in the future.

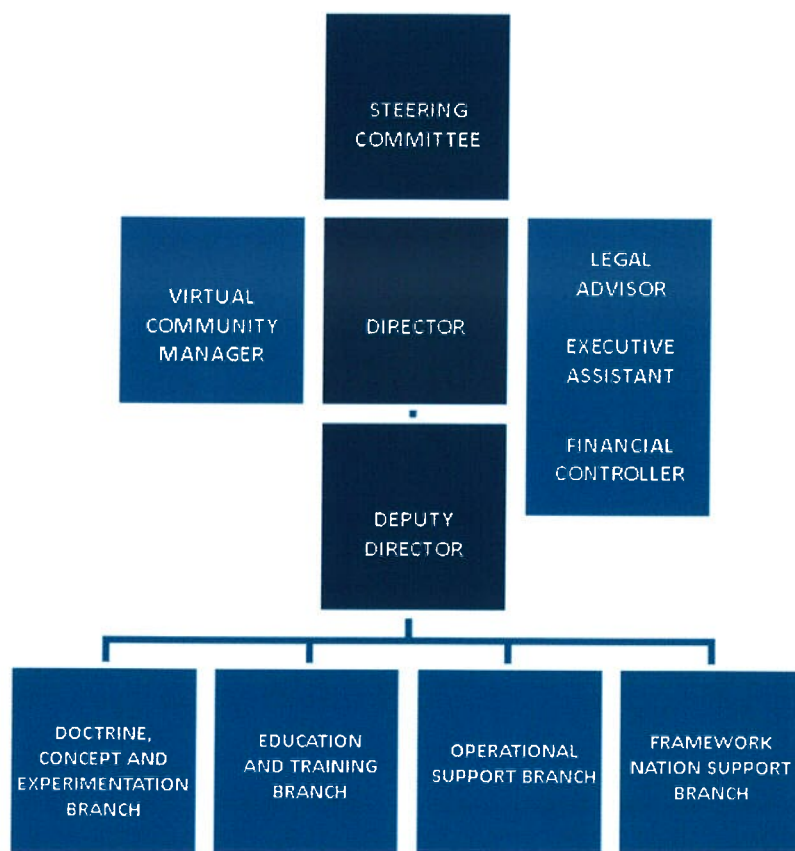
The Centre is operating as a hub for research as well as testing ideas and approaches. It brings together international experts in different strategic communications disciplines, including Public Diplomacy, Public Affairs, Military Public Affairs, Information Operations, and Psychological Operations, as well as professionals from related domains, to support research, analysis and planning about StratCom at the strategic and tactical level.

The Centre follows the POW approved by the Steering Committee on the basis of Requests for Support formulated by the Allied Nations and different NATO structures and submitted through the HQ SACT. Its activities include amongst others research, analysis, doctrine development, cooperation with relevant NATO structures, and disseminating expertise and knowledge in the area of strategic communications through education and training.

Structure

The Centre consists of 4 branches: Doctrine, Concept and Experimentation; Education and Training; Operational Support; Framework Nation Support. The Director's Office, consisting of Legal Adviser, Financial Controller and Executive Assistant, is providing the necessary administrative and organizational support. The Deputy Director is responsible for the substantive work of the Centre.

The highest decision-making body is the Steering Committee consisting of representatives of all Sponsoring Nations. It is headed by the representative of the Framework Nation (FN).



Main Achievements in 2014

In 2014, the Centre started its substantive activities. Taking into account the geopolitical situation at that time, the first task that was assigned to the Centre was to study Russia's information campaign against Ukraine covering the period from November 2013, when the EU Eastern Partnership Summit in Vilnius took place, until the annexation of Crimea by Russia in March 2014. The study resulted in a Report which has been presented in numerous countries and international organizations. This report was prepared in cooperation with the Latvian Centre for Eastern European Policy Studies and the news agency LETA as well as with a number of international experts.

Another study, «Case of NATO Ballistic Missile Defence (BMD) and Changes in Public Opinion», was conducted in cooperation with Arizona State University. It analysed how the mainstream media has reflected the NATO BMD over the past seven years by using the strategic framing analysis methodology. The launch of the study was held in the McCain Institute in Washington, DC, in December 2014.

Additionally, together with the UK Ministry of Defence Joint Information Activities Team, the Centre conducted several Crisis Communications Courses for Ukrainian and Georgian Government representatives.

Centre's subject matter experts contributed to the courses organized by the NATO School at Oberammergau and the Baltic Defence College.

In November 2014, the Centre organized an international media expert seminar on Weaponisation of Social Media. This seminar marked the beginning of a project assessing the military potential of social media.

The implementation of several projects that were started in 2014 will continue in 2015. These include the online training course on basic StratCom, analysis of the ISAF operation from the strategic communication perspective and a mapping of existing practices in NATO and Allied Nations related to strategic communications.

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 7 to 11 and confirm that:

1. 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 Kārklīš

Director of the NATO Strategic Communications Centre of Excellence


31 March 2015

BALANCE SHEET

| | 31.12.2014 Total EUR | 31.12.2014 incl. Budget A (SH) EUR | Notes |
|---|----------------------------|--|-------|
| Intangible assets | 698 | 0 | 2 |
| Fixed assets | 17 632 | 0 | 3 |
| Advance payments for fixed assets | 4 753 | 0 | 4 |
| Office equipment | 3 781 | 0 | 5 |
| Total fixed assets | 26 864 | 0 | |
| Accounts receivable and prepayments | 2 556 | 2 388 | 6,7 |
| Cash and cash equivalents | 1 952 343 | 593 492 | 8 |
| Total current assets | 1 954 899 | 595 880 | |
| TOTAL ASSETS | 1 981 763 | 595 880 | |
| Accounts payable | 25 418 | 0 | 9 |
| Deferred income | 1 956 345 | 595 880 | 10 |
| Total current liabilities | 1 981 763 | 595 880 | |
| TOTAL LIABILITIES AND NET ASSETS | 1 981 763 | 595 880 | |

STATEMENT OF FINANCIAL PERFORMANCE

| | 01.10.2014 – 31.12.2014 Total EUR | 2014 incl. Budget A (SH) EUR | Notes |
|--|---|------------------------------------|-------|
| Contributions | 310 622 | 30 571 | 11 |
| Total revenue | 310 622 | 30 571 | |
| Operating expenses | 67 480 | 30 571 | |
| Personnel expenses | 242 873 | 0 | |
| Depreciation of fixed assets and intangible assets | 269 | 0 | 3,5 |
| Total expenses | 310 622 | 30 571 | |
| Surplus from operating activities | 0 | 0 | |
| Surplus for the period | 0 | 0 | |


Jānis Kārklīš

Director of the NATO Strategic Communications Centre of Excellence
31 March 2015

CASH FLOW STATEMENT

| | 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 | |
| Depreciation | 269 | 0 | 3-5 |
| Accrued expenses for unused vacations | 18 363 | 0 | 9 |
| Change in accounts receivable | - 2 556 | - 2 388 | 6 |
| Change in liabilities and prepayments | 7 055 | 1 451 | 9 |
| Total cash flows from operating activities | 23 131 | -937 | |
| Fixed and intangible assets purchase | - 27 133 | 0 | 2-5 |
| Total cash flows from investment activities | - 27 133 | 0 | |
| Receipt of contributions | 2 266 967 | 625 000 | 10 |
| Contributions used | - 310 622 | - 30 571 | 10 |
| Total cash flows from financing activities | 1 956 345 | 594 429 | |
| Total cash flows | 1 952 343 | 593 492 | |
| Cash and cash equivalents at the beginning of the period | 0 | 0 | 8 |
| Net increase/decrease in cash and cash equivalents | 1 952 343 | 593 492 | 8 |
| Cash and cash equivalents at the end of the period | 1 952 343 | 593 492 | 8 |

STATEMENT OF CHANGES IN NET ASSETS

| | Retained earnings EUR | Surplus for the period Total EUR | Surplus for the period Budget A (SH) EUR | Total net assets EUR |
|--|--------------------------|--|---|-------------------------|
| Total net assets 01.10.2014 | 0 | 0 | 0 | 0 |
| Surplus for 2014 | 0 | 1 981 763 | 595 880 | 1 981 763 |
| Total net assets 31.12.2014 | 0 | 1 981 763 | 595 880 | 1 981 763 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 BASIS OF PREPARATION

The legal address of the Centre is K.Valdemara 10/12, Riga, LV-1473. The Centre is established by seven member states - Estonia, Germany, Italy, Latvia, Lithuania, Poland, and the United Kingdom – signing memorandums of understanding. The Centre is registered in Latvian State Revenue Service under the registration number 90010376683. Ambassador Jānis Kārklīš is the Director of the Centre. PricewaterhouseCoopers SIA is the Centre's certified auditor. Audit was conducted by a certified auditor Ms Ilandra Lejiņa.

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. In view of the special status of the Centre and in order to comply with the provisions of paragraph 4 of the Annual Accounts Act, which requires that the Annual Accounts should give a true and fair view of the financial position of the Centre, 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 consolidated financial statements is the Euro (EUR).

The cash flow statement has been prepared using indirect cash flow method.

The period from 1 October 2014 to 31 December 2014 is the first period of operations of the Centre, therefore comparative information is not presented.

The financial statements have been prepared on accruals basis, the budget report on cash basis.

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 exchange gains and losses are recognised in the statement of financial performance as net income or expense of the period respectively.

C. Deferred income

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

D. Property and equipment

Assets are recognised as items of fixed assets if the Centre expects to use them for more than one year and if their cost exceed 500 EUR. Assets whose useful lifecycle extend beyond a year but cost is less than 250 EUR are recognised as an expense on implementation. The useful life for assets with acquisition value from 250 to 500 EUR is two years.

Depreciation on 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 shall submit quarterly application to the Ministry of Foreign Affairs of the Republic of Latvia for refunding of value added tax, annexing copies of invoices to the application. The Ministry of Foreign Affairs shall certify right of the applicant to apply for the refund of value added tax. The Ministry of Foreign Affairs shall submit the application together with the documents to the Latvian State Revenue Service. Tax administrator shall make decision over the application and transfer the sum subject to 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 out during the reporting period to ensure the operations of the Centre. Revenue and expenses are recognised on an accrual basis. Revenues and expenses are represented the net of discounts and value added tax. 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 for audit have been recorded 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) to ensure functioning of the Centre and Sponsoring Nations funding (Shared budget) to support Centre's substantive activities. In the text Framework Nation Support budget marked as "Budget B" and Shared budget as "Budget A".

NOTE 2 INTANGIBLE ASSETS

| | Budget A (SH) intangible assets | Budget B (FN) intangible assets | Total intangible assets |
|--|---------------------------------------|---------------------------------------|-------------------------------|
| Net book value 01.10.2014 | 0 | 0 | 0 |
| Purchases in 2014 | 0 | 698 | 698 |
| Depreciation for 2014 | 0 | 0 | 0 |
| Purchase cost 31.12.2014 | 0 | 698 | 698 |
| Accumulated depreciation 31.12.2014 | 0 | 0 | 0 |
| 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 |
|-------------------------------------|-------------------------------|-------------------------------|-----------------------|
| Net book value 01.10.2014 | 0 | 0 | 0 |
| Purchases in 2014 | 0 | 17 792 | 17 792 |
| Depreciation for 2014 | 0 | 160 | 160 |
| Purchase cost 31.12.2014 | 0 | 17 792 | 17 792 |
| Accumulated depreciation 31.12.2014 | 0 | 160 | 160 |
| 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 |
|----------------------------|---------------|---------------|-------|
| Net book value 01.10.2014 | 0 | 0 | 0 |
| Purchases in 2014 | 0 | 4 753 | 4 753 |
| Purchase cost 31.12.2014 | 0 | 4 753 | 4 753 |
| Net book amount 31.12.2014 | 0 | 4 753 | 4 753 |

NOTE 5 OFFICE EQUIPMENT/SMALL INVENTORY

| | Budget A (SH) equipment | Budget B (FN) equipment | Total equipment |
|-------------------------------------|----------------------------|----------------------------|--------------------|
| Net book value 01.10.2014 | 0 | 0 | 0 |
| Purchases in 2014 | 0 | 3 890 | 3 890 |
| Depreciation for 2014 | 0 | 109 | 109 |
| Purchase cost 31.12.2014 | 0 | 3 890 | 3 890 |
| Accumulated depreciation 31.12.2014 | 0 | 109 | 109 |
| Net book value 31.12.2014 | 0 | 3 781 | 3 781 |

NOTE 6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

| | 31.12.2014 | Notes |
|---|------------|-------|
| Prepaid taxes Budget B (FNS) | 147 | 7 |
| Next period expenses Budget B (FNS) | 21 | |
| Next period expenses Budget A (SH) | 785 | |
| Prepayments for equipment Budget A (SH) | 1 603 | |
| Total accounts receivable and prepayments | 2 556 | |

NOTE 7 PREPAID TAXES AND TAX LIABILITIES

| | 31.12.2014 | |
|-------------------------------------|------------|-----------|
| | Prepayment | Liability |
| Prepaid taxes Budget B (FNS) | 147 | 0 |
| Next period expenses Budget B (FNS) | 147 | 0 |

NOTE 8 CASH AND CASH EQUIVALENTS

| | 31.12.2014 |
|--|------------------|
| Cash on bank account Budget A (SH) | 593 492 |
| Cash on bank account Budget B (FNS) | 1 358 851 |
| Total cash and cash equivalents | 1 952 343 |

NOTE 9 ACCOUNTS PAYABLE

| | 31.12.2014 |
|----------------------------------|---------------|
| Trade payables Budget B (FNS) | 845 |
| Accrual payables Budget A (SH) | 1 451 |
| Accrual payables Budget B (FNS) | 4 759 |
| Vacation accruals Budget B (FNS) | 18 363 |
| Total accounts payable | 25 418 |

NOTE 10 DEFERRED INCOME

| | |
|-------------------------------------|-------------------|
| Received contributions | 31.12.2014 |
| Budget A (SH) | 625 000 |
| <i>Country Latvia (2015)</i> | <i>325 000</i> |
| <i>Country Germany (2015)</i> | <i>50 000</i> |
| <i>Country Latvia (from 2014)</i> | <i>250 000</i> |
| Budget B (FNS) | 1 641 967 |
| Total contributions received | 2 266 967 |
| Used contributions | 31.12.2014 |
| Budget A (SH) | 30 571 |
| <i>Country Latvia (2015)</i> | <i>0</i> |
| <i>Country Germany (2015)</i> | <i>0</i> |
| <i>Country Latvia (from 2014)</i> | <i>30 571</i> |
| Budget B (FNS) | 280 051 |
| Total contributions used | 310 622 |
| Deferred income | 31.12.2014 |
| Budget A (SH) | 594 429 |
| <i>Country Latvia (2015)</i> | <i>325 000</i> |
| <i>Country Germany (2015)</i> | <i>50 000</i> |
| <i>Country Latvia (from 2014)</i> | <i>219 429</i> |
| Budget B (FNS) | 1 361 916 |
| Total deferred income | 1 956 345 |

NOTE 11 CONTRIBUTIONS

| | 2014 |
|-------------------------------|----------------|
| Country Latvia Budget A (SH) | 30 571 |
| Country Latvia Budget B (FNS) | 280 051 |
| Total contributions | 310 622 |

BUDGET REPORT

2014 BUDGET

Summary

According to the Operational Memorandum of Understanding (Operational MoU) all costs of establishment and operations of the Centre during the fiscal year 2014 should be covered by the Framework Nation (FN)-Latvia. In 2014, the FN contributed 1.891.967 EUR to cover commitments described in the Operational MoU. On 24 July 2014, the Steering Committee approved the shared budget amounting to a total of 250.000 EUR (fully funded by Latvia). Implementation of the Centre's budget started on 1 October, 2014 when the Centre started its operations in Latvia as a NATO military body.

The Centre's budget consists of two parts:

1. Shared budget - Sponsoring Nations funding to support Centre's substantive activities - 250.000 EUR (2014);
2. Framework Nation Support budget - Framework Nation Support funding to ensure functioning of the Centre - 1.641.967 EUR (2014).

The budget report has been prepared on cash basis.

1. Shared Budget

In 2014 Shared budget was fully funded by Latvia. It was planned to cover the implementation of the approved 2014 POW amounting to a total of 250.000 EUR. No revenues were planned.

The total amount of expenditures (from 1 October) as of 31 December 2014 was 31.508 EUR that represents nearly 13% of the budget. 218.492 EUR are carried forward into 2015 as not all tasks planned for 2014 were accomplished. From the said amount, 3.830 EUR are commitments for administrative expenditures and hospitality. The remaining 214.662 EUR were committed to implement four outstanding projects (these four projects are listed also in the 2015 POW).

Refer to Appendix 1 for further details.

2. Framework Nation Support Budget

In 2014 FN Support budget was planned amounting to a total of 1.641.967 EUR, including remuneration for the Centre's FN staff, Centre's hired foreign experts, travel costs (according to the Operational MoU), administrative expenses, funds for maintenance of premises and funds for purchases of equipment and supplies. It was planned to fully equip the office and work stations.

The total amount of expenditures as of 31 December 2014 was 283.116 EUR, that represents 17,2% of the overall budget. Taking into account that the renovation of the permanent premises of the Centre took longer than initially planned, related expenditures were postponed to 2015. Thereby balance amounting to a total of 1.358.851 EUR was carried forward to 2015.

Refer to Appendix 2 for further details.

APPENDICES TO THE BUDGET REPORT

APPENDIX 1 BUDGET TABLE – 2014 SHARED BUDGET

| Chapter | Item | Sub-Item | Sub-Sub-Item | Description | Approved Budget | Transfer of Budget Credits | Final Budget | Spent 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 |
| | | 722500 | | Mission Carriers | 0 | | 0 | 0 | 0 |
| | | | 722510 | Rental and Operational Lease | 0 | | 0 | 0 | 0 |
| | | | 722520 | Services and Maintenance | 0 | | 0 | 0 | 0 |

APPENDIX 1 BUDGET TABLE – 2014 SHARED BUDGET (CONTINUED)

| | | | | | | | | | |
|---------------------------|--------|--------|--|--|----------------|----------|----------------|---------------|----------------|
| | 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 | | | | REVENUES | 0 | 0 | 0 | 0 | 0 |
| | 741000 | | | Revenues/from StratCom COE organized conference, course, workshop, etc. fees | 0 | 0 | 0 | 0 | 0 |
| TOTAL BUDGET | | | | | 250 000 | - | 250 000 | 31 508 | 218 492 |

APPENDIX 2 BUDGET TABLE – 2014 FRAMEWORK NATION SUPPORT BUDGET

| Chapter | Item | Sub-Item | Sub-Sub-Item | Description | Approved Budget | Spent 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


Jānis Kārklīņš
Director of the NATO Strategic Communications Centre of Excellence
31 March 2015



INDEPENDENT AUDITOR'S REPORT

To the Founders of NATO Strategic Communication Centre of Excellence

Report on the Financial Statements

We have audited the accompanying financial statements of NATO Strategic Communication Centre of Excellence set out on pages 5 to 11 of the accompanying annual report, which comprise the balance sheet as of 31 December 2014 and the statement of financial performance and the statements of changes in net assets and cash flows for the period from 1 October 2014 to 31 December 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 and fair presentation of the financial statements 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 Communication Centre of Excellence as of 31 December 2014, and of its financial performance and its cash flows for the period from 1 October 2014 to 31 December 2014 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 2014 set out on pages 3 to 5 of the accompanying annual report for 2014 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for period from 1 October 2014 to 31 December 2014.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

A handwritten signature in blue ink, appearing to read "I. Lejina", written over a light blue horizontal line.

Ilandra Lejina
Certified auditor in charge
Certificate No. 168

Member of the Board

Riga, Latvia
31 March 2015



Independent Auditor's Report on the Budget report

To the Founders of NATO Strategic Communication Centre of Excellence

We have audited the accompanying Budget report of NATO Strategic Communication Centre of Excellence for the period from 1 October 2014 to 31 December 2014 set out on pages 12 to 15 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 12 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 12 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 12 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

A handwritten signature in blue ink, appearing to read 'Ilandra Lejiņa'.

Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168

Riga, Latvia
31 March 2015