



## ANNUAL REPORT

## TABLE OF CONTENTS

TABLE OF CONTENTS.....	2
MANAGEMENT REPORT.....	3
FINANCIAL STATEMENTS.....	7
MANAGEMENT REPRESENTATION TO THE FINANCIAL STATEMENTS .....	7
BALANCE SHEET.....	8
STATEMENT OF FINANCIAL PERFORMANCE.....	8
CASH FLOW STATEMENT.....	9
STATEMENT OF CHANGES IN NET ASSETS.....	10
NOTES TO THE FINANCIAL STATEMENTS.....	11
Note 1    Basis of preparation.....	11
Note 2    Intangible assets.....	13
Note 3    Fixed assets.....	13
Note 4    Advance payments for fixed assets.....	14
Note 5    Office equipment/small inventory.....	14
Note 6    Accounts receivable and prepayments.....	14
Note 7    Cash and cash equivalents.....	15
Note 8    Accounts payable.....	15
Note 9    Deferred income.....	15
Note 10   Other funds.....	16
Note 11   Other income.....	16
BUDGET REPORT.....	17
2016 BUDGET.....	17
APPENDICES TO THE BUDGET REPORT.....	19
Appendix 1 Budget execution table – 2015 Shared Budget.....	19
Appendix 2 Budget execution table – 2016 Shared Budget.....	21
Appendix 3 Budget execution table – 2015 Framework Nation Support Budget.....	23
Appendix 4 Budget execution table – 2016 Framework Nation Support Budget.....	25

## MANAGEMENT REPORT

### General Information

The NATO Strategic Communications Centre of Excellence (Centre) has held the status of an international organization in Latvia from 1 October 2014 according to the 1952 Paris Protocol. Initially founded by 7 nations, by 2016 the number had already grown to 9 nations.

2016 was the Centre's second full financial year of operation. During the reporting period, the Centre implemented substantive activities in line with the Programme of Work (POW) for 2016 and the Budget for 2016 as approved by the Steering Committee at its 4th meeting on 26 November 2015.

### The Centre's Mission and Tasks for 2016

The Centre's mission is to support NATO's capability development process, mission effectiveness, and interoperability by providing comprehensive and timely expertise in the field of strategic communications. The Centre's aim is to contribute substantively to the improvement of NATO's strategic communications capabilities through research and analysis, concept development, and experimentation, as well as education and training.

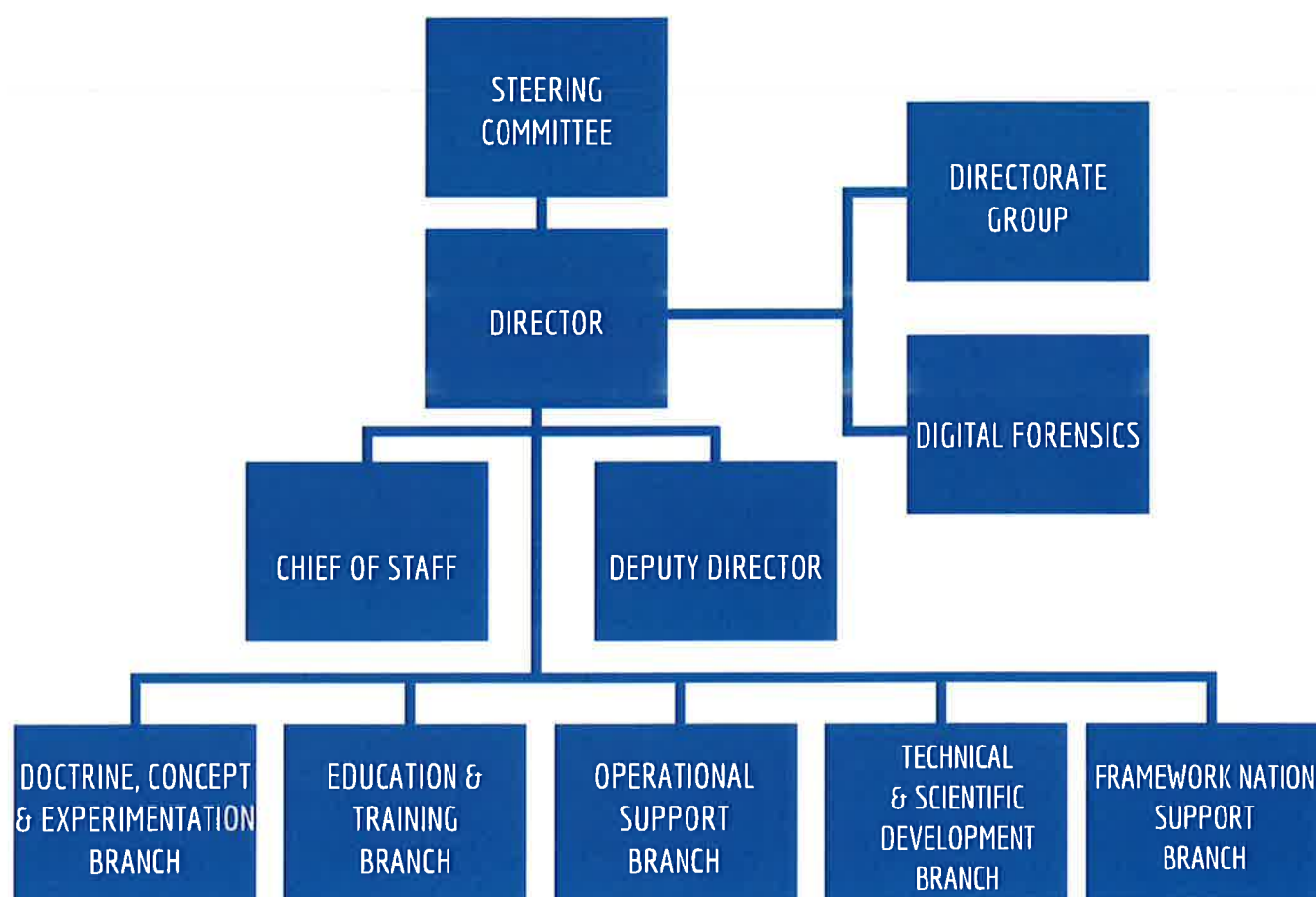
In 2016 the Centre's activities covered different strategic communications disciplines, such as Public Diplomacy, Public Affairs, Military Public Affairs, Information Operations, and Psychological Operations. The Centre was engaged in and contributed to many activities and events connected with these disciplines.

POW 2016 comprised 47 projects. The Sponsoring Nations contributed to the Centre's POW for 2016 with 18 projects, while 27 projects were Requests for Support from other NATO institutions, and 2 projects were planned by Centre itself. In comparison with POW 2015 there was an increase of 5 projects.

## Structure and Manning

As of November 2016 the Centre consists of 5 branches: the Doctrine, Concept and Experimentation Branch; the Education and Training Branch; the Operational Support Branch; the Technical and Scientific Development Branch, and the Framework Nation Support Branch. The Directorate group, made up of the Legal Adviser, Financial Controller, Executive Assistant, and Security Officer provides the necessary administrative and organizational support for the operation of the Centre. From mid-2016 two Digital Forensic Specialists joined the centre with the aim of uncovering disinformation and misinformation attempts in digital engagement spaces. They run projects in collaboration with the Washington-based think tank Atlantic Council. The Deputy Director is responsible for the substantive work of the Centre. The Chief of Staff is responsible for the coordination of the staff, and for managing communication and information flows within the Centre.

The highest decision-making body – the Steering Committee – consists of representatives of all Sponsoring Nations and is headed by a representative of the Framework Nation. Representatives from the Contributing Partners are always invited to share their view at the Steering Committee meetings in an advisory capacity. During its last meeting, the Steering Committee decided to increase the number of staff positions at the Centre; 86% of the approved manning table was filled by the end of December 2016.



During 2016, fourteen newcomers arrived at the Centre and six posts were rotated. The largest number of changes in personnel and rotations were conducted by the Framework Nation. In addition to the contributions of the Sponsoring Nations, the Czech Republic and France each sent personnel to the Centre prior to the finalisation of the joining procedures.

Four interns successfully completed their internships during 2016.

## Main Achievements in 2016

In accordance with POW 2016, numerous studies were conducted and several research papers from previous periods were finalized for publication.

The main publications on Centre's webpage in 2016 include:

- *Daesh Information Campaign and its Influence*
- *Redefining Euro-Atlantic Values and Russia's Strategic Communication in the Euro-Atlantic Space*
- *We Have Met the Enemy and He is Us. An Analysis of NATO Strategic Communications: The International Security Assistance Force in Afghanistan, 2003–2014*
- *Academic Journal Defence Strategic Communications, Vol. 1*
- *Russian Information Campaign Against the Ukrainian State and Defence Forces*
- *Framing of the Ukraine–Russia Conflict in Online and Social Media*
- *The Next Phase of Russian Information Warfare*
- *Social Media as a Tool of Hybrid Warfare*
- *The Kremlin and Daesh Information Activities*
- *The Dynamics of Russia's Information Activities Against Ukraine During the Syria Campaign*
- *Russian Propaganda Concerning Ukraine During the Syrian Campaign: an Innovative Approach to Assess Information Activities*
- *Daesh Recruitment. How the Group Attracts Supporters*
- *New Trends in Social Media*
- *The Moldovan Information Environment, Hostile Narratives, and Other Ramifications*

A substantial work has also been done on several projects:

- A study "How NATO as an organisation and its members can counter hostile influence"
  - A methodology has been developed and around 200 case studies have been collected, each of which has been assessed to represent a threat to national security. The study will be carried forward into 2017, where the methodology will be reviewed and refined, and analysis will be conducted on several of the case studies;
- A study on influence and emotion to human nature – a group of researchers under the lead of COE has been working to develop an analytical framework to enable analysing and evaluating the influence of humour as a potential tool for strategic communications;
- A study on Strategic communications in administration / army and enterprise solutions;
- A study on early warning signals of hybrid warfare scenario;
- Development of audience characterisation tool for NATO.

2016 was also significant in terms of organizing and conducting various StratCom-related events. The main events in 2016 were:

- 1st Meeting of the Nordic Baltic countries (NB-8) StratCom experts on the Development of a Comparative Study on Russia's Influence Activities in the Region; 3–5 March 2016, Riga, Latvia

- Experts' seminar on the topic "New Trends in Social Media"; 18–19 April 2016, Riga, Latvia
- Closed-door seminar on Russian and Daesh information activities; 24 May 2016, Riga, Latvia
- 2nd Meeting of the NB-8 experts on the Development of a Comparative Study on Russia's Influence Activities in the Region; 7 June 2016, Riga, Latvia
- Seminar "Strategic Communications: Insights from the Commercial Sector"; 30–31 August 2016, Riga, Latvia
- Seminar "Strategic Communications for Experts from the Nordic-Baltic 8"; 21 September 2016, Riga, Latvia
- Seminar "Strategic Communications for Senior Officials of the Baltic States"; 23 September 2016, Riga, Latvia
- Subject matter expert workshop "Russia's (dis-) information activities against the Nordic-Baltic region"; 18 October 2016, Malpils, Latvia
- Seminar for Polish journalists (in cooperation with Polish institutions) "Disinformation - how to preclude it in the international media environment"; 16 November 2016, Warsaw, Poland
- Seminar on "Russia's (Dis-) information activities against Ukraine: the Battle of Narratives"; 22 November 2016, Vilnius, Lithuania
- Presentation of the study on "Daesh Recruitment: How the Group Attracts Supporters"; 30 November 2016, in Brussels, Belgium
- Presentation of the study on "The Moldovan Information Environment, Hostile Narratives, and Other Ramifications"; 8 December 2016, Riga, Latvia

In addition, the Centre has provided support for the NATO exercises Trident Juncture, Steadfast Pinnacle, Steadfast Pyramid, and a NATO Crisis Management Exercise. The Centre's experts have also engaged in a number of projects designated to facilitate the development of NATO capabilities, such as the US-led project Multinational Capability Development Campaign (MCDC), the German-led project Multinational InfoOps Experiment (MNIOE), and events organized by the PSYOPS community of interest. At the end of the year experts from the Centre provided a course and training in Strategic Communications for Ukrainian, Georgian, and Moldavian governmental officials; the course and training were done separately for each nation.

The Centre is continuing to develop its cooperation with other NATO Centres of Excellence (COEs). The NATO School in Oberammergau was also supported by the Centre's lecturers, mentors, and experts in 2016, with the following activities: NATO Crisis Management Course, NATO Staff Officers' Course, NATO Noncommissioned Officers' Course, StratCom Public Affairs Officers' Course, StratCom Familiarization Course. The Centre also contributed by sending its experts to lecture at the Baltic Defence College and the Defence Against Terrorism COE. Moreover the Centre supported a Table Top Exercise organized by the Energy Security COE.



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Jānis Sārts

Director of the NATO Strategic Communications Centre of Excellence

31 March 2017

## FINANCIAL STATEMENTS

### MANAGEMENT REPRESENTATION TO THE FINANCIAL STATEMENTS

We hereby take responsibility for the preparation of the financial statements of the NATO Strategic Communications Centre of Excellence set out on pages 8 to 16 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 organization and the results of its operations and cash flows.
3. The organization is able to continue as a going concern.



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Jānis Sārts

Director of the NATO Strategic Communications Centre of Excellence

31 March 2017

**BALANCE SHEET**

	31.12.2016 Total EUR	31.12.2016 incl. Budget A (SH) EUR	31.12.2015 Total EUR	31.12.2015 incl. Budget A (SH) EUR	Notes
Intangible assets	42 085	14 168	45 049	11 107	2
Fixed assets	346 207	496	215 648	681	3
Advance payments for fixed assets	22 142	0	20 264	0	4
Office equipment	15 516	2 707	16 093	2 644	5
<b>Total fixed assets</b>	<b>425 950</b>	<b>17 371</b>	<b>297 054</b>	<b>14 432</b>	
Accounts receivable and prepayments	25 220	7 529	22 546	2 294	6
Cash and cash equivalents	2 884 264	253 470	2 440 059	420 691	7
<b>Total current assets</b>	<b>2 909 484</b>	<b>260 999</b>	<b>2 462 605</b>	<b>422 985</b>	
<b>TOTAL ASSETS</b>	<b>3 335 434</b>	<b>278 370</b>	<b>2 759 659</b>	<b>437 417</b>	
Accounts payable	70 846	2 882	70 265	8 558	8
Deferred income	3 264 588	275 488	2 689 394	428 859	9
<b>Total current liabilities</b>	<b>3 335 434</b>	<b>278 370</b>	<b>2 759 659</b>	<b>437 417</b>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>3 335 434</b>	<b>278 370</b>	<b>2 759 659</b>	<b>437 417</b>	

**STATEMENT OF FINANCIAL PERFORMANCE**

	31.12.2016 Total EUR	31.12.2016 incl. Budget A (SH) EUR	31.12.2015 Total EUR	31.12.2015 incl. Budget A (SH) EUR	31.12.2015 incl. Budget C (CAN) EUR	Notes
Contributions and related income	2 000 714	308 846	1 717 365	425 555	0	9
Funds Budget C (CAN)	0	0	701 064	0	701 064	10
Other income	6 932	2 983	94	0	0	11
<b>Total revenue</b>	<b>2 007 646</b>	<b>311 829</b>	<b>2 418 523</b>	<b>425 555</b>	<b>701 064</b>	
Operating expenses	779 919	305 586	1 478 038	423 736	701 064	
Personnel expenses	1 125 244	0	916 758	0	0	
Depreciation of fixed assets and intangible assets	102 483	6 243	23 727	1 819	0	2,3,5
<b>Total expenses</b>	<b>2 007 646</b>	<b>311 829</b>	<b>2 418 523</b>	<b>425 555</b>	<b>701 064</b>	
<b>Surplus from operating activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Surplus for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	



Jānis Sārts, Director, 31 March 2017

## CASH FLOW STATEMENT

	31.12.2016 Total EUR	31.12.2016 incl. Budget A (SH) EUR	31.12.2015 Total EUR	31.12.2015 incl. Budget A (SH) EUR	Notes
Surplus from operating activities	0	0	0	0	
Depreciation	102 483	6 243	23 727	1 819	2,3,5
Accrued expenses for unused vacations	1 547	0	21 043	0	
Change in accounts receivable	-2 674	-5 234	-19 990	94	
Change in liabilities and prepayments	-967	-5 677	23 803	7 107	
<b>Total cash flows from/(used in) operating activities</b>	<b>100 389</b>	<b>-4 668</b>	<b>48 583</b>	<b>9 020</b>	
Fixed and intangible assets purchase	-231 379	-9 182	-293 916	-16 251	2,3,4,5
<b>Total cash flows used in investment activities</b>	<b>-231 379</b>	<b>-9 182</b>	<b>-293 916</b>	<b>-16 251</b>	
Receipt of contributions, other deferred income	2 476 178	141 582	2 450 414	259 985	9
Contributions, other deferred income used	-1 900 983	-294 953	-1 717 365	-425 555	9
<b>Total cash flows from/(used in) financing activities</b>	<b>575 195</b>	<b>-153 371</b>	<b>733 049</b>	<b>-165 570</b>	
<b>Total cash flows</b>	<b>444 205</b>	<b>-167 221</b>	<b>487 716</b>	<b>-172 801</b>	
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2 440 059</b>	<b>420 691</b>	<b>1 952 343</b>	<b>593 492</b>	
Net increase/(decrease) in cash and cash equivalents	444 205	-167 221	487 716	-172 801	
<b>Cash and cash equivalents at the end of the period</b>	<b>2 884 264</b>	<b>253 470</b>	<b>2 440 059</b>	<b>420 691</b>	<b>7</b>



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Jānis Sārts, Director, 31 March 2017

## 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
<b>Total net assets 01.10.2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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>
<b>Total net assets 01.01.2015</b>	<b>0</b>	<b>1 981 763</b>	<b>595 880</b>	<b>1 981 763</b>
Surplus/(decrease) for 2015	0	777 896	-158 463	777 896
<b>Total net assets 31.12.2015</b>	<b>0</b>	<b>2 759 659</b>	<b>437 417</b>	<b>2 759 659</b>
<b>Total net assets 01.01.2016</b>	<b>0</b>	<b>2 759 659</b>	<b>437 417</b>	<b>2 759 659</b>
Surplus/(decrease) for 2016	0	575 775	-159 047	575 775
<b>Total net assets 31.12.2016</b>	<b>0</b>	<b>3 335 434</b>	<b>278 370</b>	<b>3 335 434</b>



Jānis Sārts, Director, 31 March 2017

## NOTES TO THE FINANCIAL STATEMENTS

### **NOTE 1 BASIS OF PREPARATION**

The legal address of the Centre is Kalnciema 11 b, Riga, LV-1048. The Centre was established by seven member states - Estonia, Germany, Italy, Latvia, Lithuania, Poland and the United Kingdom - that signed memorandums of understanding. In 2016 two more nations have joined the Centre – the Netherlands (as a Sponsoring Nation) and Finland (as a Contributing Partner). The Centre is registered with the Latvian State Revenue Service under the registration number 90010376683. Jānis Sārts is the Director of the Centre. PricewaterhouseCoopers SIA is the Centre's certified auditor. Certified auditor Ms Ilandra Lejiņa conducted the audit.

The financial statements of Centre have been prepared in accordance with the Law on Accounting and Law on Annual Reports 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 2016 to 31 December 2016 was the second full financial year during which the Centre operated.

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

#### **Significant Accounting policies and Measurement Bases:**

##### **A. Cash and Cash Equivalents**

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

##### **B. Foreign Currency**

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

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

	31.12.2016	31.12.2015
	EUR	EUR
1 CAD	0.7048	0.6616

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

**C. Deferred Income**

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

**D. Property and Equipment**

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

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

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

**E. Tax Refunds**

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

**F. Financial Liabilities**

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

**G. Revenue and Expenses**

Revenue is comprised of contributions received and used during the reporting period to ensure the operations of the Centre. Revenues and expenses are recognised on an accrual basis. Revenues and expenses are represented the net of discounts and VAT. The expenses for the reporting period are covered with 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 audit based on the agreement concluded in 2014. Accruals for vendors are calculated based on liabilities that are reliably estimated.

**I. Budgets**

The Centre has two main sources of funding - Framework Nation Support funding (Framework Nation Support Budget), which ensures the functioning of the Centre, and Sponsoring Nations funding (Shared Budget), which supports the Centre's substantive activities. In addition to the Framework

Nation Support Budget and the Shared Budget, the Centre received a special contribution from the Canadian Government in 2015 to support the Centre's efforts to improve its strategic communications capabilities. In the Tables below the Framework Nation Support Budget is referred to as 'Budget B' and the Shared Budget is referred to as 'Budget A'. Contributions from Canada are called 'Budget C'.

## **NOTE 2 INTANGIBLE ASSETS**

	Budget A (SH) intangible assets	Budget B (FN) intangible assets	Total intangible assets		Budget A (SH) intangible assets	Budget B (FN) intangible assets	Total intangible assets
<b>Net book value 01.01.2016</b>	11 107	33 942	45 049	<b>Net book value 01.01.2015</b>	0	698	698
Purchases in 2016	6 290	3 062	9 352	Purchases in 2015	11 343	34 872	46 215
Depreciation for 2016	-3 229	-9 087	-12 316	Depreciation for 2015	-236	-1 628	-1 864
<b>Purchase cost 31.12.2016</b>	17 633	38 632	56 265	<b>Purchase cost 31.12.2015</b>	11 343	35 570	46 913
<b>Accumulated depreciation 31.12.2016</b>	-3 465	-10 715	-14 180	<b>Accumulated depreciation 31.12.2015</b>	-236	-1 628	-1 864
<b>Net book value 31.12.2016</b>	14 168	27 917	42 085	<b>Net book value 31.12.2015</b>	11 107	33 942	45 049

## **NOTE 3 FIXED ASSETS**

	Budget A (SH) fixed assets	Budget B (FN) fixed assets	Total fixed assets		Budget A (SH) fixed assets	Budget B (FN) fixed assets	Total fixed assets
<b>Net book value 01.01.2016</b>	681	214 967	215 648	<b>Net book value 01.01.2015</b>	0	17 632	17 632
Purchases in 2016	0	186 954	186 954	Purchases in 2015	743	209 333	210 076
Reclassified to fixed assets from advance payments	0	20 264	20 264	Reclassified to fixed assets from advance payments	0	4 753	4 753
Depreciation for 2016	-185	-76 474	-76 659	Depreciation for 2015	-62	-16 751	-16 813
<b>Purchase cost 31.12.2016</b>	743	439 096	439 839	<b>Purchase cost 31.12.2015</b>	743	231 878	232 621
<b>Accumulated depreciation 31.12.2016</b>	-247	-93 385	-93 632	<b>Accumulated depreciation 31.12.2015</b>	-62	-16 911	-16 973
<b>Net book value 31.12.2016</b>	496	345 711	346 207	<b>Net book value 31.12.2015</b>	681	214 967	215 648

**NOTE 4 ADVANCE PAYMENT FOR FIXED ASSETS**

	Budget A (SH)	Budget B (FN)	Total		Budget A (SH)	Budget B (FN)	Total
<b>Net book value 01.01.2016</b>	<b>0</b>	<b>20 264</b>	<b>20 264</b>	<b>Net book value 01.01.2015</b>	<b>0</b>	<b>4 753</b>	<b>4 753</b>
Purchases in 2016	0	22 142	22 142	Purchases in 2015	0	20 264	20 264
Reclassified to fixed assets in 2016	0	-20 264	-20 264	Reclassified to fixed assets in 2015	0	-4 753	-4 753
<b>Purchase cost 31.12.2016</b>	<b>0</b>	<b>22 142</b>	<b>22 142</b>	<b>Purchase cost 31.12.2015</b>	<b>0</b>	<b>20 264</b>	<b>20 264</b>

**NOTE 5 OFFICE EQUIPMENT/SMALL INVENTORY**

	Budget A (SH) equipment	Budget B (FN) equipment	Total equipment		Budget A (SH) equipment	Budget B (FN) equipment	Total equipment
<b>Net book value 01.01.2016</b>	<b>2 644</b>	<b>13 449</b>	<b>16 093</b>	<b>Net book value 01.01.2015</b>	<b>0</b>	<b>3 781</b>	<b>3 781</b>
Purchases in 2016	2 891	10 040	12 931	Purchases in 2015	4 165	13 415	17 580
Depreciation for 2016	2 828	10 680	13 508	Depreciation for 2015	1 521	3 529	5 050
Disposals in 2016	0	0	0	Disposals in 2015	0	-262	-262
Depreciation of disposed assets	0	0	0	Depreciation of disposed assets	0	-44	-44
<b>Purchase cost 31.12.2016</b>	<b>7 056</b>	<b>27 083</b>	<b>34 139</b>	<b>Purchase cost 31.12.2015</b>	<b>4 165</b>	<b>17 043</b>	<b>21 208</b>
<b>Accumulated depreciation 31.12.2016</b>	<b>-4 349</b>	<b>-14 274</b>	<b>-18 623</b>	<b>Accumulated depreciation 31.12.2015</b>	<b>-1 521</b>	<b>-3 594</b>	<b>-5 115</b>
<b>Net book value 31.12.2016</b>	<b>2 707</b>	<b>12 809</b>	<b>15 516</b>	<b>Net book value 31.12.2015</b>	<b>2 644</b>	<b>13 449</b>	<b>16 093</b>

**NOTE 6 ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	Budget A (SH) 31.12.2016	Budget B (FN) 31.12.2016	Total 31.12.2016	Budget A (SH) 31.12.2015	Budget B (FN) 31.12.2015	Total 31.12.2015
Prepaid taxes	0	3 392	3 392	0	5 531	5 531
Next period expenses	2 196	13 099	15 295	2 247	4 391	6 638
Prepayments for equipment	5 171	1 003	6 174	29	3	32
Accumulated VAT	56	86	142	0	1 251	1 251
Other receivables	106	111	217	18	70	88
Other prepayments	0	0	0	0	9 006	9 006
<b>Total accounts receivable and prepayments*</b>	<b>7 529</b>	<b>17 691</b>	<b>25 220</b>	<b>2 294</b>	<b>20 252</b>	<b>22 546</b>

\*In December 2016 the Netherlands became a Sponsoring Nation and the payment for 2016 (25 000 EUR) was made in February 2017. 25 000 EUR were not included in Accounts Receivable balance due to Centre's specifics. Deferred revenue is recognised only when cash is received.

**NOTE 7 CASH AND CASH EQUIVALENTS**

	Budget A (SH) 31.12.2016	Budget B (FN) 31.12.2016	Total 31.12.2016	Budget A (SH) 31.12.2015	Budget B (FN) 31.12.2015	Total 31.12.2015
Cash on bank account	253 462	2 630 794	2 884 256	420 691	2 019 368	2 440 059
Cash in cash box	8	0	8	0	0	0
<b>Total cash and cash equivalents</b>	<b>253 470</b>	<b>2 630 794</b>	<b>2 884 264</b>	<b>420 691</b>	<b>2 019 368</b>	<b>2 440 059</b>

**NOTE 8 ACCOUNTS PAYABLE**

	Budget A (SH) 31.12.2016	Budget B (FN) 31.12.2016	Total 31.12.2016	Budget A (SH) 31.12.2015	Budget B (FN) 31.12.2015	Total 31.12.2015
Trade payables	393	722	1 115	0	7 207	7 207
Accrued liabilities	2 489	25 953	28 442	8 558	15 094	23 652
Vacation accruals	0	40 953	40 953	0	39 406	39 406
Calculated Income tax	0	336	336	0	0	0
<b>Total accounts payable</b>	<b>2 882</b>	<b>67 964</b>	<b>70 846</b>	<b>8 558</b>	<b>61 707</b>	<b>70 265</b>

**NOTE 9 DEFERRED INCOME**

	Budget A (SH) 2016	Budget B (FN) 2016	Total 2016		Budget A (SH) 2015	Budget B (FN) 2015	Total 2015
<b>Net book value 01.01.2016</b>	<b>428 859</b>	<b>2 260 535</b>	<b>2 689 394</b>	<b>Net book value 01.01.2015</b>	<b>594 429</b>	<b>1 361 916</b>	<b>1 956 345</b>
-	-	-	-	Contribution Latvia (for 2015)	0	1 360 686	1 360 686
Contribution Latvia (for 2016)	300	2 334 596	2 334 896	Contribution Latvia (for 2016)	104 000	778 299	882 299
				Contribution Poland (for 2015)	25 000	0	25 000
Contribution Poland (for 2016)	0	0	0	Contribution Poland (for 2016)	15 214	0	15 214
				Contribution Poland (for 2017)	9 786	0	9 786
Contribution Germany (for 2016)	30 427	0	30 427	Contribution Germany (for 2015)	0	0	0
Contribution Estonia (for 2016)	15 214	0	15 214	Contribution Estonia (for 2015)	25 000	0	25 000
Contribution Italy (for 2016)	15 214	0	15 214	Contribution Italy (for 2015)	25 000	0	25 000
Contribution Great Britain (for 2016)	15 214	0	15 214	Contribution Great Britain (for 2015)	25 000	0	25 000
Contribution Lithuania (for 2016)	40 214	0	40 214	Contribution Lithuania (for 2015)	25 000	0	25 000

**NOTE 9 DEFERRED INCOME (CONTINUED)**

Contribution Finland (2016)	25 000	0	25 000	-	-	-	-
Received VAT reimbursement	13 892	85 074	98 966	Received VAT reimbursement	5 833	50 955	56 788
Received/ calculated interest from saving account	0	763	763	Received/ calculated interest from saving account	152	489	641
<b>Received deferred income</b>	<b>155 475</b>	<b>2 420 433</b>	<b>2 575 908</b>	<b>Received deferred income</b>	<b>259 985</b>	<b>2 190 429</b>	<b>2 450 414</b>
Used in 2016	-308 846	-1 691 868	-2 000 714	Used in 2015	-425 555	-1 291 810	-1 717 365
<b>Total deferred income 31.12.2016</b>	<b>275 488</b>	<b>2 989 100</b>	<b>3 264 588</b>	<b>Total deferred income 31.12.2015</b>	<b>428 859</b>	<b>2 260 535</b>	<b>2 689 394</b>

**NOTE 10 OTHER FUNDS**

	Budget C (CAN)
31.12.2015	701 064
<b>Total other funds</b>	<b>701 064</b>

**NOTE 11 OTHER INCOME**

2015	Budget A (SH)	Budget B (FN)	Budget C (CAN)	Total
Other income	0	94	0	94
<b>Total other income</b>	<b>0</b>	<b>94</b>	<b>0</b>	<b>94</b>

2016	Budget A (SH)	Budget B (FN)	Budget C (CAN)	Total
Other income	2 983	3 949	0	6 932
<b>Total other income</b>	<b>2 983</b>	<b>3 949</b>	<b>0</b>	<b>6 932</b>

## BUDGET REPORT

### 2016 BUDGET

#### SUMMARY

In total, the Centre's budget consists of the Shared Budget - Sponsoring Nations (SN) funding to support Centre's substantive activities and the Framework Nation Support Budget - Framework Nation Support (FNS) funding to ensure functioning of the Centre. The budget report has been prepared on a cash basis.

#### 1. SHARED BUDGET

During its 4th meeting, the Steering Committee agreed on SN contributions for 2016 with a total amount of 525,000 EUR based on 21 paid position times 25,000 EUR for each position, and Contributing Partners (CP) contributions with a total amount of 50,000 EUR based on 2 paid position times 25,000 EUR for each position. The Shared Budget for 2016 was approved in the amount of 583,140 EUR. From that amount 575,000 EUR were contributions from SN and CP, and 8,140 EUR were planned as revenue from value added tax reimbursements and collected conference fees.

As of 31 December 2016, the total amount of expenditures was 325,629 EUR, representing nearly 60% of planned expenditures.

22% of the budget for Chapter 716000 Personnel has been used, taking into consideration that of five trainings planned for the Centre's staff only three have been completed due to the frequency of duty travel and Centre's schedule for conducted events and trainings. Furthermore, the training in Oberammergau was covered by NATO, and one training was completed online resulting in budgetary savings.

38% of the budget for Chapter 720000 Contractual Services and Supplies has been used. Two main budget positions resulted in savings – Travel and Contractors. Budgetary savings under the item Travel were due to the fact that a significant number of business trips covered by the inviting side, and a number of business trips were executed within the Baltic states at costs lower than estimated. Budgetary savings under the item Contractors were mainly due to the fact that contract amounts for several research projects implemented under the POW for 2016 were lower than originally estimated, whereas 87% of the planned budget for contractors/guest speakers was used. All substantive work regarding research in accordance with the POW 2016 was accomplished, however several projects will be finalized (editing, printing, visualization) in 2017.

38% of the budget for Chapter 730000 Capital and Investments has been used. All funding was used for the implementation of JIRA – project management software.

2016 is the first year when conference fees were collected to partially cover the cost of events hosted/organized by the Centre.

During 2016 budget was amended within a chapter 720000 (transfers of budget credits) to assure necessary funding for postal expenses, room rental, ScholarOne Manuscripts licence (for the Academical Journal), etc.

Lapsed amounts will be offset against the SN and CP contributions for 2017 according to the participation of each country in 2016 (posts assigned and contributions paid).

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

## 2. FRAMEWORK NATION SUPPORT BUDGET

In 2016 the FN Support Budget was planned in the amount of 4,354,263 EUR, including remuneration for the Centre's FN staff, the Centre's hired foreign experts, travel costs (according to the Operational MoU), administrative expenses, funds for maintenance of the premises, and funds for the purchase of equipment and supplies. 1,189,382 EUR of the above-mentioned amount were carried forward from 2015 to continue the process of equipping the permanent premises of the Centre. In autumn 2015, the Centre moved to its permanent premises and, by the end of the 2015, ~70% of the offices and workstations were fully equipped. During 2016, the Centre's major investments went into the purchase of information technologies and communication equipment, such as audio and visualization equipment, computers, servers, etc., and the purchase of office furniture in order to adapt to the increasing number of employees.

In 2016, nearly 65,000 EUR were spent from budget item 2500 to support the Centre's substantive activities, such as a subject matter experts' workshop on Russia's information activities against the Nordic-Baltic region, a seminar on Strategic Communications for experts from the Nordic-Baltic 8, internships, Editor-in-Chief of the Centre's academic journal Defence Strategic Communications, and others.

As of 31 December 2016, the total amount of expenditures was 1,811,214 EUR. The balance, a total of 2,543,049 EUR, was carried forward to 2017 to continue support the Centre's activities such as cooperation with King's College London, conducting and organizing the second 'Riga StratCom Dialogue: Perception Matters' conference in July 2017, and ensuring the possibility to continue the internship and fellowship programme. Ensuring the continued development of the infrastructure, especially for the operation of the new Technical and Scientific Branch, making all necessary investments in the field of information technologies and communications, is also planned.

During 2016 budget was amended within a chapter 2000 and 3000 (transfers of budget credits). Chapter 2000 basically was amended to assure necessary funding for office equipment, furniture, office phones for land line and computers. Chapter 3000 was amended to assure purchase of audio visualization equipment.

Unused contributions are carried forward to next financial year.

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

## APPENDICES TO THE BUDGET REPORT

### APPENDIX 1 BUDGET EXECUTION TABLE – 2015 SHARED BUDGET

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

**APPENDIX 1 (CONTINUED)****BUDGET EXECUTION TABLE – 2015 SHARED BUDGET**

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/Received in 2015	Lapsed
			722520	Services and Maintenance	550		550	0	550
	723000			Travel	130 200		130 200	53 622	76 578
		723100		Transportation for Business Trips	121 800	-500	121 300	50 133	71 167
		723200		Transportation for Training	6 000		6 000	942	5 058
		723300		Fees	2 400	500	2 900	2 547	353
	725000			Miscellaneous Costs	1 600		1 600	306	1 294
	726000			Consultants/Contractors	230 500		230 500	178 566	51 934
		726100		Consultants	0		0	0	0
		726200		Contractors	230 500		230 500	178 566	51 934
<b>730000</b>				<b>CAPITAL AND INVESTMENTS</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>
	731000			AIS	0		0	0	0
	732000			Communications	0		0	0	0
	733000			Furniture and Equipment	0		0	0	0
<b>TOTAL EXPENDITURES</b>					<b>505 250</b>		<b>505 250</b>	<b>309 856</b>	<b>195 394</b>
<b>740000</b>				<b>REVENUE</b>	<b>5 250</b>		<b>5 250</b>	<b>5 584</b>	<b>-334</b>
	741000			Revenue/ from StratCom COE organized conference, course, workshop, etc. fees	5 250		5 250	0	5 250
	742000			Revenue/ Value added tax reimbursement				5 467	-5 467
	743000			Revenue/Other				117	-117
<b>TOTAL REVENUE</b>					<b>5 250</b>		<b>5 250</b>	<b>5 584</b>	<b>-334</b>
<b>TOTAL NET-EXPENDITURES</b>					<b>500 000</b>		<b>500 000</b>	<b>304 272</b>	<b>195 728</b>
<b>CARRIED FORWARD FROM FY 2014</b>									
	721000			General Support	13 076		13 076	6 305	6 771
	723000			Travel	39 293		39 293	2 211	37 082
	725000			Miscellaneous Costs	186		186	0	186
	726000			Consultants/Contractors	165 937		165 937	114 397	51 540
<b>TOTAL EXPENDITURES CARRIED FORWARD FROM FY 2014</b>					<b>218 492</b>		<b>218 492</b>	<b>122 913</b>	<b>95 579</b>
<b>740000</b>				<b>REVENUE</b>	<b>0</b>		<b>0</b>	<b>384</b>	<b>-384</b>
<b>TOTAL REVENUE</b>					<b>0</b>		<b>0</b>	<b>384</b>	<b>-384</b>
<b>TOTAL NET-EXPENDITURES</b>					<b>218 492</b>		<b>218 492</b>	<b>122 529</b>	<b>95 963</b>

**APPENDIX 2****BUDGET EXECUTION TABLE – 2016 SHARED BUDGET**

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/Received in 2016	Lapsed
<b>710000</b>				<b>PERSONNEL</b>	<b>2 250</b>		<b>2 250</b>	<b>495</b>	<b>1 755</b>
	716000			Training	2 250		2 250	495	1 755
<b>720000</b>				<b>CONTRACTUAL SUPPLIES AND SERVICES</b>	<b>560 890</b>		<b>560 890</b>	<b>317 523</b>	<b>243 367</b>
	721000			General Support	100 300		104 220	88 865	15 355
		721100		Administration	52 165		55 265	46 273	8 992
			721110	Printing/ Photocopying/ Visual/Graphics/ Publications Supplies and Services	28 565		28 565	26 080	2 485
			721120	Office Supplies and Minor Office Equipment	17 000		17 000	14 654	2 346
			721130	Reference Materials	4 100		4 100	2 653	1 447
			721140	Postal/Shipping/ Banking Services	2 500	3 100	5 600	2 886	2 714
		721200		Hospitality	39 825		39 825	34 541	5 284
		721500		Furniture and Equipment	5 040		5 040	4 181	859
		721800		Non NATO StratCom COEs Facilities	3 270	820	4 090	3 870	220
	722000			Mission Support	28 780		34 510	26 082	8 428
		722100		Fuel/Oil/Gases and Fluids	2 000		2 000	0	2 000
		722300		AIS	3 520		9 050	6 562	2 488
			722310	Purchase/Rental and Operational Lease	1 520	5 530	7 050	6 327	723
			722320	Supplies and Consumables	2 000		2 000	235	1 765
			722330	Services and Maintenance	0		0	0	0
		722400		Communications	20 760		20 960	19 465	1 495
			722410	Purchase/Rental and Operational Lease	2 400	200	2 600	2 563	37
			722420	Supplies and Consumables	0		0	0	0
			722430	Telephone/Telefax/ Internet/Services and Maintenance	18 360		18 360	16 902	1 458
		722500		Mission Carriers	2 500		2 500	55	2 445
			722510	Rental and Operational Lease	2 500		2 500	55	2 445

**APPENDIX 2 (CONTINUED)****BUDGET EXECUTION TABLE – 2016 SHARED BUDGET**

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/Received in 2016	Lapsed
			722520	Services and Maintenance	0		0	0	0
	723000			Travel	148 550		148 550	79 931	68 619
		723100		Transportation for Business Trips	142 500		142 500	76 619	65 881
		723200		Transportation for Training	2 750		2 750	870	1 880
		723300		Fees	3 300		3 300	2 442	858
	725000			Miscellaneous Costs	1 500		1 500	251	1 249
	726000			Consultants/Contractors	281 760		272 110	122 394	149 716
		726100		Consultants	0		0	0	0
		726200		Contractors	281 760	-9 650	272 110	122 394	149 716
<b>730000</b>				<b>CAPITAL AND INVESTMENTS</b>	<b>20 000</b>		<b>20 000</b>	<b>7 611</b>	<b>12 389</b>
	731000			AIS	20 000		20 000	7 611	12 389
	732000			Communications	0		0	0	0
	733000			Furniture and Equipment	0		0	0	0
<b>TOTAL EXPENDITURES</b>					<b>583 140</b>		<b>583 140</b>	<b>325 629</b>	<b>257 511</b>
<b>740000</b>				<b>REVENUE</b>	<b>8 140</b>		<b>8 140</b>	<b>14 790</b>	<b>-6 650</b>
	741000			Revenue/ from StratCom COE organized conference, course, workshop, etc. fees	3 100		3 100	2 890	210
	742000			Revenue/Value added tax reimbursement*	5 040		5 040	11 899	-6 859
	743000			Revenue/Other	0		0	0	0
<b>TOTAL REVENUE</b>					<b>8 140</b>		<b>8 140</b>	<b>14 790</b>	<b>-6 650</b>
<b>CONTRIBUTIONS PLANNED/RECEIVED**</b>					<b>575 000</b>		<b>575 000</b>	<b>550 000</b>	<b>25 000</b>
<b>TOTAL NET-EXPENDITURES</b>					<b>550 000</b>		<b>550 000</b>	<b>310 839</b>	<b>239 161</b>
<b>REVENUE FROM FY 2015</b>									
<b>740000</b>				<b>REVENUE***</b>	<b>0</b>		<b>0</b>	<b>2 337</b>	<b>-2 337</b>

\* For FY 2016 first three quarters

\*\* 525 000 EUR were approved contributions from Sponsoring Nations and 50 000 EUR were contributions from Finland and Netherland as Contributing Partners. In December 2016 the Netherlands become a Sponsoring Nation and the payment for 2016 (25 000 EUR) was made in February 2017

\*\*\* 325 EUR reimbursement from Lufthansa for flight tickets bought in FY 2015; 15 EUR bank interest from FY 2015; 1 994 EUR VAT reimbursement for FY 2015 4th quarter; 3 EUR bank interest from carried forward funds (from 2014 to 2015) received in FY 2016

**APPENDIX 3****BUDGET EXECUTION TABLE – 2015 FRAMEWORK NATION SUPPORT BUDGET**

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

**APPENDIX 3 (CONTINUED)****BUDGET EXECUTION TABLE – 2015 FRAMEWORK NATION SUPPORT BUDGET**

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

\* Level A - 5 000 EUR

**APPENDIX 4****BUDGET EXECUTION TABLE – 2016 FRAMEWORK NATION SUPPORT BUDGET**

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/Received in 2016	Carried forward to FY 2017
<b>1000</b>				<b>PERSONNEL</b>	<b>1 506 766</b>		<b>1 506 766</b>	<b>1 120 939</b>	<b>385 827</b>
	1100			Salaries, Employee's Personal Income Tax, Employee's State Social Insurance Mandatory Contributions	1 219 166		1 219 166	898 631	320 535
	1200			Employer's State Social Insurance Mandatory Contributions, Benefits and Allowances	287 600		287 600	222 308	65 292
<b>2000</b>				<b>SUPPLIES AND SERVICES</b>	<b>2 474 697</b>		<b>2 474 697</b>	<b>484 466</b>	<b>1 990 231</b>
	2100			Travel Expenses	79 740		79 740	39 124	40 616
	2200			Services	396 367		396 367	282 022	114 345
		2210		Communications	31 055		31 055	9 071	21 984
		2220		Utilities	53 880		53 880	40 108	13 772
		2230		Administrative Expenditure	38 010		38 010	18 761	19 249
		2240		Renovation and Maintenance of Institution	248 630		248 630	199 073	49 557
			2241	Renovation of Buildings and Premises	25 000		25 000	504	24 496
			2242	Maintenance and Repair of Vehicles	8 650		8 650	1814	6 836
			2243	Repair and Technical Services of Equipment and Inventory	14 350		14 350	1 543	12 807
			2244	Maintenance of Buildings and Premises	200 630		200 630	195 212	5 418
		2250		Information Technologies Maintenance	15 832		15 832	11 082	4 750
		2260		Rental	2 550		2 550	1 096	1 454
		2270		Other Services	6 410		6 410	2 831	3 579
	2300			Stocks, Materials, Office Supplies	115 435		110 435	88 382	22 053
		2310		Office Supplies, Minor Office Equipment and Furniture, Information Technologies and Communications/up to 10% of level A*	21 380	15 000	36 380	30 420	5 960
		2320		Inventory, Equipment, Furniture, Information Technologies and Communications/from 10% to 50% of level A*	35 400	20 000	55 400	49 998	5 402
		2330		Materials for Renovation and Maintenance of Institution	25 500	-20 000	5 500	1 487	4 013
		2340		Other	33 155	-20 000	13 155	6 477	6 678
	2400			Periodicals	8 000	5 000	13 000	9 927	3 073

**APPENDIX 4 (CONTINUED)****BUDGET EXECUTION TABLE – 2016 FRAMEWORK NATION SUPPORT BUDGET**

Chapter	Item	Sub-Item	Sub-Sub-Item	Description	Approved Budget	Transfer of Budget Credits	Final Budget	Spent/ Received in 2016	Carried forward to FY 2017
	2500			Other (FN Voluntary Contributions for Centre's Substantive Activities)	1 875 155		1 875 155	65 011	1 810 144
<b>3000</b>				<b>CAPITAL AND INVESTMENTS/</b> Credits required for the procurement of the equipment at cost of more than 50% Level A*	<b>372 800</b>		<b>372 800</b>	<b>205 809</b>	<b>166 991</b>
	3100			Intangible Assets	138 400	-60 000	78 400	0	78 400
	3200			Fixed Assets	234 400		294 400	205 809	88 591
		3210		Information Technologies	88 000		88 000	28 389	59 611
		3220		Communications	65 000	60 000	125 000	116 077	8 923
		3230		Other Investments	81 400		81 400	61 343	20 057
<b>TOTAL EXPENDITURES</b>					<b>4 354 263</b>		<b>4 354 263</b>	<b>1 811 214</b>	<b>2 543 049</b>
<b>4000</b>				<b>REVENUE</b>			<b>0</b>	<b>87 745</b>	<b>87 745</b>
	4100			Revenue/Value added tax reimbursement **			0	85 075	85 075
	4200			Revenue/Other reimbursement			0	1 920	1 920
	4300			Revenue/Other			0	750	750
<b>TOTAL REVENUE ***</b>							<b>0</b>	<b>87 745</b>	<b>87 745</b>
<b>TOTAL NET-EXPENDITURES ****</b>					<b>4 354 263</b>		<b>4 354 263</b>	<b>1 811 214</b>	<b>2 543 049</b>

\* Level A - 5 000 EUR

\*\* For FY 2015 4<sup>th</sup> quarter 24 147 EUR and for FY 2016 first three quarters 60 928 EUR

\*\*\* 87 745 EUR will be incorporated in to the FNS Budget for 2017

\*\*\*\* 2 543 049 EUR will be incorporated in to the FNS Budget for 2017


  
 Jānis Sārts, Director, 31 March 2017



## **INDEPENDENT AUDITOR'S REPORT**

### **To the Founders of NATO Strategic Communications Centre of Excellence Report on the Audit of the Financial Statements**

#### **Our Opinion**

In our opinion, the accompanying financial statements set out on pages 7 to 16 of the accompanying annual report give a true and fair view of the financial position of NATO Strategic Communications Centre of Excellence (Organization) as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

#### ***What we have audited***

The financial statements comprise:

- the balance sheet as at December 31, 2016,
- the statement of financial performance for the year then ended,
- the statement of changes in net assets for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements which include a summary of significant accounting policies.

#### **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 Organization in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements and auditor's independence rules 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 these requirements and the IESBA Code.

#### **Reporting on Other Information**

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

- the Management Report as set out on pages 3 to 6 of the accompanying annual report,
- the Management Representation to the Financial Statements as set out on page 7 of the accompanying annual report,
- the Budget Report as set out on pages 17 to 26 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 included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia* section of our report.

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

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 skepticism 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 Organization'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 Organization'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 Organization 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.

#### **Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia**

In addition, in accordance with the Law on Audit Services with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports.

Based solely on the work required to be 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 the requirements of the Law On the Annual Reports and Consolidated Annual Reports.

PricewaterhouseCoopers SIA  
Certified audit company  
Licence No. 5

Ilandra Lejina  
Certified auditor in charge  
Certificate No. 168  
Member of the Board

Riga, Latvia  
3 April 2017



## **Independent Auditor's Report**

**To the Founders of NATO Strategic Communications Centre of Excellence**

### **Report on the Audit of the Budget report**

#### **Our Opinion**

In our opinion, the accompanying Budget report of NATO Strategic Communications Centre of Excellence (Organisation) set out on pages 17 to 26 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, as set out on pages 17 to 18 of this annual report.

#### ***What we have audited***

The Budget report comprise:

- Budget execution table – 2016 Shared Budget,
- Budget execution table – 2016 Framework Nation Support Budget, and
- notes 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 Organization in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements and auditor's independence rules 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 these requirements and the IESBA Code.

#### ***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 page 19 of the annual report, 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.

In preparing the Budget report, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 is 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 skepticism 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 Organization'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 Organization'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 Organization to cease to continue as a going concern.



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.

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Certified audit company  
Licence No. 5

A handwritten signature in blue ink, appearing to read "I. Lejina", written over a faint, circular blue stamp.

Ilandra Lejina  
Certified auditor in charge  
Certificate No. 168  
Member of the Board

Riga, Latvia  
3 April 2017