



# NATO STRATEGIC COMMUNICATIONS CENTRE OF EXCELLENCE

## ANNUAL REPORT

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# 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.

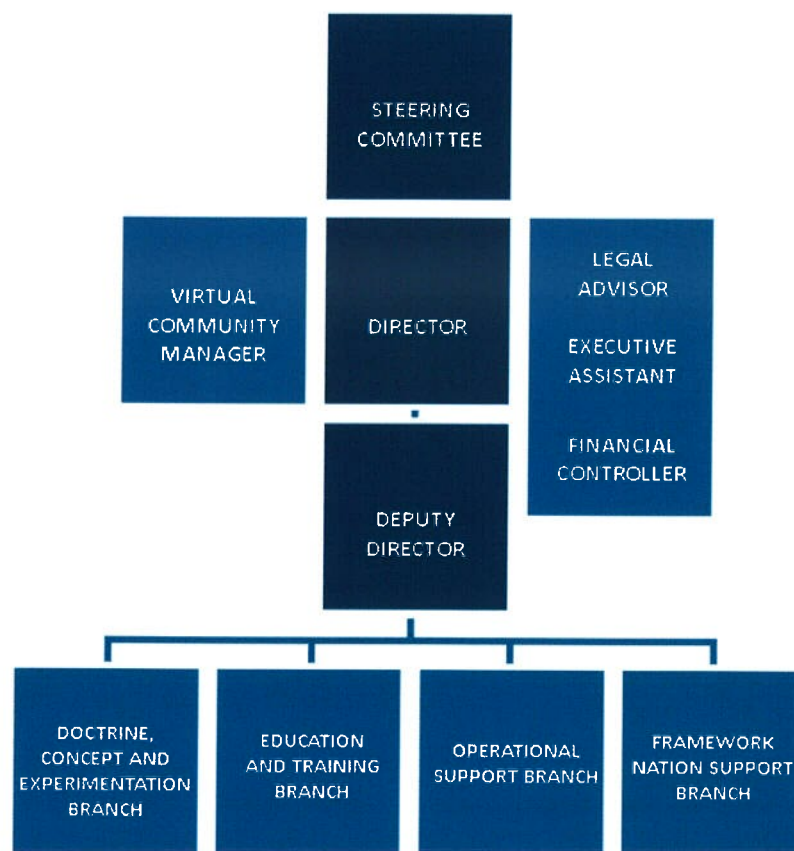
The Centre is operating as a hub for research as well as testing ideas and approaches. It brings together international experts in different strategic communications disciplines, including Public Diplomacy, Public Affairs, Military Public Affairs, Information Operations, and Psychological Operations, 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 Kārklis

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
<b>Total fixed assets</b>	<b>26 864</b>	<b>0</b>	
Accounts receivable and prepayments	2 556	2 388	6,7
Cash and cash equivalents	1 952 343	593 492	8
<b>Total current assets</b>	<b>1 954 899</b>	<b>595 880</b>	
<b>TOTAL ASSETS</b>	<b>1 981 763</b>	<b>595 880</b>	
Accounts payable	25 418	0	9
Deferred income	1 956 345	595 880	10
<b>Total current liabilities</b>	<b>1 981 763</b>	<b>595 880</b>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1 981 763</b>	<b>595 880</b>	

## 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
<b>Total revenue</b>	<b>310 622</b>	<b>30 571</b>	
Operating expenses	67 480	30 571	
Personnel expenses	242 873	0	
Depreciation of fixed assets and intangible assets	269	0	3,5
<b>Total expenses</b>	<b>310 622</b>	<b>30 571</b>	
<b>Surplus from operating activities</b>	<b>0</b>	<b>0</b>	
<b>Surplus for the period</b>	<b>0</b>	<b>0</b>	

  
Jānis Kārklīņš  
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
<b>Total cash flows from operating activities</b>	<b>23 131</b>	<b>-937</b>	
Fixed and intangible assets purchase	- 27 133	0	2-5
<b>Total cash flows from investment activities</b>	<b>- 27 133</b>	<b>0</b>	
Receipt of contributions	2 266 967	625 000	10
Contributions used	- 310 622	- 30 571	10
<b>Total cash flows from financing activities</b>	<b>1 956 345</b>	<b>594 429</b>	
<b>Total cash flows</b>	<b>1 952 343</b>	<b>593 492</b>	
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
<b>Total net assets 31.12.2014</b>	<b>0</b>	<b>1 981 763</b>	<b>595 880</b>	<b>1 981 763</b>

## 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 Kārklīņš 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
<b>Net book value 01.10.2014</b>	0	0	0
Purchases in 2014	0	698	698
Depreciation for 2014	0	0	0
<b>Purchase cost 31.12.2014</b>	0	698	698
<b>Accumulated depreciation 31.12.2014</b>	0	0	0
<b>Net book value 31.12.2014</b>	0	698	698