

	NATO	NORTH ATLANTIC COUNCIL
	OTAN	CONSEIL DE L'ATLANTIQUE NORD

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29 May 2017

DOCUMENT
C-M(2017)0025-AS1 (INV)

**IBAN REPORTS ON THE NEW NATO HEADQUARTERS 2013 AND 2014 FINANCIAL
STATEMENTS**

ACTION SHEET

On 26 May 2017, under the silence procedure, the Council noted the two IBAN reports IBA-AR(2015)04 and IBA-AR(2015)35 attached to C-M(2017)0025 (INV) and agreed the RPPB recommendation regarding public disclosure.

(Signed) Rose E. Gottemoeller
Deputy Secretary General

NOTE: This Action Sheet is part of, and shall be attached to C-M(2017)0025 (INV).



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17 May 2017

DOCUMENT
C-M(2017)0025 (INV)
Silence procedure ends:
26 May 2017 15:00

**IBAN REPORTS ON THE NEW NATO HEADQUARTERS 2013 AND 2014
FINANCIAL STATEMENTS**

Note by the Deputy Secretary General

1. I attach the two International Board of Auditors for NATO (IBAN) reports on the audits of the financial statements of the New NATO Headquarters for the years ended 31 December 2013 and 2014.
2. The IBAN issued unqualified audit opinions on both the 2013 and 2014 financial statements of the New NATO Headquarters.
3. The 2013 report was already submitted to Council under C-M(2015)0022. However, there was a subsequent break of silence at Council level by four nations which challenged the appropriateness of the classification for the 2013 audit report and financial statements. As a result, the report was sent back for further discussion in the Resource Policy and Planning Board (RPPB). The 2014 audit report was held in abeyance pending the resolution of the 2013 report.
4. After consultations with all relevant stakeholders, a proposed solution has now been found. The International Staff Financial Controller, in close cooperation with all relevant stakeholders, has provided redacted financial statements for the years 2013 and 2014, thus allowing downgrading of the financial statements to NATO Unclassified. In line with PO(2015)0052, the RPPB consequently recommends that the Council agree to the public disclosure of the two subject IBAN reports and the related redacted financial statements.
5. I consider that no further discussion regarding these reports is required. Consequently, **unless I hear to the contrary by 15:00 hours on Friday, 26 May 2017**, I shall assume that the Council has noted the two IBAN reports IBA-AR(2015)04 and IBA-AR(2015)35 and agreed the RPPB recommendation regarding public disclosure contained in the enclosed RPPB report.

(Signed) Rose E. Gottemoeller

1 Annex
4 Enclosures

Original: English

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IBAN REPORTS ON THE NEW NATO HEADQUARTERS 2013 AND 2014 FINANCIAL STATEMENTS

Report by the Resource Policy and Planning Board (RPPB)

References: (A) IBA-A(2015)49 & IBA-AR(2015)04
(B) IBA-A(2015)192 & IBA-AR(2015)35
(C) FC(2016)182
(D) C-M(2015)0022

1. The IBAN issued unqualified audit opinions on both the 2013 and 2014 financial statements of the New NATO Headquarters. The two audit reports (references (A) and (B)) will be forwarded to Council for notation, as per agreed procedures. The 2013 report was already submitted to Council under Reference (D). However, there was a subsequent break of silence at Council level by four nations¹ which challenged the appropriateness of the classification for the 2013 audit report and financial statements. As a result, the report was sent back for further discussion in the RPPB. After consultations with all relevant stakeholders, a proposed solution has now been found. The 2014 audit report was held in abeyance pending the resolution of the 2013 report.
2. Council agreed with PO(2015)0052 that, in principle, unclassified IBAN audit reports, together with any related financial statements, should be made publicly available after they have been dealt with by Council.
3. The 2013 and 2014 New NATO Headquarters financial statements were originally classified as respectively NATO Restricted – Commercial for 2013 and NATO Confidential – Commercial, later downgraded to NATO Restricted – Commercial for 2014. Consequently, due to their classification, these two sets of financial statements could not be publicly disclosed as per the provisions of PO(2015)0052.
4. The International Staff Financial Controller, in close cooperation with all relevant stakeholders, has recently provided redacted financial statements for both 2013 and 2014, thus allowing downgrading of the financial statements to NATO Unclassified (reference (C)). The IBAN confirm that the findings reflected in their original audit reports remain valid with the redacted versions of the two sets of financial statements. The current proposed recommendation for public disclosure of the 2013 and 2014 New NATO Headquarters financial statements is consequently based on these redacted financial statements.
5. In conclusion, with regard to public disclosure, the RPPB concludes that the two subject IBAN reports does not contain information which, according to NATO Policy on Disclosure of NATO Information², shall be withheld from public disclosure, and in line with the agreed policy in PO(2015)0052, therefore recommends that the Council agree to the public disclosure of the two subject IBAN reports and the related redacted financial statements.

¹ Break of silence by Canada, France, Netherlands and United Kingdom dated 30 March 2015.

² C-M(2008)0116; AC/324-D(2014)0010-REV1

**Summary Note for Council by the
International Board of Auditors for NATO
on the audit of the restated financial statements of the
New NATO Headquarters (NHQ)
for the year ended 31 December 2013**

At the Washington Summit, in April 1999, the Heads of State and Government of NATO countries formally decided to build a new NATO Headquarters in Brussels to meet the Alliance's needs in the twenty-first century. The North Atlantic Council, upon recommendation of the Civil Budget Committee, approves the budget for the new NATO Headquarters. It is funded from national contributions based on a specific cost-share agreement among the NATO nations.

Budget authorizations for 2013 totalled EUR 197.6 million, of which EUR 118.4 million relates to the 2013 budget and EUR 79.2 million relates to credits brought-forward from prior year budgets.

As a consequence of a claim submitted by the construction contractor, the estimated date for completion of the project has been deferred to the second semester 2016 with an extra cost of EUR 120.1 million to an overall budget of EUR 1,124 million.

The Board issued an unqualified opinion on the New NATO Headquarters' Financial Statements for the year ended 31 December 2013 and on compliance.

During the audit, the Board also made two observations and three recommendations related to advances made to sub-contractors, disclosures of budget execution of the nationally funded component of the Long Term Programme Budget (LTPB) and a recommendation on the level of call for funds requested by the NATO Communication and Information Agency (NCIA).

These findings are summarized in the Letter of Observations and Recommendations. The Board also followed up on the status of the observation from previous years' audits and noted that the observation has been settled.

The Board also issued a separate management letter to the International Staff Financial Controller with an observation related the implementation of the Enterprise Resource Planning (ERP) system and the follow-up of prior year management letter observations.

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IBA-AR(2015)04

INTERNATIONAL BOARD OF AUDITORS FOR NATO

AUDITOR'S REPORT ON THE RESTATED FINANCIAL STATEMENTS OF

THE NEW NATO HEADQUARTERS

(NNHQ)

FOR THE YEAR ENDED 31 DECEMBER 2013

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IBA-AR(2015)04

**REPORT OF THE INTERNATIONAL BOARD OF AUDITORS
FOR NATO TO THE NORTH ATLANTIC COUNCIL**

Report on the Restated Financial Statements

The International Board of Auditors for NATO (Board) audited the accompanying Restated Financial Statements of the New NATO Headquarters, which comprised the Statement of Financial Position as at 31 December 2013, and the Statement of Financial Performance, Statement of Changes in Net Assets and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Board also audited the Statements of Budgetary Operations and Credit Transfers Authorized by the Financial Controller for the year ended 31 December 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these restated financial statements in accordance with the NATO Accounting Framework and the requirements of the NATO Financial Regulations as authorized by the North Atlantic Council (NAC). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation 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 restated financial statements based on our audit, which is conducted in accordance with our Charter and 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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, due to fraud or error. In making those risk assessments, internal control relevant to the entity's preparation and presentation of financial statements is considered 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used, 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 opinion.

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IBA-AR(2015)04

Opinion on Financial Statements

In our opinion, the restated financial statements present fairly, in all material respects, the financial position of the New NATO Headquarters as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the NATO Accounting Framework.

Report on Compliance

Management's Responsibility for Compliance

In addition to the responsibility for the preparation and presentation of the restated financial statements described above, management is also responsible for ensuring that the financial transactions and information reflected in the financial statements are in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations as authorized by the North Atlantic Council (NAC).

Auditor's Responsibility

In addition to the responsibility to express an opinion on the restated financial statements described above, our responsibility includes expressing an opinion on whether the financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations. This responsibility includes performing procedures to obtain reasonable assurance about whether the funds have been used for the settlement of authorized expenditure and whether their operations have been carried out in compliance with the financial and personnel regulations in force. Such procedures include the assessment of the risks of material non-compliance.

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

Opinion on Compliance

In our opinion, in all material respects the financial transactions and information reflected in the restated financial statements are in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

Brussels, 27 February 2015

Dr Charilaos Charisis
Chairman

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IBA-AR(2015)04

INTERNATIONAL BOARD OF AUDITORS FOR NATO

LETTER OF OBSERVATIONS AND RECOMMENDATIONS

FOR THE NEW NATO HEADQUARTERS

(NNHQ)

FOR THE YEAR ENDED 31 DECEMBER 2013

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IBA-AR(2015)04

Introduction

The International Board of Auditors for NATO (Board) audited the New NATO Headquarters (NNHQ) Restated Financial Statements for the year ended 31 December 2013, and issued an unqualified opinion on those financial statements, and on compliance.

Observations and Recommendations

During the audit, the Board identified two observations and provided three recommendations. The first observation relates to the restatement of the financial statements, which was done to correct a material misstatement that had occurred in the accounting treatment of some of the advances made by Belgium (the Project Management Team, or PMT) to the contractors and to include additional disclosure on the nationally funded component. The second observation relates to the level of cash advances made to NCIA.

The Board issued its audit opinion on the restated financial statements. As a result, these observations and recommendations do not impact the audit opinion.

The Board also followed up on the status of the observation from previous years' audits and noted that the observation has been settled.

The Board also issued a separate management letter (IBA-AML(2014)03) to the International Staff Financial Controller with an observation related the implementation of the Enterprise Resource Planning (ERP) system and the follow-up of prior year management letter observations.

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IBA-AR(2015)04

1. RESTATEMENT OF THE FINANCIAL STATEMENTS

Reasoning

1.1 The costs related to the New NATO Headquarters construction contract are currently being reported as an asset called 'Infrastructure, Plant and Equipment' in the Statement of Financial Performance. Only works that have actually been completed (billed before or during the period year or to be billed after the period year) should be recognized as 'Infrastructure, Plant and Equipment'.

1.2 Also, the financial statements should present information on the execution related to all funding in the approved Long Term Programme Budget (LTPB). This includes the common funding and the national funding components. A national funding component ("the external walls") of EUR 99 million is included in the LTPB.

Findings

1.3 As part of an agreement (Convention 1) related to a 2012 contractor claim, PMT has made EUR 19.3 million of cash advances at the end of 2012 and the beginning of 2013 to cover the pre-financing needs of some of the sub-contractors.

1.4 The full amount of these advances had been recorded as 'Infrastructure, Plant and Equipment' as of 31 December 2013. However, the Board found that only EUR 7.6 million of these advances were related to works completed by 31 December 2013. This resulted in misstatements in the Statement of Financial Position. 'Infrastructure, Plant and Equipment' was overstated and 'Prepayments' was understated by EUR 11.7 million. This also resulted in the current liability 'Unearned Revenue and Advance Contributions' to be understated and the non-current liability 'Long-term Unearned Revenue Funding Work in Progress' to be overstated by the same EUR 11.7 million. The financial statements were restated to correct for these misstatements.

1.5 Separately, the Board found that, despite the national funding component expenditure being reported in the 'Infrastructure, Plant and Equipment' asset account in the Statement of Financial Position, there was no further information on the execution of the nationally funded component of the LTPB in the financial statements. To be consistent and transparent, the Board recommended that such information be included in the financial statements. The financial statements were restated to include such information at the end of Note 16 to the financial statements.

Recommendation 1

1.6 The Board recommends that the IS requests and reconciles regularly the PMT monthly status of advances made to sub-contractors so that only the value of invoices related to work completed is recorded against 'Infrastructure, Plant and Equipment'.

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Comment of the Financial Controller, International Staff, and the Director, HQ Project Office

We agree with the recommendation.

Recommendation 2

1.7 The Board recommends that the IS continue to disclose separate execution information related to the nationally funded component of the LTPB.

Comment of the Financial Controller, International Staff, and the Director, HQ Project Office

We agree with the recommendation.

2. LEVEL OF CASH ADVANCES REQUESTED BY THE NATO COMMUNICATION AND INFORMATION AGENCY (NCIA)

Reasoning

2.1 NCIA is the Host Nation for the implementation of the Active Network Infrastructure project (ANWI). Based on NATO Security Investment Programme (NSIP) procedures, NCIA requests an advance payment from the NATO Headquarters Project Office each year.

Finding

2.2 The Board found that NCIA has requested the full amount of the budget line for ANWI in the LTPB irrespective of actual cash needs. See the following:

- The LTPB 2013-2017 included a budget line for ANWI for the year 2013 of EUR 8.1 million (without contingencies). NCIA sent a EUR 8.5 million advance invoice dated 4 November 2013. However, only EUR 1.7 million had been incurred as expenses by the year end 2013.
- The LTPB 2014-2017 included a budget line for ANWI for the year 2014 of EUR 24 million. NCIA sent in 2014 an advance invoice of that full amount. This invoice was not paid, though, as the Office of Financial Control and the New Headquarters Project Office assessed that it was an advance for 2015 and the payment was not justified.

2.3 The impact on the ANWI project of the 4.5 month extension to the construction contract has been assessed later in 2014 with extra costs of + EUR 1.5 million¹ and a shift of the ANWI project starting date.

¹ Actually offset by savings of EUR 2 million since inception of the ANWI project. Therefore as at November 2014 there was an overall savings of EUR 500,000 for the ANWI project.

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IBA-AR(2015)04

2.4 It was only in November 2014² that the LTPB 2015-2017 adjusted the implementation planning of the ANWI, resulting in a much lower level of expenditures in 2015: EUR 5 million instead of EUR 31 million as had been planned in the previous LTPB. NCIA call for funds could be based on outdated LTPB figures instead of actual expected expenditures.

Recommendation 3

2.5 The Board recommends that the IS request NCIA call for advance payments based on actual expected expenditures rather than LTPB approved amounts.

Comment of the Financial Controller, International Staff, and the Director, HQ Project Office

As from the second bullet of paragraph 2.2 and beyond, IBAN refers to facts which took place after 31 December 2013. IBAN is not challenging the way these events were treated and disclosed in the 2013 financial statements. It is, therefore, unclear how the observation refers to the audit of the New NATO HQ 2013 financial statements. The invoice of EUR 24 million was not paid because it was assessed by the OFC and NHQPO that it was an advance for 2015 and that the payment was not justified. In so doing, related cash continues to generate interest to the benefit of member Nations. Therefore IBAN appears to recommend that we continue to do as we have been doing. The IS will continue to address this with NCIA, in particular to clarify whether the invoices received are advances or correspond to services provided.

We assume that IBAN will also raise this matter with NCIA.

Board's Position

The Board mentioned the 2014 advance requested by NCIA in order to highlight the practice of NCIA to call for funds based on LTBP rather than expected cash expenditures. There is no impact on the 2013 New Headquarters Financial Statements.

The Board concurs with the way OFC and NHQPO have treated the 2014 calls for funds of the Agency and reiterates its recommendation.

² The last LTPB (2015-2017) has been approved on 4 November 2014 (DPRC-D(2014)0001 & 0001- REV1 on 7 November 2014.

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FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

The Board reviewed the status of the observation and recommendation arising from the previous report. The observation and its status are summarised in the table below.

Status of previous years' observations

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<p>Audit Report 2011 Financial Statements IBA-AR(2013)09</p> <p>Miscalculation of "Advance to PMT" recorded in current assets</p> <p>In the 2011 New NATO HQ Financial Statements, an amount of EUR 15.1 million was recorded as an advance towards PMT. This balance corresponds to the difference between all payments made to PMT minus all costs and liabilities to suppliers recorded by PMT up to 31 December 2011.</p> <p>Due to a mathematical error, the advance to PMT of EUR 15.1 million (included in current assets) is not accurate. According to the Board's calculation, the amount should be EUR 13.9 million; therefore the advance to PMT is overstated by EUR 1.2 million. This error impacts both the "Advance to PMT" account in receivables and the "Unearned Revenue from Budgetary Credits Line" account in liabilities.</p> <p>Conclusion</p> <p>The "Advance to PMT" recorded in current assets and unearned revenue is overstated by EUR 1.2 million.</p>	<p>The calculation has been corrected in the 2013 financial statements.</p>	<p>Observation Settled.</p>

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**Summary Note for Council by the
International Board of Auditors for NATO
on the audit of the financial statements of the
New NATO Headquarters (NHQ)
for the year ended 31 December 2014**

At the Washington Summit, in April 1999, the Heads of State and Government of NATO countries formally decided to build a new NATO Headquarters in Brussels to meet the Alliance's needs in the twenty-first century. The North Atlantic Council, upon recommendation of the Civil Budget Committee, approves the budget for the new NATO Headquarters. It is funded from national contributions based on a specific cost-share agreement among the NATO nations.

Budget authorizations for 2014 totalled EUR 288.7 million, of which EUR 239.5 million relates to the 2014 budget and EUR 49.2 million relates to credits brought-forward from prior year budgets. The total valuation of the New NATO Headquarters under construction as of 31 December 2014 has been recorded for an amount of EUR 575.4 million.

As a consequence of a claim submitted by the construction contractor, the estimated date for completion of the project has been deferred to the second semester of 2016 with an extra cost of EUR 120.1 million, bringing the total overall budget to EUR 1.124 billion.

The Board issued an unqualified opinion on the New NATO Headquarters' Financial Statements for the year ended 31 December 2014 and on compliance without any current year observation.

The Board also followed up on the status of the observation from previous years' audits and noted that the observations have been settled.

The Board also issued a separate management letter to the International Staff Financial Controller without any observation and the follow-up of prior year management letter observations.

The International Staff Financial Controller did not make any formal comments.

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IBA-AR(2015)35

INTERNATIONAL BOARD OF AUDITORS FOR NATO

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF

THE NEW NATO HEADQUARTERS

(NNHQ)

FOR THE YEAR ENDED 31 DECEMBER 2014

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IBA-AR(2015)35

**REPORT OF THE INTERNATIONAL BOARD OF AUDITORS
FOR NATO TO THE NORTH ATLANTIC COUNCIL**

Report on the Financial Statements

The International Board of Auditors for NATO (Board) audited the accompanying Financial Statements of New NATO Headquarters, which comprised the Statement of Financial Position as at 31 December 2014, and the Statement of Financial Performance, Statement of Changes in Net Assets and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Board also audited the Statements of Budgetary Operations and Credit Transfers Authorized by the Financial Controller for the year ended 31 December 2014.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the NATO Accounting Framework and the requirements of the NATO Financial Regulations as authorized by the North Atlantic Council (NAC). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation 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, which is conducted in accordance with our Charter and 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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, due to fraud or error. In making those risk assessments, internal control relevant to the entity's preparation and presentation of financial statements is considered 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used, 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 opinion.

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IBA-AR(2015)35

Opinion on Financial Statements

In our opinion, the financial statements present fairly, in all material respects, the financial position of the New NATO Headquarters as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the NATO Accounting Framework.

Report on Compliance

Management's Responsibility for Compliance

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the financial transactions and information reflected in the financial statements are in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations as authorized by the North Atlantic Council (NAC).

Auditor's Responsibility

In addition to the responsibility to express an opinion on the financial statements described above, our responsibility includes expressing an opinion on whether the financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations. This responsibility includes performing procedures to obtain reasonable assurance about whether the funds have been used for the settlement of authorized expenditure and whether their operations have been carried out in compliance with the financial and personnel regulations in force. Such procedures include the assessment of the risks of material non-compliance.

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

Opinion on Compliance

In our opinion, in all material respects the financial transactions and information reflected in the financial statements are in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

Brussels, 27 November 2015

Lyn Sachs
Chairman

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IBA-AR(2015)35

INTERNATIONAL BOARD OF AUDITORS FOR NATO

LETTER OF OBSERVATIONS AND RECOMMENDATIONS

FOR THE NEW NATO HEADQUARTERS

(NNHQ)

FOR THE YEAR ENDED 31 DECEMBER 2014

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IBA-AR(2015)35

Introduction

The International Board of Auditors for NATO (Board) audited the New NATO Headquarters (NNHQ) Financial Statements for the year ended 31 December 2014, and issued an unqualified opinion on those financial statements, and on compliance.

Observations and Recommendations

There are no current year observations.

The Board also followed up on the status of the observation from previous years' audits and noted that the observations have been settled.

The Board also issued a separate management letter (IBA-AML(2015)16) to the IS Financial Controller on the follow-up of prior year management letter observations.

The International Staff Financial Controller did not make any formal comments.

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IBA-AR(2015)35

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

The Board reviewed the status of the observation and recommendation arising from the previous report. The observation and its status are summarised in the table below.

Status of previous years' observations

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<p>1. Audit Report 2013 Financial Statements IBA-A(2015)49 paragraph 1</p> <p>The Board recommends that the IS requests and reconciles regularly the PMT monthly status of advances made to sub-contractors so that only the value of invoices related to work completed is recorded against "Infrastructure, Plant & Equipment".</p>	<p>PMT monthly status reports were sent on a timely basis to HQPO for reconciliation.</p>	<p>Observation Settled.</p>
<p>2. Audit Report 2013 Financial Statements IBA-A(2015)49 paragraph 1</p> <p>The Board recommends that the IS continue to disclose separate execution information related to the nationally funded component of the LTPB.</p>	<p>Nationally Funded Component execution statements are summarized in Note 16 of the financial statements.</p>	<p>Observation Settled.</p>
<p>3. Audit Report 2013 Financial Statements IBA-A(2015)49 paragraph 2</p> <p>The Board recommends that the IS request NCIA call for advance payments based on actual expected expenditures rather than LTPB approved amounts.</p>	<p>Call for advance payments adjusted to expected expenditures.</p>	<p>Observation Settled.</p>

NEW NATO HEADQUARTERS

RESTATED FINANCIAL STATEMENTS AT 31/12/2013 FINANCIAL YEAR 2013

Annexes

- 1 Statement of financial position
- 2 Statement of financial performance
- 3 Cash flow statement
- 4 Statement of changes in net assets
- 5 Budgetary operations
- 6 Credit transfers authorized by the Financial Controller
- 7 Explanatory notes to the financial statements

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ANNEX 1 to
FC(2014)104-REV1NEW NATO HEADQUARTERS
STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

				(All amounts in Euro)		
	Notes	Current Year 2013	Prior Year 2012	Variance CY - PY		
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	3					
Cash		0.00	86.87	-86.87		
Current bank accounts		29,700,823.29	2,635,579.16	27,065,244.13		
Cash equivalents		30,000,000.00	82,000,000.00	-52,000,000.00		
Subtotal Cash & Equivalent of the entity		59,700,823.29	84,635,666.03	-24,934,842.74		
Cash Managed for Third Parties	4	66,481,348.18	84,497,415.33	-18,016,067.15		
Total Cash and Cash Equivalents		126,182,171.47	169,133,081.36	-42,950,909.89		
Receivables	5					
Contributions from Member Nations (Common Funded)		8,980,855.61	11,638,889.43	-2,658,033.82		
Contributions from Member Nations (Nationally Funded)		1,438,392.00	2,322,043.37	-883,651.37		
Other Receivable from Nations/Partners		100,000.00	0.00	100,000.00		
Receivable from Staff Members		0.00	0.00	0.00		
Receivable from other NATO Bodies		14,676.00	0.00	14,676.00		
Bank interest accrued		233,205.75	385,987.18	-152,781.43		
Other accounts receivable		0.00	198,858.75	-198,858.75		
Total Receivables		10,767,129.36	14,545,778.73	-3,778,649.37		
Prepayments	6					
Advance to PMT		38,412,258.66	16,371,714.98	22,040,543.68		
Advance to NCIA		7,501,233.53	0.00	7,501,233.53		
Total Prepayments		45,913,492.19	16,371,714.98	29,541,777.21		
TOTAL CURRENT ASSETS		182,862,793.02	200,050,575.07	-17,187,782.05		
NON CURRENT ASSETS						
Receivables		0.00	0.00	0.00		
Infrastructure, plant and equipment	7					
Common Funded		344,790,168.21	223,995,136.15	120,795,032.06		
Nationally Funded		36,330,299.53	12,094,699.43	24,235,600.10		
Land and buildings		0.00	0.00	0.00		
Intangible assets		0.00	0.00	0.00		
TOTAL NON CURRENT ASSETS		381,120,467.74	236,089,835.58	145,030,632.16		
TOTAL ASSETS		563,983,260.76	436,140,410.65	127,842,850.11		

NATO UNCLASSIFIED

NEW NATO HEADQUARTERS
STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

		(All amounts in Euro)		
	Notes	Current Year	Prior Year	Variance
		2013	2012	CY - PY
LIABILITIES				
CURRENT LIABILITIES				
PAYABLES				
	8			
Payable to Nations				
Interest		361,915.77	930,722.14	-568,806.37
Lapsed credits		0.00	0.00	0.00
Miscellaneous receipts		0.00	0.00	0.00
Project accumulated surplus		12,977,706.13	12,046,983.99	930,722.14
National Funds		70,306,904.69	86,808,511.70	-16,501,607.01
Construction Surveillance Technical Team		740,598.14	1,246,581.39	-505,983.25
Construction Surveillance Technical Team (accrued)		0.00	13,128.00	-13,128.00
Reimbursable Staff		1,189,682.18	1,070,619.80	119,062.38
Total Payable to Nations		85,576,806.91	102,116,547.02	-16,539,740.11
Payable to Staff		35.36	1,685.06	-1,649.70
Payable to NATO Bodies				
International Staff		28,727.13	9,508.44	19,218.69
NCIA		0.00	16,000.00	-16,000.00
Others		0.00	0.00	0.00
Total Payable to NATO Bodies		28,727.13	25,508.44	3,218.69
Payable to Suppliers				
Payable to Suppliers		1,901,752.28	2,147,257.81	-245,505.53
Accrued expenses		131,600.00	48,098.11	83,501.89
Total Payable to Suppliers		2,033,352.28	2,195,355.92	-162,003.64
Payable to Others				
Other Payables		235,319.32	235,703.46	-384.14
Trust Funds		0.00	0.00	0.00
Total Payable to Others		235,319.32	235,703.46	-384.14
Total Payables		87,874,241.00	104,574,799.90	-16,700,558.90
Unearned Revenue and Advance Contributions				
	9			
Unearned revenue from budgetary credits		94,988,552.02	95,475,775.17	-487,223.15
Unearned revenue from pre-financing		0.00	0.00	0.00
Unearned revenue from accumulated surplus		0.00	0.00	0.00
Advance contributions called for the following year		0.00	0.00	0.00
Total Unearned Revenue and Advance Contributions		94,988,552.02	95,475,775.17	-487,223.15
Total Extrabudgetary Funds		0.00	0.00	0.00
TOTAL CURRENT LIABILITIES		182,862,793.02	200,050,575.07	-17,187,782.05
NON CURRENT LIABILITIES				
Provisions	10	1,945,453.00	1,453,928.00	491,525.00
Long-term unearned revenue funding work in progress (common fu	11	342,844,715.21	222,541,208.15	120,303,507.06
Long-term unearned revenue funding work in progress (national fu	11	36,330,299.53	12,094,699.43	24,235,600.10
TOTAL NON CURRENT LIABILITIES		381,120,467.74	236,089,835.58	145,030,632.16
TOTAL LIABILITIES		563,983,260.76	436,140,410.65	127,842,850.11
Surplus/Deficit of the period		0.00	0.00	0.00
TOTAL NET ASSETS		0.00	0.00	0.00

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NEW NATO HEADQUARTERS
STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended 31 December 2013
(All amounts in EUR)

	Notes	Current Year	Prior Year	Variance
		2013	2012	CY - PY
Revenue	12			
Revenue from non exchange transactions		1,173,910.48	1,527,425.08	-353,514.60
Financial Revenue		0.00	0.00	0.00
Other revenue		0.00	0.00	0.00
Total Revenue		1,173,910.48	1,527,425.08	-353,514.60
Expenses	13			
Wages, salaries and employee benefits		1,043,129.48	537,410.57	505,718.91
Services, supplies and consumables used		130,781.00	990,014.51	-859,233.51
Financial Costs		0.00	0.00	0.00
Other expenses		0.00	0.00	0.00
Total Expenses		1,173,910.48	1,527,425.08	-353,514.60
Surplus/Deficit for the period	14	0.00	0.00	0.00

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NEW NATO HEADQUARTERS

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

CASH FLOW FROM OPERATING ACTIVITIES	Note 15	2013	2012
RECEIPTS		0.00	0.00
PAYMENTS		(844,910.48)	(534,547.05)
NET CASH FLOW FROM OPERATING ACTIVITIES		(844,910.48)	(534,547.05)

CASH FLOW FROM INVESTING ACTIVITIES	Note 15		
RECEIPTS			
Contributions		120,096,487.00	101,166,611.00
Contributions advances		2,622,192.00	224,053.00
Financial Revenues		517,054.24	655,947.00
Others		216,087.76	613,956.82
TOTAL		123,451,821.00	102,660,567.82
PAYMENTS			
Personnel Costs		(1,693,332.99)	(1,601,614.00)
Operating Costs		(4,965,899.20)	(4,383,090.79)
Intellectual Services		(14,870,001.21)	(10,233,399.92)
Construction Works		(117,000,728.84)	(66,493,603.10)
Special Equipment		(8,995,558.43)	(415,000.00)
Miscellaneous Payments		(13,873.55)	(641,884.96)
Financial Costs		(2,359.04)	(1,610.92)
TOTAL		(147,541,753.26)	(83,770,203.69)
NET CASH FLOW FROM INVESTING ACTIVITIES		(24,089,932.26)	18,890,364.13

CASH FLOW FROM FINANCIAL ACTIVITIES	Note 15		
RECEIPTS		0.00	0.00
PAYMENTS		0.00	0.00
NET CASH FLOW FROM FINANCING ACTIVITIES		0.00	0.00

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS OF PERIOD		(24,934,842.74)	18,355,817.08
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CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		84,635,666.03	66,279,848.95
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CASH AND CASH EQUIVALENTS AT END OF PERIOD		59,700,823.29	84,635,666.03
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS OF PERIOD		(24,934,842.74)	18,355,817.08
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CASH FLOW FROM THIRD PARTIES	Note 15		
RECEIPTS		39,750,243.95	21,846,109.39
PAYMENTS		(57,766,311.10)	(21,239,096.38)
NET INCREASE (DECREASE) IN CASH FOR THIRD PARTIES		(18,016,067.15)	607,013.01

NEW NATO HEADQUARTERS

STATEMENT OF CHANGES IN NET ASSETS AS AT 31/12/2013 (IN €)	
	(in EUR)
	Accumulated surpluses/(deficits)
Balance at 31 December 2012	0.00
Deficit on revaluation of property	0.00
Surplus on revaluation of investments ⁽¹⁾	0.00
Currency translation differences	0.00
Net gains and losses not recognized in the statement of financial performance	0.00
Net for the period	0.00
Balance at 31 December 2013	0.00

⁽¹⁾ fixed assets in progress

NEW NATO HEADQUARTERS
BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2013
n= 2013

CHAPTER Article	BUDGET AUTHORISATIONS				COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS			
	BUDGET (ref.) C-M(2012)0098	AUTHORIZED TRANSFERS	ADJUSTED CREDITS	(3) = (1)+(2)			(4)	(5)	CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
									(6) = (4) - (5)	(7) = (3) - (4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)				
I.										
PERSONNEL COSTS										
01.01 Basic salaries and related expense	2,346,000.00	-38,874.00	2,307,126.00	2,307,126.00	2,307,126.00	1,377,720.57	929,405.43	0.00		
01.02 Temporary staff and consultants	400,000.00	0.00	400,000.00	400,000.00	400,000.00	59,790.53	340,209.47	0.00		
01.03 Statutory travel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n	2,746,000.00	-38,874.00	2,707,126.00	2,707,126.00	2,707,126.00	1,437,511.10	1,269,614.90	0.00		
Carried forward:										
Financial year n-1	1,227,979.88	0.00	1,227,979.88	1,227,979.88	1,227,979.88	873,879.88	354,100.00	0.00		
Financial year n-2	456,798.50	0.00	456,798.50	456,798.50	456,798.50	217,695.56	239,102.94	0.00		
Financial year n-3	266,937.37	0.00	266,937.37	266,937.37	266,937.37	192,744.58	74,192.79	0.00		
Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
	4,697,715.75	-38,874.00	4,658,841.75	4,658,841.75	4,658,841.75	2,721,831.12	1,937,010.63	0.00		
II.										
OPERATING COSTS										
02.01 Official missions	10,000.00	0.00	10,000.00	10,000.00	10,000.00	0.00	10,000.00	0.00		
02.02 Administrative support	120,000.00	0.00	120,000.00	120,000.00	120,000.00	0.00	120,000.00	0.00		
02.03 Hospitality	8,000.00	0.00	8,000.00	8,000.00	8,000.00	0.00	8,000.00	0.00		
02.04 Telecommunications	12,731.00	0.00	12,731.00	12,731.00	12,731.00	0.00	12,731.00	0.00		
02.05 Operating costs	400,296.00	0.00	400,296.00	400,296.00	400,296.00	610.28	399,685.72	0.00		
02.06 Construction Site Guard	1,857,000.00	0.00	1,857,000.00	1,857,000.00	1,857,000.00	0.00	1,857,000.00	0.00		
02.07 Materials Procurement	49,321.00	0.00	49,321.00	49,321.00	49,321.00	0.00	49,321.00	0.00		
02.10 Miscellaneous and unforeseen	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n	2,457,348.00	0.00	2,457,348.00	2,457,348.00	2,457,348.00	610.28	2,456,737.72	0.00		
Carried forward:										
Financial year n-1	7,675,016.35	0.00	7,675,016.35	7,675,016.35	7,675,016.35	4,257,115.00	3,417,901.35	0.00		
Financial year n-2	1,219,360.39	0.00	1,219,360.39	1,219,360.39	1,219,360.39	1,107,930.44	111,429.95	0.00		
Financial year n-3	383,562.92	0.00	383,562.92	383,562.92	383,562.92	116,222.12	267,340.80	0.00		
Financial year n-4	2,608.71	0.00	2,608.71	2,608.71	2,608.71	2,608.71	0.00	0.00		
Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
	11,737,896.37	0.00	11,737,896.37	11,737,896.37	11,737,896.37	5,484,485.55	6,253,409.82	0.00		

NEW NATO HEADQUARTERS
BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2013
n= 2013

CHAPTER Article	BUDGET AUTHORISATIONS				COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS		
	BUDGET (ref.) C-M(2012)0098	AUTHORIZED TRANSFERS	ADJUSTED CREDITS	CREDITS CARRIED FORWARD TO n+1			LAPSED CREDITS	in EUR)	
								(1)	(2)
III.	INTELLECTUAL SERVICES								
03.01	1,931,123.00	12,600.00	1,943,923.00	1,943,923.00	1,062,778.13	881,144.87	0.00	0.00	
03.02	3,075,000.00	0.00	3,075,000.00	3,075,000.00	2,309,491.00	765,509.00	0.00	0.00	
03.04	6,170,000.00	125,600.00	6,295,600.00	6,295,600.00	2,180,960.90	4,114,639.10	0.00	0.00	
03.05	746,921.00	-138,600.00	608,321.00	608,321.00	0.00	608,321.00	0.00	0.00	
	11,923,044.00	0.00	11,923,044.00	11,923,044.00	5,553,230.03	6,369,813.97	0.00	0.00	
	Carried forward:								
	7,738,428.98	41,900.00	7,780,328.98	7,780,328.98	7,276,112.23	504,216.75	0.00	0.00	
	326,910.00	0.00	326,910.00	326,910.00	288,504.22	38,405.78	0.00	0.00	
	468,970.92	0.00	468,970.92	468,970.92	96,147.41	372,823.51	0.00	0.00	
	160,000.00	0.00	160,000.00	160,000.00	40,000.00	120,000.00	0.00	0.00	
	211,000.00	0.00	211,000.00	211,000.00	0.00	211,000.00	0.00	0.00	
	194,573.00	0.00	194,573.00	194,573.00	74,235.73	120,337.27	0.00	0.00	
	1,056,575.94	0.00	1,056,575.94	1,056,575.94	202,225.94	854,350.00	0.00	0.00	
	147,292.00	0.00	147,292.00	147,292.00	0.00	147,292.00	0.00	0.00	
	41,900.00	-41,900.00	0.00	0.00	0.00	0.00	0.00	0.00	
	22,268,694.84	0.00	22,268,694.84	22,268,694.84	13,530,455.56	8,738,239.28	0.00	0.00	
IV.	CONSTRUCTION WORKS								
D4.01	90,631,863.00	38,874.00	90,670,737.00	90,670,737.00	65,654,000.00	25,016,737.00	0.00	0.00	
	90,631,863.00	38,874.00	90,670,737.00	90,670,737.00	65,654,000.00	25,016,737.00	0.00	0.00	
	Carried forward:								
	55,418,753.98	0.00	55,418,753.98	55,418,753.98	51,313,059.45	4,105,694.53	0.00	0.00	
	1,983,988.30	0.00	1,983,988.30	1,983,988.30	1,138,207.73	845,780.57	0.00	0.00	
	629.06	0.00	629.06	629.06	0.00	629.06	0.00	0.00	
	200,000.00	0.00	200,000.00	200,000.00	0.00	200,000.00	0.00	0.00	
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	148,235,234.34	38,874.00	148,274,108.34	148,274,108.34	118,105,866.24	30,168,242.10	0.00	0.00	

NEW NATO HEADQUARTERS
BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2013
n= 2013

in EUR)

CHAPTER Article	BUDGET AUTHORISATIONS				COMMITMENTS (4)	EXPENDITURES (5)	BUDGETARY SURPLUS	
	BUDGET (ref.) C-M(2012)0098	AUTHORIZED TRANSFERS (2)	ADJUSTED CREDITS (3) = (1)+(2)	CREDITS CARRIED FORWARD TO n+1 (6) = (4) - (5)			LAPSED CREDITS (7) = (3) - (4)	
								(1)
V.								
05.01								
	SPECIAL EQUIPMENT							
	Special equipment	10,663,068.00	0.00	10,663,068.00	10,663,068.00	8,553,280.00	2,109,788.00	0.00
	Financial year n	10,663,068.00	0.00	10,663,068.00	10,663,068.00	8,553,280.00	2,109,788.00	0.00
	Carried forward:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GRAND TOTAL	10,663,068.00	0.00	10,663,068.00	10,663,068.00	8,553,280.00	2,109,788.00	0.00
	Financial year n	118,421,323.00	0.00	118,421,323.00	118,421,323.00	81,198,631.41	37,222,691.59	0.00
	Carried forward:	72,060,179.19	41,900.00	72,102,079.19	72,102,079.19	63,720,166.56	8,381,912.63	0.00
	Financial year n-1	3,987,057.19	0.00	3,987,057.19	3,987,057.19	2,752,337.95	1,234,719.24	0.00
	Financial year n-2	1,120,100.27	0.00	1,120,100.27	1,120,100.27	405,743.17	714,357.10	0.00
	Financial year n-3	162,608.71	0.00	162,608.71	162,608.71	42,608.71	120,000.00	0.00
	Financial year n-4	411,000.00	0.00	411,000.00	411,000.00	0.00	411,000.00	0.00
	Financial year n-5	194,573.00	0.00	194,573.00	194,573.00	74,235.73	120,337.27	0.00
	Financial year n-6	1,056,575.94	0.00	1,056,575.94	1,056,575.94	202,225.94	854,350.00	0.00
	Financial year n-7	147,292.00	0.00	147,292.00	147,292.00	0.00	147,292.00	0.00
	Financial year n-8	41,900.00	-41,900.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	197,602,609.30	0.00	197,602,609.30	197,602,609.30	148,395,949.47	49,206,659.83	0.00
	GRAND TOTAL	197,602,609.30	0.00	197,602,609.30	197,602,609.30	148,395,949.47	49,206,659.83	0.00

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NEW NATO HEADQUARTERS

STATEMENT OF TRANSFERS OF CREDITS
AUTHORIZED BY THE FINANCIAL CONTROLLER IN 2013

(NFR, ARTICLE 10)

Origin of credits		Destination of credits	
Item	Amounts	Item	Amounts
03-01 (N-9)	41,900.00	03-01 (N-1)	41,900.00
03-01 (N-1)	41,900.00	03-05 (N-1)	41,900.00
03-05 (N-1)	41,900.00	03-04 (N-1)	41,900.00
01-01	38,874.00	04-01	38,874.00
03-05	1,000.00	03-01	1,000.00
03-05	11,800.00	03-01	11,800.00
03-05	125,800.00	03-04	125,800.00

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**EXPLANATORY NOTES TO NEW NATO HEADQUARTERS PROJECT
2013 FINANCIAL STATEMENTS**

NOTE 1: GENERAL INFORMATION

In 1999 Heads of State of the NATO member countries decided at the Washington Summit to build a New NATO Headquarters (HQ) to meet Alliance requirements for the 21st century. For this New NATO HQ Project a separate budget was established in 2000.

The budget for the common funded part is approved on an annual basis by the North Atlantic Council, further to screening and recommendation by the Budget Committee and the Resource Policy and Planning Board (RPPB). The project is managed following NSIP procedures.

The main construction project, the electronic security services and the audio-visual infrastructure contracts are managed by the Belgian Ministry of Defence Host Nation Project Management Team (PMT) under the provisions of the NATO/Belgium MOU, signed on 8 December 2004.

NCIA acts as Host Nation for the Active Network Infrastructure contract. NATO-International Staff (IS) is the Host Nation for the Furniture contract and for the Business Data and Applications Migration Project (BDAM).

NATO is represented by the Defence Investment Division Headquarters Project Office (HQPO), which is in charge of programme management; coordination, approval procedures and the definition of requirements. HQPO also represents the interests of Nations in all dealings with the Host Nation.

A Transition Office, within the Executive Management Division, was created in 2011 to manage the practical and organisational aspects of the transition from the current headquarters to the new one.

NATO member nations maintain oversight of the project through the Deputies Committee (DPRC), a Board comprised of the Deputy Permanent Representatives. HQPO is responsible for financial management and for coordination with the DPRC, the Budget Committee, the RPPB, and the North Atlantic Council.

NOTE 2: ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Declaration of conformity

The financial statements of the New NATO Headquarters Project have been prepared on the basis of the NATO Financial Regulations, of the IPSAS (International Public Sector Accounting Standards) specifications, which the North Atlantic Council approved for adoption on 17 July 2002, and of the NATO Accounting Framework approved under C-M(2013)0039 on 26 July, 2013, which adapts a small number of IPSAS standards to better suit the specific requirements of the Alliance.

Implementation of IPSAS

The accounting system currently used by New NATO Headquarters Project is a budgetary driven accounting system. It can be deemed as a hybrid system which is essentially budget and cash based.

In the financial system, commitments are recorded for budget execution and control purposes, in accordance with NATO Financial Regulations. Commitment of credits is defined as the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. Payments linked to those commitments are recorded when the settlement of invoices is due. The unexpended balances of committed credits may be carried forward to the following financial years. Transformational entries for accruals are made based on an analysis of the commitments carried-forward at year-end, and on information provided by the Host Nations, in particular in order to

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determine the value of fixed assets work in progress. Contributions are registered as unearned revenue on the date they are called and revenue is recognized afterwards on the basis of expenditure.

The New NATO Headquarters Project financial statements are currently compliant with IPSAS, and its NATO approved adaptations, using the transformational method described above. The New NATO Headquarters Project will transition to full transactional accrual accounting with the implementation of an integrated Enterprise Resource Planning (ERP) solution foreseen in 2015.

Basis of preparation

The financial statements have been prepared in accordance with the accounting requirements of the NATO Financial Regulations (NFR) and the Financial Rules and Procedures (FRP) including the specific changes approved this project by the North Atlantic Council.

These statements have been prepared on a going-concern basis and the amounts shown in these financial statements are presented in EUR. The New NATO Headquarters Project will continue in operation for the foreseeable future.

The following IPSAS have no material effect on the 2013 financial statements of the New NATO Headquarters Project Office:

- IPSAS 5: Borrowing Costs.
- IPSAS 6: Consolidated and Separate Financial
- IPSAS 7: Investments in Associates.
- IPSAS 8: Interests in Joint Ventures
- IPSAS 10: Financial Reporting in Hyperinflationary Economies
- IPSAS 11: Construction Contracts
- IPSAS 16: Investment Property
- IPSAS 18: Segment reporting
- IPSAS 21: Impairment of non-cash generating assets
- IPSAS 26: Impairment of Cash-Generating Assets
- IPSAS 27: Agriculture
- IPSAS 32: Service Concession Arrangement: Grantor

The Cash Flow Statement has been prepared using the direct method, as recommended under IPSAS 2, item 27. a): "*whereby major classes of gross cash receipts and gross cash payments are disclosed*".

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. No segments are identified in this project and are therefore not reported in these financial statements.

Changes in Accounting Policy and Reclassification of financial statements of previous years

Up until the 2012 reporting year, Transition Office related costs were capitalized in a similar way to the other costs incurred in relation to the NNHQ Project. The task of the Transition Office is to plan and execute the transition from the current NATO HQ to the new NATO HQ. Its purpose is to transform the way NATO HQ operates to make best use of the facilities and technologies in the new NATO HQ; to relocate staff, NATO agencies and national delegations; and to return the current NATO HQ campus to Belgium. Transition Office related costs consist mainly in salaries of its staff, and at this stage in consultancy services on best ways to conduct the operations in the new building. It is therefore considered that they do not fulfil the criteria set by IPSAS 17 to qualify as directly attributable costs of the asset under construction. As a consequence Transition Office costs should be expended rather

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than capitalized. This has resulted in MEUR 1.527 being considered as expensed until 2012 and MEUR 1.174 in 2013. The impact on the 2012 restated financial statements is provided below.

Reclassification of financial statements of previous years

The following reclassifications to the 2013 financial statements have been done.

The decision to consider Transition Office costs as expensed rather than capitalized results in a change to the Statement of Financial Performance of 2012, a reduction of the level of the PPE work in progress, and a reduction of the Unearned Revenue.

The claim introduced by the general contractor in 2013 relates also to works completed before 31 December 2012. Adjustments due to additional information provided by the PMT concerning 2012 had also to be taken into account. The related impacts have been taken into account with the matching adjustment on the level of the advance to the PMT and to Unearned Revenue.

The contribution by Eurocontrol to fund works between their headquarters and the New NATO HQ, which were wrongly included in the item National Funds, appears now as a Payable.

Contributions received on the wrong bank account (typically common funded instead of another) have been reclassified in order to reflect the appropriate destination of the contribution.

The impact of these changes is reflected in the following tables.

NEW NATO HEADQUARTERS				
STATEMENT OF FINANCIAL PERFORMANCE				
For the Year Ended 31 December 2012				
(All amounts in Euro)				
		Restated	Initial	Variance
		2012	2012	Restated - Initial
Revenue				
Revenue from non exchange transactions		1,527,425.08	0.00	1,527,425.08
Financial Revenue		0.00	0.00	0.00
Other revenue		0.00	0.00	0.00
Total Revenue		1,527,425.08	0.00	1,527,425.08
Expenses				
Wages, salaries and employee benefits		537,410.57	0.00	537,410.57
Services, supplies and consumables used		990,014.51	0.00	990,014.51
Financial Costs		0.00	0.00	0.00
Other expenses		0.00	0.00	0.00
Total Expenses		1,527,425.08	0.00	1,527,425.08
Surplus/Deficit for the period		0.00	0.00	0.00

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NEW NATO HEADQUARTERS				
STATEMENT OF FINANCIAL POSITION				
As at 31 December 2012				
(All amounts in Euro)				
		Restated	Initial	Variance
		2012	2012	Restated - Initial
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents				
Cash		86.87	86.87	0.00
Current bank accounts		2,635,579.16	3,935,569.16	-1,299,990.00
Cash equivalents		82,000,000.00	82,000,000.00	0.00
Subtotal Cash & Equivalent of the entity		84,635,666.03	85,935,656.03	-1,299,990.00
Cash Managed for Third Parties		84,497,415.33	83,197,425.33	1,299,990.00
Total Cash and Cash Equivalents		169,133,081.36	169,133,081.36	0.00
Receivables				
Contributions from Member Nations (Common Funded)		11,638,889.43	11,638,889.43	0.00
Contributions from Member Nations (Nationally Funded)		2,322,043.37	2,322,043.37	0.00
Other Receivable from Nations/Partners		0.00	0.00	0.00
Receivable from Staff Members		0.00	0.00	0.00
Receivable from other NATO Bodies		0.00	0.00	0.00
Bank interest accrued		385,987.18	385,987.18	0.00
Other accounts receivable		198,858.75	198,858.75	0.00
Total Receivables		14,545,778.73	14,545,778.73	0.00
Prepayments				
Advance to PMT		16,371,714.98	13,770,970.42	2,600,744.56
Advance to NCIA		0.00	0.00	0.00
Total Prepayments		16,371,714.98	13,770,970.42	2,600,744.56
TOTAL CURRENT ASSETS		200,050,575.07	197,449,830.51	2,600,744.56
NON CURRENT ASSETS				
Receivables		0.00	0.00	0.00
Infrastructure, plant and equipment				
Common Funded		223,995,136.15	226,985,455.05	-2,990,318.90
Nationally Funded		12,094,699.43	13,385,049.26	-1,290,349.83
Land and buildings		0.00	0.00	0.00
Intangible assets		0.00	0.00	0.00
TOTAL NON CURRENT ASSETS		236,089,835.58	240,370,504.31	-4,280,668.73
TOTAL ASSETS		436,140,410.65	437,820,334.82	-1,679,924.17

NEW NATO HEADQUARTERS				
STATEMENT OF FINANCIAL POSITION				
As at 31 December 2012				
(All amounts in Euro)				
	Restated	Initial	Variance	
	2012	2012	Restated - Initial	
LIABILITIES				
CURRENT LIABILITIES				
PAYABLES				
Payable to Nations				
Interest	930,722.14	930,722.14	0.00	
Lapsed credits	0.00	0.00	0.00	
Miscellaneous receipts	0.00	0.00	0.00	
Project accumulated surplus	12,046,983.99	12,046,983.99	0.00	
National Funds	86,808,511.70	87,043,511.70	-235,000.00	
Construction Surveillance Technical Team	1,246,581.39	1,246,581.39	0.00	
Construction Surveillance Technical Team (accrued)	13,128.00	13,128.00	0.00	
Reimbursable Staff	1,070,619.80	1,070,619.80	0.00	
Total Payable to Nations	102,116,547.02	102,351,547.02	-235,000.00	
Payable to Staff	1,685.06	1,685.06	0.00	
Payable to NATO Bodies				
International Staff	9,508.44	9,508.44	0.00	
NCIA	16,000.00	16,000.00	0.00	
Others	0.00	0.00	0.00	
Total Payable to NATO Bodies	25,508.44	25,508.44	0.00	
Payable to Suppliers				
Payable to Suppliers	2,147,257.81	2,147,257.81	0.00	
Accrued expenses	48,098.11	48,098.11	0.00	
Total Payable to Suppliers	2,195,355.92	2,195,355.92	0.00	
Payable to Others				
Other Payables	235,703.46	703.46	235,000.00	
Trust Funds	0.00	0.00	0.00	
Total Payable to Others	235,703.46	703.46	235,000.00	
Total Payables	104,574,799.90	104,574,799.90	0.00	
Unearned Revenue and Advance Contributions				
Unearned revenue from budgetary credits	95,475,775.17	92,875,030.61	2,600,744.56	
Unearned revenue from pre-financing	0.00	0.00	0.00	
Unearned revenue from accumulated surplus	0.00	0.00	0.00	
Advance contributions called for the following year	0.00	0.00	0.00	
Total Unearned Revenue and Advance Contributions	95,475,775.17	92,875,030.61	2,600,744.56	
Total Extrabudgetary Funds	0.00	0.00	0.00	
TOTAL CURRENT LIABILITIES	200,050,575.07	197,449,830.51	2,600,744.56	
NON CURRENT LIABILITIES				
Provisions	1,453,928.00	1,066,000.00	387,928.00	
Long-term unearned revenue funding work in progress (common funding)	222,541,208.15	225,919,455.05	-3,378,246.90	
Long-term unearned revenue funding work in progress (national funding)	12,094,699.43	13,385,049.26	-1,290,349.83	
TOTAL NON CURRENT LIABILITIES	236,089,835.58	240,370,504.31	-4,280,668.73	
TOTAL LIABILITIES	436,140,410.65	437,820,334.82	-1,679,924.17	
Surplus/Deficit of the period	0.00	0.00	0.00	
TOTAL NET ASSETS	0.00	0.00	0.00	

Use of estimates

In accordance with generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions by management, according to the most reliable information available, judgement and assumptions. Estimates include provisions, accrued revenue and expenses. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Foreign currency transactions

The New NATO Headquarters Project's budget is authorized and managed in EUR so contribution calls are made in EUR. Foreign currency transactions as required are accounted for at the NATO parity rates prevailing on the date of the transaction. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into EUR using the NATO parity rates applicable at 31 December 2013.

Realised and unrealised gains and losses resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognised in Non-Current Liabilities.

Financial risks

The New NATO Headquarters Project Office uses only non-derivative financial instruments as part of its normal operations. These financial elements include cash, bank accounts, deposit accounts, accounts receivable and Funds Managed for Third Parties.

All the financial instruments are recognised in the statement of financial position at their fair value.

The New NATO Headquarters Project is exposed to a variety of financial risks, including foreign exchange risk, credit risk, currency risk, liquidity risk and interest rate risk.

Foreign currency exchange risk

The exposure to foreign currency risk is limited as the majority of the New NATO Headquarters Project's expenditures are made in EUR, the currency of its Budget. All bank accounts are held in EUR.

Credit risk

The New NATO Headquarters Project incurs credit risks from cash and cash equivalent held with banks and from receivables.

The maximum exposure as at 31 December 2013 is equal to the total amount of bank balances, short term deposits and receivables. There is very limited credit risk associated with the realization of these elements.

Concerning cash and cash equivalent the New NATO Headquarters Project credit risk is managed by holding current bank accounts and short term highly liquid deposits that are readily convertible to a known amount of cash held with high quality registered banking institutions with the following ratings (short-term):

	Short term credit Ratings as at 31.12.2013			
	Fitch	S&P	Moody's	Date of last rating update
ING Bank	F1	A	P-2	Oct-13
DNB Bank	n.a.	A-1	P-1	Apr-13
Belfius Bank	F1	A-2	P-2	Dec-13
Société Générale	F1	A-1	P-1	Jul-13

The New NATO Headquarters Project's outstanding accounts receivable are managed by maintaining control procedures over receivables. Most cash receivables are due from NATO member nations, which are considered credit worthy.

Liquidity risk

The liquidity risk, also referred to as funding risk, is based on the assessment as to whether the New NATO Headquarters Project will encounter difficulties in meeting its obligations associated with financial liabilities. A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because of the funding mechanism which guarantees contributions in relation to the approved New NATO Headquarters Project budget. Some limited risk could be due to the accuracy of budget forecasts.

Interest rate risk

Except for certain cash and cash equivalent balances, the New NATO Headquarters' financial assets and liabilities do not have associated interest rates. The New NATO Headquarters is restricted from entering into borrowings and investments, and, therefore, there is an insignificant interest rate risk. Interest earned is not a budgetary resource but contributes to the surplus owed to Nations.

Current Assets

Cash and cash equivalents

Cash and cash equivalents are defined as short-term assets. They include cash in hand, deposits held with banks, other short term highly liquid investments.

Cash held on behalf of third parties corresponding to amounts called and received in relation to the nationally funded elements and the fit-out of delegations, and amounts corresponding to anticipated contributions are reported separately.

Receivables

Receivables are stated at net realisable value, after provision for doubtful and uncollectable debts.

Contributions receivable are recognised when a call for contribution, based on the approved budget, has been issued to the funding Nations. These receivables represent the uncollected contributions from Member Nations. The same policy applies for contributions related to the nationally funded elements but not to the fit-out of delegations. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable.

Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of advance payments made to third parties. In the case of the New NATO Headquarters Project, advance payments are essentially related to the pre-financing of PMT and NCIA expenses. The terms of the MOU prevent Host Nation Belgium (PMT) from pre-financing any aspect of the project.

Inventories

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 12 Inventories. It is described as follows:

Control of NATO Inventories was refined with a set of 10 criteria to be used in assessing the level of control of an asset. A positive response on six of the criteria will lead to the asset being capitalised in the Financial Statements if it is above the capitalization threshold.

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Criteria that may indicate control of an asset
The act of purchasing the asset carried out (or resulted from instructions given) by the NATO Reporting Entity.
The legal title is in the name of the NATO Reporting Entity.
The asset is physically located on the premises or locations used by the NATO Reporting Entity.
The asset is physically used by staff employed by the NATO Reporting Entity or staff working under the NATO Reporting Entity's instructions.
The fact that the NATO Reporting Entity can decide on an alternative use of the asset.
The fact that the NATO Reporting Entity can decide to sell or to dispose the asset.
The fact that the NATO Reporting Entity, if it has to remove or destroy the asset, can take the decision to replace it.
The fact that a representative of the NATO Reporting Entity regularly inspects the asset to determine its current condition.
The fact that the asset is used in achieving the objectives of the NATO Reporting Entity.
The fact that the asset will be retained by the NATO Reporting Entity at the end of the activity.

Capitalization thresholds relevant to the financial statement are as follow:

Category	Threshold	Basis
Consumables	€50,000	Per location/warehouse
Spare Parts	€50,000	Per location/warehouse
Ammunition	€50,000	Per location/warehouse
Strategic stocks	€50,000	Per location/warehouse

Slow moving inventory – Assuming turnover of stock is over a 12 month period, any items not used over a 36 month period will be deemed to be slow moving.

Strategic stock – Some complex elements of slow moving stock can be identified as strategic if they are deemed essential to the effective operation of an asset and cannot be readily replaced by commercial off the shelf items or cannot be purchased due to market decisions to close production lines of key inventory items due to the advanced age of the strategic asset to which the stock relates. The NNHQ Project will capitalise inventory which it controls in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of inventory, only the end-user entity will report the inventory in its financial statements, based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

The NNHQ Project will include transportation costs involved in bringing the inventories to their present location and condition in the initial valuation of inventory. These costs will be measured on the actual cost of transportation per item of inventory or by using an apportionment of the global transportation costs of bringing the inventories to their present location and condition across all inventory items in the period. Transportation costs involved in the subsequent movement of inventory which brings them into operational use will not be included in the value of inventory. The method of measuring these costs will be disclosed.

Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 12 shall apply.

The introduction of this adaptation to IPSAS 12 has no impact on the way these financial statements are presented. The value of NNHQ inventories is immaterial both in value and in terms of the nature of the items held. Consequently, inventory is fully expensed when goods are received.

Non-Current Assets (Property, Plant & Equipment and Intangible Assets)

2012 was the first year during which construction works related to the nationally funded elements were performed. These works are recognized as non-current assets (PPE: Property, Plant and Equipment) held on behalf of third parties, at least during the construction period. The reasoning stems from a number of factors. The NHQ building constitutes a coherent and global building whose purpose is to

bring together member nations in order to enable an efficient and effective consultation process. This situation whereby dedicated National Representations are present on site is very specific to NATO and does not really exist in other comparable international organizations. The member nations are not considered, from a legal perspective, as having direct property rights on the parts of the building corresponding to their own delegation premises, but rather having an exclusive right of use. In this respect the different funding cost shares cannot be deemed a factor justifying a specific accounting treatment. The situation also carries certain restrictions, such as the inability to execute works affecting or altering the basic structure of the building, and to sell their premises. Additionally, at this stage of the project it is difficult to accurately distinguish the value between these common and nationally funded components. However, their inclusion provides useful and clear information which contributes to financial transparency.

This does not preclude that in the future, an ability to limit physical access will exist, which could then justify an exclusion from NATO PPE. Until then, as currently, common funded and nationally funded construction works will be managed as a single project. At this point, and from an accounting standpoint, the fact remains that the economic benefit or the service potential is measured by the contribution to consensus building and therefore it cannot be separated from NATO's purpose. Therefore, this would not justify a separate accounting treatment until such a time as the building is operational and the related building parts are handed over to the nations concerned. It should be noted that this approach does not apply to the national fit-out segment for which four nations have decided to act separately. The impact on previous years' financial statements is not material as no related works had been performed and therefore no fixed assets were recognised.

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 17 Property Plant and Equipment. It is described as follows:

Control of NATO PPE was refined with a set of 10 criteria to be used in assessing the level of control of an asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalised in the Financial Statements if it is above the capitalization threshold.

Capitalization thresholds relevant to the financial statement are as follow:

Category	Threshold	Depreciation life	Method
Land	€200,000	N/A	N/A
Buildings	€200,000	40 years	Straight line
Other infrastructure	€200,000	40 years	Straight line
Installed equipment	€ 30,000	10 years	Straight line
Machinery	€ 30,000	10 years	Straight line
Vehicles	€ 10,000	5 years	Straight line
Aircraft	€200,000	Dependent on type	Straight line
Vessels	€200,000	Dependent on type	Straight line
Mission equipment	€ 50,000	3 years	Straight line
Furniture	€ 30,000	10 years	Straight line
Communications	€ 50,000	3 years	Straight line
Automated information Systems	€ 50,000	3 years	Straight line

In the case of the New NATO Headquarters Project to date PPE is work in progress. Depreciation will start after acceptance of the completed work.

The principles of valuing and depreciating fixed assets are the following:

Buildings are shown at fair value based on internal valuations at the reporting date. Valuation is done based on judgment using the best available information from relevant sources. With regard to land on which the buildings are erected, see note on Leases.

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All other non-current assets, Property, Plant and Equipment (PPE) and intangible assets are recorded at their historical cost less accumulated depreciation and any recognized impairment loss.

The introduction of this adaptation to IPSAS 17 has no impact on the way these financial statements are presented. Although the adaptation to IPSAS allows one to consider PPE acquired prior to 1 January 2013 as fully expensed, it was decided not to do so: amounts considered as PPE work in progress prior to 1 January 2013 remain capitalized in the interest of disclosing relevant and complete information regarding the value of the future NNHQ.

Intangible Assets:

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 31 Intangible Assets. It is described as follows:

Control of NATO Intangible Assets was refined with a set of 10 criteria to be used in assessing the level of control of an asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalised in the Financial Statements if it is above the capitalization threshold. This is applied from January, 2013.

NATO Intangible Assets Capitalization Thresholds - the NNHQ Project will capitalize each intangible asset item that is above the following agreed NATO thresholds:

Category	Threshold	Depreciation life	Method
Computer software (commercial off the shelf)	€50,000	4 years	Straight line
Computer software (bespoke)	€50,000	10 years	Straight line
Computer database	€50,000	4 years	Straight line
Integrated system	€50,000	4 years	Straight line

The NNHQ Project will capitalize all controlled intangible assets above the NATO Intangible Asset Capitalization Threshold. For anything below the threshold, the NNHQ will have the flexibility to expense specific items.

The NNHQ Project will capitalize integrated systems and include research, development, implementation and can include both software and hardware elements. But the NNHQ Project will not capitalise the following types of intangible assets in their financial statements:

- rights of use(air, land and water);
- landing rights;
- airport gates and slots;
- historical documents; and,
- publications

The NNHQ Project will capitalize other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

The NNHQ may consider Intangible Assets acquired prior to 1 January 2013 as fully expensed.

The NNHQ Project will report controlled Intangible assets in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of intangible assets, only the end-use entity will capitalise the intangible asset in its financial statements based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

Where this adaptation conflicts with another requirement of IPSAS this adaptation will apply. For the remainder, IPSAS 31 shall apply. This adaptation is effective for financial reporting periods beginning on 1 January 2013.

The introduction of this adaptation to IPSAS 31 has no impact on the way these financial statements are presented.

Impairment of fixed assets:

The carrying amounts of fixed assets are reviewed for impairment if events or changes of circumstances indicate that they may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss. Any provision for impairment losses is charged against the Statement of Financial Position (during the construction process) in the year concerned.

Current liabilities

Payables

Payables are amounts due to Nations in relation with budget rules and services provided, or to third parties based on goods received or services provided they remain unpaid. This includes an estimate of accrued obligations to third parties for goods and services received but not yet invoiced.

Payables due to Nations include in particular the surplus as per the NATO Financial Regulations. In authorizing the New NATO Headquarters Project budget, Nations agreed that it would be a special budget extending over several years. Nations agreed that financial closure would take place only when the Project has been fully realised. Consequently, it was agreed that credits and the refundable surplus can be maintained with the entity until the Project's completion (C-M(2000)36). Amounts which would have been normally returned to contributing Nations in the framework of the standard NATO Financial Regulations' provisions – such as net interest earned, miscellaneous receipts, lapsed credits, accumulated surplus - remain on the entity's accounts.

Funds Managed for Third Parties (National Funds)

Funds managed on behalf of third parties (National Funds) are held in cash or as a receivable if they correspond to an unpaid non-budgetary contribution in relation to nationally funded elements. In case of an anticipated/voluntary contribution, they are accounted for when cash is effectively received. The corresponding amounts are presented as a current liability under funds managed for third parties (national funds).

As a consequence of the recognition of the nationally funded elements as Project's non-current assets, contributions called from the Nations with regard to the nationally funded elements are treated in a way comparable to that of budgetary contributions. Amounts called and amounts not converted to unearned revenue, which fund the related works, are included as liabilities under funds managed for third parties. The uncollected amount appears as a receivable.

Advances and Unearned Revenue

Unearned Revenue represents participating Nations' contributions related to approved annual budgets that have not yet been recognised as revenue in the absence of matching expenses, but which have been called for current common funded budgets and for nationally funded construction works. Funds are called in advance of requirements because the New NATO Headquarters Project has no capital that would allow it to pre-finance any of its activities.

Advances are contributions called related to future years' budgets. Voluntary advances made by outside of the call for contributions process are accounted as funds managed for third parties.

Revenue and expense recognition

All the costs incurred under the New NATO Headquarters Project since its inception, except those related to the Transition Office, qualify to be capitalized as PPE Work in Progress. This includes personnel and operating costs. The matching budget resources provided by Nations to fund these Works in Progress are recognised as a liability in the Statement of Financial Position as Long Term Unearned Revenue. No revenue is recognised in the Statement of Financial Performance, except for the part attributable to the Transition Office.

In the future, after the transfer of the building to the NATO International Staff, earned revenue will be progressively recognised from this long term unearned revenue, in an amount equal to annual depreciation of the related PPE, Intangible Assets etc. of the building, as future economic benefits and service potential will flow to the NATO International Staff when the building is operational.

Non-budgetary contributions called from Nations corresponding to the nationally funded construction works are treated as Long Term Unearned Revenue in an amount equal to the estimation of works completed.

Revenue from exchange and non-exchange transactions

There is no revenue from exchange transactions, as the contributions by Nations are based on a fixed cost-share of reimbursable costs for the construction of the New NATO Headquarters Project. They are considered as a liability for long term unearned revenue funding assets in progress.

NOTE 3: CASH AND CASH EQUIVALENTS

The current bank accounts are held in EUR. Deposits are held in interest-bearing bank current accounts, immediately available.

Derogations to NATO Financial Regulations were approved by the Council (C-M(2000)36 and BC-D(2000)20). In particular paragraphs 4.4 of the latter document introduce flexible arrangements for national contributions to allow Nations to make anticipated contributions. No ceiling is applicable to the amount of cash holdings other than what is needed for the project.

NOTE 4: CASH MANAGED FOR THIRD PARTIES

To meet the Project's payment for the fit-out and nationally funded elements under the NSIP rules and procedures, the IS Office of Financial Control has opened bank accounts in the names of NATO member Nations. Interest earned is credited to the specific bank account of the Nation concerned. These are extra-budgetary funds belonging to the Nations concerned. Separate contribution calls are made for the fit-out and for nationally funded parts of the Project. The planning foresees that the Nations make payments in advance of the quarterly NSIP payment request. A matching liability is posted against the amount of cash held on behalf of the Nations concerned and of the amount of uncollected related contributions called for what concerns the nationally funded construction works.

These funds also include an amount of EUR 48,238,402.44 relating to anticipated contributions made by two nations.

There are also funds from Eurocontrol as their contribution to works for a secure pedestrian access between their headquarters and the NNHQ site.

The total amount of cash held on the specific bank accounts of the nations or entities concerned may not match the value of funds held on behalf of the third parties because of voluntary advances made on the bank account for Common Funded operations, or of contributions not received on the appropriate bank account, etc. The breakdown of these bank accounts by country and entity end 2013 is the following.

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NOUVEAU QUARTIER GENERAL - NEW HEADQUARTERS			
FUNDS MANAGED FOR THE ACCOUNT OF THIRD PARTY			
FONDS GERES POUR LE COMPTE DE TIERS			
BANK BALANCES AS AT/SOLDES EN BANQUE AU		31/12/2012	
ING BANK			
US MISSION FUNDS	310-1465600-16	EUR	22,587,797.79
	Business Account	EUR	25,000,000.00
	Fixed term account	EUR	0.00
ALBANIA NEW SITE DEL	310-1920536-22	EUR	381,358.49
	Business Account	EUR	0.00
BELGIUM NEW SITE DEL F.O.	310-1920469-52	EUR	676,032.12
	Business Account	EUR	0.00
BULGARIA NEW SITE DEL F.O.	310-1920470-53	EUR	653,259.18
	Business Account	EUR	0.00
CANADA NEW SITE DEL	310-1920539-25	EUR	369,520.00
	Business Account	EUR	0.00
CROATIA NEW SITE DEL	310-1920537-23	EUR	510,911.45
	Business Account	EUR	0.00
CZECH REP. NEW SITE DEL F.O.	310-1920471-54	EUR	572,859.03
	Business Account	EUR	0.00
DENMARK NEW SITE DEL F.O.	310-1920472-55	EUR	390,539.76
	Business Account	EUR	0.00
ESTONIA NEW SITE DEL F.O.	310-1920473-56	EUR	388,890.46
	Business Account	EUR	0.00
FRANCE NEW SITE DEL	310-1920538-24	EUR	446,226.84
	Business Account	EUR	0.00
GERMANY NEW SITE DEL F.O.	310-1920474-57	EUR	1,156,419.15
	Business Account	EUR	0.00
GREECE NEW SITE DEL F.O.	310-1920475-58	EUR	793,331.78
	Business Account	EUR	0.00
HUNGARY NEW SITE DEL F.O.	310-1920476-59	EUR	573,579.36
	Business Account	EUR	0.00
ICELAND NEW SITE DEL F.O.	310-1920477-60	EUR	146,786.34
	Business Account	EUR	0.00
ITALY NEW SITE DEL F.O.	310-1920467-50	EUR	1,285.38
	Business Account	EUR	0.00
LATVIA NEW SITE DEL F.O.	310-1920478-61	EUR	556,854.38
	Business Account	EUR	0.00

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LATVIA NEW HQ	310-1920515-01	EUR	650,604.65
	Business Account	EUR	0.00
LITHUANIA NEW SITE DEL F.O.	310-1920479-62	EUR	505,095.68
	Business Account	EUR	0.00
LUXEMBOURG NEW SITE DEL F.O.	310-1920480-63	EUR	247,387.42
	Business Account	EUR	0.00
NETHERLANDS NEW SITE F.O.	310-1920519-05	EUR	630,683.47
	Business Account	EUR	0.00
NORWAY NEW SITE DEL F.O.	310-1920481-64	EUR	642,981.63
	Business Account	EUR	0.00
POLAND NEW SITE DEL F.O.	310-1920520-06	EUR	719,719.17
	Business Account	EUR	0.00
PORTUGAL NEW SITE DEL F.O.	310-1920482-65	EUR	499,189.03
	Business Account	EUR	0.00
ROMANIA NEW SITE DEL F.O.	310-1920483-66	EUR	627,502.39
	Business Account	EUR	0.00
SLOVAKIA NEW SITE DEL F.O.	310-1920484-67	EUR	1,879,355.96
	Business Account	EUR	0.00
SLOVENIA NEW SITE DEL F.O.	310-1920485-68	EUR	1,512.46
	Business Account	EUR	0.00
SPAIN NEW SITE DEL F.O.	310-1920486-69	EUR	630,451.40
	Business Account	EUR	0.00
TURKEY NEW SITE DEL F.O.	310-1920487-70	EUR	902,016.28
	Business Account	EUR	0.00
U.K. NEW SITE DEL	310-1920547-33	EUR	355,759.55
	Business Account	EUR	0.00
U.S.A. NEW SITE DEL	310-1920546-32	EUR	2,747,249.58
	Business Account	EUR	0.00
NHQ EUROCONTROL	310-1920557-43	EUR	235,027.49
	Business Account	EUR	0.00
NEW HQ FIT-OUT	310-1920513-96	EUR	1,160.51
TOTAL :		EUR	66,481,348.18

NOTE 5: ACCOUNTS RECEIVABLE

Contributions receivable in an amount of EUR 8,980,855.61 (EUR 11,638,889.43 end 2012) are funds requested from the Nations to finance the Common Funded Budget. One Call was issued in January 2013 (FC(CC)(2013)0001(NHQ-CF-01) in a total amount of EUR 118,421,323. Receivables relating to previous financial years' contribution calls amounted to EUR 31,956.10.

Contributions receivable in an amount of EUR 1,438,392.00 (EUR 2,322,043.37 end 2012) are amounts called from the Nations to finance the nationally funded construction works. One call was issued in January 2013 (FC(CC)(2013)0001(NHQ-NF-01) in a total amount of EUR 22,709,294 (EUR 12,756,605

for construction and EUR 9,458,149 for Fit-Out 2013 and a revision to Fit-Out of EUR 494,540). There were no receivables relating to previous financial year's contributions calls.

Other Receivables from Nations concern amounts due for other cases than contributions to the NNHQ budget or nationally funded elements. End 2013 an amount of EUR 100.000 was due by one nation for IT works.

End 2013, there were no Other Receivables (end 2012, EUR 198,858.75 corresponded to amounts due by the construction company for services rendered by the Construction Surveillance Technical Team).

NOTE 6: PREPAYMENTS

Receivables from the PMT relate to advance payments made to the PMT which are not regularised at year end as they do not correspond to works completed. The terms of the MOU prevent the Host Nation from prefinancing any aspect of the Project. On a cash basis, at year end 2013, PMT held EUR 54,197,164 received from NHQPO as advance payments (EUR 21,833,554 at year end 2012). On an accruals basis, including provisions, taking into account amounts due by PMT, the net advance to be regularised amounted to EUR 38,412,258.66 (EUR 16,371,714.98 at year end 2012).

Similarly, at year end 2013, NHQPO has advanced funds to the NCIA in an amount of EUR 7,501,233.53 on an accruals basis.

NOTE 7: NON-CURRENT ASSETS

As of 31 December 2013, the costs charged as PPE Work in Progress amounted to EUR 381,120,467.74. This overall amount covers the common funded PPE, and the nationally funded construction works held on behalf of the member Nations which at this stage of the project are considered not separable from the overall amount of fixed assets.

The following table reconciles PPE amounts at the beginning and at the end of 2013.

(amounts in EUR)	Carrying Amount end 2012	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2013
COMMON FUNDED						
Personnel (chapter 1)	12,979,888	1,810,302				14,790,189
Operating Costs (chapter 2)	12,803,638	5,353,705				18,157,343
Professional fees (chapter 3)	95,509,976	11,793,311				107,303,287
Works (chapter 4)	102,286,635	100,690,464				202,977,099
Special Equipment (chapter 5)	415,000	1,147,250				1,562,250
SUB-TOTAL COMMON FUNDED	223,995,136	120,795,032	0	0	0	344,790,168
NATIONALLY FUNDED		0				
Works	12,094,699	24,235,600				36,330,300
SUB-TOTAL NATIONALLY FUNDED	12,094,699	24,235,600	0	0	0	36,330,300
TOTAL	236,089,836	145,030,632	0	0	0	381,120,468

A series of contracts have been entered into in relation to non-current assets, mainly by the PMT and the NCIA as Host Nations, and for smaller amounts by NHQPO. The main open contractual commitments, excluding non-works related contracts with a short term (such as for security and guard services), are the following.

The main construction contract was let in June 2010, at the price set in January 2010 of approximately MEUR 420 (MEUR 436 including National Funding). This base price does not include adjustments for price revisions. A claim in relation to this contract is pending.

The Concept Design Team contract was transferred to the PMT and has an LTPB planned cost of MEUR 85.122.

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The PMT awarded in 2013, the contract for the Electronic Security System in an amount of MEUR 17.0 (2013 value) and the contract for the Audio Visual Infrastructure in an amount of MEUR 26.5 (2013 value).

In 2013, the NCIA awarded the contract for the Active Network Infrastructure in the amount of MEUR 64.992.

The MOU between NATO and the Host Nation provides that management fees (National Administrative Expenses, NAE) equal to 3% of the works will be paid (LTPB total amount: MEUR 18.374).

Two major sets of contracts still needed to be awarded by NHQPO: for Furniture Supply and for Business Data and Applications Migration.

NOTE 8: PAYABLES

Interest Payable represents the net revenue from interest, foreign exchange difference gain and bank charges as shown below.

	31 December 2013	31 December 2012
Revenue		
Interest	363,516.29	932,392.35
Foreign Exchange gain/loss		
Total revenue	363,516.29	932,392.35
Expenses		
Bank costs	(763.46)	(710.44)
Foreign Exchange gain/loss	(837.06)	(959.77)
Total expense	(1,600.52)	(1,670.21)
Net Interest Earned	361,915.77	930,722.14

Project Accumulated Surplus resulting from previous years' budget execution, which amounts to EUR 12,977,706.13 end 2013, remains in the entity's accounts in accordance with the specific budget funding rules approved by Nations, according to which surpluses are not returned to contributing Nations before the completion of the project.

Considering that in 2013 no credits lapsed and that EUR 361,915.77 in interests was earned in 2013, the overall balance of funds owed to Nations end 2013 as the result of budget execution should be added to the Project Accumulated Surplus of EUR 12,977,706.13 and therefore amounts to EUR 13,339,622.00 at end 2013.

This amount can be broken down into the following components:

(cumulative amounts since the beginning of the project until 2013)

lapsed credits (including frozen)	12,213,702.50
net overcall (minus = undercall)	-4,588,528.69
interest earned	5,700,330.32
miscellaneous income	14,117.87
Total	13,339,622.00

The table below summarizes the evolution of unused funds since the inception of the Project:

	Budget Authorization	Called	Undercalled	Lapsed credits	Frozen credits	Surplus from unused funds	Interests earned	Miscellaneous	TOTAL SURPLUS
	(a)	(b)	(c)=(a)-(b)	(d)	(e)	(f)=(c)+(d)+(e)	(g)	(h)	(i)=(f)+(g)+(h)
2000	643,283.70	643,283.70	0.00	204,307.89		204,307.89	0	0	204,307.89
2001	3,933,128.24	3,729,855.55	-203,272.69	1,265,094.73		1,061,822.04	25,126.17	0.00	1,086,948.21
2002	8,300,600.00	7,009,344.00	-1,291,256.00	1,696,187.11	4,013,000.00	4,417,931.11	133,512.75	211.61	4,551,655.47
2003	2,932,000.00	2,932,000.00	0.00	1,402,526.02		1,402,526.02	186,678.59	1,468.05	1,590,672.66
2004	3,237,600.00	3,237,600.00	0.00	851,273.08		851,273.08	161,479.12	0	1,012,752.20
2005	9,453,000.00	6,359,000.00	-3,094,000.00	486,836.32		-2,607,163.68	221,371.00		-2,385,792.68
2006	19,297,936.00	19,297,936.00	0.00	155,186.50		155,186.50	146,486.45	7,167.96	308,840.91
2007	40,716,097.00	40,716,097.00	0.00	654.15		654.15	616,483.57		617,137.72
2008	15,833,900.00	15,833,900.00	0.00	58,532.98		58,532.98	1,556,979.64		1,615,512.62
2009	12,104,500.00	12,104,500.00	0.00	270,459.93		270,459.93	217,922.35	37.1	488,419.38
2010	38,701,000.00	38,701,000.00	0.00	62,314.59		62,314.59	297,105.21	5,233.15	364,652.95
2011	72,023,000.00	72,023,000.00	0.00	1,747,329.20		1,747,329.20	844,547.56	0.00	2,591,876.76
2012	107,052,000.00	107,052,000.00	0.00	0.00		0.00	930,722.14	0.00	930,722.14
2013	118,421,323.00	118,421,323.00	0.00	0.00		0.00	361,915.77	0.00	361,915.77
TOTAL	452,649,367.94	448,060,839.25	- 4,588,528.69	8,200,702.50	4,013,000.00	7,625,173.81	5,700,330.32	14,117.87	13,339,622.00

The National Funds item corresponds to funds managed on behalf of Nations outside of the standard call for budgetary contributions process. They are the counterpart of specific contributions from Nations to meet the Project's payment for the fit-out, for nationally funded elements - which are extra-budgetary funds, and of voluntary advances towards future common funded budgets. They are matched with cash held on specific bank accounts, cash held for common funding when voluntary advances were made (EUR 2,262,192 end 2013) and with receivables related to nationally funded elements.

The amount of EUR 740,598.14 (EUR 1,246,581.39 end 2012) payable to Nations for the Construction Surveillance Technical Team relates to reimbursement to those Nations who provided personnel to the Team during financial year 2013 or before. Most of those Nations have opted for payment by deduction from their contributions.

The payable of EUR 1,189,682.18 is in relation to the reimbursable salaries due to the United States for a civilian staff member who is paid directly by the United States government. This amount is partially used by the United States by applying it against its annual Project contribution.

The Other Payables item includes the EUR 235,000 contribution made by Eurocontrol for works between their headquarters and the NNHQ.

NOTE 9: UNEARNED REVENUE AND ADVANCES RELATED TO THE BUDGETARY PROCESS

Unearned Revenue from Budgetary Credits

Unearned Revenue from budgetary credits corresponds to contributions called up to 2013 but for which corresponding expenses will be incurred after the reporting date of 31 December 2013. The Unearned Revenue totalling EUR 94,988,552.02 (EUR 95,475,775.17 end 2012) includes principally those amounts of contributions which will be spent in subsequent years on the New NATO Headquarters Project budget as credits carried-forward resulting from the budget execution in accordance with the NATO Financial Regulations in the amount of EUR 49,206,659.83 (EUR 79,181,286.30 end 2012) to which should be added EUR 45,913,492.19 advances made to the PMT and the NCIA (EUR 16,371,714.98 end 2012) and deducted the accrued payable amounts relating to the Construction Surveillance Technical Team for EUR 0 (EUR 13,128.00 end 2012), NATO bodies for EUR 0 (EUR 16,000 end 2012) and other suppliers for EUR 131,600 (EUR 48,098.11).

Unearned Revenue from Pre-Financing

There has been none during the period covered by these financial statements.

Unearned Revenue from Accumulated Surplus

There has been no use of previous years' accumulated surplus in 2013 or 2012.

Advances Related to the Budgetary Process

There are no such as advances as to date there have not been call for budgetary contributions made in advance.

NOTE 10: PROVISIONS

Provisions relate to design fees and to works.

Concerning design fees, the provision relates to additional studies and/or modifications done by the CDT in 2009 and 2012, at the request of the PMT during phases B&C of the Project. An original estimate was made for EUR 2 million concerning 2009. Further to various settlements and minor adjustments an amount of EUR 1,066,000 was still pending end 2012. The related provision is currently assessed at EUR 1.0 million, to which should be added elements concerning services provided in 2012 (EUR 400,000) which are still under discussion.

Concerning works, the provision relates to the short term settlement of part of the claim introduced by the general construction contractor end 2013 (see Note on Contingent Liabilities). A first set of elements of the claim (short term settlement) that were considered incontestable pertaining to financial years 2011 to 2013 have been assessed in the amount of MEUR 14.845. For this period, an amount of MEUR 14.299,695 has been agreed (mainly for the impact of bad weather conditions, building information and management tools, corrections for missing quantities and louvers), and partial payments amounting to MEUR 12.196 have already been done in early 2014. The provision concerns the remaining amount of EUR 545,453 for louvers pending justifications to be provided by the contractor and agreed as required.

NOTE 11: LONG TERM UNEARNED REVENUE

This revenue corresponds to the contributions, budgetary and non-budgetary, that funded fixed assets work in progress.

For common funded PPE, the amount originates from budget contributions.

Funding provided for the nationally funded elements matching completed related works is also considered long term unearned revenue during the construction period. A specific accounting treatment may have to be determined when the related building parts are operational and the corresponding assets are transferred to the national delegations.

NOTE 12: REVENUE

Budgetary revenue is matched to recognised expenses relating to the activities of the Transition Office.

Any interest gained is attributed to the funding of the construction itself and is therefore not recognised in the statement of financial performance.

NOTE 13: EXPENSES

The only expenses recognised are those related to the Transition Office. They consist mainly of the salaries of staff, administrative expenses and miscellaneous consultancy studies conducted in order to optimize the use of the future building. Consultancy services (EUR 527,140 in 2013, EUR 0 in 2012) are included under the item "salaries" to be consistent with the budget breakdown, which explains the increase from 2012 to 2013 (NHQPO staffing remaining almost unchanged).

Amounts attributed to 2012 include expenses prior to 2012 (estimated KEUR 130 in salaries and KEUR 862 in O&M), as these are the first financial statements under which the Transition Office costs and administrative overheads are considered as expenses (see Note 2 on reclassification of prior year statements).

Banking costs are not recognised as expenses but are deducted from interests earned.

NOTE 14: NET RESULT OF THE PERIOD

Given that revenue stemming from budgetary resources is recognised in an equal amount to expenses, the result of the year is nil.

NOTE 15: CASH FLOW STATEMENT

The cash flow statement is presented following the direct method.

Operating Activities

The outflows of cash relate to the Transition Office's activities. No specific inflow of cash is recognised in relation to Operating activities as no specific contributions or revenue can be exclusively attributed to them.

Investing Activities

Cash flows related to Investing Activities are those related to operations which end up in PPE or Intangible Assets.

Cash out-flows are broken down in accordance with the five budget chapters used when the NNHQ budget was approved by member nations.

Financial Activities

No flows are recognised due to the absence of such activities. The NNHQ Project is funded by cash contributions by nations; no amounts were borrowed from banks; there are no financial investments.

Third Parties

Cash flows are essentially related to contributions (including voluntary) received from nations to allow for the payment of the nationally funded elements and for the fit-out of their delegations. These funds are transferred to Host Nation Belgium PMT upon request in order to pay related suppliers.

Contributions received on the wrong bank account (typically common funded instead of another) have been corrected in order to reflect the appropriate destination of the funds.

NOTE 16: BUDGET INFORMATION AND RECONCILIATION WITH CASH FLOWS

Presently, NATO budgets are not publicly available.

Presentation of budget information in the financial statements

Besides NATO Financial Regulations and Financial Rules and Procedures as well as elements of the NSIP procedure, the New Headquarters Project is governed by the following:

- a. Project Authorization to Ministry of Defense BE: C-M(2007)0076-AS1,
- b. MOU between Ministry of Defense BE and NATO: SG(2004)1220-REV4,
- c. CDT Contract signed between Belgium and CDT in December 2004 (PMT responsibility),
- d. Council derogation to NATO Financial Regulations (C-M(2000)36) and Budget Committee derogation to NFR (BC-DS(2007)0005). The derogation concerns, in particular: committed, or to be committed credits, which may be carried forward until the closure of the Project; the only limitations to cash holdings being the actual funding requirements.

There are three types of funding:

- NATO Common Funding (CF) for Common Infrastructure requirements: based on an approved Cost Sharing Formula specific to the new NATO HQ Project (SG(99)1707, C-M(2004)0061 and BC-D(2009)0008-ADD1).
- National Funding (NF) for Construction of Private Space of Delegations: calculated on the basis of actual 'shell and core' costs based on the number of gross square meters of occupied space,

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- National Funding for Fit-Out of Delegations: based on actual costs to fit-out the occupied space of each Delegation.

The initial budget in NATO corresponds to the credits that are initially authorised by the North Atlantic Council annually at the end of the previous financial year. During the year the budget is adjusted as required. The Final authorisation is the credit situation as reported at the end of the financial year including approved budgetary increases/decreases and transfers approved by the IS Financial Controller (between Chapters of the new NATO HQ budget up to 5% of the credits initially granted for the receiving chapter) or by the Budget Committee.

There are two types of credits: Cash Credits (CC) are approved credits against which payments can be made during the budget year; Contract Authority Credits (CA) are approved credits to enter into a legal obligation for multi-year contracts. No payment may be made against CA prior to its conversion into CC.

The New NATO Headquarters Project 2013 budget authorization, for the Common Funded part, amounted to EUR 118,421,323.00, in addition, an amount of EUR 79,181,286.30 related to credits carried over from the previous financial years. Due to delays in the construction, the approved budget was lower by about MEUR 33 than had originally been forecast in the previous LTPB. The National Funding component for 2013 was approved in the amount of EUR 12,756,605. The Fit-out programme was established at EUR 9,458,149.

It should be noted that the credits approved for 2013 do not correspond to the full extent of the annual costs, including for salaries and Operations and Maintenance. Credits available from previous years were used to fund 2013 commitments and expenses.

A budget execution statement is provided at Annex 5 and a statement of budget transfers at Annex 6. Due to technical limitations of the current IT accounting system, credits relating to budget year -9 (EUR 41,900) could no longer be carried-forward. They have therefore been transferred to budget year -1.

The Long Term Programme Budget 2014-2017 (DPRC-D(2013)0001-REV2) is shown in Addendum 1 at the end of these notes.

Reconciliation of the Budget Execution Statement and the Cash Flow Statement

The budget is prepared for the same period (1 January to 31 December) and encompasses the same entity as these financial statements but the basis and the presentation format are different.

The New NATO HQ Project budget is prepared and executed on a commitment basis. The commitment of credits is the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. Unliquidated commitments are carried forward and added to the budget of the following financial year to the extent of existing legal liabilities or if a special agreement is given by the Budget Committee. The balance of unused budgetary credits (not committed) lapses but is not returned to nations at year-end, in accordance with the derogation agreed by the NAC.

The budget classification is based on the economic nature of the expenses broken down into five chapters as follows:

Chapter I:	Personnel Expenses
Chapter II:	Operating Expenses
Chapter III:	Intellectual Services
Chapter IV:	Demolition/Construction Works
Chapter V:	Special Equipment

However, in these financial statements all costs, with the exception of those relating to the Transition Office, are considered as investing activities.

The New NATO HQ Project's financial statements are prepared on a full accrual basis, which is different from the budgetary basis, and therefore, as required by IPSAS 24, actual amounts as presented in the budget execution statement are to be reconciled to the actual amounts in the financial statements with

the Cash Flow Statement. Actual amounts concerning the budget as per IPSAS 24 are the amounts of committed credits. The differences between the budget actual amounts and the cash flow statements are due to basis and presentation differences:

Concerning budget execution and related budgetary expenditure:

The difference between the approved budget and actual amounts (commitments) corresponds to lapsed credits. Differences between the actual amounts committed and the expenses reported in the budget execution statement are the unliquidated legal liabilities that are carried forward to the following year and funds that are kept for use in future years. These differences are shown at Annex 5.

Reconciliation between budget execution and out-flows of cash:

Differences between expenditures in the budget execution statement and the cash flow statement in relation to these budgetary operations are presented in the table below.

	BUDGET		ACTUALS			DIFFERENCE		DIFFERENCE		
	Initial	Final	Commitment	Expenditure in Budget Statement	Cash Flow	Commitment minus exp in budget statement	Exp in budget statement minus cash flow	BASIS	TIMING	ENTITY
u Personnel Costs	4,697,716	4,658,842	4,658,842	2,721,831	2,407,462	1,937,011	314,369	314,369		
s Operating Costs	11,737,896	11,737,896	11,737,896	5,484,487	5,096,680	6,253,410	387,806	387,806		
e Intellectual Services	22,268,695	22,268,695	22,268,695	13,530,456	14,870,001	8,738,239	-1,339,546	-1,339,546		
o Construction Works	148,235,234	148,274,108	148,274,108	118,105,896	117,000,729	30,168,212	1,105,167	1,105,167		
r Special Equipment	10,663,068	10,663,068	10,663,068	8,553,280	8,995,558	2,109,788	-442,278	-442,278		
F SUBTOTAL Budgetary Operations	197,602,609	197,602,609	197,602,609	148,395,949	148,370,431	49,206,660	25,518	25,518		
u Non-budgetary Operations					57,782,544		-57,782,544			-57,782,544
n SUBTOTAL Non-budgetary Operations					57,782,544		-57,782,544	0	0	-57,782,544
d TOTAL	197,602,609	197,602,609	197,602,609	148,395,949	206,152,975	49,206,660	-57,757,025	25,518	0	-57,782,544

Differences are due to the recognition of certain expenditures against the budgetary items for which the cash operation was not realized in the course of the current year, and are mainly related to the speed at which payment and/or regularizations are made (e.g. payment to the Nations concerned of the amounts related to their provisions of CST related services). This corresponds mainly to some personnel expenses (e.g. US reimbursable staff costs which are credited to the United States' account), invoices received and considered as expended but not yet paid, payment of invoices considered expended on previous years' budget, etc.

Operations related to Nationally Funded elements and Fit-Out of national delegations are not executed in a budgetary framework; they result in outflows of cash to the PMT for settlement of related invoices.

Reconciliation between budget funding and in-flows of cash:

The table below reconciles the approved budget with the call for contributions concerning the common funded budget.

S o u r c e o f F u n d s	BUDGET AUTHORIZATIONS 2013		in EUR	REFERENCES
		Current year		118,421,323.00
	Carried forward		79,181,286.30	FC(2013)0107
		TOTAL :	197,602,609.30	
	MEANS OF FINANCING			
	SURPLUS OF THE YEAR 2012			
	Surplus 2012 allowed to budget 2013			
	CREDITS CARRIED OVER TO 2013			
			79,181,286.30	FC(2013)0107
	CONTRIBUTIONS CALLED			
	- Advance 2013			
			118,421,323.00	FC-CC(2013)0001(NHQ-CF-01)
			118,421,323.00	
			197,602,609.30	
			TOTAL :	

The table below reconciles the approved budget and call for contributions for the common funded component with the in-flows of cash

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Reconciliation of budget for year Y with received contributions (cash flow)		
+	Contributions received (cash flow statement)	120,096,487.00
+	Advance received in Y-1	224,053.00
-	Advance received in Y+1	-
+	Contributions Receivable for Y	8,973,638.00
+	Transfer from US reimbursable account	-
+	Use of CST previous years	758,817.83
-	Contributions Receivable for previous years	- 11,631,670.83
	Rounding	- 2.00
	Contributions called Y	118,421,323.00
	Surplus previous years for budget Y	
	Total budget Y	118,421,323.00

Nationally Funded Component

Although not considered as a common funded budget, specific amounts are approved for the nationally funded component. Related expenses are apportioned using physical criteria (such as surface) rather than the cost-shares applicable to the Common Funded Component. The table below compares the cumulative approved amounts, related advances to the PMT and accrued expenses.

	(amounts in EUR)		
	Up to 2012	2013	Cumulative
Approved Amounts	37,790,467	12,756,605	50,547,072
Cash advances	12,000,000	27,099,999	39,099,999
Expenses	12,094,699	24,235,600	36,330,300

NOTE 17: WRITE-OFFS

Nothing to report.

NOTE 18: LEASES

Belgium has granted to NATO by way of concession a plot of land on which NATO is authorized to erect all necessary buildings and facilities related to the NATO New Headquarters Project. The annual fee is EUR 250. NATO is the full owner of all constructions made. Belgium remains the sole and full owner of the land, which is military public domain. The concession ends 180 days after NATO has left the buildings and facilities. In such case, if Belgium would decide to use the building and facilities, it shall pay a fair indemnity to NATO. If Belgium would decide to demolish them, it will not be obliged to pay an indemnity to NATO neither will NATO have to contribute to demolition costs. At the end of the concession, there would be no property rights transferred to NATO. As a consequence, given the indefinite economic life of land and the specific nature of concessions, the use of the land is classified as an operational lease.

The New NATO Headquarters Project does not have any financial leases.

NOTE 19: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NOTE 20: CONTINGENCY CREDITS AND CONTINGENT LIABILITIES

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

NOTE 21: CONTINGENT ASSETS

Nothing to report.

NOTE 22: EMPLOYEE DISCLOSURE

Accounting for employee benefits is accounting for any liability in relation to all forms of consideration given by an entity in exchange of service rendered by employees.

At 31 December 2013, New NATO Headquarters Project Office had an approved Personnel Establishment of 20 positions (same as in 2012) funded by its budget, of which three were vacant end 2013. Five positions related to the Transition Office.

The NATO-IS centrally manages three pension programs, namely the Defined Benefit Pension Scheme (DBPS), the Provident Fund and the Defined Contribution Pension Scheme (DCPS), as well as the Retiree Medical Claims Fund (RMCF), covering staff employed by all NATO bodies. NATO wide financial statements are issued by the NATO-IS Office of Financial Control for the three Pension Schemes and the RMCF; therefore, no related assets or liabilities are recognised in these financial statements.

Twelve staff members participate in the Defined Contribution Pension Scheme (DCPS) administered by NATO. The DCPS provides that the New NATO Headquarters Project budget makes a 12% monthly matching contribution to the staff members' contributions for current service. Four employees participate in NATO's Defined Benefit Pension Scheme (DBPS): a deduction of 9% of their salaries is made and contributed to the annual financing of this Plan. In addition, the New NATO Headquarters Project budget makes a monthly matching contribution to the DBPS equal to 18% of their basic salaries, which in accordance with (BC-WP(83)3(Revised) and C-M(83)34) is deemed to provide the necessary funds for the subsequent pensions liability of the NHQPO. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity (find reference). Consequently, the New NATO Headquarters Project has neither DBPS nor DCPS liability for its staff members. Also, one staff member is employed on reimbursable basis with an agreement between NATO-IS and the United States. The individual is paid and accrues pension rights under a United States pension scheme.

The contributions for pensions paid are as follows:

2013	Staff	Employer	Total
Provident Fund	-	-	-
Co-ordinated Pension Scheme	33,978.94	67,957.88	101,936.82
Defined Contribution Pension Scheme	90,634.21	123,976.92	214,611.13
TOTAL	124,613.15	191,934.80	316,547.95

2012	Staff	Employer	Total
Provident Fund	-	-	-
Co-ordinated Pension Scheme	33,103.57	66,207.14	99,310.71
Defined Contribution Pension Scheme	76,172.14	106,844.35	183,016.49
TOTAL	109,275.71	173,051.49	282,327.20

Untaken leave by NHQPO staff is not considered material and is therefore not recognised.

One staff member is employed on a reimbursable basis with an agreement between NATO-IS and the United States. The salary is paid directly by the US using national salary scales and the US is reimbursed the costs corresponding to the grade of the post occupied by the staff member. The individual accrues pension rights under a United States pension scheme.

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NOTE 23: KEY MANAGEMENT PERSONNEL

The Deputies Committee (DPRC) is responsible for the oversight of the New NATO HQ Project management. The Deputies Committee took over this responsibility from the DPRHQB which was disbanded in 2010. Members of the Deputies Committee are nominated by their respective National Authorities. They are paid on the basis of applicable national pay scales. They do not receive from NATO any additional remuneration for their responsibilities or access to benefits.

For the purposes of IPSAS 20 implementation, Key Management Personnel of New NATO HQ Project are the Director of the NHQPO and his Deputy. They are remunerated in accordance with their respective NATO grades, respectively A6 and A5.

There are no other remuneration or benefits to key management personnel and their family members. Key Management Personnel are entitled to receive loans which are also available to other members of the NATO International Staff.

NOTE 24: RELATED PARTIES**NATO Bodies**

For administrative purposes the NHQPO is attached to the NATO International Staff Defense Investment Division and the Transition Team to Executive Management Division. The Assistant Secretary General of the Defense Investment Division chairs the DPRC when it addresses issues related to the Project.

In 2013, NATO International Staff charged the New NATO Headquarters Project Office an amount of EUR 123,030.19 for administrative support costs (EUR 119,352.97 in 2012) and EUR 7,750.72 for common operating costs (EUR 7,706.54 in 2012). In 2013, NATO International Staff also charged the CDT for common operating costs in an amount of EUR 674.73 (EUR 1,333.03 in 2012). The specific operating costs related to the PMT (estimated EUR 4,173.58 in 2013 and EUR 4,224.43 in 2012) are absorbed by the Civil Budget in exchange of the occupancy of the CDH building by the International Staff

The NCI Agency is the Host Nation in charge of equipping the New NATO HQ with modern and cost effective Information and Communication Technologies solutions, to include voice, video and data management, processing and storage through the Active Network Infrastructure (ANWI) project, for an estimated cost of MEUR 101.527 including contingencies (5% Host Nation contingencies, 5% additional contingencies and MEUR 11.775 ICT Programme contingencies; the two last ones are subject to DPRC approval).

An amount of EUR 12,093,773 is approved in the LTPB for NCIA Project Service Costs for ANWI (EUR 1,855,000 in 2013) and EUR 866,227 for Engineering Services (EUR 220,000 in 2013).

At the end of financial year 2013, the position of the project towards NCIA was a receivable in an amount of MEUR 7.5.

The IS acts also as a Host Nation concerning the procurement of Furniture (MEUR 22.4 in the LTPB) and the Business Data and Applications Migration Project (MEUR 4.105 in the LTPB). There have been no expenses up to 2013.

Member Nations

NATO Security Investment Programme (NSIP) procedures are the management process for the New NATO HQ. Belgium is the Host Nation for the construction, the passive network infrastructure, the building management system, the electronic security system and audio visual infrastructure. In exchange for this service, Belgium receives fees (National Administrative Expense (NAE) equal to 3% of works) the total amount of which is estimated EUR 18 million over the duration of the project.

The DPRC agreed that Construction Surveillance Technician Team required to support the construction project should be manned by personnel from Nations on a reimbursable basis. End 2013, EUR 740,598.14 was due by the project to Nations having provided security staff.

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Each delegation's fit-out is the financial responsibility of the Nation concerned. Twenty four Nations agreed to have their delegations' fit-out undertaken by the PMT. Specific advance contributions are requested from the Nations concerned to cover the related costs (C-M(2006)0096). The other four Nations have decided to have their fit-out done nationally without the intervention by the PMT.

* * * * *

List of Acronyms:

DPRC: Deputy Permanent Representatives Committee
HN: Host Nation.
IS: International Staff
LTPB: Long Term Program Budget
MOU: Memorandum of Understanding
NCIA: NATO Communication and Information Agency
NSIP: NATO Security Investment Programme
OFC: International Staff Office of Financial Control
PMT: Project Management Team
PPE: Property, Plant and Equipment

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APPENDIX 1 to
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2014-2017 LONG TERM PROGRAMME BUDGET
II SUMMARY OF COMMON AND NATIONAL FUNDING REQUIREMENTS (CF + NF) (EXCLUDING FIT-OUT) PER CISI AND PER YEAR - IN KEUR.
(Including Salary Adjustment / Inflation / Annual Revision / Contingencies)

Chapter Item Sub-Item (CISI)	Description of requirements	Actuals 2000-2012	Approved 2013	Budget Request 2014	Forecast 2015	Forecast 2016	Forecast 2017	CF	NF	(CF + NF) TOTAL CASH FLOW
CHAPTER I										
PERSONNEL COSTS										
01-01 to 01-03	Personnel costs (except Transition Management)	13,283	1,547	1,620	2,000	2,000	1,191	21,640	0	21,640
01-01 to 01-03	Transition Support Office - NATO Staff Posts	1,182	599	700	710	720	511	4,422	0	4,422
01-01	Transition Management - Staff Restructuring	0	0	0	0	1,500	1,000	2,500	0	2,500
01-01-04-01	Transition Management - Staff Training	0	300	0	1,100	1,683	0	3,083	0	3,083
01-02-02-00	Transition Support Office - Consultants	968	300	200	500	442	0	2,400	0	2,400
	Sub-total I	15,423	2,746	2,520	4,310	6,345	2,702	34,045	0	34,045
CHAPTER II										
OPERATING EXPENSES										
02-01 to 02-10	Operat. Exp. excl. Security / Renovat. Works / Trans. Mgmt	5,056	297	100	400	400	275	6,528	0	6,528
02-01-00-01	Transition Management - Travel costs	40	10	10	10	0	0	70	0	70
02-02-00-00	Transition Management - Admin Support to IS	61	40	41	42	42	0	226	0	226
02-05-01-01	Transition Management - Operat. & Mainten. overlap costs	0	0	0	0	6,374	2,000	8,374	0	8,374
02-05-02-00	Renovation of buildings A2/A12 on new construction site	749	0	0	0	0	0	749	0	749
02-05-03-00	Transition Management - Disposal of current HQ site	0	250	0	50	2,200	2,500	5,000	0	5,000
02-05-10-00	Security Equipment for Site Guards	104	3	2	2	1	0	112	0	112
02-06-00-00	Site Security Guards labour	17,269	1,857	7,165	9,300	3,543	0	39,134	0	39,134
	Sub-total II	23,278	2,457	7,318	9,804	12,561	4,775	60,193	0	60,193
CHAPTER III										
INTELLECTUAL SERVICES										
03-01-01-00	Construction Security Planning	239	301	301	10	0	0	309	0	309
03-01-02-00	Geotechnical Survey of Site	427	0	0	0	0	0	427	0	427
03-01-03-00	Environmental Impact Study	354	0	0	0	0	0	354	0	354
03-01-04-00	Legal consultant - PMT	440	0	0	30	60	60	590	0	590
03-01-04-01	Legal consultant - NATO	0	100	100	100	0	0	300	0	300
03-01-05-00	Stability & Quality Control	1,748	0	0	0	0	4	1,752	0	1,752
03-01-06-00	Fire & Physical Safety Control	689	0	0	0	0	0	689	0	689
03-01-07-00	Furniture Programme Management	410	0	0	0	0	0	410	0	410
03-01-08-00	Cost and Change Management	3,816	250	560	800	368	0	5,794	0	5,794
03-01-08-01	Data Management System	626	182	110	100	72	0	1,090	0	1,090
03-01-08-02	Encryptors/Collaboration Tools NC3A	370	60	60	60	0	0	550	0	550
03-01-09-00	Technical Consultancy IBAN	74	0	0	0	15	0	89	0	89
03-01-10-00	Web Site Design	42	0	0	0	0	0	42	0	42
03-01-11-00	Topographic & Blast Study	145	0	0	0	0	0	145	0	145
03-01-12-00	Miscellaneous Consulting - NATO	1,250	0	0	0	0	0	1,250	0	1,250
03-01-12-01	Specialized consulting - PMT	224	0	0	100	100	0	424	0	424
03-01-13-00	ICT Consultancy (NATO Specific NCIA)	1,016	0	94	108	0	0	1,218	0	1,218
03-01-13-01	ICT - Programme Management - NCIA	2,200	480	150	600	562	0	3,992	0	3,992
03-01-14-00	Constant Surveillance of Works	3,284	781	3,045	2,382	241	0	9,734	0	9,734
03-01-15-00	SITE/Plant Laboratory Testing	105	0	0	100	31	0	236	0	236
03-01-16-00	Logistics Study	60	0	0	0	0	0	60	0	60
03-01-17-00	Legal Controls (part of construction contract)	0	0	0	0	0	0	0	0	0
03-01-18-00	Data Sheet Consulting (Space Management)	196	48	24	0	0	0	268	0	268
03-02-00-00	Belgian PMT National Admin Expenses (NAE)	13,371	1,000	1,000	1,000	1,000	1,003	18,374	0	18,374

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Chapter Item Sub-Item (CIS)	Description of requirements	Actuals 2000-2012	Approved 2013	Budget Request 2014	Forecast 2015	Forecast 2016	Forecast 2017	CF	NF	(CF + NF) TOTAL CASH FLOW
03-02-01-00	ICT - ANWI NCIA Fees	5,930	1,855	1,200	1,650	1,000	459	12,094	0	12,094
03-03-00-00	ICT- ANWI Engineering Services	150	220	220	220	56	0	866	0	866
03-04-00-00	IADC	2,589	0	0	0	0	0	2,589	0	2,589
03-04-00-01	CDT Fees + Amendments	65,874	6,170	6,500	6,000	578	0	85,122	0	85,122
03-05-00-00	Fees for CDT for IS/IMS layout revision Overall fees on additional Contingencies of Construction Works and PNWI	0	0	0	0	0	0	0	0	0
	Sub-total III	105,628	11,923	13,779	13,260	4,084	1,526	150,199	0	150,199
CHAPTER IV	CONSTRUCTION WORKS AND ASSOCIATED COSTS									
04-01-01-00	Demolition works - Lot 1	9,589	0	0	0	0	0	9,589	0	9,589
04-01-02-00	Construction Works (CF+NF)excl.PNWI, ESS, AV Contingencies authorised to PMT	171,328	55,548	103,435	83,343	5,023	2,180	344,710	76,147	420,858
	Annual revision	9,166	9,475	15,049	1,857	219	20	31,979	3,807	35,787
04-01-02-00	Passive Network Infrastructure (PNWI) (CF+NF) Contingencies authorised to PMT	13,792	15,013	9,479	13,393	1,049	525	42,031	11,220	53,251
	Annual revision	0	5,870	3,992	6,250	1,318	0	15,137	2,292	17,429
	Additional Contingencies on DPRC release per MOU Art 6 d.3.	0	293	494	1,074	257	0	2,214	377	2,591
04-01-02-02	Potential Changes of Scope on DPRC release	200	3,000	4,000	2,848	0	0	7,514	2,534	10,048
04-01-02-03	Electronic Security Systems (ESS) [CF] Contingencies authorised to PMT	2,646	2,000	2,000	4,544	2,003	0	10,659	2,534	13,192
	Annual revision	0	3,640	4,313	5,515	1,398	0	14,865	0	14,865
04-01-03-00	Audiovisual Equipment(CF) - TBCE C-M(2010)0036 Apr 2010 Contingencies (AV equipment)	0	4,741	0	15,957	5,727	0	26,431	0	26,431
	Annual revision	0	237	0	798	286	0	1,322	0	1,322
04-01-04-00	Construction of Mock-ups	500	590	0	696	478	0	1,764	0	1,764
	Annual revision	0	0	0	100	0	0	600	0	600
04-01-05-00	Construction Security Programme-Equipment (on site)	682	50	120	120	60	0	1,032	0	1,032
04-01-06-00	CST Team on reimbursable basis	6,108	1,525	3,492	4,200	1,500	0	16,825	0	16,825
04-01-07-00	Connection of utilities (sewage, elec, gas, water)	1050	0	0	0	0	0	1,050	0	1,050
	Sub-total IV	215,061	103,388	146,789	141,507	19,570	2,725	530,015	99,025	629,041
CHAPTER V	Special Equipment									
05-01-01-00	ICT - Active Network Infrastructure ICT- IV&V	0	8,146	24,438	31,584	15,598	0	79,766	0	79,766
	ICT- 5% Contingencies HN	415	500	500	400	195	0	2,010	0	2,010
	ICT- 5% Contingencies NATO	0	407	222	2,579	780	0	3,988	0	3,988
	ICT- Programme contingencies	0	407	222	2,579	780	0	3,988	0	3,988
05-01-02-00	ICT - Application Migration	0	1,202	607	7,662	2,303	0	11,775	0	11,775
05-01-03-00	Furniture either internal or external (loose)	0	0	0	2,052	2,053	0	4,105	0	4,105
05-01-03-00	Sports or recreational equipment (loose)	0	0	0	11,200	11,200	0	22,400	0	22,400
05-01-04-00	Relocation costs and movement of (loose) furniture	0	0	0	200	0	0	200	0	200
05-01-05-00	Non-Fixed Equipment	0	0	0	1,100	600	0	600	0	600
	Sub-total V	415	10,663	25,989	59,357	34,108	0	130,532	0	130,532
	GRAND TOTAL	359,805	131,178	196,395	228,238	76,668	11,727	904,985	99,025	1,004,010

NEW NATO HEADQUARTERS
FINANCIAL STATEMENTS AT 31/12/2014
FINANCIAL YEAR 2014

Annexes

- 1 Statement of financial position
- 2 Statement of financial performance
- 3 Cash flow statement
- 4 Statement of changes in net assets
- 5 Budgetary operations
- 6 Credit transfers authorized by the Financial Controller
- 7 Explanatory notes to the financial statements

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ANNEX 1 to
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STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	Current Year 2014	Prior Year 2013	Variance CY - PY
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	3			
Cash		299.06	0.00	299.06
Current bank accounts		128,251,098.03	29,700,823.29	98,550,274.74
Cash equivalents		0.00	30,000,000.00	-30,000,000.00
Subtotal Cash & Equivalent of the entity		128,251,397.09	59,700,823.29	68,550,573.80
Cash Managed for Third Parties	4	46,672,248.04	66,481,348.18	-19,809,100.14
Total Cash and Cash Equivalents		174,923,645.13	126,182,171.47	48,741,473.66
Receivables	5			
Contributions from Member Nations (Common Funded)		23,091,655.13	8,980,855.61	14,110,799.52
Contributions from Member Nations (Nationally Funded)		256,258.00	1,438,392.00	-1,182,134.00
Other Receivable from Nations/Partners		11,137.06	100,000.00	-88,862.94
Receivable from Staff Members		0.00	0.00	0.00
Receivable from other NATO Bodies		0.00	14,676.00	-14,676.00
Bank interest accrued		232,117.60	233,205.75	-1,088.15
Other Receivables		7,673.64	0.00	7,673.64
Total Receivables		23,598,841.43	10,767,129.36	12,831,712.07
Prepayments	6			
Advance to PMT		36,143,185.26	38,412,258.66	-2,269,073.40
Advance to NCIA		1,281,979.98	8,923,384.53	-7,641,404.55
Total Prepayments		37,425,165.24	47,335,643.19	-9,910,477.95
TOTAL CURRENT ASSETS		235,947,651.80	184,284,944.02	51,662,707.78
NON CURRENT ASSETS				
Receivables		0.00	0.00	0.00
Infrastructure, plant and equipment	7			
Common Funded		501,287,495.67	334,036,208.57	167,251,287.10
Nationally Funded		55,718,218.31	33,549,699.57	22,168,518.74
Land and buildings		0.00	0.00	0.00
Intangible assets		18,459,820.39	10,634,422.95	7,825,397.44
TOTAL NON CURRENT ASSETS		575,465,534.37	378,220,331.09	197,245,203.28
TOTAL ASSETS		811,413,186.17	562,505,275.11	248,907,911.06

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ANNEX 2 to
FC(2015)046

NEW NATO HEADQUARTERS
STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended 31 December 2014
(All amounts in EUR)

	Notes	Current Year	Prior Year	Variance
		2014	2013	CY - PY
Revenue	12			
Revenue from non exchange transactions		1,670,036.89	1,173,910.48	496,126.41
Financial Revenue		0.00	0.00	0.00
Other revenue		0.00	0.00	0.00
Total Revenue		1,670,036.89	1,173,910.48	496,126.41
Expenses	13			
Wages, salaries and employee benefits		1,571,880.89	1,043,129.48	528,751.41
Services, supplies and consumables used		98,156.00	130,781.00	-32,625.00
Financial Costs		0.00	0.00	0.00
Other expenses		0.00	0.00	0.00
Total Expenses		1,670,036.89	1,173,910.48	496,126.41
Surplus/Deficit for the period	14	0.00	0.00	0.00

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NEW NATO HEADQUARTERS

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

		2014			2013		
		External Transactions	Internal Transactions	TOTAL	External Transactions	Internal Transactions	TOTAL
CASH FLOW FROM OPERATING ACTIVITIES	Note 15						
RECEIPTS		0.00	0	0.00	0.00		0.00
PAYMENTS		(1,946,536.89)	0	(1,946,536.89)	(844,910.48)		(844,910.48)
NET CASH FLOW FROM OPERATING ACTIVITIES				(1,946,536.89)			(844,910.48)

		2014			2013		
		External Transactions	Internal Transactions	TOTAL	External Transactions	Internal Transactions	TOTAL
CASH FLOW FROM INVESTING ACTIVITIES	Note 15						
RECEIPTS							
Contributions		215,187,276.15	15,899,970.01	231,087,246.16	109,990,505.20	10,105,981.80	120,096,487.00
Contributions advances		324,105.00	0.00	324,105.00	2,622,192.00		2,622,192.00
Financial Revenues		254,314.48	0.00	254,314.48	517,054.24		517,054.24
Others		433,904.56	0.00	433,904.56	216,087.76	738,922.34	955,010.10
TOTAL		216,199,600.19	15,899,970.01	232,099,570.20	113,345,839.20	10,844,904.14	124,190,743.34
PAYMENTS							
Personnel Costs		(1,707,805.44)	-	(1,707,805.44)	(1,693,332.99)		(1,693,332.99)
Operating Costs		(8,619,526.39)	-	(8,619,526.39)	(4,965,899.20)		(4,965,899.20)
Intellectual Services		(14,237,714.23)	-	#####	#####		(14,870,001.21)
Construction Works		#####	-	#####	#####		(117,000,728.84)
Special Equipment		(127,674.00)	-	(127,674.00)	(8,995,558.43)		(8,995,558.43)
Miscellaneous Payments		(915,820.09)	(1,665,599.00)	(2,581,419.09)	(13,873.55)	(738,922.34)	(752,795.89)
Financial Costs		(12,203.92)	-	(12,203.92)	(2,359.04)		(2,359.04)
TOTAL		#####	(1,665,599.00)	#####	#####	(738,922.34)	(148,280,675.60)
NET CASH FLOW FROM INVESTING ACTIVITIES		56,262,775.04	#####	70,497,146.05	#####	10,105,981.80	(24,089,932.26)

	Note 15						
CASH FLOW FROM FINANCIAL ACTIVITIES							
RECEIPTS		-	-	0.00	0.00		0.00
PAYMENTS		-	-	0.00	0.00		0.00
NET CASH FLOW FROM FINANCING ACTIVITIES		0.00	0.00	0.00	0.00	0.00	0.00

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS OF PERIOD		56,262,775.04	#####	68,550,609.16	-34,195,914.06	10,105,981.80	(24,934,842.74)
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CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD				59,700,787.93			84,635,666.03
CASH AND CASH EQUIVALENTS AT END OF PERIOD				128,251,397.09			59,700,823.29

	Note 15						
CASH FLOW FROM THIRD PARTIES							
RECEIPTS		38,436,495.27	1,665,599.00	40,102,094.27	39,011,321.61	738,922.34	39,750,243.95
PAYMENTS		(44,011,224.40)	#####	#####	#####	#####	(57,766,311.10)
NET INCREASE (DECREASE) IN CASH FOR THIRD PARTIES		(5,574,729.13)	#####	#####	(8,649,007.69)	(9,367,059.46)	(18,016,067.15)

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD				66,481,348.18			84,497,415.33
CASH AND CASH EQUIVALENTS AT END OF PERIOD				46,672,248.04			66,481,348.18

NEW NATO HEADQUARTERS

STATEMENT OF CHANGES IN NET ASSETS AS AT 31/12/2014

	(in EUR)
	Accumulated surpluses/(deficits)
Balance at 31 December 2013	0.00
Deficit on revaluation of property	0.00
Surplus on revaluation of investments (1)	0.00
Currency translation differences	0.00
Net gains and losses not recognized in the statement of financial performance	0.00
Net for the period	0.00
Balance at 31 December 2014	0.00

(1) fixed assets in progress

NEW NATO HEADQUARTERS
BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2014
n= 2014

CHAPTER Article	BUDGET AUTHORISATIONS					COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS		
	BUDGET (ref.) PO(2014)0706	AUTHORIZED TRANSFERS	ADJUSTED CREDITS	(3) = (1)+(2)	(4)			(5)	CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
(1)	(2)	(3)	(4)	(5)	(6)	(7)				
I.										
PERSONNEL COSTS										
01.01 Basic salaries and related expense	2,220,000.00	0.00	2,220,000.00	2,220,000.00	2,220,000.00	1,678,044.74	541,955.26	0.00		
01.02 Temporary staff and consultants	300,000.00	0.00	300,000.00	300,000.00	300,000.00	114,422.86	185,577.14	0.00		
01.03 Statutory travel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n	2,520,000.00	0.00	2,520,000.00	2,520,000.00	2,520,000.00	1,792,467.60	727,532.40	0.00		
Carried forward:										
Financial year n-1	1,269,614.90	328,281.08	1,597,895.98	1,597,895.98	1,597,895.98	1,333,298.49	264,597.49	0.00		
Financial year n-2	354,100.00	-257,568.65	96,531.35	96,531.35	96,531.35	96,541.35	0.00	0.00		
Financial year n-3	239,102.94	-1,433.69	237,669.25	237,669.25	237,669.25	237,669.25	0.00	0.00		
Financial year n-4	74,192.79	-69,288.74	4,904.05	4,904.05	4,904.05	4,904.05	0.00	0.00		
Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
	4,457,010.63	0.00	4,457,010.63	4,457,010.63	4,457,010.63	3,464,880.74	992,129.89	0.00		
II.										
OPERATING COSTS										
02.01 Official missions	10,000.00	0.00	10,000.00	10,000.00	10,000.00	0.00	10,000.00	0.00		
02.02 Administrative support	41,000.00	0.00	41,000.00	41,000.00	41,000.00	0.00	41,000.00	0.00		
02.03 Hospitality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
02.04 Telecommunications	14,000.00	0.00	14,000.00	14,000.00	14,000.00	146.39	13,853.61	0.00		
02.05 Operating costs	63,000.00	0.00	63,000.00	63,000.00	63,000.00	6,465.50	56,534.50	0.00		
02.06 Construction Site Guard	7,165,000.00	0.00	7,165,000.00	7,165,000.00	7,165,000.00	1,899,061.42	5,265,938.58	0.00		
02.07 Materials Procurement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
02.10 Miscellaneous and unforeseen	25,000.00	0.00	25,000.00	25,000.00	25,000.00	371.07	24,628.93	0.00		
Financial year n	7,318,000.00	0.00	7,318,000.00	7,318,000.00	7,318,000.00	1,906,044.38	5,411,955.62	0.00		
Carried forward:										
Financial year n-1	2,456,737.72	3,145,371.29	5,602,109.01	5,602,109.01	5,602,109.01	5,055,630.84	546,478.17	0.00		
Financial year n-2	3,417,901.35	-2,930,220.70	487,680.65	487,680.65	487,680.65	487,680.65	0.00	0.00		
Financial year n-3	111,429.95	-86,400.78	23,029.17	23,029.17	23,029.17	23,029.17	0.00	0.00		
Financial year n-4	267,340.80	-126,748.81	140,590.99	140,590.99	140,590.99	140,590.99	0.00	0.00		
Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
	13,571,409.82	0.00	13,571,409.82	13,571,409.82	13,571,409.82	7,612,976.03	5,958,433.79	0.00		

NEW NATO HEADQUARTERS
BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2014
n= 2014

CHAPTER Article	BUDGET (ref.) PO(2014)0706	BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		AUTHORIZED TRANSFERS	ADJUSTED CREDITS	(3) = (1)-(2)			CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
	(1)	(2)	(3)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)	
III.								
03.01	INTELLECTUAL SERVICES							
	Consultants & studies	4,172,850.00	0.00	4,172,850.00	4,172,850.00	2,663,327.55	1,489,522.45	0.00
	Project management team	2,420,000.00	0.00	2,420,000.00	2,420,000.00	1,728,797.00	691,203.00	0.00
	Concept design team	6,500,000.00	0.00	6,500,000.00	6,500,000.00	3,142,460.90	3,357,539.10	0.00
	Overall CDT fees on addit Constr V	686,000.00	0.00	686,000.00	686,000.00	0.00	686,000.00	0.00
	Financial year n	13,778,850.00	0.00	13,778,850.00	13,778,850.00	7,554,585.45	6,224,264.55	0.00
	Carried forward:							
	Financial year n-1	6,369,813.97	1,519,440.98	7,889,254.95	7,889,254.95	5,828,164.10	2,061,090.85	0.00
	Financial year n-2	504,216.75	-180,274.21	323,942.54	323,942.54	0.00	0.00	0.00
	Financial year n-3	38,405.78	-38,405.78	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	372,823.51	-297,411.01	75,412.50	75,412.50	0.00	0.00	0.00
	Financial year n-5	120,000.00	-95,000.00	25,000.00	25,000.00	0.00	0.00	0.00
	Financial year n-6	211,000.00	-75,153.98	135,846.02	135,846.02	0.00	0.00	0.00
	Financial year n-7	120,337.27	0.00	120,337.27	120,337.27	0.00	0.00	0.00
	Financial year n-8	854,350.00	-733,196.00	121,154.00	121,154.00	0.00	0.00	0.00
	Financial year n-9	147,292.00	-100,000.00	47,292.00	47,292.00	0.00	0.00	0.00
		22,517,089.28	0.00	22,517,089.28	22,517,089.28	14,231,733.88	8,285,355.40	0.00
IV.								
04.01	CONSTRUCTION WORKS							
	Works Requirements	189,966,664.00	0.00	189,966,664.00	189,966,664.00	117,685,781.55	72,280,882.45	0.00
	Financial year n	189,966,664.00	0.00	189,966,664.00	189,966,664.00	117,685,781.55	72,280,882.45	0.00
	Carried forward:							
	Financial year n-1	25,016,737.00	4,120,174.30	29,136,911.30	29,136,911.30	15,897,505.48	13,239,405.82	0.00
	Financial year n-2	4,105,694.53	-3,274,393.73	831,300.80	831,300.80	0.00	0.00	0.00
	Financial year n-3	845,780.57	-845,780.57	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	200,000.00	0.00	200,000.00	200,000.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		220,134,876.10	0.00	220,134,876.10	220,134,876.10	134,614,587.83	85,520,288.27	0.00

NEW NATO HEADQUARTERS
BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2014
n° 2014

CHAPTER Article	SPECIAL EQUIPMENT	BUDGET AUTHORISATIONS				COMMITMENTS (4)	EXPENDITURES (5)	BUDGETARY SURPLUS	
		BUDGET (ref.) PO(2014)0706 (1)	AUTHORIZED TRANSFERS (2)	ADJUSTED CREDITS (3) = (1)+(2)	CREDITS CARRIED FORWARD TO n+1 (6) = (4) - (5)			LAPSED CREDITS (7) = (3) - (4)	
V.	SPECIAL EQUIPMENT								
05.01	Special equipment	25,989,203.00	0.00	25,989,203.00	25,989,203.00	127,674.00	25,861,529.00	0.00	0.00
	Carried forward:	25,989,203.00	0.00	25,989,203.00	25,989,203.00	127,674.00	25,861,529.00	0.00	0.00
	Financial year n-1	2,109,788.00	0.00	2,109,788.00	2,109,788.00	0.00	2,109,788.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GRAND TOTAL	28,098,991.00	0.00	28,098,991.00	28,098,991.00	127,674.00	27,971,317.00	0.00	0.00
	Financial year n	239,572,717.00	0.00	239,572,717.00	239,572,717.00	129,066,552.98	110,506,164.02	0.00	0.00
	Carried forward:	37,222,691.59	9,113,267.65	46,335,959.24	46,335,959.24	28,114,598.91	18,221,360.33	0.00	0.00
	Financial year n-1	8,381,912.63	-8,642,447.29	1,739,465.34	1,739,465.34	1,739,465.34	0.00	0.00	0.00
	Financial year n-2	1,234,719.24	-974,020.82	260,698.42	260,698.42	260,698.42	0.00	0.00	0.00
	Financial year n-3	714,357.10	-493,449.56	220,907.54	220,907.54	220,907.54	0.00	0.00	0.00
	Financial year n-4	120,000.00	-95,000.00	25,000.00	25,000.00	25,000.00	0.00	0.00	0.00
	Financial year n-5	411,000.00	-75,153.98	335,846.02	335,846.02	335,846.02	0.00	0.00	0.00
	Financial year n-6	120,337.27	0.00	120,337.27	120,337.27	120,337.27	0.00	0.00	0.00
	Financial year n-7	854,350.00	-733,196.00	121,154.00	121,154.00	121,154.00	0.00	0.00	0.00
	Financial year n-8	147,292.00	-100,000.00	47,292.00	47,292.00	47,292.00	0.00	0.00	0.00
	GRAND TOTAL	288,779,376.83	0.00	288,779,376.83	288,779,376.83	160,051,852.48	128,727,524.35	0.00	0.00

**EXPLANATORY NOTES TO NEW NATO HEADQUARTERS PROJECT
2014 FINANCIAL STATEMENTS**

NOTE 1: GENERAL INFORMATION

In 1999 Heads of State of the NATO member countries decided at the Washington Summit to build a New NATO Headquarters (HQ) to meet Alliance requirements for the 21st century. For this New NATO HQ Project a separate budget was established in 2000.

The budget for the common funded part is approved on an annual basis by the North Atlantic Council, further to screening and recommendation by the Budget Committee and the Resource Policy and Planning Board (RPPB). The project is managed following NSIP procedures.

The main construction project, the electronic security services and the audio-visual infrastructure contracts are managed by the Belgian Ministry of Defence Host Nation Project Management Team (PMT) under the provisions of the NATO/Belgium MOU, signed on 8 December 2004.

NCIA acts as Host Nation for the Active Network Infrastructure contract. NATO-International Staff (IS) is the Host Nation for the Furniture contract and for the Business Data and Applications Migration Project (BDAM).

NATO is represented by the IS Defence Investment Division Headquarters Project Office (HQPO), which is in charge of programme management; coordination, approval procedures and the definition of requirements. HQPO also represents the interests of Nations in all dealings with the Host Nation.

A Transition Office, within the IS Executive Management Division, was created in 2011 to manage the practical and organisational aspects of the transition from the current headquarters to the new one.

NATO member nations maintain oversight of the project through the Deputies Committee (DPRC), a Board comprised of the Deputy Permanent Representatives. HQPO is responsible for financial management and for coordination with the DPRC, the Budget Committee, the RPPB, and the North Atlantic Council.

The overall programme budget ceiling is EUR 1,124 million.

NOTE 2: ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Declaration of conformity

The financial statements of the New NATO Headquarters Project have been prepared on the basis of the NATO Financial Regulations, of the IPSAS (International Public Sector Accounting Standards) specifications, which the North Atlantic Council approved for adoption on 17 July 2002, and of the NATO Accounting Framework approved under C-M(2013)0039 on 26 July, 2013, which adapts a small number of IPSAS standards to better suit the specific requirements of the Alliance.

Implementation of IPSAS

The accounting system currently used by New NATO Headquarters Project is a budgetary driven accounting system. It can be deemed as a hybrid system which is essentially budget and cash based.

In the financial system, commitments are recorded for budget execution and control purposes, in accordance with NATO Financial Regulations. Commitment of credits is defined as the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. Payments linked to those commitments are recorded when the settlement of invoices is due. The unexpended balances of committed credits may be carried forward to the following financial

years. Transformational entries for accruals are made based on an analysis of the commitments carried-forward at year-end, and on information provided by the Host Nations, in particular in order to determine the value of fixed assets work in progress. Contributions are registered as unearned revenue on the date they are called and revenue is recognized afterwards on the basis of expenditure.

The New NATO Headquarters Project financial statements are currently compliant with IPSAS, and its NATO approved adaptations, using the transformational method described above. The New NATO Headquarters Project will transition to full transactional accrual accounting with the implementation of an integrated Enterprise Resource Planning (ERP) solution foreseen in 2015.

Basis of preparation

The financial statements have been prepared in accordance with the accounting requirements of the NATO Financial Regulations (NFR) and the Financial Rules and Procedures (FRP) including the specific changes approved for this project by the North Atlantic Council.

These statements have been prepared on a going-concern basis and the amounts shown in these financial statements are presented in EUR. The New NATO Headquarters Project will continue in operation for the foreseeable future.

The following IPSAS have no material effect on the 2014 financial statements of the New NATO Headquarters Project Office:

- IPSAS 5: Borrowing Costs.
- IPSAS 6: Consolidated and Separate Financial
- IPSAS 7: Investments in Associates.
- IPSAS 8: Interests in Joint Ventures
- IPSAS 10: Financial Reporting in Hyperinflationary Economies
- IPSAS 11: Construction Contracts
- IPSAS 16: Investment Property
- IPSAS 18: Segment reporting
- IPSAS 21: Impairment of non-cash generating assets
- IPSAS 26: Impairment of Cash-Generating Assets
- IPSAS 27: Agriculture
- IPSAS 32: Service Concession Arrangement: Grantor

The Cash Flow Statement has been prepared using the direct method, as recommended under IPSAS 2, item 27. a): "*whereby major classes of gross cash receipts and gross cash payments are disclosed*".

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. No segments are identified in this project and are therefore not reported in these financial statements.

Changes in Accounting Policy and Reclassification of financial statements of previous years

Reclassification of financial statements of previous years

The following reclassifications to the 2013 financial statements have been done.

Up to now NCIA related costs were accounted as PP&E whereas in fact at this stage of the project they correspond to intangible assets (IT). Additional information provided by the PMT and NCIA highlighted some errors that had to be corrected, in particular concerning advances. It also appeared that the

breakdown of PP&E between common funded and nationally funded components was not properly reflected in the first tranche of expenses related to the claim..

The impact of these changes is reflected in the following tables.

NEW NATO HEADQUARTERS STATEMENT OF FINANCIAL POSITION As at 31 December 2013				
(All amounts in Euro)				
	Restated	Initial	Variance	
	2013	2013	Restated - Initial	
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents				
Cash	0.00	0.00		0.00
Current bank accounts	29,700,823.29	29,700,823.29		0.00
Cash equivalents	30,000,000.00	30,000,000.00		0.00
Subtotal Cash & Equivalent of the entity	59,700,823.29	59,700,823.29		0.00
Cash Managed for Third Parties	66,481,348.18	66,481,348.18		0.00
Total Cash and Cash Equivalents	126,182,171.47	126,182,171.47		0.00
Receivables				
Contributions from Member Nations (Common Funded)	8,980,855.61	8,980,855.61		0.00
Contributions from Member Nations (Nationally Funded)	1,438,392.00	1,438,392.00		0.00
Other Receivable from Nations/Partners	100,000.00	100,000.00		0.00
Receivable from Staff Members	0.00	0.00		0.00
Receivable from other NATO Bodies	14,676.00	14,676.00		0.00
Bank interest accrued	233,205.75	233,205.75		0.00
Other accounts receivable	0.00	0.00		0.00
Total Receivables	10,767,129.36	10,767,129.36		0.00
Prepayments				
Advance to PMT	38,412,258.66	38,412,258.66		0.00
Advance to NCIA	8,923,384.53	7,501,233.53		1,422,151.00
Total Prepayments	47,335,643.19	45,913,492.19		1,422,151.00
TOTAL CURRENT ASSETS	184,284,944.02	182,862,793.02		1,422,151.00
NON CURRENT ASSETS				
Receivables	0.00	0.00		0.00
Infrastructure, plant and equipment				
Common Funded	334,036,208.57	344,790,168.21		-10,753,959.64
Nationally Funded	33,549,699.57	36,330,299.53		-2,780,599.96
Land and buildings	0.00	0.00		0.00
Intangible assets	10,634,422.95	0.00		10,634,422.95
TOTAL NON CURRENT ASSETS	378,220,331.09	381,120,467.74		-2,900,136.65
TOTAL ASSETS	562,505,275.11	563,983,260.76		-1,477,985.65

NATO UNCLASSIFIED

ANNEX 6 to
FC(2015)046

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NEW NATO HEADQUARTERS				
STATEMENT OF FINANCIAL POSITION				
As at 31 December 2013				
			(All amounts in Euro)	
	Restated	Initial	Variance	
	2013	2013	Restated - Initial	
LIABILITIES				
CURRENT LIABILITIES				
PAYABLES				
Payable to Nations				
Interest	361,915.77	361,915.77	0.00	
Lapsed credits	0.00	0.00	0.00	
Miscellaneous receipts	0.00	0.00	0.00	
Project accumulated surplus	12,977,706.13	12,977,706.13	0.00	
National Funds	70,306,904.69	70,306,904.69	0.00	
Construction Surveillance Technical Team	740,598.14	740,598.14	0.00	
Construction Surveillance Technical Team (accrued)	0.00	0.00	0.00	
Reimbursable Staff	1,189,682.18	1,189,682.18	0.00	
Total Payable to Nations	85,576,806.91	85,576,806.91	0.00	
Payable to Staff				
	35.36	35.36	0.00	
Payable to NATO Bodies				
International Staff	28,727.13	28,727.13	0.00	
NCIA	0.00	0.00	0.00	
Others	0.00	0.00	0.00	
Total Payable to NATO Bodies	28,727.13	28,727.13	0.00	
Payable to Suppliers				
Payable to Suppliers	1,901,752.28	1,901,752.28	0.00	
Accrued expenses	131,600.00	131,600.00	0.00	
Total Payable to Suppliers	2,033,352.28	2,033,352.28	0.00	
Payable to Others				
Other Payables	235,319.32	235,319.32	0.00	
Trust Funds	0.00	0.00	0.00	
Total Payable to Others	235,319.32	235,319.32	0.00	
Total Payables	87,874,241.00	87,874,241.00	0.00	
Unearned Revenue and Advance Contributions				
Unearned revenue from budgetary credits	96,410,703.02	94,988,552.02	1,422,151.00	
Unearned revenue from pre-financing	0.00	0.00	0.00	
Unearned revenue from accumulated surplus	0.00	0.00	0.00	
Advance contributions called for the following year	0.00	0.00	0.00	
Total Unearned Revenue and Advance Contributions	96,410,703.02	94,988,552.02	1,422,151.00	
Total Extrabudgetary Funds	0.00	0.00	0.00	
TOTAL CURRENT LIABILITIES	184,284,944.02	182,862,793.02	1,422,151.00	
NON CURRENT LIABILITIES				
Provisions	1,945,453.00	1,945,453.00	0.00	
Long-term unearned revenue funding work in progress (common funding)	342,725,178.52	342,844,715.21	-119,536.69	
Long-term unearned revenue funding work in progress (national funding)	33,549,699.57	36,330,299.53	-2,780,599.96	
TOTAL NON CURRENT LIABILITIES	378,220,331.09	381,120,467.74	-2,900,136.65	
TOTAL LIABILITIES	562,505,275.11	563,983,260.76	-1,477,985.65	
Surplus/Deficit of the period	0.00	0.00	0.00	
TOTAL NET ASSETS	0.00	0.00	0.00	

A new presentation of the cash flow statement is presented to include a column identifying internal cash movements between the common funded, nationally funded and specific accounts belonging to certain nations.

Use of estimates

In accordance with generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions by management, according to the most reliable information available, judgement and assumptions. Estimates include work in progress, provisions, accrued revenue and expenses. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Foreign currency transactions

The New NATO Headquarters Project's budget is authorized and managed in EUR so contribution calls are made in EUR. Foreign currency transactions as required are accounted for at the NATO parity rates prevailing on the date of the transaction. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into EUR using the NATO parity rates applicable at 31 December 2014.

Realised and unrealised gains and losses resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognised in Non-Current Liabilities.

Financial risks

The New NATO Headquarters Project Office uses only non-derivative financial instruments as part of its normal operations. These financial elements include cash, bank accounts, deposit accounts, accounts receivable and Funds Managed for Third Parties.

All the financial instruments are recognised in the statement of financial position at their fair value.

The New NATO Headquarters Project is exposed to a variety of financial risks, including foreign exchange risk, credit risk, currency risk, liquidity risk and interest rate risk.

Foreign currency exchange risk

The exposure to foreign currency risk is limited as the majority of the New NATO Headquarters Project's expenditures are made in EUR, the currency of its Budget. All bank accounts are held in EUR.

Credit risk

The New NATO Headquarters Project incurs credit risks from cash and cash equivalent held with banks and from receivables.

The maximum exposure as at 31 December 2014 is equal to the total amount of bank balances, short term deposits and receivables. There is very limited credit risk associated with the realization of these elements.

Concerning cash and cash equivalent the New NATO Headquarters Project credit risk is managed by holding current bank accounts and short term highly liquid deposits that are readily convertible to a known amount of cash held with ING Bank (Belgium) which has the following short term credit ratings:

ING Bank	Credit Ratings as at 31.12.2014			
	Fitch	S&P	Moody's	Date of last rating update
Short term	A+	A	A2	19.12.2014

The New NATO Headquarters Project's outstanding accounts receivable are managed by maintaining control procedures over receivables. Most cash receivables are due from NATO member nations, which are considered credit worthy.

Liquidity risk

The liquidity risk, also referred to as funding risk, is based on the assessment as to whether the New NATO Headquarters Project will encounter difficulties in meeting its obligations associated with financial liabilities. A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because of the funding mechanism which guarantees contributions in relation to the approved New NATO Headquarters Project budget. Some limited risk could be due to the accuracy of budget forecasts.

Interest rate risk

Except for certain cash and cash equivalent balances, the New NATO Headquarters' financial assets and liabilities do not have associated interest rates. The New NATO Headquarters is restricted from entering into borrowings and investments, and, therefore, there is an insignificant interest rate risk. Interest earned is not a budgetary resource but contributes to the surplus owed to Nations.

Current Assets

Cash and cash equivalents

Cash and cash equivalents are defined as short-term assets. They include cash in hand, deposits held with banks, other short term highly liquid investments.

Cash held on behalf of third parties corresponding to amounts called and received in relation to the nationally funded elements and the fit-out of delegations, and amounts corresponding to anticipated contributions are reported separately.

Receivables

Receivables are stated at net realisable value, after provision for doubtful and uncollectable debts.

Contributions receivable are recognised when a call for contribution, based on the approved budget, has been issued to the funding Nations. These receivables represent the uncollected contributions from Member Nations. The same policy applies for contributions related to the nationally funded elements but not to the fit-out of delegations. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable.

Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of advance payments made to third parties. In the case of the New NATO Headquarters Project, advance payments are essentially related to the pre-financing of PMT and NCIA expenses. The terms of the MOU prevent Host Nation Belgium (PMT) from pre-financing any aspect of the project.

Inventories

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 12 Inventories. It is described as follows:

Control of NATO Inventories was refined with a set of 10 criteria to be used in assessing the level of control of an asset. A positive response on six of the criteria will lead to the asset being capitalised in the Financial Statements if it is above the capitalization threshold.

Criteria that may indicate control of an asset
The act of purchasing the asset carried out (or resulted from instructions given) by the NATO Reporting Entity.
The legal title is in the name of the NATO Reporting Entity.
The asset is physically located on the premises or locations used by the NATO Reporting Entity.
The asset is physically used by staff employed by the NATO Reporting Entity or staff working under the NATO Reporting Entity's instructions.
The fact that the NATO Reporting Entity can decide on an alternative use of the asset.
The fact that the NATO Reporting Entity can decide to sell or to dispose the asset.
The fact that the NATO Reporting Entity, if it has to remove or destroy the asset, can take the decision to replace it.
The fact that a representative of the NATO Reporting Entity regularly inspects the asset to determine its current condition.
The fact that the asset is used in achieving the objectives of the NATO Reporting Entity.
The fact that the asset will be retained by the NATO Reporting Entity at the end of the activity.

Capitalization thresholds relevant to the financial statement are as follow:

Category	Threshold	Basis
Consumables	€50,000	Per location/warehouse
Spare Parts	€50,000	Per location/warehouse
Ammunition	€50,000	Per location/warehouse
Strategic stocks	€50,000	Per location/warehouse

Slow moving inventory – Assuming turnover of stock is over a 12 month period, any items not used over a 36 month period will be deemed to be slow moving.

Strategic stock – Some complex elements of slow moving stock can be identified as strategic if they are deemed essential to the effective operation of an asset and cannot be readily replaced by commercial off the shelf items or cannot be purchased due to market decisions to close production lines of key inventory items due to the advanced age of the strategic asset to which the stock relates. The NNHQ Project will capitalise inventory which it controls in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of inventory, only the end-user entity will report the inventory in its financial statements, based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

The NNHQ Project will include transportation costs involved in bringing the inventories to their present location and condition in the initial valuation of inventory. These costs will be measured on the actual cost of transportation per item of inventory or by using an apportionment of the global transportation costs of bringing the inventories to their present location and condition across all inventory items in the period. Transportation costs involved in the subsequent movement of inventory which brings them into operational use will not be included in the value of inventory. The method of measuring these costs will be disclosed.

Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 12 shall apply.

The introduction of this adaptation to IPSAS 12 has no impact on the way these financial statements are presented. The value of NNHQ inventories is immaterial both in value and in terms of the nature of the items held. Consequently, inventory is fully expensed when goods are received.

Non-Current Assets (Property, Plant & Equipment and Intangible Assets)

2012 was the first year during which construction works related to the nationally funded elements were performed. These works are recognized as non-current assets (PPE: Property, Plant and Equipment) held on behalf of third parties, at least during the construction period. The reasoning stems from a number of factors. The NHQ building constitutes a coherent and global building whose purpose is to

bring together member nations in order to enable an efficient and effective consultation process. This situation whereby dedicated National Representations are present on site is very specific to NATO and does not really exist in other comparable international organizations. The member nations are not considered, from a legal perspective, as having direct property rights on the parts of the building corresponding to their own delegation premises, but rather having an exclusive right of use. In this respect the different funding cost shares cannot be deemed a factor justifying a specific accounting treatment. The situation also carries certain restrictions, such as the inability to execute works affecting or altering the basic structure of the building, and to sell their premises. Additionally, at this stage of the project it is difficult to accurately distinguish the value between these common and nationally funded components. However, their inclusion provides useful and clear information which contributes to financial transparency.

This does not preclude that in the future, an ability to limit physical access will exist, which could then justify an exclusion from NATO PPE. Until then, as currently, common funded and nationally funded construction works will be managed as a single project. At this point, and from an accounting standpoint, the fact remains that the economic benefit or the service potential is measured by the contribution to consensus building and therefore it cannot be separated from NATO's purpose. Therefore, this would not justify a separate accounting treatment until such a time as the building is operational and the related building parts are handed over to the nations concerned. It should be noted that this approach does not apply to the national fit-out segment, for which four nations have decided to act separately. The impact on previous years' financial statements is not material as no related works had been performed and therefore no fixed assets were recognised.

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 17 Property Plant and Equipment. It is described as follows:

Control of NATO PPE was refined with a set of 10 criteria to be used in assessing the level of control of an asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalised in the Financial Statements if it is above the capitalization threshold.

Capitalization thresholds relevant to the financial statement are as follow:

Category	Threshold	Depreciation life	Method
Land	€200,000	N/A	N/A
Buildings	€200,000	40 years	Straight line
Other infrastructure	€200,000	40 years	Straight line
Installed equipment	€ 30,000	10 years	Straight line
Machinery	€ 30,000	10 years	Straight line
Vehicles	€ 10,000	5 years	Straight line
Aircraft	€200,000	Dependent on type	Straight line
Vessels	€200,000	Dependent on type	Straight line
Mission equipment	€ 50,000	3 years	Straight line
Furniture	€ 30,000	10 years	Straight line
Communications	€ 50,000	3 years	Straight line
Automated information Systems	€ 50,000	3 years	Straight line

In the case of the New NATO Headquarters Project to date PPE is work in progress. Depreciation will start after acceptance of the completed work.

The principles of valuing and depreciating fixed assets are the following:

Buildings are shown at fair value based on internal valuations at the reporting date. Valuation is done based on judgment using the best available information from relevant sources. With regard to land on which the buildings are erected, see note on Leases.

All other non-current assets, Property, Plant and Equipment (PPE) and intangible assets are recorded at their historical cost less accumulated depreciation and any recognized impairment loss.

The introduction of this adaptation to IPSAS 17 has no impact on the way these financial statements are presented. Although the adaptation to IPSAS allows one to consider PPE acquired prior to 1 January 2013 as fully expensed, it was decided not to do so: amounts considered as PPE work in progress prior to 1 January 2013 remain capitalized in the interest of disclosing relevant and complete information regarding the value of the future NNHQ.

Intangible Assets:

NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 31 Intangible Assets. It is described as follows:

Control of NATO Intangible Assets was refined with a set of 10 criteria to be used in assessing the level of control of an asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalised in the Financial Statements if it is above the capitalization threshold. This is applied from January, 2013.

NATO Intangible Assets Capitalization Thresholds - the NNHQ Project will capitalize each intangible asset item that is above the following agreed NATO thresholds:

Category	Threshold	Depreciation life	Method
Computer software (commercial off the shelf)	€50,000	4 years	Straight line
Computer software (bespoke)	€50,000	10 years	Straight line
Computer database	€50,000	4 years	Straight line
Integrated system	€50,000	4 years	Straight line

The NNHQ Project will capitalize all controlled intangible assets above the NATO Intangible Asset Capitalization Threshold. For anything below the threshold, the NNHQ will have the flexibility to expense specific items.

The NNHQ Project will capitalize integrated systems and include research, development, implementation and can include both software and hardware elements. But the NNHQ Project will not capitalise the following types of intangible assets in their financial statements:

- rights of use(air, land and water);
- landing rights;
- airport gates and slots;
- historical documents; and,
- publications

The NNHQ Project will capitalize other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

The NNHQ may consider Intangible Assets acquired prior to 1 January 2013 as fully expensed.

The NNHQ Project will report controlled Intangible assets in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of intangible assets, only the end-use entity will capitalise the intangible asset in its financial statements based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

Where this adaptation conflicts with another requirement of IPSAS this adaptation will apply. For the remainder, IPSAS 31 shall apply. This adaptation is effective for financial reporting periods beginning on 1 January 2013.

The introduction of this adaptation to IPSAS 31 has no impact on the way these financial statements are presented.

Impairment of fixed assets:

The carrying amounts of fixed assets are reviewed for impairment if events or changes of circumstances indicate that they may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss. Any provision for impairment losses is charged against the Statement of Financial Position (during the construction process) in the year concerned.

Current liabilities

Payables

Payables are amounts due to Nations in relation with budget rules and services provided, or to third parties based on goods received or services provided they remain unpaid. This includes an estimate of accrued obligations to third parties for goods and services received but not yet invoiced.

Payables due to Nations include in particular the surplus as per the NATO Financial Regulations. In authorizing the New NATO Headquarters Project budget, Nations agreed that it would be a special budget extending over several years. Nations agreed that financial closure would take place only when the Project has been fully realised. Consequently, it was agreed that credits and the refundable surplus can be maintained with the entity until the Project's completion (C-M(2000)36). Amounts which would have been normally returned to contributing Nations in the framework of the standard NATO Financial Regulations' provisions – such as net interest earned, miscellaneous receipts, lapsed credits, accumulated surplus - remain on the entity's accounts.

Funds Managed for Third Parties (National Funds)

Funds managed on behalf of third parties (National Funds) are held in cash or as a receivable if they correspond to an unpaid non-budgetary contribution in relation to nationally funded elements. In case of an anticipated/voluntary contribution, they are accounted for when cash is effectively received. The corresponding amounts are presented as a current liability under funds managed for third parties (national funds).

As a consequence of the recognition of the nationally funded elements as Project's non-current assets, contributions called from the Nations with regard to the nationally funded elements are treated in a way comparable to that of budgetary contributions. Amounts called and amounts not converted to unearned revenue, which fund the related works, are included as liabilities under funds managed for third parties. The uncollected amount appears as a receivable.

Advances and Unearned Revenue

Unearned Revenue represents participating Nations' contributions related to approved annual budgets that have not yet been recognised as revenue in the absence of matching expenses, but which have been called for current common funded budgets and for nationally funded construction works. Funds are called in advance of requirements because the New NATO Headquarters Project has no capital that would allow it to pre-finance any of its activities.

Advances are contributions called related to future years' budgets. Voluntary advances made by outside of the call for contributions process are accounted as funds managed for third parties.

Revenue and expense recognition

All the costs incurred under the New NATO Headquarters Project since its inception, except those related to the Transition Office, qualify to be capitalized as PPE Work in Progress. This includes personnel and operating costs. The matching budget resources provided by Nations to fund these Works in Progress are recognised as a liability in the Statement of Financial Position as Long Term Unearned Revenue. No revenue is recognised in the Statement of Financial Performance, except for the part attributable to the Transition Office.

The task of the Transition Office is to plan and execute the transition from the current NATO HQ to the new NATO HQ. Its purpose is to transform the way NATO HQ operates to make best use of the facilities and technologies in the new NATO HQ; to relocate staff, NATO agencies and national delegations; and to return the current NATO HQ campus to Belgium. Transition Office related costs consist mainly in salaries of its staff, and at this stage in consultancy services on best ways to conduct the operations in the new building. It is therefore considered that they do not fulfil the criteria set by IPSAS 17 to qualify as directly attributable costs of the asset under construction. As a consequence Transition Office costs should be expended rather than capitalized.

In the future, after the transfer of the building to the NATO International Staff, earned revenue will be progressively recognised from this long term unearned revenue, in an amount equal to annual depreciation of the related PPE, Intangible Assets etc. of the building, as future economic benefits and service potential will flow to the NATO International Staff when the building is operational.

Non-budgetary contributions called from Nations corresponding to the nationally funded construction works are treated as Long Term Unearned Revenue in an amount equal to the estimation of works completed.

Revenue from exchange and non-exchange transactions

There is no revenue from exchange transactions, as the contributions by Nations are based on a fixed cost-share of reimbursable costs for the construction of the New NATO Headquarters Project. They are considered as a liability for long term unearned revenue funding assets in progress.

NOTE 3: CASH AND CASH EQUIVALENTS

The current bank accounts are held in EUR. Deposits are held in interest-bearing bank current accounts, immediately available.

Derogations to NATO Financial Regulations were approved by the Council (C-M(2000)36 and BC-D(2000)20). In particular paragraphs 4.4 of the latter document introduce flexible arrangements for national contributions to allow Nations to make anticipated contributions. No ceiling is applicable to the amount of cash holdings other than what is needed for the project.

The increase in cash holdings is due to payments made by Nations further to the call issued at the end of the year in relation to the claim.

NOTE 4: CASH MANAGED FOR THIRD PARTIES

To meet the Project's payment for the fit-out and nationally funded elements under the NSIP rules and procedures, the IS Office of Financial Control has opened bank accounts in the names of NATO member Nations. Interest earned is credited to the specific bank account of the Nation concerned. These are extra-budgetary funds belonging to the Nations concerned. Separate contribution calls are made for the fit-out and for nationally funded parts of the Project. The planning foresees that the Nations make payments in advance of the quarterly payment request. A matching liability is posted against the amount of cash held on behalf of the Nations concerned and of the amount of uncollected related contributions called for what concerns the nationally funded construction works.

These funds also include an amount of EUR 31,232,576.91 (EUR 48,238,402.44 end 2013) relating to anticipated contributions made by two nations.

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There are also funds from Eurocontrol as their contribution to works for a secure pedestrian access between their headquarters and the NNHQ site (EUR 236,019.68).

The total amount of cash held at the end of the year on the specific bank accounts of the nations or entities concerned may not match the value of funds held on behalf of the third parties because of voluntary advances made on the bank account for Common Funded operations, or of contributions not received on the appropriate bank account, etc. The breakdown of these bank accounts by country and entity end 2014 is the following.

FUNDS MANAGED FOR THE ACCOUNT OF THIRD PARTIES		
BANK BALANCES AS AT 31/12/2014		
ING BANK		
US MISSION FUNDS	EUR	30,579,230.39
ALBANIA NEW SITE DEL	EUR	218,106.00
BELGIUM NEW SITE DEL F.O.	EUR	401,561.40
BULGARIA NEW SITE DEL F.O.	EUR	667,847.72
CANADA NEW SITE DEL	EUR	329,588.43
CROATIA NEW SITE DEL	EUR	291,810.28
CZECH REP. NEW SITE DEL F.O.	EUR	536,977.84
DENMARK NEW SITE DEL F.O.	EUR	227,125.59
ESTONIA NEW SITE DEL F.O.	EUR	395,850.75
FRANCE NEW SITE DEL	EUR	329,176.36
GERMANY NEW SITE DEL F.O.	EUR	637,150.91
GREECE NEW SITE DEL F.O.	EUR	459,567.30
HUNGARY NEW SITE DEL F.O.	EUR	535,232.59
ICELAND NEW SITE DEL F.O.	EUR	97,819.33
ITALY NEW SITE DEL F.O.	EUR	630,859.47
LATVIA NEW SITE DEL F.O.	EUR	1,676,742.76
LATVIA NEW HQ	EUR	653,346.52
LITHUANIA NEW SITE DEL F.O.	EUR	482,050.06
LUXEMBOURG NEW SITE DEL F.O.	EUR	218,976.45
NETHERLANDS NEW SITE F.O.	EUR	375,267.57
NORWAY NEW SITE DEL F.O.	EUR	610,049.98
POLAND NEW SITE DEL F.O.	EUR	422,762.24
PORTUGAL NEW SITE DEL F.O.	EUR	343,438.59
ROMANIA NEW SITE DEL F.O.	EUR	525,106.57
SLOVAKIA NEW SITE DEL F.O.	EUR	399,638.26
SLOVENIA NEW SITE DEL F.O.	EUR	189,677.97
SPAIN NEW SITE DEL F.O.	EUR	379,293.59
TURKEY NEW SITE DEL F.O.	EUR	715,109.76
U.K. NEW SITE DEL	EUR	323,216.19
U.S.A. NEW SITE DEL	EUR	2,781,367.49
NHQ EUROCONTROL	EUR	236,019.68
NEW HQ FIT-OUT	EUR	2,280.00
	EUR	46,672,248.04

NOTE 5: ACCOUNTS RECEIVABLE

Contributions receivable in an amount of EUR 23,091,655.13 (EUR 8,980,855.61 end 2013) are funds requested from the Nations to finance the Common Funded Budget. One Call was issued in January 2014 (FC(CC)(2014)0001(NHQ-CF-NF-01)) in a total amount of EUR 171,067,225. Receivables relating to previous financial years' contribution calls amounted to EUR 31,956.10.

Contributions receivable in an amount of EUR 256,258.00 (EUR 1,438,392.00 end 2013) are amounts called from the Nations to finance the nationally funded construction works. One call was issued in January 2014 (FC(CC)(2014)0001(NHQ-CF-NF-01)) in a total amount of EUR 38,120,209 (EUR 25,327,510 for construction and EUR 11,937,871 for Fit-Out 2014 and a revision to Fit-Out 2013 of EUR 854,828). There were no receivables relating to previous financial year's contributions calls.

Other Receivables from Nations concern amounts due for other cases than contributions to the NNHQ budget or nationally funded elements. End 2013 an amount of EUR 100.000 was due by one nation for IT works.

Other Receivables relate to miscellaneous amounts due to the Project (e.g. reimbursement of operating costs, insurance claims etc.). End 2013, there were no Other Receivables.

NOTE 6: PREPAYMENTS

Receivables from the PMT relate to advance payments made to the PMT which are not regularised at year end as they do not correspond to works completed. The terms of the MOU prevent the Host Nation from prefinancing any aspect of the Project. On a cash basis, at year end 2014, PMT held EUR 40,082,085 received from NHQPO as advance payments (EUR 63,627,666 at year end 2013). On an accruals basis, including provisions, taking into account amounts due by PMT, the net advance to be regularised amounted to EUR 36,210,401.35 (EUR 38,412,258.66 at year end 2013).

Similarly, at year end 2014, NHQPO has advanced funds to the NCIA in an amount of EUR 1,281,979.98 (EUR 8,923,384.53 at year end 2013) on an accruals basis.

NOTE 7: NON-CURRENT ASSETS

As of 31 December 2014, the costs charged as PPE Work in Progress amounted to EUR 557,005,714. This overall amount covers the common funded PPE, and the nationally funded construction works held on behalf of the member Nations which at this stage of the project are considered not separable from the overall amount of fixed assets.

The following table reconciles PPE amounts at the beginning and at the end of 2014.

(amounts in EUR)	Carrying Amount end 2013	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2014
COMMON FUNDED						
Personnel (chapter 1)	14,790,189	1,945,500				16,735,689
Operating Costs (chapter 2)	18,878,658	8,283,974				27,162,632
Professional fees (chapter 3)	97,187,875	10,741,595				107,929,470
Works (chapter 4)	203,179,486	146,118,291				349,297,777
Special Equipment (chapter 5)	0	161,928				161,928
SUB-TOTAL COMMON FUNDED	334,036,209	167,251,287	0	0	0	501,287,496
NATIONALLY FUNDED		0				
Works	33,549,700	22,168,519				55,718,218
SUB-TOTAL NATIONALLY FUNDED	33,549,700	22,168,519	0	0	0	55,718,218
TOTAL	367,585,908	189,419,806	0	0	0	557,005,714

As of 31 December 2014, the costs charged as Intangible Assets Work in Progress amounted to EUR 18,459,820.39. The following table reconciles Intangible Assets amounts at the beginning and at the end of 2014.

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(amounts in EUR)	Carrying Amount end 2013	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2014
COMMON FUNDED						
Personnel (chapter 1)	0	0				0
Operating Costs (chapter 2)	0	0				0
Professional fees (chapter 3)	9,072,173	1,320,105				10,392,278
Works (chapter 4)	0	0				0
Special Equipment (chapter 5)	1,562,250	6,505,292				8,067,542
TOTAL COMMON FUNDED	10,634,423	7,825,397	0	0	0	18,459,820

A series of contracts have been entered into in relation to non-current assets, mainly by the PMT and the NCIA as Host Nations, and for smaller amounts by NHQPO. The main open contractual commitments, excluding non-works related contracts with a short term (such as for security and guard services), are the following.

The main construction contract was let in June 2010, at the price set in January 2010 of approximately MEUR 420 (MEUR 436 including National Funding). This base price does not include adjustments for price revisions. Further to a claim introduced end 2013 and settled in 2014, an agreement was reached to pay additional MEUR 85 and an extension of the construction period of 4.5 months.

The Concept Design Team contract was transferred to the PMT and has an LTPB planned cost of MEUR 89.064, with no impact by the claim.

The PMT awarded in 2013, the contract for the Electronic Security System in an amount of MEUR 17.0 (2013 value). The 4.5 month extension agreed with the general construction contractor implied an estimated EUR 1.540 million additional cost. Regarding the contract for the Audio Visual Infrastructure in an initial amount of MEUR 26.5 (2013 value), an estimated additional costs of MEUR 1.280 was agreed to compensate the 4.5 months delay.

In 2013, NCIA awarded the contract for the Active Network Infrastructure in the amount of MEUR 79.766 and MEUR 2.010 for Independent Validation and Verification Services. In order to achieve savings a reduction in scope of KEUR 500 was agreed by the DPRC and an estimated additional cost of MEUR 1.500 was agreed to compensate the 4.5 months delay.

The MOU between NATO and the Host Nation provides that management fees (National Administrative Expenses, NAE) equal to 3% of the works will be paid (LTPB total amount: MEUR 21.142).

Two major sets of contracts still need to be awarded by NHQPO for Furniture Supply and Business Data and Applications Migration.

NOTE 8: PAYABLES

Interest Payable represents the net revenue from interest, foreign exchange difference gain and bank charges as shown below.

	31 December 2014	31 December 2013
Revenue		
Interest	252,686.09	363,516.29
Foreign Exchange gain		
Total revenue	363,516.29	363,516.29
Expenses		
Bank costs	(870.85)	(763.46)
Foreign Exchange loss	(23,423.56)	(837.06)
Total expense	(24,294.41)	(1,600.52)
Net Interest Earned	228,391.68	361,915.77

Project Accumulated Surplus resulting from previous years' budget execution, which amounted to EUR 13,339,622.00 end 2013, remained until then in the entity's accounts in accordance with the

specific budget funding rules approved by Nations, according to which surpluses are not returned to contributing Nations before the completion of the project.

This amount can be broken down into the following components:

(cumulative amounts since the beginning of the project until 2013)

lapsed credits (including frozen)	12,213,702.50
net overcall (minus = undercall)	-4,588,528.69
interest earned	5,700,330.32
miscellaneous income	14,117.87
Total	13,339,622.00

When assessing the funding impact of the settlement of the claim with the contractor and related additional costs, Nations decided to use the surplus as of end 2013 and to allocate it as a resource in order to reduce contributions to be called in this respect. As a consequence, end 2014, the surplus available from previous years was nil.

The table below summarizes the evolution of unused funds since the inception of the Project:

	Budget Authorization	Called	Use of previous years' surplus	Undercalled	Lapsed credits	Frozen credits	Surplus from unused funds	Interests earned	Miscellaneous	TOTAL SURPLUS
	(a)	(b)	(c)	(d)=(a)-(b)-(c)	(e)	(f)	(g)=(d)+(e)+(f)	(h)	(i)	(j)=(g)+(h)+(i)-(c)
2000	643,283.70	643,283.70	0.00	0.00	204,307.89	0.00	204,307.89	0.00	0.00	204,307.89
2001	3,933,128.24	3,729,855.55	0.00	-203,272.69	1,265,094.73	0.00	1,061,822.04	25,126.17	0.00	1,086,948.21
2002	8,300,600.00	7,009,344.00	0.00	-1,291,256.00	1,696,187.11	4,013,000.00	4,417,931.11	133,512.75	211.61	4,551,655.47
2003	2,932,000.00	2,932,000.00	0.00	0.00	1,402,526.02	0.00	1,402,526.02	186,678.59	1,468.05	1,590,672.66
2004	3,237,600.00	3,237,600.00	0.00	0.00	851,273.08	0.00	851,273.08	161,479.12	0.00	1,012,752.20
2005	9,453,000.00	6,359,000.00	0.00	-3,094,000.00	486,836.32	0.00	-2,607,163.68	221,371.00	0.00	-2,385,792.68
2006	19,297,936.00	19,297,936.00	0.00	0.00	155,186.50	0.00	155,186.50	146,486.45	7,167.96	308,840.91
2007	40,716,097.00	40,716,097.00	0.00	0.00	654.15	0.00	654.15	616,483.57	0.00	617,137.72
2008	15,833,900.00	15,833,900.00	0.00	0.00	58,532.98	0.00	58,532.98	1,556,979.64	0.00	1,615,512.62
2009	12,104,500.00	12,104,500.00	0.00	0.00	270,459.93	0.00	270,459.93	217,922.35	37.1	488,419.38
2010	38,701,000.00	38,701,000.00	0.00	0.00	62,314.59	0.00	62,314.59	297,105.21	5,233.15	364,652.95
2011	72,023,000.00	72,023,000.00	0.00	0.00	1,747,329.20	0.00	1,747,329.20	844,547.56	0.00	2,591,876.76
2012	107,052,000.00	107,052,000.00	0.00	0.00	0.00	0.00	0.00	930,722.14	0.00	930,722.14
2013	118,421,323.00	118,421,323.00	0.00	0.00	0.00	0.00	0.00	361,915.77	0.00	361,915.77
2014	239,572,717.00	226,233,095.00	13,339,622.00	0.00	0.00	0.00	0.00	228,391.68	1,172.04	-13,110,058.28
TOTAL	692,222,084.94	674,293,934.25	13,339,622.00	-4,588,528.69	8,200,702.50	4,013,000.00	7,625,173.81	5,928,722.00	15,289.91	229,563.72

Considering that in 2014 no credits lapsed, that EUR 228.391.68 in interests and EUR 1,172.04 in miscellaneous income was earned in 2014, the surplus of the year amounts to EUR 229,563.72.

The National Funds item corresponds to funds managed on behalf of Nations outside of the standard call for Common Funded budgetary contributions process. They are the counterpart of specific contributions from Nations to meet the Project's payment for the fit-out, for nationally funded elements, and of voluntary advances towards future common funded budgets. They are matched with cash held on specific bank accounts, cash held for common funding when voluntary advances were made and with receivables related to nationally funded elements.

The amount of EUR 556,685.00 (EUR 740,598.14 end 2013) payable to Nations for the Construction Surveillance Technical Team relates to reimbursement to those Nations who provided personnel to the Team during financial year 2014 or before. Most of those Nations have opted for payment by deduction from their contributions.

The payable of EUR 1,310,942.00 (EUR 1,189,682.18 end 2013) is in relation to the reimbursable salaries due to the United States for a civilian staff member who is paid directly by the United States government. This amount is partially used by the United States by applying it against its annual Project contribution.

The Other Payables item includes the EUR 235,000 contribution made by Eurocontrol for works between their headquarters and the NNHQ and related interest as per agreement.

NOTE 9: UNEARNED REVENUE AND ADVANCES RELATED TO THE BUDGETARY PROCESS

Unearned Revenue from Budgetary Credits

Unearned Revenue from budgetary credits corresponds to contributions called in relation to approved budgets up to 2014 but for which corresponding expenses will be incurred after the reporting date of 31 December 2014. The Unearned Revenue totalling EUR 166,100,189.59 (EUR 96,410,703.02 end 2013) includes principally those amounts of contributions which will be spent in subsequent years on the New NATO Headquarters Project budget as credits carried-forward resulting from the budget execution in accordance with the NATO Financial Regulations in the amount of EUR 128,727,524.35 (EUR 49,206,659.83 end 2013) to which should be added EUR 37,425,165.24 advances made to the PMT and the NCIA (EUR EUR 47,335,643.19 end 2013) and deducted EUR 52,500 (EUR 131,600 end 2013) accrued payable amounts (relating to the Construction Surveillance Technical Team, NATO bodies, suppliers and others).

Unearned Revenue from Pre-Financing

There has been none during the period covered by these financial statements.

Advances Related to the Budgetary Process

Up to 2013 there were no such as advances received as there had not been calls for advance budgetary contributions. However, when setting up the funding framework related to the settlement of the claim introduced end 2013, it was agreed that Nations could opt for providing funding beyond what was needed for the part corresponding to the 2014 budget. This has resulted in EUR 20,768,632 being called.

NOTE 10: PROVISIONS

Provisions relate to design fees.

Concerning design fees, the provision relates to additional studies and/or modifications done by the CDT in 2009 and 2012, at the request of the PMT during phases B&C of the Project. An original estimate was made for EUR 2 million concerning 2009. Further to various settlements and minor adjustments the related provision is currently assessed at EUR 1.043 million, which includes elements concerning services provided in 2013 (EUR 33,000) which are still under discussion.

A provision was booked in 2013, in relation to the claim introduced by the general construction contractor end 2013. The claim was settled end 2014 and related provision is no longer required. The negotiations conducted by PMT resulted in an overall agreement of EUR 87,253,982 - covering past and future expenses - which was funded by Nations through an adjustment of the Long Term Programme Budget requiring a specific call for contributions issued end 2014.

NOTE 11: LONG TERM UNEARNED REVENUE

This revenue corresponds to the contributions, budgetary and non-budgetary, that funded fixed assets work in progress.

For common funded PPE and Intangible Assets, the amount originates from budget contributions.

Funding provided for the nationally funded elements matching completed related works is also considered long term unearned revenue during the construction period. A specific accounting treatment may have to be determined when the related building parts are operational and the corresponding assets are transferred to the national delegations.

NOTE 12: REVENUE

Budgetary revenue is matched to recognised expenses relating to the activities of the Transition Office.

Any interest gained is attributed to the funding of the construction itself and is therefore not recognised in the statement of financial performance.

NOTE 13: EXPENSES

The only expenses recognised are those related to the Transition Office. They consist mainly of the salaries of staff, administrative expenses and miscellaneous consultancy studies conducted in order to optimize the use of the future building. Consultancy services KEUR 946 (KEUR 527 in 2013) are included under the item "salaries" to be consistent with the budget breakdown, which explains the increase from 2013 to 2014 (Transition Office staffing remaining almost unchanged).

Banking costs are not recognised as expenses but are deducted from interests earned.

NOTE 14: NET RESULT OF THE PERIOD

Given that revenue stemming from budgetary resources is recognised in an equal amount to expenses, the result of the year is nil.

NOTE 15: CASH FLOW STATEMENT

The cash flow statement is presented following the direct method.

Internal Transactions correspond to transfers between the Common Funded related bank account and bank accounts held on behalf of third parties such as for the Nationally Funded elements. These transactions are required when a Nation decides to use funds held on its specific bank account to settle its budgetary contribution to the Common Funded budget; or when contributed funds are received on the wrong bank account; etc. Transactions that were netted or reversed in the course of the year (EUR 3,450,000 in 2014) are not presented.

Operating Activities

The outflows of cash relate to the Transition Office's activities.

No specific inflow of cash is recognised in relation to Operating activities as no specific contributions or revenue can be exclusively attributed to them.

Investing Activities

Cash flows related to Investing Activities are those related to operations which end up in PPE or Intangible Assets.

Cash out-flows are broken down in accordance with the five budget chapters used when the NNHQ budget was approved by member nations.

Financial Activities

No flows are recognised due to the absence of such activities. The NNHQ Project is funded by cash contributions by nations; no amounts were borrowed from banks; there are no financial investments.

Third Parties

Cash flows are essentially related to contributions (including voluntary) received from nations to allow for the payment of the nationally funded elements and for the fit-out of their delegations. These funds are transferred to Host Nation Belgium PMT upon request in order to pay related suppliers.

Contributions received on the wrong bank account (typically common funded instead of another) have been corrected in order to reflect the appropriate destination of the funds.

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NOTE 16: BUDGET INFORMATION AND RECONCILIATION WITH CASH FLOWS

Presently, NATO budgets are not publicly available.

Presentation of budget information in the financial statements

Besides NATO Financial Regulations and Financial Rules and Procedures as well as elements of the NSIP procedure, the New Headquarters Project is governed by the following:

- a. Project Authorization to Ministry of Defense BE: C-M(2007)0076-AS1,
- b. MOU between Ministry of Defense BE and NATO: SG(2004)1220-REV4,
- c. CDT Contract signed between Belgium and CDT in December 2004 (PMT responsibility),
- d. Council derogation to NATO Financial Regulations (C-M(2000)36) and Budget Committee derogation to NFR (BC-DS(2007)0005). The derogation concerns, in particular: committed, or to be committed credits, which may be carried forward until the closure of the Project; the only limitations to cash holdings being the actual funding requirements.

There are three types of funding:

- NATO Common Funding (CF) for Common Infrastructure requirements: based on an approved Cost Sharing Formula specific to the new NATO HQ Project (SG(99)1707, C-M(2004)0061 and BC-D(2009)0008-ADD1).
- National Funding (NF) for Construction of Private Space of Delegations: calculated on the basis of actual 'shell and core' costs based on the number of gross square meters of occupied space,
- National Funding for Fit-Out of Delegations: based on actual costs to fit-out the occupied space of each Delegation.

The initial budget in NATO corresponds to the credits that are initially authorised by the North Atlantic Council annually at the end of the previous financial year. During the year the budget is adjusted as required. The Final authorisation is the credit situation as reported at the end of the financial year including approved budgetary increases/decreases and transfers approved by the IS Financial Controller (between Chapters of the new NATO HQ budget up to 5% of the credits initially granted for the receiving chapter) or by the Budget Committee.

There are two types of credits: Cash Credits (CC) are approved credits against which payments can be made during the budget year; Contract Authority Credits (CA) are approved credits to enter into a legal obligation for multi-year contracts. No payment may be made against CA prior to its conversion into CC.

The New NATO Headquarters Project 2014 initial budget authorization, for the Common Funded part, amounted to EUR 171,067,225, in addition, an amount of EUR 49,206,659.83 related to credits carried over from the previous financial years. The National Funding component for 2013 was approved in the amount of EUR 25,327,510. The Fit-out programme was established at EUR 11,937,871.

It should be noted that the credits approved for 2014, as for previous budget years, do not correspond to the full extent of the annual costs, including for Salaries and Operations and Maintenance. Credits carried forward from previous years were used, with the agreement of Nations, to fund 2014 commitments and expenses.

Further to the settlement of the claim with the general contractor, the LTPB was revised. This revision took into account not only the direct impact of the claim (EUR 87.254 million) but also its impact and that of the associated time delay on other components such as NATO Programme Costs, PMT Programme Costs and National Administrative Expenses due to PMT (+EUR 14.237 million) and the fact that part of the claim had been sorted through a short term settlement in 2013 (-EUR 16.200 million). At the same time, net additional costs unrelated to the claim were identified, such as additional works (EUR 26.000 million) and re-evaluation of contingencies (+EUR 14.629 million), partially offset by savings (-EUR 5.740 million). As a result the LTPB was increased by EUR 120.180 million, its spread

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over time (2014 to 2017) analyzed and the overall ceiling established at EUR 1,124.190 million. Consequently the budget authorization for the Common Funded part was revised from EUR 171,067,225 to EUR 239,572,717, an increase of EUR 68,505,492.

A budget execution statement is provided at Annex 5.

A statement of budget transfers is provided below. No transfers between chapters of the 2014 approved budget were done.

Origin of credits		Destination of credits	
Item	Amounts	Item	Amounts
n/a	0.00	n/a	0.00

(NFR , ARTICLE 10)

Due to technical limitations of the current IT accounting system (credits relating to budget years -9 (EUR 147,292) could no longer be carried-forward), to the introduction of a new accounting system and in order to simplify the management of credits carried-forward, all commitments and related credits pertaining to fiscal years -9 to -2 were transferred to fiscal year -1. Commitments remained allocated to their original suppliers, as required, and the overall amount of credits carried-forward was unchanged. The table at Annex 5 summarizes this operation.

The LTPB 2015-2017 (DPRC-D(2014)0001) is shown in Addendum 1 at the end of these notes.

Reconciliation of the Budget Execution Statement and the Cash Flow Statement

The budget is prepared for the same period (1 January to 31 December) and encompasses the same entity as these financial statements but the basis and the presentation format are different.

The New NATO HQ Project budget is prepared and executed on a commitment basis. The commitment of credits is the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. Unliquidated commitments are carried forward and added to the budget of the following financial year to the extent of existing legal liabilities or if a special agreement is given by the Budget Committee. The balance of unused budgetary credits (not committed) lapses but is not returned to nations at year-end, in accordance with the derogation agreed by the NAC.

The budget classification is based on the economic nature of the expenses broken down into five chapters as follows:

- Chapter I: Personnel Expenses
- Chapter II: Operating Expenses
- Chapter III: Intellectual Services
- Chapter IV: Demolition/Construction Works
- Chapter V: Special Equipment

However, in these financial statements all costs, with the exception of those relating to the Transition Office, are considered as investing activities.

The New NATO HQ Project's financial statements are prepared on a full accrual basis, which is different from the budgetary basis, and therefore, as required by IPSAS 24, actual amounts as presented in the budget execution statement are to be reconciled to the actual amounts in the financial statements with the Cash Flow Statement. Actual amounts concerning the budget as per IPSAS 24 are the amounts of committed credits. The differences between the budget actual amounts and the cash flow statements are due to basis and presentation differences:

Concerning budget execution and related budgetary expenditure:

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The difference between the approved budget and actual amounts (commitments) corresponds to lapsed credits. Differences between the actual amounts committed and the expenses reported in the budget execution statement are the unliquidated legal liabilities that are carried forward to the following year and funds that are kept for use in future years. These differences are shown at Annex 5.

Reconciliation between budget execution and out-flows of cash:

Differences between expenditures in the budget execution statement and the cash flow statement in relation to these budgetary operations are presented in the table below.

	BUDGET		ACTUALS			DIFFERENCE		DIFFERENCE		
	Initial	Final	Commitments	Expenditure in Budget Statement	Cash Flow	Commitment minus exp in budget statement	Exp in budget statement minus cash flow	BASIS	TIMING	ENTITY
U Personnel Costs	4,457,011	4,457,011	4,457,011	3,464,881	3,556,186	992,130	-91,306			
s Operating Costs	13,571,410	13,571,410	13,571,410	7,612,976	8,717,682	5,958,434	-1,104,706			
e Intellectual Services	22,517,089	22,517,089	22,517,089	14,231,734	14,237,714	8,285,355	-5,980			
o Construction Works	220,134,876	220,134,876	220,134,876	134,614,588	134,316,081	85,520,288	298,507			
f Special Equipment	28,098,991	28,098,991	28,098,991	127,674	127,674	27,971,317	0			
F SUBTOTAL Budgetary Operations	288,779,377	288,779,377	288,779,377	160,051,852	160,955,338	128,727,524	-903,486			
U Non-budgetary Operations					44,939,248		-44,939,248			-44,939,248
n SUBTOTAL Non-budgetary Operations					44,939,248		-44,939,248	0	0	-44,939,248
s TOTAL	288,779,377	288,779,377	288,779,377	160,051,852	205,894,586	128,727,524	-45,842,734	-903,486	0	-44,939,248

Differences are due to the recognition of certain expenditures against the budgetary items for which the cash operation was not realized in the course of the current year, and are mainly related to the speed at which payment and/or regularizations are made (e.g. payment to the Nations concerned of the amounts related to their provisions of CST related services). This corresponds mainly to some personnel expenses (e.g. US reimbursable staff costs which are credited to the United States' account), invoices received and considered as expended but not yet paid, payment of invoices considered expended on previous years' budget, etc.

For the purpose of this table, non-budgetary operations refer to National Funding and Fit-Out, which are reported below.

Reconciliation between budget funding and in-flows of cash:

In accordance with agreed procedures a call for contributions towards the Common Funded budget was issued at the beginning of the year, in an amount of EUR 171,067,225 equal to the value of the approved initial budget (ref. FC(CC)(2014)0001(NHQ-CF-NF-01).

Further to a revision of the 2014 budget, covering the impact of the settlement of the claim and additional costs, another call was issued end 2014 for a total amount of EUR 55,166,319. Through this process, Nations agreed to use the accumulated surplus end 2013 (EUR 13,339,173.00) which provided the complementary funding to the budget increase of EUR 68,505,492. In addition, this call permitted Nations who so wanted to make contributions beyond the approved revision of the 2014 budget in order for them to settle the full increase of the Long Term Programme Budget. Related amount was EUR 20,768,632.00.

The table below reconciles the approved budget with the calls for contributions concerning the common funded budget.

Source of Funds	BUDGET AUTHORIZATIONS 2014		in EUR	REFERENCES
		Current year		239,572,717.00
	Carried forward		49,206,659.83	FC(2014)0104-REV1
		TOTAL :	288,779,376.83	
	MEANS OF FINANCING			
	SURPLUS OF THE YEAR 2013			
	Surplus 2013 allowed to budget 2014		13,339,173.00	
	CREDITS CARRIED OVER TO 2013			
			49,206,659.83	FC(2014)0104-REV1
	CONTRIBUTIONS CALLED			
	- Advance 2013		0.00	
	- 1st Call 2014		171,067,225	FC-CC(2014)0001(NHQ-CF-NF-01)
	- 2nd Call 2014		55,166,319	PO(0706) and individual letters
		TOTAL :	288,779,376.83	

The table below reconciles the approved budget and call for contributions for the common funded component with the in-flows of cash

Reconciliation of initial budget for year Y with received contributions (cash flow)		
+	Contributions received (cash flow statement)	231,087,246.16
+	Advance received in Y-1	1,944,760.49
-	Advance received in Y+1	-
+	Contributions Receivable for Y	12,327,633.00
+	Transfer from US reimbursable account	-
+	Use of CST previous years	-
-	Contributions Receivable for previous years	- 9,413,638.00
-	Amounts received in relation to claim	- 64,878,775.65
	Rounding	- 1.00
	Contributions called 1st call Y	171,067,225.00
	Surplus previous years for budget Y	n/a
	Total Initial budget Y	171,067,225.00

Nationally Funded Component

Although not considered as a common funded budget, specific amounts are approved for the nationally funded component (excluding Fit-Out). Related expenses are apportioned using physical criteria (such as surface, number of parking spaces) rather than the cost-shares applicable to the Common Funded Component. The table below compares the cumulative approved amounts, related advances to the PMT and accrued expenses.

	(amounts in EUR)			
	Up to 2012	2013	2014	Cumulative
Approved Amounts	37,790,467	12,756,605	25,327,510	75,874,582
Cash advances	12,000,000	27,099,999	26,500,000	65,599,999
Expenses	12,094,699	24,235,600	19,387,919	55,718,218

Operations related to the Fit-Out of national delegations are not executed in the context of a budget framework; they result in outflows of cash to the PMT for settlement of related invoices.

NOTE 17: WRITE-OFFS

Nothing to report.

NOTE 18: LEASES

Belgium has granted to NATO by way of concession a plot of land on which NATO is authorized to erect all necessary buildings and facilities related to the NATO New Headquarters Project. The annual fee is

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EUR 250. NATO is the full owner of all constructions made. Belgium remains the sole and full owner of the land, which is military public domain. The concession ends 180 days after NATO has left the buildings and facilities. In such case, if Belgium would decide to use the building and facilities, it shall pay a fair indemnity to NATO. If Belgium would decide to demolish them, it will not be obliged to pay an indemnity to NATO neither will NATO have to contribute to demolition costs. At the end of the concession, there would be no property rights transferred to NATO. As a consequence, given the indefinite economic life of land and the specific nature of concessions, the use of the land is classified as an operational lease.

The New NATO Headquarters Project does not have any financial leases.

NOTE 19: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NOTE 20: CONTINGENCY CREDITS AND CONTINGENT LIABILITIES



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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

NOTE 21: CONTINGENT ASSETS

Nothing to report.

NOTE 22: EMPLOYEE DISCLOSURE

Accounting for employee benefits is accounting for any liability in relation to all forms of consideration given by an entity in exchange of service rendered by employees.

At 31 December 2014, New NATO Headquarters Project Office had an approved Personnel Establishment of 23 positions (20 for 2013) funded by its budget, of which one was vacant end 2014. Six positions related to the Transition Office.

The NATO-IS centrally manages three pension programs, namely the Defined Benefit Pension Scheme (DBPS), the Provident Fund and the Defined Contribution Pension Scheme (DCPS), as well as the Retiree Medical Claims Fund (RMCF), covering staff employed by all NATO bodies. NATO wide financial statements are issued by the NATO-IS Office of Financial Control for the three Pension

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Schemes and the RMCF; therefore, no related assets or liabilities are recognised in these financial statements.

Eighteen staff members participate in the DCPS administered by NATO. The DCPS provides that the New NATO Headquarters Project budget makes a 12% monthly matching contribution to the staff members' contributions for current service. Five employees participate in the DBPS: a deduction of 9% of their salaries is made and contributed to the annual financing of this Plan. In addition, the New NHQPO budget makes a monthly matching contribution to the DBPS equal to 18% of their basic salaries, which in accordance with (BC-WP(83)3(Revised) and C-M(83)34) is deemed to provide the necessary funds for the subsequent pensions liability of the NHQPO. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity (find reference). Consequently, the NHQPO has neither DBPS nor DCPS liability for its staff members. Also, one staff member is employed on reimbursable basis with an agreement between NATO-IS and the United States. The individual is paid and accrues pension rights under a United States pension scheme.

The contributions for pensions paid are as follows:

amounts in EUR	2014			2013		
	Staff	Employer	Total	Staff	Employer	Total
Provident Fund	-	-	-	-	-	-
Co-ordinated Pension Scheme	34,342.98	68,685.96	103,028.94	33,978.94	67,957.88	101,936.82
Defined Contribution Pension Scheme	91,810.39	137,715.88	229,526.27	90,634.21	123,976.92	214,611.13
TOTAL	126,153.37	206,401.84	332,555.21	124,613.15	191,934.80	316,547.95

Untaken leave by NHQPO staff is not considered material and is therefore not recognised.

One staff member is employed on a reimbursable basis with an agreement between NATO-IS and the United States. The salary is paid directly by the US using national salary scales and the US is reimbursed the costs corresponding to the grade of the post occupied by the staff member. The individual accrues pension rights under a United States pension scheme.

NOTE 23: KEY MANAGEMENT PERSONNEL

The Deputies Committee (DPRC) is responsible for the oversight of the New NATO HQ Project management. The DPRC took over this responsibility from the DPRHQB which was disbanded in 2010. Members of the DPRC are nominated by their respective National Authorities. They are paid on the basis of applicable national pay scales. They do not receive from NATO any additional remuneration for their responsibilities or access to benefits.

For the purposes of IPSAS 20 implementation, Key Management Personnel of New NATO HQ Project are the Director of the NHQPO and his Deputy. They are remunerated in accordance with their respective NATO grades, respectively A6 and A5.

There are no other remuneration or benefits to key management personnel and their family members. Key Management Personnel are entitled to receive loans which are also available to other members of the NATO International Staff.

NOTE 24: RELATED PARTIES**NATO Bodies**

For administrative purposes the NHQPO is attached to the NATO International Staff Defense Investment Division and the Transition Team to Executive Management Division. The Assistant Secretary General of the Defense Investment Division chairs the DPRC when it addresses issues related to the Project.

In 2014, NATO International Staff charged the NHQPO an amount of EUR 113,290 for administrative support costs (EUR 123,030.19 in 2013) and EUR 6,797.10 for common operating costs (EUR 7,750.72 in 2013). The specific operating costs related to the PMT (estimated EUR 4,468.45 in 2014 and EUR 4,173.58 in 2013) are absorbed by the Civil Budget in exchange of the occupancy of the CDH building by the International Staff

II SUMMARY OF COMMON AND NATIONAL FUNDING REQUIREMENTS (CF + NF) (EXCLUDING FIT-OUT) PER CISI AND PER YEAR - IN KEUR-
(Including Salary Adjustment / Inflation / Annual Revision & Contingencies)

Chapter Item Sub-Item (CISI)	Description of requirements	Actuals 2000-2013	Budget Revised 2014	Budget Request 2015	Forecast 2016	Forecast 2017	CF	NF	(CF + NF) TOTAL CASH FLOW
CHAPTER I PERSONNEL COSTS									
01-01 to 01-03	Personnel costs (except Transition Management)	14,791	1,620	2,000	2,000	1,599	22,010	0	22,010
01-01 to 01-03	Transition Support Office - NATO Staff Posts	1,781	700	710	720	641	4,552	0	4,552
01-01	Transition Management - Staff Restructuring	0	0	1,500	1,000	1,000	2,500	0	2,500
01-01-04-01	Transition Management - Staff Training	143	0	1,100	1,683	0	2,926	0	2,926
01-02-02-00	Transition Support Office - Consultants	1,415	200	500	442	0	2,557	0	2,557
	Sub-total I	18,130	2,520	4,310	6,345	3,240	34,545	0	34,545
CHAPTER II OPERATING EXPENSES									
02-01 to 02-10	Operat. Exp. excl. Security / Renovat. Works / Trans Mgmt	5,353	100	102	400	575	6,530	0	6,530
02-01-00-01	Transition Management - Travel costs	50	10	5	5	0	70	0	70
02-02-00-00	Transition Management - Admin Support to IS	101	41	42	42	0	226	0	226
02-05-01-01	Transition Management - Operat. & Mainten. overlap costs	0	0	0	6,374	2,000	8,374	0	8,374
02-05-02-00	Renovation of buildings A2/A12 on new construction site	749	0	0	0	0	749	0	749
02-05-03-00	Transition Management - Disposal of current HQ site	250	0	50	2,200	2,500	5,000	0	5,000
02-05-10-00	Security Equipment for Site Guards	107	2	0	0	0	109	0	109
02-06-00-00	Site Security Guards labour	19,126	7,165	7,800	7,545	0	41,636	0	41,636
	Sub-total II	25,735	7,318	7,999	16,566	5,075	62,693	0	62,693
CHAPTER III INTELLECTUAL SERVICES									
03-01-01-00	Construction Security Planning	269	30	0	0	0	299	0	299
03-01-02-00	Geotechnical Survey of Site	326	0	0	0	0	326	0	326
03-01-03-00	Environmental Impact Study	206	0	0	0	0	206	0	206
03-01-04-00	Legal consultant - PMT	490	0	0	60	90	640	0	640
03-01-04-01	Legal consultant - NATO	50	100	100	0	0	250	0	250
03-01-05-00	Stability & Quality Control	1,760	0	0	0	2	1,762	0	1,762
03-01-06-00	Fire & Physical Safety Control	689	0	0	0	0	689	0	689
03-01-07-00	Furniture Programme Management	416	24	10	0	0	450	0	450
03-01-08-00	Cost and Change Management	4,097	560	0	489	150	5,296	0	5,296
03-01-08-01	Data Management System	855	110	147	102	72	1,286	0	1,286
03-01-08-02	Encryptors/Collaboration Tools NCIA	430	60	60	0	0	550	0	550
03-01-09-00	Technical Consultancy IBAN	74	0	0	15	0	89	0	89
03-01-10-00	Web Site Design	42	0	0	0	0	42	0	42
03-01-11-00	Topographic & Blast Study	103	0	0	0	0	103	0	103
03-01-12-00	Miscellaneous Consulting - NATO	1,329	0	0	0	0	1,329	0	1,329
03-01-12-01	Specialized consulting - PMT	224	0	0	100	100	424	0	424
03-01-13-00	ICT Consultancy (NATO Specific NCIA)	1,016	94	108	0	0	1,218	0	1,218
03-01-13-01	ICT - Programme Management - NCIA	2,680	150	600	562	0	3,992	0	3,992
03-01-14-00	Constant Surveillance of Works	4,112	3,045	1,522	2,039	335	11,053	0	11,053
03-01-15-00	SITE/Plant Laboratory Testing	105	0	0	0	0	105	0	105
03-01-16-00	Logistics Study	60	0	0	0	0	60	0	60
03-01-18-00	Data Sheet Consulting (Space Management)	238	0	0	0	0	238	0	238
03-02-00-00	Belgian PMT National Admin Expenses (NAE)	14,502	1,000	1,000	2,000	2,640	21,142	0	21,142
03-02-01-00	ICT - ANWI NC3A Fees	7,785	1,200	1,650	1,000	481	12,116	0	12,116
03-02-01-00	ICT - ANWI Engineering Services	370	220	220	56	0	866	0	866
03-03-00-00	IADC, JURY HONORAIRES, UJA & INDEMNITIES	2,589	0	0	0	0	2,589	0	2,589
03-04-00-00	CDT Fees + Amendments	72,734	6,500	2,796	5,866	1,168	89,064	0	89,064
03-05-00-00	Overall fees on additional Contingencies	0	686	0	0	0	686	0	686
	Sub-total III	117,551	13,779	8,214	12,289	5,037	156,870	0	156,870

CISI	Description	Actuals 2000-2013	Budget Revised 2014	Budget Request 2015	Forecast 2016	Forecast 2017	CF	NF	(CF + NF) TOTAL CASH FLOW
CHAPTER IV									
CONSTRUCTION WORKS AND ASSOCIATED COSTS									
04-01-01-00	Demolition works - Lot 1	9,589	0	0	0	0	9,589	0	9,589
04-01-02-00	Construction Works (CF+NF) excl. PNWI, ESS, AV	226,876	103,435	70,087	15,140	5,320	344,710	76,147	420,858
	Contingencies authorised to PMT	24,747	86,448	26,254	219	0	128,512	9,157	137,669
	Annual revision	28,805	9,479	3,493	2,935	3,498	39,781	8,428	48,209
04-01-02-00	Passive Network Infrastructure (PNWI) (CF+NF)	5,870	3,992	3,351	4,217	0	15,137	2,292	17,429
	Contingencies (5% of PNWI works)	293	200	125	253	0	757	115	871
	Annual revision	766	494	252	694	0	1,909	297	2,206
04-01-02-02	Additional Contingencies (5% of construction works and PNWI) (without revisions) (on DPRC release) per MOU Art 6 d.3.	1,978	3,107	23,463	5,000	0	32,254	1,294	33,548
04-01-02-03	Potential Changes of Scope (5% of Construction works and PNWI) (on DPRC release) (without revisions)	0	0	2,189	2,003	0	2,898	1,294	4,192
04-01-02-01	Electronic Security Systems (ESS) [CF]	3,640	4,313	0	6,913	0	14,865	0	14,865
	Contingencies (ESS)	182	216	0	1,446	440	2,283	0	2,283
	Annual revision	452	0	0	430	0	882	0	882
04-01-03-00	Audiovisual Equipment (CF)-TBCE C-M(2010)0036 Apr 2010	4,747	0	6,769	14,915	0	26,431	0	26,431
	Contingencies (AV equipment)	237	0	338	2,026	0	2,602	0	2,602
	Annual revision	590	0	0	1,017	0	1,608	0	1,608
04-01-04-00	Construction of Mock-ups	300	0	0	0	0	300	0	300
04-01-05-00	Construction Security Programme-Equipment (on site)	732	120	0	180	0	1,032	0	1,032
04-01-06-00	CST Team on reimbursable basis	7,633	3,492	0	6,200	0	17,325	0	17,325
04-01-07-00	Connection of utilities (sewage, elec, gas, water)	1,050	0	0	0	0	1,050	0	1,050
	Sub-total IV	318,489	215,294	136,322	63,588	9,257	643,925	99,025	742,951
CHAPTER V									
Special Equipment									
	ICT - Active Network Infrastructure	8,146	23,993	5,029	27,000	15,598	79,766	0	79,766
	ICT-IV&V	915	500	400	195	0	2,010	0	2,010
05-01-01-00	ICT- 5% Contingencies HN	407	222	2,579	780	0	3,988	0	3,988
	ICT- 5% Contingencies NATO	407	222	2,579	780	0	3,988	0	3,988
	ICT- Programme contingencies	1,202	607	5,662	3,803	0	11,275	0	11,275
05-01-02-00	ICT - Application Migration	0	445	1,607	2,053	0	4,105	0	4,105
	Furniture either internal or external (loose)	0	0	0	18,100	0	18,100	0	18,100
	Contingencies on Furniture	0	0	0	2,400	0	2,400	0	2,400
05-01-03-00	Sports or recreational equipment (loose)	0	0	0	200	0	200	0	200
05-01-04-00	Relocation costs and movement of (loose) furniture	0	0	0	600	0	600	0	600
05-01-05-00	Non-Fixed Equipment	0	0	0	700	0	700	0	700
	Sub-total V	11,078	25,989	17,857	56,610	15,598	127,132	0	127,132
GRAND TOTAL		490,983	264,900	174,701	155,398	38,208	1,025,165	99,025	1,124,190