

NATO SANS CLASSIFICATION

1^{er} février 2016

DOCUMENT
C-M(2016)0007-AS1

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS
DU COLLÈGE DE DÉFENSE DE L'OTAN (NADEFCOL) POUR L'EXERCICE 2014**

SUITE DONNÉE

Le 29 janvier 2016, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport du Collège international des commissaires aux comptes de l'OTAN diffusé sous la cote IBA-AR(2015)13, qui figure en annexe au C-M(2016)0007, et il a approuvé la recommandation du Bureau de la planification et de la politique générale des ressources visant la communication au public.

(signé) Alexander Vershbow
Secrétaire général délégué

NOTE : La présente note fait partie du C-M(2016)0007 et doit être placée en tête de ce document.

NATO SANS CLASSIFICATION

21 janvier 2016

DOCUMENT

C-M(2016)0007

Procédure d'accord tacite :

29 jan 2016 16:00

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS
DU COLLÈGE DE DÉFENSE DE L'OTAN (NADEFCOL) POUR L'EXERCICE 2014**

Note du secrétaire général délégué

1. On trouvera en annexe le rapport du Collège international des commissaires aux comptes de l'OTAN (IBAN) sur la vérification des états financiers du Collège de défense de l'OTAN (NADEFCOL) pour l'exercice clos le 31 décembre 2014. Ce rapport contient une opinion sans réserve.
2. Le rapport a été examiné par le Bureau de la planification et de la politique générale des ressources (RPPB). Conformément au PO(2015)0052, celui-ci a recommandé au Conseil, dans une note qu'il a approuvée le 8 décembre 2015, d'autoriser la communication au public du rapport de l'IBAN ainsi que des états financiers correspondants (annexe).
3. J'estime que ce rapport ne nécessite pas d'examen plus approfondi. Par conséquent, **sauf avis contraire me parvenant d'ici au vendredi 29 janvier 2016 à 16 heures**, je considérerai que le Conseil aura pris note du rapport de l'IBAN diffusé sous la cote IBA-AR(2015)13 et qu'il aura approuvé la recommandation du RPPB visant la communication au public des documents précités.

(signé) Alexander Vershbow

3 annexes

Original : anglais

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**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS
DU COLLÈGE DE DÉFENSE DE L'OTAN (NADEFCOL) POUR L'EXERCICE 2014**

Rapport du Bureau de la planification et de la politique générale des ressources

Références : (A) IBA-A(2015)80 // IBA-AR(2015)13

(B) Lettre du contrôleur des finances de l'EMI sur la communication au public
(IMSTAM(FC)-0055-2015)

1. En vertu du PO(2015)0052, les rapports non classifiés du Collège international des commissaires aux comptes de l'OTAN (IBAN), assortis le cas échéant des états financiers correspondants, sont en principe rendus publics après leur examen par le Conseil.
2. L'IBAN a émis une opinion sans réserve sur les états financiers 2014 du Collège de défense de l'OTAN (NADEFCOL). Son rapport (référence (A)) sera transmis au Conseil afin qu'il en prenne note, ainsi que le prévoient les procédures agréées.
3. Le contrôleur des finances de l'État-major militaire international a estimé que les états financiers 2014 du NADEFCOL pouvaient être rendus publics (référence (B)).

Le Bureau de la planification et de la politique générale des ressources estime quant à lui que le rapport de l'IBAN ne contient pas d'informations qui, en vertu de la politique relative à la mise en lecture publique de l'information OTAN, ne peuvent être rendues publiques et, conformément à la politique agréée dans le PO(2015)0052, il recommande par conséquent que le Conseil approuve la communication au public de ce rapport et des états financiers correspondants.

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**Note succincte
du Collège international des commissaires aux comptes de l'OTAN
à l'intention du Conseil
sur la vérification des états financiers du Collège de défense de l'OTAN
(NADEFCOL)
pour l'exercice clos le 31 décembre 2014**

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers du Collège de défense de l'OTAN (NADEFCOL), qui est chargé d'organiser des stages et d'autres programmes conçus pour préparer des officiers et des responsables appelés à servir à des postes importants à l'OTAN ou en rapport avec l'OTAN, et pour faire connaître les initiatives et les intérêts de l'OTAN. Le montant total des dépenses du NADEFCOL pour l'exercice clos le 31 décembre 2014 s'est établi à 9,29 millions d'euros.

Le Collège a émis une opinion sans réserve sur les états financiers du NADEFCOL et sur la conformité pour l'exercice clos le 31 décembre 2014.

Il n'a pas eu d'observation ou de recommandation à formuler.

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COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

OPINION SUR LA VÉRIFICATION DES ÉTATS FINANCIERS

DU COLLÈGE DE DÉFENSE DE L'OTAN

(NADEFCOL)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2014

**OPINION DU COLLÈGE INTERNATIONAL
DES COMMISSAIRES AUX COMPTES DE L'OTAN
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Rapport sur les états financiers

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers du Collège de défense de l'OTAN (NADEFCOL), composés de l'état de la situation financière au 31 décembre 2014 et de l'état de la performance financière, de l'état des variations de la situation nette et du tableau des flux de trésorerie pour l'exercice clos à cette date, ainsi que d'un résumé des méthodes comptables importantes et de diverses notes explicatives. Le Collège a également vérifié l'état de l'exécution du budget pour l'exercice clos le 31 décembre 2014.

Responsabilité de la direction

La direction est chargée d'établir les états financiers conformément au cadre comptable OTAN et aux dispositions du Règlement financier de l'OTAN tels qu'ils ont été fixés par le Conseil de l'Atlantique Nord, et de veiller à ce qu'ils donnent une image fidèle de la situation de l'entité. Elle est ainsi responsable de la conception, de l'application et de la tenue d'un système de contrôle interne de nature à permettre l'établissement et la présentation d'états financiers qui soient exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur.

Responsabilité du Collège

Il incombe au Collège de formuler sur ces états financiers une opinion qui soit fondée sur son travail de vérification, lequel aura été effectué conformément aux dispositions de sa charte et aux normes internationales d'audit. Ces normes exigent que le Collège respecte certains principes déontologiques, et qu'il planifie et effectue sa vérification de manière à parvenir à une assurance raisonnable sur le point de savoir si les états financiers sont exempts d'inexactitudes significatives.

Un audit consiste à appliquer des procédures permettant d'obtenir des éléments probants relatifs aux montants et aux informations figurant dans les états financiers. Les procédures retenues à cette fin sont laissées à l'appréciation de l'auditeur, qui évalue notamment les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur. Pour l'évaluation de ces risques, le système de contrôle interne sur lequel s'appuient l'établissement et la présentation des états financiers de l'entité concernée est pris en considération, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne. Il s'agit aussi de déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables faites par la direction sont raisonnables, ainsi que d'évaluer la présentation générale des états financiers.

Le Collège estime qu'il a obtenu par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion.

Opinion sur les états financiers

L'opinion du Collège est qu'à tous égards significatifs, les états financiers donnent une image fidèle, conforme au cadre comptable OTAN, de la situation financière du NADEFCOL au 31 décembre 2014, ainsi que de sa performance financière et de ses flux de trésorerie pour l'exercice clos à cette date.

Rapport sur la conformité

Responsabilité de la direction

En plus d'être responsable, comme il est dit plus haut, de l'établissement et de la présentation des états financiers, la direction est chargée de veiller à ce que les opérations financières et les informations présentées dans les états financiers soient conformes aux dispositions du Règlement financier de l'OTAN et du Règlement du personnel civil de l'OTAN telles qu'elles ont été fixées par le Conseil de l'Atlantique Nord.

Responsabilité du Collège

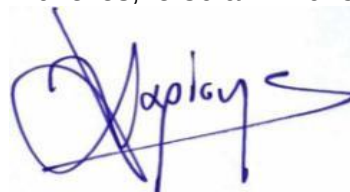
En plus d'être responsable, comme il est dit plus haut, de la formulation d'une opinion sur les états financiers, le Collège est chargé de se prononcer sur le point de savoir si les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN. Il lui incombe notamment d'appliquer des procédures lui permettant d'obtenir une assurance raisonnable sur le point de savoir si les fonds ont été utilisés pour le règlement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur dans le domaine financier et en matière de personnel. De telles procédures prévoient notamment l'évaluation des risques de non-conformité significative.

Le Collège estime qu'il a obtenu par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion.

Opinion sur la conformité

Le Collège estime que les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Bruxelles, le 30 avril 2015



Charilaos Charisis
Président

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NATO DEFENSE COLLEGE FINANCIAL STATEMENTS (BUDGET 303)

2014



Presented by: Mr. Vincenzo Distefano, ITACV
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STATEMENT OF INTERNAL CONTROL

As Senior Manager, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by NATO, whilst safeguarding the funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage and reduce, rather than eliminate, the risk of failure to achieve the organisation's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 December 2014 and up to the date of approval of the annual report and accounts.

As Commandant of the **NATO Defense College**, I also have responsibility for reviewing the effectiveness of the system of internal control. To that effect, I ensure that:

- qualified officials are assigned to the financial positions prescribed by the NFRs;
- the tasks and responsibilities of those officials are clearly reflected in the relevant Job Descriptions;
- formal delegation of authority for financial matters is in place;
- specific procedures (SOPs and ToRs) are in place to adapt NATO financial rules to local circumstances;
- audits from International Board of Auditors for NATO (IBAN), from internal IMS auditors and from internal NDC agents are carried out regularly and the results and findings are brought to my attention.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports.

The IBAN report for year 2013 accounts of the NATO Defense College issued an unqualified opinion, and did not require particular actions or intervention from the senior management. Also internal audits both for NATO and non-appropriated funds did not raise any particular area of attention.



Janusz BOJARSKI
Major General, POLAF
Commandant, NATO Defense College

Rome, 10 March 2015

Introduction by the Financial Controller

1. The NATO Defense College's (NDC) mission and organisation is formally established under the document MC 123/8 (Final). The mission is to contribute to the effectiveness and cohesion of the Alliance by serving as the cornerstone of Alliance education, playing a strong role in public outreach efforts, acting as a forum of excellence for transatlantic security studies and conducting research projects contributing to the identification and analysis of issues important for the Alliance.
2. The IMS Budget Group covers a number of budgets and entities linked together for financial management purposes by a Financial Controller. The IMS Financial Controller is also the Financial Controller of the Science and Technology Organisation (STO). The STO and IMS are therefore related parties under a common Financial Controller.
3. These Financial Statements are specific to the NDC. The NDC statements reflect the financial position, the financial performance, the budget execution, the cash flow and the change in net assets for the reporting period. Notes provide further disclosures on key transactions following the materiality principle. The financial statements have been prepared primarily using the FinS accounting software, where the NDC has a separate set of financial books. The statements cover the execution of the main NDC budget code 303, and include the elements of Outreach budgets for which the NDC has operational control.
4. The Financial Statements 2014 have been produced in accordance with the NATO Accounting Framework. This Accounting Framework is based on International Public Sector Accounting Standards (IPSAS), as adapted by NATO under C-M(2013)0039. The Financial Statements are also produced in accordance with the NATO Financial Regulations.
5. As the NATO Accounting Framework is continuously evolving, compliance is a dynamic process that requires staff to keep updating their knowledge. Also it requires that the accounting tools are suitably maintained and, when appropriate, upgraded. An on-going challenge is that NATO entities undertake financial reporting in a consistent way. Therefore the NDC, through the IMS FC and his Office, maintains a dialogue with the other NATO entities and plays a full part in the NATO Accounting Working Group and the Working Group of Financial Controllers. The NDC remains committed to developing its Financial Reporting expertise and producing Financial Statements fully compliant with the applicable standards and instructions as issued by Nations. The NDC will also continue to work openly and constructively with the IBAN.



P. BONTINCK
BELCV - Financial Controller
International Military Staff &
Science and Technology Organisation

NATO DEFENSE COLLEGE
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	<i>Notes</i>	31-12-2014 <i>Euro</i>	31-12-2013 <i>Euro</i>	Difference
ASSETS				
Current Assets				
Cash and Cash Equivalents				
Cash Accounts	1-A	4,474	2,029	2,444
Petty Cash and Advances	1-B	6,600	5,100	1,500
Current Bank Accounts	1-C	2,989,510	2,467,529	521,980
Total Cash and Cash Equivalents		3,000,583	2,474,659	525,925
Receivables				
Receivable Budget Increase thru IYR BC 28 N	2-A	75,000	-	75,000
Receivables from non-consolidated NATO Entities	2-B	121,266	135,943	(14,677)
Receivables from Staff Members	2-C	17,645	2,628	15,017
Receivables from Governments	2-D	3,498	23,805	(20,307)
Other Receivables/Recoverables	2-E	-	-	-
Receivable Financial Result BC 28 N	3-F	2,119	-	2,119
Total Receivables		219,527	162,376	57,151
Advances and other Current Assets				
Advances - Non Assigned Expenditures	3	6,723	16,930	(10,207)
Total Advances and other Current Assets		6,723	16,930	(10,207)
Non-Current Assets				
Fixed Assets - Property, Plant & Equipment				
Fixed Assets	4-A	16,398,171	16,726,977	(328,806)
Fixed Assets Accumulated Depreciation	4-B	(3,403,587)	(3,490,440)	86,853
Total Fixed Assets - Property, Plant & Equipment		12,994,585	13,236,537	(241,953)
TOTAL ASSETS		16,221,418	15,890,502	330,916
LIABILITIES				
Current Liabilities				
Payables				
Payable to Suppliers	6-A	(49,474)	(63,920)	14,446
Inventory AP Accrual	6-B	(317,630)	(270,134)	(47,496)
Payable to staff members	6-C	-	-	-
Total Payables		(367,104)	(334,054)	(33,050)
Unearned Revenue & Advance Contributions				
Unearned Revenue BC 303	7-A	(688,730)	(222,423)	(466,307)
Liability Operational Result	7-B	(2,418)	(54,243)	51,825
Liability Financial Result	7-C	-	(18,461)	18,461
Liability Lapses BC 303	7-D	(57,182)	(11,760)	(45,421)
BC Advance Contributions	7-E	(2,100,000)	(2,000,000)	(100,000)
Advance Contributions National borne costs	7-F	(11,400)	(13,025)	1,625
Total Unearned Revenue & Advance Contributions		(2,859,730)	(2,319,911)	(539,819)
Non-Current Liabilities				
Long-term Provisions				
Property, Plant & Equipment	8	(12,994,585)	(13,236,537)	241,953
Total Long-term Provisions		(12,994,585)	(13,236,537)	241,953
TOTAL LIABILITIES		(16,221,418)	(15,890,502)	(330,916)
TOTAL NET ASSETS/EQUITY		0	0	0

NATO DEFENSE COLLEGE
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>Notes</i>	<i>01 Jan - 31 Dec 2014 Euro</i>	<i>1 Jan - 31 Dec 2013 Euro</i>	<i>Difference</i>
OPERATING PERFORMANCE				
Revenue				
Revenue from BCode 303 Operating Activities	9-A	(7,903,923)	(8,269,434)	365,511
Revenue from Non-BCode 303 Operating Activities		(1,014,337)	(1,301,425)	287,088
Financial Revenue	9-C	(14,301)	(11,287)	(3,014)
Revenue Recognition from PP & E	9-D	(362,253)	(367,800)	5,547
Total Revenue		(9,294,814)	(9,949,946)	655,132
Expenses				
BCode 303 Expenses				
Personnel	10-A-1	5,233,607	5,273,771	(40,164)
Contractual Supplies and Services	10-A-2	2,632,386	2,830,228	(197,842)
Capital and Investments Budgeting	10-A-3	37,930	165,435	(127,505)
Total BCode 303 Expenses		7,903,923	8,269,434	(365,511)
Non-BCode 303 Expenses				
Personnel	10-B-a	68,869	116,610	(47,741)
Contractual Supplies and Services	10-B-b	945,468	1,184,816	(239,347)
Capital and Investments Budgeting	10-B-c	-	-	-
Total Non-BCode 303 Expenses		1,014,337	1,301,425	(287,088)
Finance Costs	10-C	14,301	11,287	3,014
Depreciation PP & E	10-D	362,253	367,800	(5,547)
Total Expenses		9,294,814	9,949,946	(655,132)
SURPLUS / DEFICIT FOR THE PERIOD	11	0	0	0

NATO DEFENSE COLLEGE
STATEMENT OF THE CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2014

<i>01 Jan - 31 Dec</i> <i>2014</i> <i>Euro</i>	<i>1 Jan - 31 Dec</i> <i>2013</i> <i>Euro</i>
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CASH FLOWS FROM OPERATING ACTIVITIES

Surplus/Deficit from ordinary activities - -

Non-cash movements

Depreciation	362,253	367,800
<u>Increase</u> - (Decrease) in payables	33,050	(66,298)
<u>Increase</u> - (Decrease) in other current liabilities	539,819	(535,291)
<u>(Increase)</u> - Decrease in receivables	(57,151)	565,708
(Increase) - <u>Decrease</u> in other current assets	10,207	33,520
<u>(Increase)</u> - Decrease in Long-term Provisions	(241,953)	(88,238)

NET CASH FLOWS FROM OPERATING ACTIVITIES

646,225	277,200
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property plant and equipment	(120,300)	(279,561)
Proceeds from sale of property plant and equipment	-	-
Proceeds from sale of investments	-	-

NET CASH FLOWS FROM INVESTING ACTIVITIES

(120,300)	(279,561)
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CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from borrowings	-	-
Repayment of borrowings	-	-

NET CASH FLOWS FROM FINANCING ACTIVITIES

-	-
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Notes to the Cash Flow Statement**(a) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks.
Cash and cash equivalents included in the Cash Flow Statement comprise the following statement of financial position amounts as at 31 December 2014.

Cash on hand and balances with bank
Short term investments

3,000,583	2,474,658
-	-

Change in cash on hand and balance with bank is an
increase of

525,925	(2,362)
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NATO DEFENSE COLLEGE
STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	ALL COST SHARES (Euro)	BC 28N (2012) (Euro)	BC 28N (2013) (Euro)	BC 28N (2014) (Euro)	OTHER (Euro)
BALANCE AT 31 DECEMBER 2013	0	0	0	0	0
SURPLUS/DEFICIT FOR THE PERIOD 2014	0	0	0	0	0
BALANCE AT 31 DECEMBER 2014	0	0	0	0	0

NATO DEFENSE COLLEGE
STATEMENT OF THE BUDGET EXECUTION AS AT 31 DECEMBER 2014

EURO	Initial Budget	Transfers	BA-2	Transfers	BA-3	Transfers	Final Budget	Commitments	Expenses	Total Spent	Carry Forward	Lapsed
BUDGET 303 - 2014												
Chapter 1	5,466,551	0	5,466,551	(156,525)	5,310,026	0	5,310,026	136,959	5,158,541	5,295,500	136,959	14,527
Chapter 2	2,705,071	0	2,705,071	28,225	2,733,296	0	2,733,296	174,157	2,559,139	2,733,296	174,157	0
Chapter 3	146,090	155,000	301,090	203,299	504,389	0	504,389	350,759	153,630	504,389	350,759	0
TOTAL FY 2014	8,317,712	155,000	8,472,712	75,000	8,547,712	0	8,547,712	661,875	7,871,310	8,533,185	661,875	14,527
BUDGET 303 - 2013												
Chapter 1	113,959	0	113,959	0	113,959	0	113,959	15,122	75,066	90,188	15,122	23,771
Chapter 2	83,064	0	83,064	0	83,064	0	83,064	11,733	71,247	82,979	11,733	84
Chapter 3	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL FY 2013	197,023	0	197,023	0	197,023	0	197,023	26,855	146,313	173,168	26,855	23,855
BUDGET 303 - 2012												
Chapter 1	17,000	0	17,000	0	17,000	0	17,000	0	0	0	0	17,000
Chapter 2	2,000	0	2,000	0	2,000	0	2,000	0	2,000	2,000	0	0
Chapter 3	6,400	0	6,400	0	6,400	0	6,400	0	4,600	4,600	0	1,800
TOTAL FY 2012	25,400	0	25,400	0	25,400	0	25,400	0	6,600	6,600	0	18,800
GRAND TOTAL BUDGET 303 ALL FYs	8,540,135	155,000	8,695,135	75,000	8,770,135	0	8,770,135	688,730	8,024,223	8,712,953	688,730	57,182

Expenses are recognized / recorded on an accrual basis

A. Accounting Policies

Accounting Period

These Financial Statements are based on the accounting records of the NATO Defense College (NDC) as of 31 December 2014. In accordance with Article 2 of the NATO Financial Regulations (NFRs), the financial year at the NDC begins on 01 January and ends on 31 December of the year.

Reporting Currency

The functional and reporting currency used throughout these Financial Statements is the Euro (EUR - €).

Basis of Preparation

The Financial Statements have been prepared on a going-concern basis.

Financial Reporting Framework

The Financial Statements 2014 have been produced in accordance with the NATO Accounting Framework. This Accounting Framework is based on International Public Sector Accounting Standards (IPSAS), as adapted by NATO under C-M(2013)0039. The Financial Statements are also produced in accordance with the NATO Financial Regulations.

The accounting principles recognized as appropriate for the recognition, measurement and reporting of the financial position, performance and cash flows on an accrual based accounting using historical costs have been applied consistently throughout the reporting period to ensure that the financial statements provide information that is relevant to the decision-making and reliable, comparable, and understandable in light of the qualitative characteristics of financial reporting as well as of the principle of the right balance between the benefits derived from the information and the costs of providing it as required by IPSAS 1.29 and further summarized in Appendix A of IPSAS 1.

The Cash Flow Statement is prepared using the indirect method and the format follows the layout provided by IPSAS 2 (Cash flow Statements).

No accounting standard has been adopted earlier than the application date as stated in the IPSAS standards. The following IPSAS are not relevant for the NDC Financial Statements 2014: IPSAS 26 - Impairment of Cash-Generating Assets, IPSAS 27 - Agriculture. The following IPSAS have no material effect on the financial statements: IPSAS 5, IPSAS 6, IPSAS 7, IPSAS 8, IPSAS 10, IPSAS 11, IPSAS 16 and IPSAS 18.

The NDC Financial Statements have also been prepared in accordance with the accounting requirements of the NFRs and the Financial Rules and Procedures (FRP) and the relevant entity directives and policies. In instances where there is a conflict between IPSAS, the NATO Accounting Framework, and the NFRs and FRP, this has been noted.

Changes in Accounting Policy

There have been no changes to NDC accounting policies in 2014.

Foreign Currency Transactions

Transactions in currencies other than the functional currency are converted into Euro at the NATO exchange rates prevailing at the time of the transaction.

Realized gains and losses resulting from the settlement of such transactions are recognized in the Statement of Financial Performance. The NDC has neither monetary assets nor liability at-year-end nor unrealized gains and losses denominated in foreign currencies.

Consolidation

Consolidated Financial Statements include the financial results of the controlling entity and its controlled entities. When consolidation occurs, inter-entity balances and transactions are eliminated.

However, the NDC as separate NATO Body with its own legal entity and operational and geographical independence does not consolidate its Financial Statements with any other bodies in IMS Budget Group (BG). Moreover, consistent with NATO Accounting Framework and IPSAS 6 - Adapted therein, any Morale and Welfare Activities are not consolidated.

Services In-Kind

Services in-kind are services provided by individuals to public sector entities in a non-exchange transaction. These services meet the definition of an asset because the entity controls a resource from which future economic benefits or service potential is expected to flow to the entity. An entity may, but is not required to, recognize services in-kind as revenue and as an asset, and a decrease in an asset and an expense upon consumption of the service in-kind. Due to many circumstances surrounding services in-kind, including the ability to exercise control over the services, and measuring the fair value of the services, IPSAS does not require the recognition of services in-kind.

Assets – Current Assets

The entity holds the following types of current assets:

a. Cash and Cash Equivalents

Cash and Cash Equivalents are defined as short-term assets. They include cash on-hand, petty cash, current bank accounts, deposits held with banks, other short-term highly liquid investments.

b. Receivables

Receivables are stated at net realizable value, after provision for doubtful and uncollectible debts.

In accordance with IPSAS, receivables are broken down into amounts receivable from user charges, taxes, receivables from related parties, etc.

Contributions receivable are recognized when a call for contribution has been issued to the member nations. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable except for exceptional and agreed technical reasons.

c. Inventories

IPSAS 12 defines inventories, establishes measurement requirements under the historical costs system and establishes disclosure requirements. The NDC assesses inventories under IPSAS 12 and the outcome of this assessment is that the value of the inventories is immaterial both in value and in terms of the nature of the items held. Consequently, inventory is fully expensed on receipt. This is the same approach as in the Financial Statements 2013 but this policy will be reviewed each fiscal year for changes in materiality.

d. Prepayments

This reflects prepayments given to suppliers and to other NATO entities.

Assets – Non - Current Assets

In this category, the NDC is reporting all assets invested for more than 12 months or receivable beyond 12 months from the closing date of the Financial Statements.

a. Financial Assets

Long-term receivables from the nations for future payment of provisions are reported as a financial asset.

b. Property, Plant and Equipment

Basic Principles:

- Buildings are offered to be used by the NDC by the MOD Italy. The amounts shown represent the historic cost as provided by the MOD Italy and will be revalued in case any relevant information is received from the MOD Italy;
- All other property, plant and equipment are stated at historical cost less accumulated depreciation and any recognized impairment loss;
- No external evaluator to set values for assets;
- The capitalization threshold has been set at € 5,000 unless specifically stated otherwise;
- No grouping of assets;
- Depreciation is calculated on a straight-line basis;
- Full depreciation / amortization in the month of acquisition, and nil in the month of disposal.
- As an accounting principle, land cannot be depreciated. The land value shown represents its fair value after internal investigation.

PP&E categorizations for purposes of determining the appropriate depreciable life of the assets is listed in the tables below - the categories for both tangible and intangible assets complete with the years in which the asset is to be depreciated. Straight-line depreciation method is used for all categories; however the depreciable life of an asset is dependent on the particular category it is in.

For assets acquired on or after 1 January 2013 the NATO Accounting Framework has been applied, which includes adaptations to IPSAS 17 PPE. NDC continues to recognize assets acquired pre-2013.

i. Capitalization Thresholds: Taking account of the control criteria, and the guidance in IPSAS 17, the IMS (including the NSA) and NDC shall capitalize each item of PPE above the following thresholds and apply the stated depreciation life below:

Category	Threshold – per item (no grouping)	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 (e.g. airco)	€ 5,000	10 years	Straight line
Machinery	€ 5,000	10 years	Straight line
Vehicles	€ 5,000	5 years	Straight line
Mission equipment	€ 5,000	3 years	Straight line
Furniture	€ 5,000	10 years	Straight line
Communications (e.g. networks; PABX)	€ 5,000	3 years	Straight line
Automated information systems	€ 5,000	3 years	Straight line

Impairment of tangible assets

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that they may be not recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Any provision for impairment is charged against the statement of financial performance in the year concerned.

c. Intangible Assets

i. The NDC had no intangibles acquired post 1 January 2014 that met the criteria for capitalization under the NATO Accounting Framework.

d. Leases (IPSAS 13)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental payments under such leases are charged to the Statement of Financial Performance on straight-line basis.

Liabilities – Current Liabilities

a. Payables

Payables are amounts due to third parties for goods received or services provided that remain unpaid as of the reporting date. Accruals are estimates of the cost for goods and services received at year-end but not yet invoiced.

b. Unearned Revenue and Advances

Unearned revenue represents contributions from Nations and/or third parties that have been called for current or prior years' budgets but that have not yet been recognized as revenue. Funds are called in advance of their need because the entity has no capital that would allow it to pre-finance any of its activities. Contributions called for following-year budgets are recorded as advances.

c. Employee benefits

IPSAS 25 prescribes the accounting treatment of the following employee benefits:

- Short-term benefits which fall due wholly within twelve months after the end of the accounting period in which employees render the related service;
- Post-employment benefits;
- Termination benefits.

Defined Contribution plans

Certain employees were members of the Provident Fund up to 2013. Certain employees are members of the NATO-wide Defined Contribution Pension Scheme (DCPS). The assets of the plans are held separately from those of NDC in funds under the control of independent trustees or an Administrator. The NDC is required to contribute a specified percentage of payroll costs to the DCPS to fund the benefits. Payments to the DCPS are recognized as an expense when employees have rendered service entitling them to the contributions. The only obligation of NDC with respect to the DCPS is to make the specified contributions.

Defined Benefit plans

Certain employees who have joined NATO before 1 July 2005 are members of the NATO Coordinated Pension Scheme, which is a non-funded defined benefit plan. Under the plans and upon completion of 10 years employment with NATO, the employees are entitled to retirement benefits of 2% per year of service of final basic salary on attainment of a retirement age of 60. Qualifying retired staff members also receive Continuing Medical Coverage (CMC) benefits. Staff members whose length of service is not sufficient to entitle them to a retirement pension are eligible for a leaving allowance.

The assets and liability for the NATO's Defined Benefit Plan and the Retirees Medical Contribution Fund (RMCF) are accounted for centrally at NATO Headquarters by the International Staff and therefore are not recognized in these financial statements.

Liabilities - Non-Current Liabilities

Provisions - Including Long-term Provisions for PP & E

Provisions are recognized when the entity has a legal or constructive obligation as a result of past event, and where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate of the amount of the obligation can be made.

Long-term Provisions are non-current liabilities of uncertain value or timing.

They can also derive from the recognition of the fixed assets' present net value to be spent in the form of depreciation/amortization, which is not due for at least one fiscal year and perhaps will not be settled until many years in the future.

Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly in the control of the entity. A contingent liability is not recognized as a liability because it is yet to be confirmed whether there is a present obligation that could lead to a possible outflow of resources or a sufficiently reliable estimate of the obligation cannot be made.

Net Assets

Net assets represent the residual interest in the assets of the entity after deducting its liabilities.

Revenue and Expense Recognition

a. Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. Contributions when called are booked as unearned revenue and subsequently recognized as revenue when it is earned.

Revenue comprises contributions from Member Nations and other customers to fund the entity's budgets. It is recognized as revenue in the Statement of Financial Performance when such contributions are used for their intended purpose as envisioned by operational budgets. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. The balance of unspent contributions and other revenues that relate to future periods are deferred accordingly.

Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the entity recognizes a liability until the condition is fulfilled.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Bank interests earned and accrued as of 31 December 2014, exchange rate revenue due to transactions in foreign currency and realized exchange rate revenue in accordance with the entity Policy IPSAS 4 - Effect of the foreign exchange rate - are recognized as financial revenue.

b. Expenses

Budgetary expenses are recognized when occurred. Accruing of expenses is based on the concept of accruing when goods and services are received. Bank charges, exchange rate losses due to transactions in foreign currency and realized exchange rate losses are recognized as financial expenses.

Bank charges, exchange rate losses due to transaction in foreign currency and realized exchange rate losses in accordance with the IPSAS 4 - Effect of the foreign exchange rate - are recognized as financial expenses.

Surplus or Deficit for the Period

In accordance with the IMS Budget Group accounting policies, the NDC revenue is recognized up to the amount of the matching expenses.

Other Issues – Related Party Disclosure (IPSAS 20)

A formal process is followed to verify the existence or not of any related party relationships. All key personnel have to make a written declaration. Any such relationships have to be fully disclosed in the notes to the Financial Statements.

B. Significant Accounting Judgments and Estimates

In accordance with Generally Accepted Accounting Principles, the Financial Statements necessarily include amounts based on estimates and assumptions made by the management and based on historical experience as well as on the most reliable information available. In exercising the judgments to make the estimates, a degree of caution was included in light of the principle of 'prudence' required by IPSAS in order not to overstate assets or revenue or understate liabilities or expenses.

The estimates and underlying assumptions are reviewed on an ongoing basis. These estimates and assumptions affect the amounts of assets, liabilities, revenues and expenses reported. By their nature, these estimates are subject to measurement uncertainty. The effect of changes to such estimates and assumptions in future periods could be significant to the financial statements.

C. Notes to Statement of Financial Position

Assets – Current Assets

1. Cash and Cash Equivalents

	31-Dec-14	31-Dec-13
a. Cash Accounts	4,474	2,029
b. Petty Cash and Advances	6,600	5,100
c. Current Bank Accounts in Euros	2,989,510	2,467,529
Total	3,000,583	2,474,658

a. Cash is normally the money invested on a short term deposit or business account. For cash and cash equivalents, there are restrictions on their use.

b. Petty Cash holdings is a small amount of cash (600 EUR) kept in the NATO Defense College P&C to pay small expenses and rechargeable card (6,000 EUR) for other purchases through the internet.

c. Current Bank Accounts are held in Euro. The accounts reflect the situation reconciled with the bank statements as at 31 December 2014.

Short-term Loans, to cover the cash requirements during the period between the contributions, received from the IMS totalling 3 MEUR, were refunded before the end of FY 2014.

2. Accounts Receivable

	31-Dec-14	31-Dec-13
a. Receivables Budget Increase thru IYR BC 28N	75,000	0
b. Receivables from NATO Entities	121,266	135,943
c. Receivables from Staff Members	17,645	2,628
d. Receivables from Governments	3,498	23,805
e. Other Receivables	0	0
f. Receivable Financial Result BC 28N	2,119	0
Total	219,528	162,376

a. Receivables Budget Increase thru IYR BC 28N

Receivables Budget Increases are supplementary Budget Authorizations not taken into account in the 2nd Contribution Call 2014. These will be included in the 2nd Contribution Call 2015. The transfer to the NDC budget is authorized by the IMS Financial Controller (IMSTAM(FC)-0003-2015 dated 28 January 2015).

b. Receivables from NATO Entities

The Receivables from NATO Entities at year-end 2014 reflect the following:

- Invoice to NATO IMS for the reimbursement of the expenses paid for against the Outreach (ZNC/504-508-514-524) Budgets 2014 (€ 99,489);
- Invoice to NATO IS for the reimbursement of expenses paid for on its behalf (€ 9,900);
- Invoice for a mission advance (€ 477)
- Invoice to the MOD Japan for the participation of a Course Member in the up-coming Senior Course 126 (€ 11,400)

c. Receivables from Staff Members

These receivables include advances for the participation of subsidized Course Members to the Field Study Program (€ 16,200) and recoverable amount (€ 1,445) for language training material.

d. Receivables from Governments

The Receivables from Governments at year-end reflect the reimbursable expenses (air tickets) paid for the participating spouses to the 3rd Field Study of Senior Course 125.

e. Other Receivables

Other receivables are miscellaneous receivables from multiple sources do not exist on 31 December 2014.

f. Receivable Financial Result BC 28 N

Financial Result is the difference between financial revenues and financial expenses. For 2014 the expenses were higher than the revenues. See also Note 7c.

3. Prepayments and Miscellaneous Assets

Prepayments are mainly in respect of advance payments made to third parties.

	31-Dec-14	31-Dec-13
Advances - Non Assigned Expenditures	6,723	16,930
Total	6,723	16,930

- Remaining advances to NSPA (former NAMSA) for software licenses for 2012-2013 i.a.w. the NSPA funding policy agreed by the IMS BG (€ 4,809);
- Travel advance for late December missions (€ 566) and
- Procurement of cheap air tickets for missions in early January 2015 (€ 1,348).

Assets - Non-current Assets**4. Property, Plant and Equipment**

	31-Dec-14	31-Dec-13	Difference
a. Fixed Assets	16,398,171	16,726,977	-328,806
b. Accumulated Depreciation	-3,403,587	-3,490,440	86,853
Total	12,994,585	13,236,537	-241,953

Only items that meet the capitalization threshold of EUR 5,000 are included. Opening balances have been calculated as of 1 January 2014 and all subsequent changes to arrive at the closing balance are disclosed below. The deletions refer to assets entirely depreciated at 31 December 2013, thus having zero value at 1 Jan 2014.

Changes in Property, Plant and Equipment and related depreciation for the year were as follows:

	AIS and Communication Systems	Furniture	Machinery	Installed Equipment	Land	Building	Totals
Gross Book Value (31 Dec 2013)	109,521.94	26,960.65	135,386.00	1,798,108.21	7,718,220.00	6,938,780.49	16,726,977.29
Deletions (31 Dec 2013 / 1 Jan 2014)	0.00	0.00	-74,106.00	-375,000.00	0.00	0.00	-449,106.00
Gross Book Value (1 Jan 2014)	109,521.94	26,960.65	61,280.00	1,423,108.21	7,718,220.00	6,938,780.49	16,277,871.29
Accumulated Depreciation (31 Dec 2013)	-41,888.74	-13,480.33	-84,599.17	-952,144.68	0.00	-2,398,326.98	-3,490,439.89
Deletions (31 Dec 2013 / 1 Jan 2014)	0.00	0.00	74,106.00	375,000.00	0.00	0.00	449,106.00
Accumulated Depreciation (1 Jan 2014)	-41,888.74	-13,480.33	-10,493.17	-577,144.68	0.00	-2,398,326.98	-3,041,333.89
Net Book Value (1 Jan 2014)	67,633.20	13,480.33	50,786.83	845,963.53	7,718,220.00	4,540,453.51	13,236,537.40
Additions in 2014	0.00	0.00	5,300.00	115,000.00	0.00	0.00	120,300.00
Disposal in 2014	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation in 2014	-32,802.77	-2,696.07	-6,525.50	-146,758.99	0.00	-173,469.51	-362,252.83
Net Book Value (31 Dec 2014)	34,830.43	10,784.26	49,561.33	814,204.54	7,718,220.00	4,366,984.00	12,994,584.56
Gross Book Value (31 Dec 2014)	109,521.94	26,960.65	66,580.00	1,538,108.21	7,718,220.00	6,938,780.49	16,398,171.29
Accumulated Depreciation (31 Dec 2014)	-74,691.51	-16,176.39	-17,018.67	-723,903.67	0.00	-2,571,796.49	-3,403,586.72
Net Book Value (31 Dec 2014)	34,830.43	10,784.26	49,561.33	814,204.54	7,718,220.00	4,366,984.00	12,994,584.56

5. Intangible Assets

The NDC owns no intangible assets.

Liabilities – Current Liabilities

6. Payables

	31-Dec-14	31-Dec-13
a. Payables to Suppliers	49,474	63,920
b. Accruals	317,630	270,134
c. Payables to Staff Members	0	0
Total	367,104	334,054

a. Payables to Suppliers

Payables to Suppliers include invoices received from suppliers but not yet settled.

b. Accruals

Accounts payable Accrued include goods and services received from suppliers but not yet billed/invoiced as of 31 December 2014.

c. Payables to Staff Members

Payables to Staff members do not exist as of 31 December 2014

7. Unearned Revenue and Advances

	31-Dec-14	31-Dec-13
a. Unearned Revenue BCode 303	688,730	222,423
b. Liabilities from Operational Result	2,418	54,243
c. Liabilities from Financial Result	0	18,461
d. Liabilities from Lapsed Budget Authorization	57,182	11,760
e. BC Advance Contributions	2,100,000	2,000,000
f. Advance Contributions National borne costs	11,400	13,025
Total	2,859,730	2,319,911

a. Unearned Revenue and Advances

Unearned Revenue consists of contributions and other transfers received or receivable, but for which corresponding charges will be incurred after the reporting date.

It is accounted for by type, cost-share, budget and year in accordance with the IMS Budget Group policy.

a.	FY 2013 credits carried-forward to FY 2015	26,855
b.	FY 2014 credits carried-forward to FY 2015	661,875
	Total	688,730

b. Liabilities from Operational Results

In accordance with the IMS Budget Group policy, the Liabilities from Operational Results are shown separately for reasons of clarity. They are composed of miscellaneous income generated by reimbursements and include the accrual write-off for previous years where the final invoice was lower than the estimated accrued amount.

a.	FY 2012	532
b.	FY 2013	1,886
	Total	2,418

- Both FY 2012 and 2013 accrual write-off refers to various minor discrepancies between accrued and finally billed services.

c. Liabilities from Financial Results

The Liabilities from Financial Results are, after offsetting the expenses, the net amount of bank interest received, bank charges and realized gains and losses generated during 2014, which is negative.

In accordance with the IMS Budget Group policy, the amount is shown separately for reason of clarity. Details are provided in the following table:

	31-Dec-14	31-Dec-13
a. Gross Bank Interest	14,274	29,207
b. Realized exchange rate Gains	27	541
Gross Amount due to the Nations	14,301	29,748
c. Bank Charges	-9,822	-9,557
d. Realized exchange rate Losses	-5,051	-1,730
e. Rounding Account	-0	0
f. Interest paid	-1,547	0
Total Financial Expenses	-16,420	-11,287
Total to be paid by the Nations	-2,119	18,461

The increase of the realized exchange rate losses compared to the one of last year is the consequence of the higher fluctuation between the weekly NATO and the daily bank exchange rates.

The Interest paid refers to the relative cumulated interest over the last 5 years for a vendor's deposit.

d. Liabilities from Lapses

The lapses from budget authorizations are broken down as follows:

a.	FY 2012	18,800
b.	FY 2013	23,855
c.	FY 2014	14,527
	Total	57,182

The lapses are mainly generated in the Personnel area, by far the largest in the NDC Budget.

e. Advance Contribution

The advance Contribution is called to cover the Fiscal Year 2015 until the arrival of the 1st Contribution and represents the 25% of the 2014 Budget Authorization 3 rounded to the nearest 100 KEUR.

f. Advance Contributions for National borne costs

Advance Contribution for National borne costs to be received from Japan (EUR 11,400) for the participation of a Course Member in the Senior Course 126 (first semester 2015). See also Note 2b.

Liabilities – Non-Current Liabilities**8. Long-term provisions: PP&E and Intangible Assets**

Revenue is recognized incrementally and equally with the depreciation.
The provision is the counterpart of the PP&E Assets Net Value.

D. Notes to Statement of Financial Performance

9. Revenue

The revenue recognition is matched with the recognition of expenses against the entity budgets.

Contributions when called are booked as an advance under unearned revenue and subsequently recognized as revenue when earned.

The revenue recognition is matched with the recognition of expenses against the NDC (303). For the IMS Reimbursable Budgets (ZNC-504/508/514/524), revenues are recorded when the invoices are sent to the IMS for reimbursement every quarter.

The table below shows the breakdown of the operating revenue between different sources:

	31-Dec-14	31-Dec-13
a. Revenue from BCode 303 Operating Activities	7,903,923	8,269,434
b. Revenue from Non-BCode 303 Operating Activities	1,014,337	1,301,425
c. Financial Revenue	14,301	11,287
d. Revenue for Depreciation	362,253	367,800
Total	9,294,814	9,949,946

a. Revenue from BCode 303 Operating Activities

The revenue recognition is matched with the recognition of expenses exclusively against the NATO Defense College Budget (303). **The amount is net of the capitalized PP&E.**

b. Revenue from Non-BCode 303 Operating Activities

The revenue is the total from NATO/Other Entities and Nations matched with the recognition of expenses for several activities such as:

- Outreach/Cooperation activities (PfP, MED, ICI and OMC)
- Reimbursable Activities – National borne expenses.

Field Study expenses paid for on behalf of Nations mounting to 966,108 EUR are not included (see the NON-BCode 303/Reimbursable Budget Execution Statement) since the NDC acts as a "Procurement Agent" for those services i.a.w. IPSAS 9, Paragraph 12 – Revenue from Exchange Transactions.

c. Financial Revenue

The Financial Revenue consists of the bank interest earned and realized exchange rate gains and is recognized up to the amount of financial expenses incurred (See Note 10C).

d. Revenue for Depreciation

The revenue is matched to the depreciation in order to match revenue earned with the consumption of the Assets which is in line with the Accrual Accounting assumption in IPSAS 1 and the income method described in IAS 20 (see Note 10D).

Reconciliation between Revenue and Unearned Revenue

The table below explains to what extent the unearned revenue from previous years and the net calls in the current year are recognized as operating revenue in the current year. The remaining balance is unearned revenue for the funds that are carried-forward to future years and payable credits that are lapsed and payable for budget decreases.

Unearned Revenue Opening Balance 01-Jan-2014	222,423
a. Assessment call for the Budget increase/decrease	75,000
b. Contributions called for the year 2014	
1 st - FC(CC)(2014)0012(MB-01)-COR1 - Funds received from Italy	6,238,284
2 nd - FC(CC)(2014)0222(MB-02) - Funds received from Italy	2,234,428
Total Contributions called	8,472,712
c. Revenue earned in 2014 (Budget Execution including Chapter 73)	-8,024,223
d. Lapses 31-Dec-2014	-57,182
Unearned Revenue Closing Balance 31-Dec-2014	688,730

10. Expenses

Expenses are recognized by nature within the following groups:

		31-Dec-14	31-Dec-13
a. BCode 303 Expenses			
	1. Personnel FY2014	5,158,541	0
	2. Contractual Supplies and Services FY2014	2,559,139	0
	3. Capital and Investment FY2014	33,330	0
	Sub-Total FY 2014	7,751,010	0
	1. Personnel FY2013	75,066	5,203,722
	2. Contractual Supplies and Services FY2013	71,247	2,615,046
	3. Capital and Investment FY2013	0	0
	Sub-Total FY 2013	146,313	7,818,769
	1. Personnel FY2012	0	70,050
	2. Contractual Supplies and Services FY2012	2,000	215,181
	3. Capital and Investment FY 2012	4,600	165,435
	Sub-Total FY 2012	6,600	450,665
	Sub-Total FY 2011	0	0
	Total BCode 303 Expenses	7,903,923	8,269,434
b. Non-BCode 303/Reimbursable Expenses			
	1. Personnel	68,869	116,610
	2. Contractual Supplies and Services	945,468	1,184,816
	3. Capital and Investment	0	0
	Total Non-BCode 303/Reimbursable Expenses	1,014,337	1,301,425
	c. Finance Costs	14,301	11,287
	d. Depreciation Expenses	362,253	367,800
	Total	9,294,814	9,949,946

a. These expenses are funded exclusively through the BCode 303 Budget. See Note H for Capital & Investments reconciliation.

a.1. Personnel

All civilian Personnel expenses as well as other non-salary related expenses, in support of common funded activities, include expenses for salaries and emoluments for approved NATO permanent civilian positions and temporary personnel; other salary related and non-related allowances, such as overtime; medical examinations; recruitment; installation; removal expenses etc. About the Employee Benefits see Note F:

a.2. Contractual Supplies and Services

Contractual Supplies and Services expenses required for administrative support to the NDC. Includes expenses for general administrative overheads, and the maintenance costs of buildings/grounds, communications and information systems, transportation, travel expenses, representation/hospitality and miscellaneous expenses. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term and are included in Contractual Supplies and Services expenses.

a.3. Capital and Investments

Capital and Investment expenses costing more than 50% of level A of EFL, including only the non-capitalized expenditures.

b. Non-Budget Code 303/Reimbursable Expenses

These expenses are funded through various sources to include the Cooperation/Outreach Budgets (504-508-514-524), which are treated as Reimbursable Budgets from the IMS. Other portions are funded as reimbursable costs from other NATO and Partner Entities for several activities. Field Study expenses paid on behalf of Nations are not included. For the detailed presentation see the Non-BCode 303/Reimbursable Budget Execution Statement.

c. Finance costs

Finance costs (total 16,320 EUR) include bank charges, realized exchange rate losses and interests paid as detailed in note 7c. They are matched to the financial revenue (14,301 EUR). The difference (-2,119 EUR) is reported as "Receivable" in the Statement of Financial Position.

d. Depreciation expenses of the period

	31-Dec-14	31-Dec-13	Difference
a. AIS	32,803	29,089	3,713
b. Furniture	2,696	2,696	0
c. Machinery	6,526	12,572	-6,047
d. Installed Equipment	146,759	149,973	-3,214
e. Land	0	0	0
f. Buildings	173,470	173,470	0
Total	362,253	367,800	-5,547

11. Surplus or Deficit for the Period

In accordance with the IMS accounting policies, revenue is recognized up to the amount of the matching expenses and therefore the result is zero, i.e. no surplus or deficit.

E. Related Parties Disclosure

Under IPSAS 20, Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. IPSAS 20 requires the disclosure of the existence of related party relationships, where control exists, and the disclosure of information about transactions between the entity and its related parties. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity.

A specific statement on disclosure of Related Parties is signed by the Management Personnel and retained for auditing purposes.

The key management personnel includes: the Commandant, the Dean, the Director of Management, the Chief Personnel & Administration Branch, the Purchasing & Contracting Officer and the Head of Budget & Finance Branch. They are all rotated, typically every three years with the exception of the Head Budget & Finance Branch. The detailed work related to these tasks tends to be undertaken by staff officers. The key management personnel of the entity have no significant known related party relationships that could affect the operation of this reporting entity. Key management is remunerated in accordance with the applicable National or NATO pay scales. They do not receive from NATO any additional remuneration for Board responsibilities or access to preferential benefits such as the entitlement to receive loans over and above those available to all NATO personnel under normal rules.

For areas such as recruitment and procurement any potential risks are mitigated as follows:

- the appropriate staffs, drawing on their professional competence, lead on carrying out the related day-to-day tasks rather than key personnel;
- there is segregation of duties e.g. requirements definition is separate from the procurement and contracting function, and also a number of internal actors are involved in staffing an issue for key personnel decision(s);
- maximum use is made of competition including advertising via the NDC website;
- documentation trails are maintained for all decisions and there are compliance checks against the relevant NATO regulations;
- the Internal Audit Service from the NATO IS undertakes periodic independent reviews upon coordination with the IMS FC being also the NDC FC.

A specific statement on disclosure of Related Parties is signed by the key Management Personnel and retained in Budget & Finance files for auditing purposes.

During the year, the NDC entered into material transactions with other NATO entities outside the IMS Budget Group, as set out below:

Party	Nature of relationship	Transaction	2014 Expenses
NSPA (former NAMSA)	NATO Entity	Purchases of Software Licenses	49,970
NATO IS	NATO Entity	NEDP	9,000
NATO IS	NATO Entity	PMIS – Annual contribution	1,536

F. Employee Disclosure

Employees in the NDC are compensated for the service they provide in accordance with rules and amounts established by NATO.

Peacetime Establishment (PE)

	Authorized PE *	Filled Positions
Civilians	52	51
Military (IMP)	53	43
Consultants**	-	-
National Manpower Overage	1	1
Voluntary National Contribution (VNC)	-	-
Host Nation	32	29
PfP	4	1
Civilians (CBC)	-	-
LWR	-	-
Total	142	125

* NDC PE was changed in 2013. The numbers mentioned are in line with the MC-500/2 in force at the end of 2014.

** Consultants are not included since their number is variable as reported to the NDMC.

Employee Benefits

The costs in Chapter 71 are for staff members hired under the NATO Civilian Personnel Regulations. The figures represent the costs of personnel including basic salary, allowances, insurance and pension plan contributions. It also includes accruals for entitlements to leaving allowance and loss of job indemnity.

	31-Dec-14	31-Dec-13
a. Employee benefits	3,946,504	4,000,925
b. Provident Fund	0	2,374
c. DCPS	177,245	170,254
Total	4,123,749	4,173,553

Different pension plans are applicable to employees in the NDC; defined benefit plan, and defined contribution plan. All pension plans are centrally managed by NATO HQ and are therefore not included in the NDC Financial Statements. Contributions to the plans are expensed when occurred.

Representation Allowance

The NDC Budget 2014 included an amount of 4,266 EUR as Representation allowance for the entire FY 2014. This was prorated to the two Commandants, taking into account the handover date (end-of July). The amount allocated to the outgoing Commandant (2,408 EUR) was used by him to complement the relevant national funds made available for social events (meals etc.), which the NDC treated as "Reimbursable Expenses".

The remaining amount for the incoming Commandant (1,858 EUR) was used to settle transactions to cover social events and was accounted for and documented in expenses.

Untaken Leave

The situation of untaken leave at the end of 2014 (431 days) is slightly below of that at the end of 2013 (463 days). Since the estimated amount involved (€ 74,648) is not material (less than 1% of the budget), no adjusting entry has been recorded for untaken leave. The NDC has taken measures to ensure all leave is taken by 30 April of the following year in accordance with NATO Civilian Personnel Regulations (CPRs). Already the untaken leave days decreased to 352 by the end of January 2015 and the same trend is expected in the following months. Leave is only paid on exceptional circumstances and in 2014 no leave has been paid.

G. Financial Instruments Disclosure/Presentation

The NDC uses only non-derivative financial instruments as part of its normal operations. These financial instruments include, cash, bank accounts, deposit accounts, accounts receivable, provisions and loans between NATO entities. All the financial instruments are recognized in the Statement of Financial Position at their fair value.

Credit Risk: In the normal course of business, NDC incurs credit risk from trade receivables and transactions with banking institutions (local and in Belgium). NDC manages its exposure to credit risk by:

- Holding current account bank balances and short-term deposits with registered banking institutions with a minimum rating of "B";
- Maintaining credit control procedures over receivables.

The maximum exposure as at 31 December 2014 is equal to the total amount of bank balances, short-term deposits, and receivables disclosed in the Statement of Financial Position. Receivables considered uncollectible are adequately provided for. There is a very limited credit risk associated with the realization of these instruments.

Currency risk: The NDC's exposure to foreign currency exchange risk is very limited, as most of its transactions are dealt with in Euros. A limited number of transactions are paid to suppliers in foreign currencies.

Liquidity risk: The liquidity risk is based on the assessment whether the organization will encounter difficulties in meeting its obligations associated with financial liabilities. There is a very limited exposure to liquidity risk because of the budget funding mechanism that guarantees contributions in relation to approved budgets. The limited risks are primarily the validity of forecasts that result in the calls for contributions.

Interest rate risk: The organization is restricted from entering into borrowings and investments, and therefore there is no interest rate risk identified.

H. Comparison of Budget Execution and Statement of Financial Performance

Budget Execution

The Budget Execution Statement shows the budget allocations and their execution status for the fiscal year 2014 including the credits carried-forward from 2012 and 2013 for the budget 303 (NDC).

There are two budget execution statements, one for the BCode 303 NDC Budget and another one for all reimbursable budgets (ZNC/504 (PfP) - 508 (MD) - 514 (ICI) - 524(OMC)), reimbursable expenses (Z01) and multinational budgets for the field study program (FSP).

The initial budget was reviewed by the Budget Committee and issued in BA1: BC-BA(2014)0001 dated 20 December 2013. Similarly, the 2014 revised authorizations were issued in BA2: BC-BA(2014)0002 dated 14 July 2014 and BA3: BC-BA(2014)0003 dated 17 October 2014.

In accordance with the NFRs, all the changes between the initial and the final budget, which were due to reallocations, were either authorized by the BC or were within the authority of the IMS/STO Financial Controller. These changes are presented in the Budget Execution Statement that is prepared on the same basis as the Financial Statements.

As required by the NFRs (NFR part II, Art 11Bis), the credits carried forward are presented in the Budget Execution Statement. They represent the unspent balances at year-end for which there is a legal liability and are equal to the closing Unearned Revenue (see also Note 9).

The following elements are disclosed in the Budget Execution Statement on the face of the Financial Statements:

- The original and final budget;
- The actual amounts on a comparable basis;
- The explanation of material differences between the budget and actual amounts.

Reconciliation between the NDC Budget Execution Report and the NDC Statement of Financial Performance:

	Statement of Financial Performance	Budget Execution Statement	Difference
a. Personnel (Chapter 71)	5,233,607	5,233,607	0
b. Contractual Supplies and Services (Chapter 72)	2,632,386	2,632,386	0
c. Capital & Investments (Chapter 73)	37,930	158,230	-120,300
Total	7,903,923	8,024,223	-120,300

As shown above, the expenses in Chapter 73 of the Budget Execution Statement and the corresponding expenses in the Statement of Financial Performance diverge due to the inclusion of the capitalized expenditures in the Budget Execution Statement.

Statement of Credits Carried-Forward

The table below provides further detail on the Credits Carry-Forward in 2015 and the reconciliation with unearned revenue:

BC 303 - Budget	
a. Carry-forward from 2013 into 2015	26,855
b. Carry-forward from 2014 into 2015	661,875
Total	688,730
Non-BCode 303 - Budget	
a. Carry-forward from 2014 into 2015	117,587
Total	117,587

Statement of Transfers

In accordance with the NATO Financial Regulations (NFR II Art. 10), all the changes between the initial and the final budget which were due to reallocations were either authorized by the BC or by the Financial Controller in accordance with the NFRs for inter and intra-budget transfers.

Transfers IN – Transfers OUT	NDC Budget
a. Chapter 71 – Personnel	-156,525
b. Chapter 72 – Contractual Supplies and Services	28,225
c. Chapter 73 – Capital and Investment	358,299
Total	230,000

I. Write-Off

In accordance with the NATO Financial Regulations (NFR II Art. 19, FRP XIX.c.), an annual summary of property and cash written-off in 2014 is annexed to the annual financial statements at the following table.

Items (Quantity)	Purchased in	Total cost	Report of Survey	Reason for write-off
Furniture (140)	1971 → 2013	73,073	02-03-04-05-06-10-12/2014	Beyond state of repair. No more serviceable. Lost items.
CIS (181)	1999 → 2013	143,842	07-09-13/2014	
Miscellaneous (129)	2003 → 2008	6,892	11/2014	
Audiovisual (82)	1999 → 2006	27,345	01-08/2014	
Total		251,152		

J. Operating Lease

The NDC has 1 rental/lease contract which started in 2014 that has been classified as cancelable operating leases as it does not transfer substantially all the risks and rewards incidental to ownership. The classification has been based on the fact that the ownership is not transferred by the end of the lease term, the lease term is not for the major part of the asset's economic life and the leases do not contain a bargain purchase option. This approach is reviewed every year. The rental/lease Contract NDC 02/2013 for copiers signed in December 2013 for a period of 5 years with a yearly cost of 40,757 EUR is included in Chapter 72 expenses (see Note 10.a.2.).

K. Morale & Welfare Activity

Morale & Welfare Activity (MWA) is conducted at the NATO Defense College on a relatively limited scale. The majority of transactions refer to Petrol products, Rationed items and a small Shop offering mementoes and other few items. In accordance with the new IPSAS Accounting Framework (C-M(2013)0039), there is no need to consolidate the MWA into the Entity's Financial Statements. An annual MWA report, including the NDC relevant information, is issued by the IMS for Budget Committee screening and assessment.

NATO DEFENSE COLLEGE
STATEMENT OF NON BCode 303 / REIMBURSABLE BUDGET EXECUTION AS AT 31 DECEMBER 2014

EURO								
	Initial Budget	Adjustments	Final Budget	Commitments	Expenses	Total Spent	Carry Forward Open Funding	Lapsed
	ADJ1-14		ADJ3-14	ADJ3-14	ADJ3-14			
REIMBURSABLE BUDGETS								
BUDGET ZNC (504 - PpP (IMS))*								
2014	499,266	(196,669)	302,597	55,687	246,910	302,597	55,687	0
2013	22,176	(3,487)	18,689	0	18,689	18,689	0	0
TOTAL	521,442	(200,156)	321,286	55,687	265,599	321,286	55,687	0
BUDGET ZNC (508 - MD (IMS))*								
2014	420,375	(5,321)	415,054	27,487	387,568	415,054	27,487	0
2013	29,851	(1,012)	28,838	0	28,838	28,838	0	0
TOTAL	450,226	(6,333)	443,893	27,487	416,406	443,893	27,487	0
BUDGET ZNC (514 - ICI (IMS))*								
2014	66,694	(24,621)	42,073	25,000	17,073	42,073	25,000	0
2013	1,250	0	1,250	0	1,250	1,250	0	0
TOTAL	67,944	(24,621)	43,323	25,000	18,323	43,323	25,000	0
BUDGET ZNC (524 - OMC (IMS))*								
2014	305,417	(19,558)	285,859	9,412	276,447	285,859	9,412	0
2013	14,891	(553)	14,338	0	14,338	14,338	0	0
2012	7,500	0	7,500	0	7,500	7,500	0	0
TOTAL	327,808	(20,111)	307,697	9,412	298,285	307,697	9,412	0
TOTAL REIMBURSABLE BUDGETS	1,367,420	(251,221)	1,116,199	117,587	998,613	1,116,199	117,587	0
(*) According to the IMS Directives, since PpP, MD, ICI and OMC are reimbursable budgets, the accrued and carried forward amounts are shown in both IMS and NDC books. Expenses are recognized / recorded on an accrual basis								
REIMBURSABLE EXPENSES								
BUDGET Z01 (REIMBURSABLE EXPENSES)								
2014	14,700	0	14,700	0	14,700	14,700	0	0
TOTAL	14,700	0	14,700	0	14,700	14,700	0	0
TOTAL REIMBURSABLE EXPENSES	14,700	0	14,700	0	14,700	14,700	0	0
BUDGET MC4 (NATIONAL BORNE EXPENSES)								
2014	0	0	0	0	0	0	0	0
2013	1,025	0	1,025	0	1,025	1,025	0	0
TOTAL	1,025	0	1,025	0	1,025	1,025	0	0
TOTAL REIMBURSABLE EXPENSES	1,025	0	1,025	0	1,025	1,025	0	0
GRAND TOTAL ALL NON BCode303 / REIMBURSABLE BUDGETS AND EXPENSES	1,383,145	(251,221)	1,131,924	117,587	1,014,337	1,131,924	117,587	0
MULTINATIONAL								
BUDGET FS1 (EUROPEAN PERSPECTIVES - SC 124)								
2014	128,950	0	128,950	0	128,950	128,950	0	0
TOTAL	128,950	0	128,950	0	128,950	128,950	0	0
BUDGET FS2 (TRANSATLANTIC LINK - SC 124)								
2014	201,379	0	201,379	0	201,379	201,379	0	0
TOTAL	201,379	0	201,379	0	201,379	201,379	0	0
BUDGET FS3 (REGIONAL APPROACH - SC 124)								
2014	156,396	0	156,396	0	156,396	156,396	0	0
TOTAL	156,396	0	156,396	0	156,396	156,396	0	0
BUDGET FS4 (EUROPEAN PERSPECTIVES - SC 125)								
2014	141,704	0	141,704	0	141,704	141,704	0	0
TOTAL	141,704	0	141,704	0	141,704	141,704	0	0
BUDGET FS5 (TRANSATLANTIC LINK - SC 125)								
2014	165,377	0	165,377	0	165,377	165,377	0	0
TOTAL	165,377	0	165,377	0	165,377	165,377	0	0
BUDGET FS6 (REGIONAL APPROACH - SC 125)								
2014	172,301	0	172,301	0	172,301	172,301	0	0
TOTAL	172,301	0	172,301	0	172,301	172,301	0	0
TOTAL MULTINATIONAL - FIELD STUDY BUDGETS	966,108	0	966,108	0	966,108	966,108	0	0