	NATO	NORTH ATLANTIC COUNCIL
	OTAN	CONSEIL DE L'ATLANTIQUE NORD

NATO UNCLASSIFIED

25 March 2022

DOCUMENT
PO(2022)0125-AS1

**IBAN AUDIT REPORT ON THE AUDIT OF 2019 AND 2020 RESTATED FINANCIAL
STATEMENTS OF NATO MEDIUM EXTENDED AIR DEFENSE SYSTEM
MANAGEMENT ORGANISATION (NAMEADSMO) IN LIQUIDATION**

ACTION SHEET

On 24 March 2022, under the silence procedure, the Council noted the RPPB report attached to PO(2022)0125, agreed its conclusions and recommendations, noted the IBAN Audit Reports and agreed to the public disclosure of the report, the IBAN Audit Reports and associated 2019 and 2020 restated financial statements of NAMEADSMO in Liquidation.

(Signed) Jens Stoltenberg
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to PO(2022)0125.

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10 March 2022

DOCUMENT

PO(2022)0125

Silence Procedure ends:

24 Mar 2022 - 17:30

To: Permanent Representatives (Council)

From: Secretary General

**IBAN AUDIT REPORT ON THE AUDIT OF 2019 AND 2020 RESTATED FINANCIAL
STATEMENTS OF NATO MEDIUM EXTENDED AIR DEFENSE SYSTEM
MANAGEMENT ORGANISATION (NAMEADSMO) IN LIQUIDATION**

1. I attach the Resource Policy and Planning Board (RPPB) report on the International Board of Auditors for NATO (IBAN) Audit Reports on the audit of the 2019 and 2020 restated financial statements of the NATO Medium Extended Air Defense System Management Organisation (NAMEADSMO) in Liquidation. These IBAN Audit Reports set out unqualified audit opinions on the 2019 and 2020 restated financial statements and on compliance.
2. The IBAN Audit Reports have been reviewed by the RPPB (see Annex 1).
3. I do not believe this issue requires further discussion. Therefore, **unless I hear to the contrary by 17:30 hours on Thursday, 24 March 2022**, I shall assume the Council noted the RPPB report, agreed its conclusions and recommendations, noted the IBAN Audit Reports and agreed to the public disclosure of this report, the IBAN Audit Reports and associated 2019 and 2020 restated financial statements of NAMEADSMO in Liquidation.

(Signed) Jens Stoltenberg

1 Annex
1 Enclosure

Original: English

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**IBAN AUDIT REPORT ON THE AUDIT OF 2019 AND 2020 RESTATED FINANCIAL
STATEMENTS OF NATO MEDIUM EXTENDED AIR DEFENSE SYSTEM
MANAGEMENT ORGANISATION (NAMEADSMO) IN LIQUIDATION**

Report by the Resource Policy and Planning Board

References:

- | | | |
|----|-----------------|--|
| A. | IBA-A(2021)0167 | IBAN Audit Report on the audit of 2019 restated financial statements of the NATO Medium Extended Air Defense System Management Organisation (NAMEADSMO) in Liquidation |
| B. | IBA-A(2021)0168 | IBAN Audit Report on the audit of 2020 restated financial statements of the NATO Medium Extended Air Defense System Management Organisation (NAMEADSMO) in Liquidation |
| C. | PO(2015)0052 | Wales Summit tasker on transparency and accountability |

INTRODUCTION

1. This report by the RPPB addresses the IBAN Audit Report on the audit of 2019 and 2020 restated financial statements of the NATO Medium Extended Air Defense System Management Organisation (NAMEADSMO) in Liquidation. The IBAN Audit Reports set out unqualified opinions on both the restated financial statements and compliance for the NAMEADSMO in Liquidation for 2019 and 2020 (reference A and B).

AIM

2. This report highlights key issues in the IBAN Audit Reports (reference A and B) to enable the Board to reflect on strategic challenges emanating from the audit of financial statements of NATO entities and to recommend courses of action to Council as applicable, which have the potential to improve transparency, accountability and consistency.

DISCUSSION

3. During the audit of 2019 and 2020 NAMEADSMO in Liquidation restated financial statements, the IBAN made two similar observations with recommendations for the NAMEADSMO in Liquidation on the need to strengthen internal controls over the preparation of financial statements as an agent, which did not impact the audit opinion for either 2019 or 2020 restated financial statements. For 2019, the IBAN followed up on the status of observations and recommendations from the previous years' audits and found no outstanding observations and recommendations to be followed-up. For 2020, the IBAN closed the previous years' observations and recommendation because it is superseded by an observation in the IBAN 2020 audit report.

3.1. Observation from audit of 2019 financial statements of the NAMEADSMO in Liquidation (closed as superseded by observation at paragraph 3.2): During the audit, the IBAN found that the initially submitted NAMEADSMO in Liquidation 2019 financial statements incorrectly included operational expenses and revenue in the Statement of Financial Performance. The NAMEADSMO in Liquidation acts as an agent for operations and therefore should not prepare its financial statements on the basis of acting as a principal but as an agent. In addition, the IBAN found that a credit note related to an overcharge in the period 2012 to 2015 received and recorded in 2020 was not recorded as at 31 December 2019, in accordance with the accrual accounting principle¹.

3.2. Observation from audit of 2020 financial statements of the NAMEADSMO in Liquidation: In the course of audit, the IBAN found that the initially submitted NAMEADSMO in Liquidation 2020 financial statements were prepared on the basis of acting as a principal instead of an agent with respect to operational expenses and revenue. Therefore, the Statement of Financial Performance incorrectly included operational expenses and revenue². The Board supports the IBAN's recommendation that the NAMEADSMO in Liquidation strengthen internal controls over the preparation of the financial statements in order to correctly reflect its role as an agent for operational expenses and revenue.

CONCLUSIONS

4. The IBAN Audit Reports set out unqualified opinions on the restated financial statements and on compliance for the NAMEADSMO in Liquidation for 2019 and 2020. Two new observations were raised for 2019 and 2020, but with no impact on the audit opinion. As of the date of the respective IBAN Audit Report on the 2020 restated financial statements, the NAMEADSMO in Liquidation 2019 audit report observation was closed as superseded by observation in the IBAN 2020 audit report.

5. For both 2019 and 2020, the IBAN recommended that improvements were needed over the preparation of the financial statements in order to correctly reflect its role as an agent. In this regard, the Board supports the IBAN's recommendation.

RECOMMENDATIONS

6. The Resource Policy and Planning Board recommend that the Council:

6.1. note this report and IBAN Audit Report at reference A;

6.2. agree the conclusions at paragraphs 4 to 5; and,

6.3. agree to the public disclosure of the 2019 and 2020 restated financial statements for the NAMEADSMO in Liquidation, its associated IBAN Audit Reports and this report in line with agreed policy at reference C.

¹ These misstatements were corrected in the Restated Financial Statements submitted to the IBAN on 19 November 2021.

² These misstatements were corrected in the Restated Financial Statements submitted to the IBAN on 19 November 2021.



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

Enclosure to
PO(2022)0125

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IBA-A(2021)0167
17 December 2021

To: Secretary General
(Attn: Director of the Private Office)

Cc: NATO Permanent Representatives
Chair of Board of Directors, NAMEADSMO in Liquidation
Head of the Office of the Liquidator, NAMEADSMO in Liquidation
Financial Controller, NAMEADSMO in Liquidation
Chair, Resource Policy & Planning Board
Branch Head, Resource Management Branch, NATO Office of Resources
Private Office Registry

Subject: ***International Board of Auditors for NATO (IBAN) Audit Report on the audit of the NATO Medium Extended Air Defense System Management Organisation (NAMEADSMO) in Liquidation Restated Financial Statements for the year ended 31 December 2019 – IBA-AR(2021)0040***

IBAN submits herewith its approved Audit Report with a Summary Note for distribution to the Council.

IBAN's report sets out an unqualified opinion on the Restated Financial Statements of the NAMEADSMO in Liquidation and on compliance for financial year 2019.

Yours sincerely,

Daniela Morgante
Chair

Attachments: As stated above.

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IBA-AR(2021)0040

**Summary Note for Council
by the International Board of Auditors for NATO (IBAN)
on the audit of the Restated Financial Statements of the
NATO Medium Extended AirDefense System Management Organization in
Liquidation (NAMEADSMO in Liquidation)
for the year ended 31 December 2019**

The International Board of Auditors for NATO (IBAN) audited NATO Medium Extended Air Defense System Management Organization in Liquidation (NAMEADSMO in Liquidation), which is responsible for the planning, execution and overall management of the liquidation of the program with the goal to complete the ongoing effort, safeguard the development results and accomplish a successful closeout on behalf of its members.

The total expenses of NAMEADSMO in Liquidation in 2019 amounted to EUR 757,650.

IBAN issued an unqualified opinion on the Restated Financial Statements and on compliance for the year ended 31 December 2019.

IBAN made one observation and recommendation. This finding presented below does not impact the audit opinion on the Restated Financial Statements and on compliance:

1. Need to strengthen internal controls over the preparation of financial statements as an agent.

IBAN followed up on the status of the observation and recommendation from the previous years' audits. There are no outstanding observations and recommendations from the previous years' audits to be followed-up.

The Audit Report was issued to NAMEADSMO in Liquidation whose comments have been included, with the IBAN's position on those comments where necessary.

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IBA-AR(2021)0040

17 December 2021

INTERNATIONAL BOARD OF AUDITORS FOR NATO

AUDIT REPORT ON THE RESTATED FINANCIAL STATEMENTS OF THE

**NATO MEDIUM EXTENDED AIR
DEFENSE SYSTEM MANAGEMENT ORGANIZATION IN LIQUIDATION**

(NAMEADSMO in Liquidation)

FOR THE YEAR ENDED 31 DECEMBER 2019

PUBLICLY DISCLOSED - PDN(2022)0015 - MIS EN LECTURE PUBLIQUE

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IBA-AR(2021)0040

INDEPENDENT EXTERNAL AUDITOR'S REPORT TO THE NORTH ATLANTIC COUNCIL***Financial Statements*****Opinion on the Restated Financial Statements**

The International Board of Auditors for NATO (IBAN) has audited the Restated Financial Statements of NAMEADSMO in Liquidation for the 12 month period ended 31 December 2019, issued under document reference GM-5006-38046-OM, and submitted to IBAN on 19 November 2021. These Financial Statements comprise the Statement of Financial Position as at 31 December 2019, the Statement of Financial Performance, the Statement of Changes in Net Assets/Equity and the Statement of Cash Flow, for the 12 month period ended 31 December 2019, including a summary of significant accounting policies and other explanatory notes. In addition, the Financial Statements include a Budget Execution Statement for the 12 month period ended 31 December 2019.

In our opinion, the Restated Financial Statements give a true and fair view of the financial position of NAMEADSMO in Liquidation as at 31 December 2019, and of its financial performance, its cash flows and budget execution for the 12 month period ended 31 December 2019, in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework (NAF).

Basis for Opinion on the Restated Financial Statements

In accordance with the NATO Financial Regulations (NFRs), external audit of the NATO bodies and reporting entities pursuant to the North Atlantic Treaty shall be performed by IBAN.

We have conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI 2200-2899) developed by the International Organisation of Supreme Audit Institutions (INTOSAI) and in accordance with the additional terms of reference defined in our Charter.

We are independent in accordance with the INTOSAI Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. The responsibilities of the members of IBAN are more extensively described in the section «Auditor's Responsibilities for the Audit of the Financial Statements» and in our Charter.

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

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Management's Responsibility for the Financial Statements

Management's responsibility for the financial statements is laid down in the NFRs. The Financial Statements of NAMEADSMO in Liquidation are drawn up in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework as approved by the Council. The Financial Controller is responsible for submitting the Financial Statements for audit to IBAN not later than 31st March following the end of the financial year.

The Financial Statements are signed by the Head of the NATO reporting entity and the Financial Controller. In signing the Financial Statements, the Head of the NATO reporting entity and the Financial Controller confirm the establishment and maintenance of financial governance, resource management practices, internal controls and financial information systems to achieve the efficient and effective use of resources.

This confirmation covers the design, implementation and maintenance of internal controls relevant to the preparation and presentation of financial statements that are auditable and free from material misstatement, whether due to fraud or error. This also covers reporting on the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there are plans to liquidate the entity or to cease its operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. This involves taking into account Considerations Specific to Public Sector Entities. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with the bodies charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Our Independent External Auditor's Report is prepared to assist North Atlantic Council in carrying out its role. We are therefore responsible solely to the North Atlantic Council for our work and the opinion we have formed.

Compliance**Opinion on Compliance**

Based on the procedures we performed, nothing has come to our attention, as part of our audit of the Financial Statements that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

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Basis for Opinion on Compliance

We have conducted our compliance audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI 4000-4899) developed by the International Organisation of Supreme Audit Institutions (INTOSAI) and in accordance with the additional terms of reference defined in our Charter.

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

Management's Responsibility for Compliance

All NATO staff, military and civilian, are obligated to comply with the NATO Financial Regulations, associated Financial Rules and Procedures and internal implementing directives. These include the NATO Civilian Personnel Regulations.

The Head of the NATO reporting entity is responsible and accountable for sound financial management. The financial administration of NATO bodies and reporting entities must incorporate the principles of propriety, sound governance, accountability, transparency, risk management and internal control, internal audit, external audit, and fraud prevention and detection.

Auditor's Responsibilities for Compliance

In addition to the responsibility to provide reasonable assurance about whether the financial statements as a whole are free from material misstatement, the IBAN Charter requires IBAN to provide independent assurance and report annually to the North Atlantic Council about whether funds have been properly used for the settlement of authorised expenditure (propriety) and are in compliance with the regulations in force (regularity). Propriety relates to the observance of the general principles governing sound financial management and the conduct of public officials. Regularity concerns the adherence to formal criteria such as relevant regulations, rules and procedures.

This responsibility includes performing procedures to obtain independent assurance about whether funds have been properly used for the settlement of authorized expenditure and whether they have been used in compliance with the regulations in force. Such procedures include consideration of the risks of material non-compliance.

Brussels, 17 December 2021



Daniela Morgante
Chair

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OBSERVATIONS AND RECOMMENDATIONS

IBAN made one observation and recommendation. This observation does not impact the audit opinion on the Restated Financial Statements and on compliance:

1. Need to strengthen internal controls over the preparation of financial statements as an agent.

IBAN followed up on the status of the observation and recommendation from the previous years' audits. There are no outstanding observations and recommendations from the previous years' audits to be followed-up.

1. NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS AS AN AGENT

Reasoning

1.1 According to the NATO Accounting Framework (IPSAS 9): *"The amount collected on behalf of the principal are not revenue. Instead, revenue is the amount of any commission received or receivable for the collection or handling of the gross flows."* This means that an agent should recognise only fees or commissions and should not recognise revenue and expenses in gross amounts in the Statement of Financial Performance.

1.2 According to Article 34.2 of the NATO Financial Regulations (NFRs): *"The financial statements of all NATO Bodies shall be prepared on an accrual basis of accounting."* A sound control environment over the identification and reporting of transactions at the year-end is therefore necessary.

1.3 According to IPSAS 1, paragraph 7: *"Accrual basis means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses."*

1.4 A key part of any system of internal control is to ensure adequate processes are in place for the preparation, review and reporting of the Financial Statements. Adequate review procedures are necessary to provide a reasonable basis for obtaining assurance that financial statements are in compliance with the applicable financial reporting framework.

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Observation

1.5 IBAN identified misstatements during the audit as described below. These were corrected in the Restated Financial Statements submitted to IBAN on 19 November 2021.

1.6 The NAMEDSMO in Liquidation 2019 Financial Statements first submitted to IBAN on 31 March 2020 were prepared on the basis of acting as a principal instead of an agent with respect to operational expenses and revenue. The Statement of Financial Performance therefore incorrectly included operational expenses and revenue of respectively EUR 1.2 million in 2019 and EUR 0.7 million in 2018. Given that NAMEADSMO in Liquidation in fact acts as an agent for operations, these significant transactions should not have been recognised and disclosed in the Statement of Financial Performance.

1.7 In addition, IBAN found that a credit note received in early 2020 related to an overcharge in the period 2012 to 2015 of approximately EUR 0.1 million was not recorded as at 31 December 2019. This credit note was recorded in 2020 while it should have been recorded as a receivable and a liability towards NAMEADSMO in Liquidation Nations as at 31 December 2019, in accordance with the accrual accounting principle.

Recommendations

1.8 IBAN recommends that NAMEADSMO in Liquidation strengthen internal controls over the preparation of the financial statements in order to correctly reflect its role as an agent for operational costs and revenue, and to comply with the accrual accounting principle.

NATO MEDIUM EXTENDED AIR DEFENSE SYSTEM MANAGEMENT ORGANIZATION IN LIQUIDATION (NAMEADSMO IN LIQUIDATION) FORMAL COMMENTS ON THE AUDIT REPORT AND THE INTERNATIONAL BOARD OF AUDITORS (IBAN) POSITIONS

NAMEADSMO in Liquidation's Formal Comments

I thank you for the submittal of the draft audit report for the Restated Financial Statements for the year ended 31 December 2019. I have no factual or formal comments.

GLOSSARY OF TERMS

In accordance with International Standards of Supreme Audit Institutions (ISSAI 2705), audit opinions on financial statements and on compliance can be unqualified, qualified, a disclaimer, or adverse:

- An unqualified opinion is when IBAN issues an opinion that the financial statements and budget execution report are stated fairly and that nothing has come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A qualified opinion means that IBAN was generally satisfied with the presentation of the financial statements, but that some key elements of the statements were not fairly stated or affected by a scope limitation, or specific issues have come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A disclaimer is issued when the audit scope is severely limited and IBAN cannot express an opinion, or when there are material uncertainties affecting the financial statements or the use of funds.
- An adverse opinion is issued when the effect of an error or disagreement is so pervasive and material to the financial statements that IBAN concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

In accordance with auditing standards, three types of paragraphs may also be communicated in the auditor's report:

- Key Audit Matters (ISSAI 2701): Those matters that, in IBAN's professional judgement, were of most significance in the audit of the financial statements of the current period. Key Audit Matters are addressed to Council.
- Emphasis of Matter (ISSAI 2706): If IBAN considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in our judgement, is of such importance that it is fundamental to users' understanding of the financial statements.
- Other Matter (ISSAI 2706): If IBAN considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in our judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
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IBA-A(2021)0168
17 December 2021

To: Secretary General
(Attn: Director of the Private Office)

Cc: NATO Permanent Representatives
Chair of Board of Directors, NAMEADSMO in Liquidation
Head of the Office of the Liquidator, NAMEADSMO in Liquidation
Financial Controller, NAMEADSMO in Liquidation
Chair, Resource Policy & Planning Board
Branch Head, Resource Management Branch, NATO Office of Resources
Private Office Registry

Subject: ***International Board of Auditors for NATO (IBAN) Audit Report on the audit of the NATO Medium Extended Air Defense System Management Organisation (NAMEADSMO) in Liquidation Restated Financial Statements for the year ended 31 December 2020 – IBA-AR(2021)0041***

IBAN submits herewith its approved Audit Report with a Summary Note for distribution to the Council.

IBAN's report sets out an unqualified opinion on the Restated Financial Statements of the NAMEADSMO in Liquidation and on compliance for financial year 2020.

Yours sincerely,

Daniela Morgante
Chair

Attachments: As stated above.

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IBA-AR(2021)0041

**Summary Note for Council
by the International Board of Auditors for NATO (IBAN)
on the audit of the Restated Financial Statements of the
NATO Medium Extended Air Defense System Management Organization in
Liquidation (NAMEADSMO in Liquidation)
for the year ended 31 December 2020**

The International Board of Auditors for NATO (IBAN) audited NATO Medium Extended Air Defense System Management Organization in Liquidation (NAMEADSMO in Liquidation), which is responsible for the planning, execution and overall management of the liquidation of the program with the goal to complete the ongoing effort, safeguard the development results and accomplish a successful closeout on behalf of its members.

The total expenses of NAMEADSMO in Liquidation in 2020 amounted to EUR 824,011.

IBAN issued an unqualified opinion on the Restated Financial Statements and on compliance for the year ended 31 December 2020.

IBAN made one observation and recommendation. This finding presented below does not impact the audit opinion on the Restated Financial Statements and on compliance:

1. Need to strengthen internal controls over the preparation of financial statements as an agent.

IBAN followed up on the status of the observation and recommendation from the previous year's audit and found that it was closed as superseded by Observation 1 in this report.

The Audit Report was issued to NAMEADSMO in Liquidation whose comments have been included, with the IBAN's position on those comments where necessary.

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IBA-AR(2021)0041

17 December 2021

INTERNATIONAL BOARD OF AUDITORS FOR NATO

AUDIT REPORT ON THE RESTATED FINANCIAL STATEMENTS OF THE

**NATO MEDIUM EXTENDED AIR
DEFENSE SYSTEM MANAGEMENT ORGANIZATION IN LIQUIDATION**

(NAMEADSMO in Liquidation)

FOR THE YEAR ENDED 31 DECEMBER 2020

PUBLICLY DISCLOSED - PDN(2022)0015 - MIS EN LECTURE PUBLIQUE

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IBA-AR(2021)0041

INDEPENDENT EXTERNAL AUDITOR'S REPORT TO THE NORTH ATLANTIC COUNCIL***Financial Statements*****Opinion on the Restated Financial Statements**

The International Board of Auditors for NATO (IBAN) has audited the Restated Financial Statements of NAMEADSMO in Liquidation for the 12 month period ended 31 December 2020, issued under document reference GM-5006-38047-OM, and submitted to IBAN on 19 November 2021. These Financial Statements comprise the Statement of Financial Position as at 31 December 2020, the Statement of Financial Performance, the Statement of Changes in Net Assets/Equity and the Statement of Cash Flow, for the 12 month period ended 31 December 2020, including a summary of significant accounting policies and other explanatory notes. In addition, the Financial Statements include a Budget Execution Statement for the 12 month period ended 31 December 2020.

In our opinion, the Restated Financial Statements give a true and fair view of the financial position of NAMEADSMO in Liquidation as at 31 December 2020, and of its financial performance, its cash flows and budget execution for the 12 month period ended 31 December 2020, in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework (NAF).

Basis for Opinion on the Restated Financial Statements

In accordance with the NATO Financial Regulations (NFRs), external audit of the NATO bodies and reporting entities pursuant to the North Atlantic Treaty shall be performed by IBAN.

We have conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI 2200-2899) developed by the International Organisation of Supreme Audit Institutions (INTOSAI) and in accordance with the additional terms of reference defined in our Charter.

We are independent in accordance with the INTOSAI Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. The responsibilities of the members of IBAN are more extensively described in the section «Auditor's Responsibilities for the Audit of the Financial Statements» and in our Charter.

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(2021)0041

Management's Responsibility for the Financial Statements

Management's responsibility for the financial statements is laid down in the NFRs. The Financial Statements of NAMEADSMO in Liquidation are drawn up in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework as approved by the Council. The Financial Controller is responsible for submitting the Financial Statements for audit to IBAN not later than 31st March following the end of the financial year.

The Financial Statements are signed by the Head of the NATO reporting entity and the Financial Controller. In signing the Financial Statements, the Head of the NATO reporting entity and the Financial Controller confirm the establishment and maintenance of financial governance, resource management practices, internal controls and financial information systems to achieve the efficient and effective use of resources.

This confirmation covers the design, implementation and maintenance of internal controls relevant to the preparation and presentation of financial statements that are auditable and free from material misstatement, whether due to fraud or error. This also covers reporting on the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there are plans to liquidate the entity or to cease its operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. This involves taking into account Considerations Specific to Public Sector Entities. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with the bodies charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Our Independent External Auditor's Report is prepared to assist North Atlantic Council in carrying out its role. We are therefore responsible solely to the North Atlantic Council for our work and the opinion we have formed.

Compliance**Opinion on Compliance**

Based on the procedures we performed, nothing has come to our attention, as part of our audit of the Financial Statements that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

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IBA-AR(2021)0041

Basis for Opinion on Compliance

We have conducted our compliance audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI 4000-4899) developed by the International Organisation of Supreme Audit Institutions (INTOSAI) and in accordance with the additional terms of reference defined in our Charter.

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

Management's Responsibility for Compliance

All NATO staff, military and civilian, are obligated to comply with the NATO Financial Regulations, associated Financial Rules and Procedures and internal implementing directives. These include the NATO Civilian Personnel Regulations.

The Head of the NATO reporting entity is responsible and accountable for sound financial management. The financial administration of NATO bodies and reporting entities must incorporate the principles of propriety, sound governance, accountability, transparency, risk management and internal control, internal audit, external audit, and fraud prevention and detection.

Auditor's Responsibilities for Compliance

In addition to the responsibility to provide reasonable assurance about whether the financial statements as a whole are free from material misstatement, the IBAN Charter requires IBAN to provide independent assurance and report annually to the North Atlantic Council about whether funds have been properly used for the settlement of authorised expenditure (propriety) and are in compliance with the regulations in force (regularity). Propriety relates to the observance of the general principles governing sound financial management and the conduct of public officials. Regularity concerns the adherence to formal criteria such as relevant regulations, rules and procedures.

This responsibility includes performing procedures to obtain independent assurance about whether funds have been properly used for the settlement of authorized expenditure and whether they have been used in compliance with the regulations in force. Such procedures include consideration of the risks of material non-compliance.

Brussels, 17 December 2021



Daniela Morgante
Chair

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OBSERVATIONS AND RECOMMENDATIONS

IBAN made one observation and recommendation. This observation does not impact the audit opinion on the Restated Financial Statements and on compliance:

1. Need to strengthen internal controls over the preparation of financial statements as an agent.

IBAN followed up on the status of the observation and recommendation from the previous year's audit and found that it was closed as superseded by Observation 1 in this report.

1. NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS AS AN AGENT

Reasoning

1.1 According to the NATO Accounting Framework (IPSAS 9): *"The amount collected on behalf of the principal are not revenue. Instead, revenue is the amount of any commission received or receivable for the collection or handling of the gross flows."* This means that an agent should recognise only fees or commissions and should not recognise revenue and expenses in gross amounts in the Statement of Financial Performance.

1.2 A key part of any system of internal control is to ensure adequate processes are in place for the preparation, review and reporting of the Financial Statements. Adequate review procedures are necessary to provide a reasonable basis for obtaining assurance that financial statements are in compliance with the applicable financial reporting framework.

Observation

1.3 IBAN identified misstatements during the audit as described below. These were corrected in the Restated Financial Statements submitted to IBAN on 19 November 2021.

1.4 The NAMEDSMO in Liquidation 2020 Financial Statements first submitted to IBAN on 31 March 2020 were prepared on the basis of acting as a principal instead of an agent with respect to operational expenses and revenue. The Statement of Financial Performance therefore incorrectly included operational expenses and revenue of respectively approximately EUR 0.1 million in 2020 and EUR 1.2 million in 2019. Given that NAMEADSMO in Liquidation in fact acts as an agent for operations, these significant transactions should not have been recognised and disclosed in the Statement of Financial Performance.

Recommendations

1.5 IBAN recommends that NAMEADSMO in Liquidation strengthen internal controls over the preparation of the financial statements in order to correctly reflect its role as an agent for operational costs and revenue.

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IBA-AR(2021)0041

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

IBAN followed up on the status of observations from the previous years' audit. The observations and recommendations, the actions taken by the auditee as reviewed by IBAN, and their status are summarised in the table below.

The Open status is used for recommendations that are open and for which no notable progress has been achieved to date. The In-progress status is used for open recommendations when the NATO Reporting Entity has started to implement the recommendation or when some (but not all) sub-recommendations are closed. The Closed status is used for recommendations that are closed because they have been implemented, are superseded, or have lapsed. In the case where there are sub-recommendations, the status related to each sub-recommendation is indicated in the Action Taken column.

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p>(1) ENTITY FY 2019 IBA-AR(2021)0040, paragraph 1</p> <p>NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS AS AN AGENT</p> <p>IBAN's Recommendation IBAN recommends that NAMEADSMO in Liquidation strengthen internal controls over the preparation of the financial statements in order to correctly reflect its role as an agent for operational costs and revenue, and to comply with the accrual accounting principle.</p>	<p>This observation is superseded by Observation 1 in the 2020 Audit Report. Observation Closed.</p>	<p>Observation Closed.</p>

NATO MEDIUM EXTENDED AIR DEFENSE SYSTEM MANAGEMENT ORGANIZATION IN LIQUIDATION (NAMEADSMO IN LIQUIDATION) FORMAL COMMENTS ON THE AUDIT REPORT AND THE INTERNATIONAL BOARD OF AUDITORS (IBAN) POSITIONS

NAMEADSMO in Liquidation's Formal Comments

I thank you for the submittal of the draft audit report for the Restated Financial Statements for the year ended 31 December 2020. I have no factual or formal comments.

GLOSSARY OF TERMS

In accordance with International Standards of Supreme Audit Institutions (ISSAI 2705), audit opinions on financial statements and on compliance can be unqualified, qualified, a disclaimer, or adverse:

- An unqualified opinion is when IBAN issues an opinion that the financial statements and budget execution report are stated fairly and that nothing has come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A qualified opinion means that IBAN was generally satisfied with the presentation of the financial statements, but that some key elements of the statements were not fairly stated or affected by a scope limitation, or specific issues have come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A disclaimer is issued when the audit scope is severely limited and IBAN cannot express an opinion, or when there are material uncertainties affecting the financial statements or the use of funds.
- An adverse opinion is issued when the effect of an error or disagreement is so pervasive and material to the financial statements that IBAN concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

In accordance with auditing standards, three types of paragraphs may also be communicated in the auditor's report:

- Key Audit Matters (ISSAI 2701): Those matters that, in IBAN's professional judgement, were of most significance in the audit of the financial statements of the current period. Key Audit Matters are addressed to Council.
- Emphasis of Matter (ISSAI 2706): If IBAN considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in our judgement, is of such importance that it is fundamental to users' understanding of the financial statements.
- Other Matter (ISSAI 2706): If IBAN considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in our judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

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North Atlantic Treaty Organization



NATO Medium Extended Air Defense System Management Organization in Liquidation



Financial Statements

For the year ended

31 December 2019

Serial # GM-5006-38046-OM

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A. Overview of NATO MEADS Management Organization's in Liquidation Operations and Environment

General description of the NATO MEADS Management Organization in Liquidation

The North Atlantic Treaty Organization (NATO) Medium Extended Air Defense System Management Organization (NAMEADSMO) is a NATO Development, Production and Logistics Organization (NPLO), a subsidiary body of NATO created by the North Atlantic Council with the "Charter of NAMEADSMO", documented at C-M(2005)0044-ADD1. Per virtue of the Section VII of the Charter, the organization comprises a Steering Committee (now called Board of Directors), and a NATO Agency whose headquarter is located in the United States of America.

NAMEADSMO shares the international characteristics of NATO and the jurisdictional autonomy by virtue of Article 4 of the Ottawa Agreement. NAMEADSMO was created to provide direction, coordination and execution of all phases of the MEADS program as delineated by the participating Nations. The participating Nations (Participants) are Germany, Italy and the United States.

On 4 April 2016, the Board of Directors (BoD) submitted a formal request to the North Atlantic Council (NAC) to place NAMEADSMO into Liquidation (NAMEADSMO i.L.). This request was approved and became effective on 1 July 2016.

NAMEADSMO i.L. is comprised of a BoD, composed of one representative from each of the Participants, and the Office of the Liquidator (OotL) which replaced the former NATO MEADS Management Agency (NAMEADSMA).

Consequently, NAMEADSMO i.L. and its staff are under the governance of the NATO Document C-M(66)9 which states in Article 1.b)

"Until the liquidation is completed, the provision of the Charter of the Production Organization will continue to apply to the Production Organization in Liquidation and its staff, insofar as nothing to the contrary results from the provisions of this document or from the purpose of the liquidation."

The liquidation phase for the MEADS program is financed with the "inherited" contributions received prior to the liquidation phase from participating Governments in accordance with the Financial Management Policy Document (FMPD) and in accordance with the terms stipulated in the Design and Development (D&D) Memorandum of Understanding (MoU). While some parts of the MoU expired on 22 April 2017, Section 19.7 provides application in perpetuity of the Sections "Equipment", "Disclosure and Use of Project Information", "Controlled unclassified Information, "Security", "Third Party Sales and transfers", "Liability and Claims" and "Amendment, Termination, Entry into Effect, and Duration".

The FMPD specifies the financial management policies and the funding schedule set for the MEADS D&D phase also applicable for the liquidation phase. It delineates the Participants' annual cumulative financial ceilings which are the basis for the NAMEADSMO i.L. annual budgets. The budgets consist of the Administrative and Operational Budgets. Germany, Italy and the US (GE/IT/US) percentage shares of the total contribution ceiling are 25.2%, 16.7% and 58.1% respectively, including a portion of non-financial contributions as defined in the FMPD. No further contribution by each Nation will occur during the liquidation phase. The total contribution ceilings for Germany and Italy for the Operational Budget (OB) were reached in 2013 and for the Administrative Budget (AB) in 2014. The US will not reach their contribution ceilings for either budget as it was noted with BoD decision D14/08 that "no additional US funds will be provided for the remainder of the MEADS program."

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The cumulative D&D costs incurred until 31 December 2019 amounts to 2,607 M US Dollars and 1,420 M Euros.

The organization of the OotL remained unchanged from previous years. In 2019, the Office of the Liquidator is comprised of the position of a Liquidator (GE) and a Business Financial Manager (GE) and a Contract Specialist/Financial Controller (IT).

NAMEADSMO i.L. has no liens or encumbrances on the agency's assets.

NAMEADSMO i.L. has given no guarantees to third parties.

NAMEADSMO i.L. is located in Huntsville, Alabama, USA.

Role of the Office of the Liquidator

Beginning 01 July 2016, the Office of the Liquidator (OotL) is the successor of NAMEADSMA. OotL is responsible for the planning, execution and overall management of the liquidation of the program with the goal to complete the ongoing effort, safeguard the development results and accomplish a successful close-out.

The OotL inherited all existing contracts awarded by the (former) NATO Agency NAMEADSMA throughout the D&D phase.

Contract legacy with NAMEADSMA can be explained as follows:

- The Prime Contract with MEADS International (MI), the prime contractor was definitized on 31 May 2005. The main D&D phase and MI main contract effort were completed on 31 December 2014 while "Data Archival" of all development documentation (drawings, reports, test results, etc.) and the distribution of the development residual material lasted throughout 2016-2017. It is now completed. Remaining contractual and administrative close-out activities will be carried out until final settlement.
- Ancillary contracts were also part of business transferred to the OotL. Lockheed Martin was engaged in a cooperative agreement for the realization of a Low Frequency Sensor. EuroMEADS (a sub-contractor of MEADS International) was retrofitting one of the two Multifunction Fire Control Radars (MFCR). MBDA-GE received a contract to fulfill a non-common requirement regarding German Maturation Activities funded by Germany only. MEADS LLC had been providing support services for the D&D effort to the Agency by conducting independent technical analyses of the MEADS Program system level performance, systems engineering activities, design, development, integration, fabrication, test, producibility, logistic, and programmatic activities.
- Bailment agreements: preservation of German and Italian hardware in the US and in Italy. Items are made available to be used as Government Furnished Equipment in a future contract or might be abandoned in place.

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Compliance with Financial Regulations

NAMEADSMO i.L. follows standardized rules and regulations approved by the NAC. Specifically, NAMEADSMO i.L. adheres to the NATO Financial Regulations (NFRs) and Financial Rules and Procedures (FRPs) and to the NATO Civilian Personnel Regulations (CPRs). Since the financial management of NAMEADSMO i.L. is separate and distinct from those of the International Staff or other NATO entities, NAMEADSMO i.L. also follows the NAMEADSMO Financial Rules and Regulations (FRRs), as approved by the NAMEADSMO BoD. If a conflict between the NFR/FRP and NAMEADSMO FRRs arises, the most recent NATO NFR/FRP will prevail.

Note that the BoD decided with decision D22/03 that the Liquidator has the discretion to modify processes and regulations of the NAMEADSMO FRR and Operating Instructions (OIs) to accommodate the OotL organization and requirements, as long as these modifications are compliant with the NFR.

NAMEADSMO i.L.'s mission, strategies and how they relate to its Financial Position, Financial Performance and Cash Flows

NAMEADSMO i.L. does not have any objectives and strategies in relation to its financial position, performance and cash flows other than to have enough funding available to cover its administrative and operational costs. This is done while acting in the best interest of the three participating Nations within the mission established by the NAMEADSMO Charter and the D&D MoU objectives, in accordance with guidance received from the BoD.

Risks and Uncertainties that affect NAMEADSMO i.L.'s Financial Position and Performance

NAMEADSMO i.L.'s performance is based on the MEADS program results and deliveries that can be achieved with the resources spent. The financial position of NAMEADSMO i.L. is not affected by any significant risk as the MEADS program comes to an end.

Assets/Liabilities in regard of other NATO bodies

NAMEADSMO i.L. does not have any assets or liabilities in respect of other NATO entities.

B. Statement of Financial Position

as at 31 December 2019
(in US Dollars)

	Notes	2019	2018
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	2	8,411,338	10,391,104
Receivables	3	68,080	-
Prepayments	4	-	-
		<u>8,479,418</u>	<u>10,391,104</u>
<i>Non-Current Assets</i>			
Property, Plant and Equipment	5	-	-
Total Assets		<u>8,479,418</u>	<u>10,391,104</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable and Accruals	6	165,176	168,765
Deferred Revenue and Liability to Nations	7	8,314,242	10,222,339
		<u>8,479,418</u>	<u>10,391,104</u>
Total Liabilities		<u>8,479,418</u>	<u>10,391,104</u>

C. Statement of Financial Performance

for the year ended 31 December 2019
(in US Dollars)

	Notes	2019	2018 Restated
Revenue	10		
Operational		-	-
Administrative		757,650	789,192
Total Revenue		757,650	789,192
Expense	11, 12, 13, 14		
Operational		-	-
Administrative		757,650	789,192
Total Expense		757,650	789,192
Net Result for the Year		-	-

D. Statement of Cash Flows

for the year ended 31 December 2019
(in US Dollars)

	<u>2019</u>	<u>2018</u>
<i>Operational Budget</i>		
Cash Paid to Contractors	(1,204,716)	(770,157)
Other Cash Receipts	-	70,000
Other Cash Payments	-	(70,000)
Total Operational Budget	(1,204,716)	(770,157)
<i>Administrative Budget</i>		
Other Cash Receipts		19
Cash Paid to Suppliers and Employees	(738,934)	(793,550)
Total Administrative Budget	(738,934)	(793,532)
Total Cash Flows from Operating Activities	(1,943,650)	(1,563,689)
Total Cash Flows from Investing Activities	-	-
Total Cash Flows from Financing Activities	-	-
Net Increase/Decrease in Cash	(1,943,650)	(1,563,689)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(36,116)	(31,044)
Cash at Beginning of Period	10,391,104	11,985,837
Cash at End of Period	8,411,338	10,391,104

E. Statement of Changes to Net Assets/Equity

for the year ended 31 December 2019
(in US Dollars)

	Capital assets	Reserves	Accumulated surplus/deficit	Total
Balance at the end of the period 1 Jan - 31 Dec 2017	-	-	-	-
Net gains/(losses) recognised directly in net assets/equity	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Change in net assets/equity for the year ended 31 Dec 2018	-	-	-	-
Balance at the end of the period 1 Jan - 31 Dec 2018	-	-	-	-
Net gains/(losses) recognised directly in net assets/equity	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Change in net assets/equity for the year ended 2019	-	-	-	-
Balance at 31 December 2019	-	-	-	-

F. Notes to the Financial Statements

The notes form an integral part of these financial statements. The financial statements were originally issued to the International Board of Auditors for NATO on 30 March 2020 and resubmitted, upon agreement from IBAN (IBA-A(2021)0129), on 19 November 2021.

Note 1. Significant Accounting Policies

Basis of preparation

The financial statements of NAMEADSMO i.L. have been prepared on the accrual basis of accounting in accordance with the NATO Accounting Framework (NAF) as adopted by the NATO Council (NAC). The NAF is an adaptation of the International Public Sector Accounting Standards (IPSAS).

The application of the NATO accounting framework has had no material impact on the disclosures or on the amounts recognised in the NAMEADSMO i.L. Financial Statements.

The financial statements comply with the accounting requirements of the NFR and FRP and the relevant NAMEADSMO FRR. They are prepared on a non-going concern basis in consideration of the decisions taken by the Participants.

As a legacy recap, in 2010 the United States decided to continue funding the MEADS program only through the D&D phase of the current MoU hence no agreement could be reached for a subsequent procurement phase. In 2011 the scope of work was revised to maintain the total cost within the MoU limits while still yielding meaningful results for Germany and Italy and a possible future option for the US.

Based on this situation, in 2012 the NAMEADSMO BoD requested a plan for the orderly transition to close-out the Agency by mid-2014. Subsequently, in June 2014 the BoD approved a new plan to initiate the liquidation of the entity on 1 February 2015. In the end, the BoD submitted a formal request to the NAC to place NAMEADSMO into Liquidation on 4 April 2016. This request was approved and became effective on 1 July 2016. Consequently, NAMEADSMO became “NAMEADSMO in Liquidation”, operating through a small “Office of the Liquidator”.

Accounting as Procurement Agent

According to the IPSAS Preface, IPSASs are converged with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) by adapting them to public sector context where appropriate.

IFRS 15 defines a Principal as the party that controls the goods or services before they are transferred to customers and defines an Agent as the party that arranges for the goods or services to be provided by another party without taking control over those goods or services.

NAMEADSMA/NAMEADSMO i.L. – OotL has been acting as a procurement agent in respect of its operations since it does not control a good or service before it is transferred to the customer. As such the agency does not have:

- Primary responsibility for fulfilling the promise to provide the specified good or service
- Inventory risk
- Discretion in establishing the price for the specified good or service

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The Agency was created for the sole purpose of designing MEADS on behalf of Germany, Italy and the United States and consequently has been carrying out the acceptance of goods and services on behalf of the participating Nations. All assets are owned, controlled, and operated by the three Nations.

The running costs of the Agency are reimbursed via the Administrative Budget. Therefore, the operational revenue and expenses are not recognised throughout these financial statements. In order to align with this change from Principal to Agent certain balances of these statements are restated.

Accounting estimates and judgments

In accordance with NAF, the financial statements necessarily include amounts based on estimates and assumptions made by 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 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, revenue 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 are not likely to be significant to the financial statements.

Changes in accounting policy

The same accounting policies are applied within each period and from one period to the next, unless a change in accounting policy meets one of the criteria set in NAF/IPSAS 3. For the 31 December 2019 financial statements, the accounting policies have been applied consistently throughout the reporting period.

Restatements

NAMEADSMO i.L. restated the 2018 balances as operational revenue and expenses are not recognised due to the agency accounting as a procurement agent.

Changes in pronouncements

Some new standards, alignments of standards and interpretations were issued.

IPSAS	Name	Effective date for periods beginning on or after
IPSAS 40	Public Sector Combinations	01 January
IPSAS 41	Financial Instruments	01 January 2023
IPSAS 42	Social Benefits	01 January 2023
IPSAS 36 and 41	Long-term Interests in Associates and Joint Ventures (Amendment to IPSAS 36) and Prepayment Features with Negative Compensation (Amendment to IPSAS 41)	01 January 2023

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IPSAS	Name	Effective date for periods beginning on or after
IPSAS 19	Collective and Individual Services (Amendments to IPSAS 19)	01 January 2023
IPSAS	Improvements to IPSAS, 2019	01 January 2023

The above-mentioned standards have no material impact on the financial statements of NAMEADSMO i.L.

Foreign Currency

These financial statements are presented in US Dollars (USD), which is NAMEADSMO i.L.'s reporting currency. EURO (€) currency transactions are translated into USD at the average monthly NATO exchange rates, with the exception of foreign exchange transactions, which are converted at the daily exchange rate. Monetary assets and liabilities denominated in EURO at period-end are translated into USD using the NATO exchange rates applicable at 31 December 2019.

All EURO transactions related to the budget are converted into equivalent USD (EUSD) at the MoU exchange rate of 1.19.

For transparency, Note 14 explains in more detail the Effect of Exchange Rate Changes on Cash and cash Equivalents.

Financial Instruments disclosure/presentation

NAMEADSMO i.L. uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, accounts receivable, provisions and liabilities. Financial instruments are recognized in the Statement of Financial Position at fair value.

Financial risk factors

NAMEADSMO i.L. is minimally exposed to a variety of financial risks, including credit, liquidity and currency risks.

a. Credit risk

The OotL holds current bank account balances with registered banking institutions in the USA and Germany. Wells Fargo (US) and Sparkasse (Germany) have a very low long-term credit risk rating. In accordance with Fitch, the following are the latest bank deposit ratings assigned:

- Wells Fargo Bank: AA-/F1+
- Sparkasse Koblenz: A+/F1+

b. Liquidity risk

The OotL does not expect to encounter any difficulty in meeting obligations associated with financial liabilities. There is limited exposure to liquidity risk because of the budget mechanism that guarantees funds for the total approved budget.

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c. Currency risk

The OotL continues to operate on the contributions received in prior years from the Participants in USD (\$) and EURO (€), based on the FMPD. Generally, expenses are paid in the same currency as the receipts. For the Operational Budget, total obligations for each currency may not match the available resources in the same currency, yielding some foreign exchange risk from fluctuations in currency rates. However, the BoD authorized foreign exchange money market operations, if necessary, to maintain adequate funding level in each currency to hedge this risk (decision D15/09). The exposure of financial instruments to foreign currency exchange risk associated with the Administrative Budget is insignificant as contributions and expenditure are made in USD only.

Revenue and Expense Recognition

Revenue comprises contributions from Participants to fund the entity's 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 revenue recognition is matched with the recognition of expenses.

Administrative Budget

Administrative Budget contributions fund the costs of NATO contract personnel and the goods and services to be rendered toward the performance of tasks to be executed by NAMEADSMO i.L. over an agreed period of time. Contributions are initially recorded as deferred revenue liabilities. They are recognized as revenue in the statement of financial performance when such contributions are used for their intended purpose as estimated in the Administrative Budget.

Operational Budget

The entity's contracts are with the private sector utilizing a cost-plus fixed fee contract. The operational revenue and expenses are not recognised since the entity is considered an agent in respect of its operations.

Budget Execution

Total budgetary resources are comprised of assessed contributions from the Participants.

The budgets are Administrative (costs for agency personnel, supplies and services, furnishings and equipment), and Operational (costs associated with the MEADS system development and ancillary contracts). Costs are further categorized by chapters, items and sub-items within the separate budgets. In accordance with NFR Art. 34.4, a Budget Execution Statement (BES) is presented in Annex I.

There has not been a change in the execution of the BES compared to the previous accounting period for transparency and disclosures to readers. The BES is prepared on an accrual basis of accounting.

Cash Flow Statements

NAMEADSMO i.L. has elected to use the direct method of presentation in these financial statements, in accordance with NAF.

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Financial Assets

The financial assets are cash and cash equivalents, accounts receivable and prepayments. They are measured at fair value. Bank deposits denominated in foreign currencies are translated to reporting currency at the closing date NATO exchange rate. Changes in fair value are recognized in the Statement of Financial Performance

Financial Liabilities

The financial liabilities are accounts payable and accruals, and advances and unearned revenue from Participants. They are measured at fair value. Changes in fair value are recognized in the Statement of Financial Performance. As consequence of the 1 July 2016 transition into liquidation, all NAMEADSMO assets and liabilities were subsumed into NAMEADSMO i.L. assets and liabilities.

Receivables

Amounts receivable are stated at fair value in the Statement of Financial Position. No provision for doubtful debts is necessary as all receivables are deemed to be collectible.

Prepayments

Advance payments to vendors are reflected as prepayments in the Statement of Financial Position.

Accounts Payable and Accruals

Accounts Payable represent amounts for which goods and/or services, supported by an invoice, have been received by period-end but which remain unpaid. Accruals represent amounts for goods and/or services rendered by period-end but are not yet supported by an invoice at period-end.

Deferred Revenue and Liability to Nations

Deferred revenue represents contributions from Participants and/or third parties for the Administrative Budget that have been called for, in prior years' budgets but that have not yet been recognized as revenue.

Liability to Nations refers to contributions from Participants and/or third parties for the Operational Budget that have been called for, in prior years' budgets but that have not yet been returned back to the Nations.

Property, Plant and Equipment (PP&E)

PP&E is reported in the financial statements in accordance with internal policy guidance for Property, Plant and Equipment for the Administrative Budget. No changes occurred with the criterion adopted by former NAMEADSMO's internal policy guidances. PP&E is recognized in accordance with the criteria relating to control outlined in the NATO Accounting Framework.

After recognition as an asset, an item of PP&E is carried at its historical cost less any accumulated depreciation. Total cost consists of the asset purchase price plus any installation costs for bringing the asset to working condition for its intended use.

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As allowed under the NATO Accounting Framework, NAMEADSMO i.L. uses capitalization thresholds based on its activities and size. These thresholds are lower than the agreed NATO thresholds in the framework.

NAMEADSMO i.L. uses the straight-line method of depreciation (calculated by dividing the cost equally over the asset's useful life) with a half-year rule to recognize assets with six months depreciation in the first year regardless of the date the asset was received. The half-year rule treats all property acquired during the year as being acquired exactly in the middle of the year. This means that only half of the full-year depreciation is allowed in the first year, with the remaining balance being deducted in the final year of the depreciation schedule, or the year that the property is disposed.

The estimated useful lives for asset classes applicable to NAMEADSMO i.L. are listed in the table below:

Asset Class	Depreciation Method	Useful Life Years	Capitalization Threshold Dollars (\$)	Notes
Leasehold Improvements	Straight-Line	40	65,000	Major Building Renovations
Furniture & Fixtures	Straight-Line	10	1,000	Per item cost
Communication Systems	Straight-Line	3	1,000	Per item cost
Automated Information Systems	Straight-Line	3	1,000	Per item cost
Major Software	Straight-Line	3	65,000	Acquired Externally

Note that for some items the useful life is longer than the estimated life of the Agency. The depreciation expense was adjusted in 2012 and again in 2013 to the estimated expected end of the life of the Agency. The final year of depreciation for all remaining NAMEADSMO assets was 2015.

Consequently, everything acquired by the NAMEADSMO i.L. - OotL, starting 01 July 2016, is already fully expensed.

Intangible Assets

NAMEADSMO i.L. does not have any intangible assets.

Retirement benefit plans: NATO Defined Contribution Pension Scheme (DCPS)

Contributions to the NATO defined contribution pension scheme are charged to the Statement of Financial Performance in the year to which they relate. NAMEADSMO i.L. is not directly exposed to any liabilities that may arise on the scheme and has no control over the assets of the scheme. The assets and liabilities for the NATO Pension Schemes are accounted for centrally by NATO International Staff (IS).

Retirement benefit plans: NATO Defined Benefit Scheme

Contributions to the NATO defined benefit scheme are charged to the Statement of Financial Performance in the year to which they relate. NAMEADSMO i.L. is not directly exposed to any liabilities that may arise on the scheme and has no control over the assets of the scheme. The assets and liabilities for the NATO Pension Schemes are accounted for centrally by NATO IS.

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Provisions

Provisions are recognized when the entity has a legal or constructive obligation as a result of a 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.

Contingent Liabilities

Contingent liabilities are possible obligations arising from past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of NAMEADSMO i.L..

Reserves and Net Assets

NAMEADSMO i.L. operates on a “no profit, no loss” basis. As such, it does not have net assets; any surplus gained in the year becomes payable to the Participants while any deficit becomes a receivable from the Participants.

Comparative Figures

The reporting period for the current financial statements (FS) (12 months), is the same as the reporting period for the previous financial statements 01 Jan -31 Dec 2018. Comparative amounts for related notes are therefore comparable. However, some of the 2018 comparative figures were restated due to aforementioned agent role of the agency whereas operational revenue and expenses are not recognised.

Note 2. Cash and Cash Equivalents

2019:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	92,460	-	-	-	4,488,860	4,590,224
Administrative	-	25,825	-	5,136	3,790,153	3,821,114
TOTAL	92,460	25,825	-	5,136	8,279,013	8,411,338

The agency’s cash includes deposits which are held in non-interest-bearing current bank accounts in immediately available funds. Current bank accounts are held in USD (\$) and Euro (€) currencies.

2018:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	986,521	-	-	-	4,692,808	5,831,056
Administrative	-	27,893	-	5,665	4,526,490	4,560,048
TOTAL	986,521	27,893	-	5,665	9,219,298	10,391,104

Note 3. Receivables**2019:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Total Operational	-	-	-	-	-	-
Administrative						
Miscellaneous Receivable					68,080	68,080
Total Administrative		-		-	68,080	68,080
TOTAL	-	-	-	-	68,080	68,080

NATO IS announced in December of 2019 the amount that will be paid in 2020 to each NATO body for their share of the “DCPS Group Insurance/Allianz Employers Contribution compensatory payment”.

2018:

There were no receivables as at 31 December 2018.

Note 4. Prepayments**2019:**

There are no prepayments as at 31 December 2019.

2018:

There were no prepayments as at 31 December 2018.

Note 5. Property, Plant and Equipment

The gross carrying amount and the accumulated depreciation at the beginning and end of the period can be seen in the table below. A reconciliation of the carrying amount at the beginning and end of the period is also displayed.

	Furniture & Fixtures		Communication Systems		Automated Information Systems		Major Software		Total	
Reporting Period	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Gross Carrying Amount, opening	6,395	6,395	-	-	13,274	13,274	-	-	19,669	19,669
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Loss on Disposals	-	-	-	-	-	-	-	-	-	-
Gross Carrying Amount, closing	6,395	6,395	-	-	13,274	13,274	-	-	19,669	19,669
Accumulated Depreciation, opening	6,395	6,395	-	-	13,274	13,274	-	-	19,669	19,669
Depreciation	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation, closing	6,395	6,395	-	-	13,274	13,274	-	-	19,669	19,669
Net Carrying Amount	-	-	-	-	-	-	-	-	-	-

Additionally, the entity has several non-capitalized items of Property, Plant and Equipment, acquired before 2013. These are maintained in the disposition of the Entity. In accordance with the NATO Accounting Framework (C-M(2016)0023), which requires for these items to provide the type of inventories, locations and approximate number of these items held per asset category, the table below is disclosed:

Furniture & Fixtures	Automated Information System	Communication Systems	Leasehold Improvements	Major Software	Total
48	6	0	0	0	54

These items are located at the Office site – 620 Discovery Dr. – BLDG 1 – Suite 110 – Huntsville (AL).

Note 6. Accounts Payable and Accruals

2019:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Accounts Payable	-	-	-	-	-	-
Accrued Expenses	-	-	-	-	132,217	132,217
Total Operational	-	-	-	-	132,217	132,217
Administrative						
Accounts Payable	-	-	-	-	-	-
Accrued Expenses	-	58	-	-	32,902	32,959
Total Administrative	-	58	-	-	32,902	32,959
TOTAL	-	58	-	-	165,119	165,176

Payables to contractors and suppliers include invoices received from suppliers but not yet paid and estimated accrued expenses.

2018:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Accounts Payable	17,935	-	-	-	-	20,694
Accrued Expenses	60,778	-	-	-	63,702	133,827
Total Operational	78,713	-	-	-	63,702	154,521
Administrative						
Accounts Payable	-	-	-	-	-	-
Accrued Expenses	-	143	-	115	13,985	14,244
Total Administrative	-	143	-	115	13,985	14,244
TOTAL	78,713	143	-	115	77,687	168,765

Note 7. Deferred Revenue and Liability to Nations

2019:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Liability to Nations	92,460	-	-	-	4,356,643	4,458,007
Total Operational	92,460	-	-	-	4,356,643	4,458,007
Administrative						
Deferred Revenue	-	25,768	-	5,137	3,825,331	3,856,235
Total Administrative	-	25,768	-	5,137	3,825,331	3,856,235
TOTAL	92,460	25,768	-	5,137	8,181,973	8,314,242

Deferred revenue and Liability to Nations include uncommitted funds and lapses. All remaining funds, if any, will be returned to the respective national treasuries at the dissolution of the agency unless Nation decide otherwise.

2018:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Liability to Nations	907,808	-	-	-	4,629,105	5,676,534
Total Operational	907,808	-	-	-	4,629,105	5,676,534
Administrative						
Deferred Revenue	-	27,750	-	5,551	4,512,503	4,545,805
Total Administrative	-	27,750	-	5,551	4,512,503	4,545,805
TOTAL	907,808	27,750	-	5,551	9,141,608	10,222,339

Note 8. Other Current Liabilities**2019:**

There are no other current liabilities as the banks ceased to yield interest on the cash balances for the period 01 Jan – 31 Dec 2019.

2018:

There are no other current liabilities as the banks ceased to yield interest on the cash balances for the period 01 Jan – 31 Dec 2018.

Note 9. Provisions and Contingent Liabilities

The OotL does not have any provisions or contingent liabilities to report.

Note 10. Revenue**2019:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	-	-	-	-	-	-
Administrative	-	1,983	-	414	755,253	757,650
TOTAL	-	1,983	-	414	755,253	757,650

The administrative revenue of USD 755,253 includes a miscellaneous revenue of USD 68,080 for the NATO DCPS Group Insurance/Allianz Employers Contribution compensatory payment to be returned to the agency in 2020.

The operational revenue is not recognised since the entity is considered an agent in respect of its operations.

2018 Restated:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	-	-	-	-	-	-
Administrative	-	5,121	-	687	783,383	789,192
TOTAL	-	5,121	-	687	783,383	789,192

Note 11. Expenses**2019:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Total Operational	-	-	-	-	-	-
Administrative						
Personnel	-	-	-	-	663,086	663,086
Operating	-	1,983	-	414	92,167	94,564
Total Administrative	-	1,983	-	414	755,253	757,650
TOTAL	-	1,983	-	414	755,253	757,650

The operational expenses are not recognised since the entity is considered an agent in respect of its operations.

2018 Restated:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Total Operational	-	-	-	-	-	-
Administrative						
Personnel	-	-	-	-	654,296	654,296
Operating	-	5,121	-	687	129,088	134,896
Total Administrative	-	5,121	-	687	783,384	789,192
TOTAL	-	5,121	-	687	783,384	789,192

Note 12. Personnel Expenses

The figures disclosed below represent the costs of NATO personnel including salary, allowances, complementary insurance, and pension plan contributions. The amount for Personnel Expense in Note 11 is greater than the employee benefits expense defined in this note because Note 11 includes all Chapter 1 budget Personnel items such as recruitment/separation, home leave, contractor personnel expense, etc.

	31 Dec 2019 (3 people for 7 months +2 people for 5 months)	31 Dec 2018 (3 people for 12 months)
Employee Benefits Expenses	525,074	564,904
Post Employment Benefits	21,510	25,705

The OotL does not accrue untaken leave. In accordance with CPR Article 42.3, untaken leave must be taken within the allowed time period or will be forfeited.

The OotL does not have any termination benefits. The Agency has only seconded personal under NATO personnel contracts

NATO Pension Schemes are accounted for centrally at NATO Headquarters and therefore are not recognized in these financial statements. NATO IS manages these systems centrally on behalf of the other NATO entities.

Note 13. Leases

The OotL has an operational lease for a small office space with the JU Huntsville CRP III Owner, LLC, which currently terminates on 31 August 2020. The obligated base lease payments from 01 January through 31 December 2019 amount to USD 37,929. The costs from 01 January through 31 August 2020 will total USD 25,286. In addition, the OotL pays operating expenses in the amount of USD 408 per month. The OotL does not have any financial leases.

Note 14. Effect of Foreign Exchange Rates Changes on Cash and Cash Equivalents

The total effect of foreign exchange rates changes on cash and cash equivalents is separately disclosed in the Statement of Cash Flow. The nature of exchange differences and how they are calculated is shown in the table below:

	Euro	Year-end Rate 2018 (1.15380)	Avg monthly NATO ER	Year-end Rate 2019 (1.09630)	Effect of FX Rate in EUSD
<i>Opening Balance</i>	986,521	1,138,248		1,081,523	(56,725)
<i>Contractors Exp.</i>	(894,061)		(1,000,768)	(980,159)	20,609
<i>Total Balance</i>	92,460				
<i>Effect on FX</i>					(36,116)

Note 15. Draw Down of Operations

As a result of the Participants' decisions, the OotL continues to close down contracts which have reached the end of their period of performance and continues to support active contracts/CLINs.

No additional assets were disposed in the period of 01 January 2019 through 31 December 2019.

In October 2016, NAMEADSMO i.L. – OotL on behalf of the German government awarded a bailment agreement with Lockheed Martin Syracuse. A bailment agreement is an agreement whereby one agrees to take physical possession of another one's property for safekeeping or other purposes, but does not take ownership of it, with the understanding it will be returned at a later date or abandoned in place. Under this agreement, industry is in possession of the property and responsible for all loss or damage of it during the bailment and until the end of the agreement. The value of the assets is approximately USD 2.642M. In April 2018, this Bailment was subsumed under CLIN006 of the LFS Cooperative Agreement.

In March 2017, NAMEADSMO i.L. – OotL on behalf of the Italian government awarded a bailment agreement with Leonardo SpA as well. This agreement follows the same provisions as for the one for Germany mentioned above. The value of the assets is approximately €2.658M (USD 2.914M at year-end rate 2019).

Germany and Italy have chosen this form of agreement to maintain and have their hardware ready as government furnished equipment for future pending programs, or to be abandoned in place/returned to Government. Un-obligated funds could be continued to be used for safeguarding the MEADS development result and/or returned to Nations.

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In 2018 and 2019 the OotL projected an estimated path toward complete dissolution of OotL. The projected time frame was 31 Aug 2020.

The main contractor (MEADS International Inc.) most recently re-assessed the duration of the close out effort for D&D Contract. This new schedule shift is so significant that the originally projected dissolution date cannot be maintained. As an immediate mitigation effort, Nations are in the process to extend the OotL until the end of 2020. Un-obligated funds will be continued to be used for administrative expenses of the OotL. Unused funds will be returned to Nations.

Note 16. Write-Off

No capitalized item was written off in 2019.

Note 17. Employee Disclosure

During 2019, there was no US government personnel detailed to the agency.

Note 18. Related Parties

The OotL is under direct control of NAMEADSMO i.L.'s Board of Directors.

The key management personnel of the OotL and the BoD have no related party relationships that could affect the operation of this reporting entity. Board members receive no remuneration and the Liquidator is remunerated in accordance with the published NATO pay scales. Neither receives loans that are not available to all staff.

NATO IS, who deals with NATO pensions on behalf of other NATO entities, is a related party due to the OotL's pension plans being handled centrally at NATO HQ. NATO IS performed administrative support services for the OotL in 2019 however, no fees were charged to OotL for the period ending 31 December 2019.

During 2019, there is one key management personnel - the Liquidator. The aggregate remuneration of key management personnel includes salary, allowances, and complementary insurances and was as follows for the period 01 Jan – 31 Dec 2019:

	31 Dec 2019 (1 person 12 months)	31 Dec 2018 (1 person 12 months)
Aggregate Remuneration	248,556	245,688

Note 19. Representation Allowance

There were no qualifying officials to receive Representation Allowance in 2019.

Note 20. Events after the Reporting Date


There have been no other events between the end of the reporting period and the date the financial statements are re-issued (19 November 2021) that would affect the amounts recognized in these financial statements.

For further information, Nations extended the OotL three times. In May 2020 the agency was extended through 31 December 2020, in October 2020 through 31 December 2021 and in September 2021 through 31 August 2022.

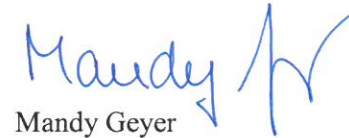
G. Report of Management

The North Atlantic Treaty Organization (NATO) Medium Extended Air Defense Missile System Management Organization in Liquidation's (NAMEADSMO i.L.) Financial Statements have been prepared in accordance with the NAF as adopted by the NAC. The NAF is an adaptation of the IPSAS. The Agency's system of internal financial control is designed to provide reasonable assurance regarding the reliability of financial reports and the preparation of financial statements.

The NAMEADSMO i.L. Financial Statements are approved and certified by the Liquidator and the Financial Controller respectively to the best of their knowledge and according to the applicable accounting standards to give a true and fair view, in all material respect, of the assets, liabilities, financial position and financial performance of NAMEADSMO i.L. and to be in accordance with the books and records maintained.



Nils Kusserow
Liquidator



Mandy Geyer
Financial Controller (acting)

Annex I – Budget Execution

The Budget Execution Statement (BES) for the current reporting period 01 January 2019 through 31 December 2019 is presented on the accrual basis of accounting. For transparency purposes, both the Operational and the Administrative Budgets are shown.

“Accrual Basis” provides full visibility of revenues and expenses recorded in the period when they are earned, irrespective of the actual cash flows (according to NAF).

The funds shown for the Operational Budget 2019 reflect the maximum amount that is being authorized to be committed and spent. The remaining cash holdings are expected to be returned to the respective national treasuries unless Nations decide otherwise.

The funds shown for the Administrative Budget 2019 reflect only the current year authorizations. Remaining funds are available for future years until dissolution. The remaining cash holdings are expected to be returned to the respective national treasuries unless Nations decide otherwise.

Statement of Budget Execution as at 31 December 2019

Equivalent USD	Original estimated budget for 2019	Special Carry Forward 2018/2019	Carry Forward 2018-2019	Special Carry Forward Adjustment 2018/2019	Carry Forward Adjustment 2018-2019	1st and 2nd Budget Amendment	Final budget 2019/ Appropriations	Commitments	2019 Expenses	Special CFw for Uncommitted Appropriations 2019 - 2020	CFw for Committed Appropriations 2019 - 2020	Lapses
Budget 2019 Operational												
Chapter 3	155,869	-	-	-	-	64,449	220,317	134,979	134,979			85,339
Total FY 2019	155,869	-	-	-	-	64,449	220,317	134,979	134,979	-	-	85,339
Budget 2019 Administrative												
Chapter 1 Personnel	912,900	-	-			(3,000)	909,900	663,086	663,086	-	-	246,814
Chapter 2 Admin/Svcs	189,500	-	-			3,000	192,500	93,640	93,640	-	-	98,860
Chapter 4 Investments	11,000	-	-				11,000	924	924	-	-	10,076
Total FY 2019	1,113,400	-	-	-	-	-	1,113,400	757,650	757,650	-	-	355,750
Budget 2018 Operational												
Chapter 3	-	3,253,837			99,544		3,353,381	936,187	936,187	2,417,194		-
Total FY 2018	-	3,253,837	-	-	99,544	-	3,353,381	936,187	936,187	2,417,194	-	-
Budget 2018 Administrative												
Total FY 2018	-	-	-	-	-	-	-	-	-	-	-	-
Budget 2017 Operational												
Chapter 3	-	81,301		(81,301)			-			-	-	-
Total FY 2017	-	81,301	-	(81,301)	-	-	-	-	-	-	-	-
Budget 2017 Administrative												
Total FY 2017	-	-	-	-	-	-	-	-	-	-	-	-
Budget Jul-Dec 2016 Operational												
Chapter 3	-	2,156		(2,156)	-	-	-			-	-	-
Total FY 2016	-	2,156	-	(2,156)	-	-	-	-	-	-	-	-
Budget Jul-Dec 2016 Administrative												
Total FY 2016	-	-	-	-	-	-	-	-	-	-	-	-
Budget Jan-Jun 2016 Operational												
Chapter 3	-	59,311	-	-	-	-	59,311	-	-	-	-	59,311
Total FY 2016	-	59,311	-	-	-	-	59,311	-	-	-	-	59,311
Budget Jan-Jun 2016 Administrative												
Chapter 1 Personnel	-		14,600	-	-	-	14,600	-	-	-	-	14,600
Chapter 2 Admin/Svcs	-		-	-	-	-	-	-	-	-	-	-
Chapter 4 Investments	-		-	-	-	-	-	-	-	-	-	-
Total FY 2016	-	-	14,600	-	-	-	14,600	-	-	-	-	14,600
Budget 2015 Operational												
Chapter 3	-	171,561			-	-	171,561	171,561	171,561			-
Total FY 2015	-	171,561	-	-	-	-	171,561	171,561	171,561	-	-	-
Total Operational	155,869	3,568,166	-	(83,457)	99,544	64,449	3,804,570	1,242,726	1,242,726	2,417,194	-	144,650
Total Administrative	1,113,400	-	14,600	-	-	-	1,128,000	757,650	757,650	-	-	370,350
Total all Budgets	1,269,269	3,568,166	14,600	-	99,544	64,449	4,932,570	2,000,376	2,000,376	2,417,194	-	515,000

Explanation of Special Carry Forward, Carry Forward and Lapsed Credits/Ending Balance

Operational Budget:

The Budget Execution Statement (BES) shows regular carry forward as well as special carry forward in order to recognize the nature of funds. Special carry forward are funds of uncommitted appropriations for a clearly identified purpose.

In the BES, the total amount of special carry forward of uncommitted appropriations on 31 December 2019 for Chapter 3 (Design and Development) is EUSD 2,417,194. These funds are allocated to the prime contract with MEADS International (MI) which are not related to any active specific work to be performed but to cover the final price settlements of “cost reimbursement” contracts.

The total amount of lapses is EUSD 144,650. Lapses of EUSD 59,311 are funds allocated to the close out of the contract with EuroMEADS. No work is being performed, only final close out steps need to be done. Remaining lapses of EUSD 85,339 are referred to the contract with MBDA GE which was finally closed in fall of 2019.

Administrative Budget:

The carry forward amount

The lapsed credits of EUSD 370,350 are funds that were approved by the BoD for the entire Administrative Budget 2019 but were not obligated or spent by the end of 2019. Lapsed credit amounts for Chapter 1 – Personnel (EUSD 246,814) are mainly due to personnel costs being lower than budgeted (one post was not filled for 5 months). Lapsed credit amounts for Chapter 2 – Admin/Services (EUSD 98,860) are mainly due to less travel, no training costs and lower costs for telecommunication. Lapsed credit amounts for Chapter 4 relate mainly to planned replacements for equipment that did not take place. USD 14,600 were carried forward from 2018 but lapsed since the reason for the commitment (removal) will not occur any longer.

Budget Transfers

For the Administrative Budget, transfers of credits between budget chapters can be made after approval of the BoD. The Liquidator may authorize transfers within any chapter between items and among sub-items within an item concerning recurring expenditure and within any item concerning capital expenditure. One transfers within the Administrative Budget occurred in 2019 after the BoD approved the changes to the budget credits of 2019.

Item	Name	Transfers within AB (Jan-Dec 2019)
Budget 803 - 3 Nations (GE/IT/US)		
1410	Consultant	(3,000)
2212C	Hardware Maintenance	3,000

For the Operational Budget, transfers of credits between budget chapters and items can be made after approval by the BoD. The Liquidator may authorize transfers between sub-items within any chapter item. From 1 Jan through 31 Dec 2019 there were no Operational Budget transfers authorized by the Liquidator. All transfers were agreed by way of an amendment to the Operational Budget approved by the BoD.

Budget Execution Reconciliations

Reconciliation of expenses in the Statement of Cash Flows to the expenses in the Budget Execution Statement

	Administrative	Operational
Statement of Cash Flow - Cash paid to Contractors/ Suppliers and Employees	738,934	1,204,716
Less:		
Accruals 2018	(14,244)	(154,521)
Plus:		
Accruals 2019	32,959	132,217
Variation on year-end rate 2018 vs. MoU rate on accrued expenses 2019		(2,849)
Variation for Expenses (avg. NATO ER vs. MoU rate)		63,164
BES Expenses	<u>757,650</u>	<u>1,242,726</u>

Reconciliation of the expenses in the Statement of Financial Performance to the expenses in the Budget Execution Statement

	Administrative	Operational
Statement of Financial Performance Expenses	\$ 757,650	\$ -
Plus:		
Cash paid to contractors		1,183,232
Adjustments for Euro payments at average NATO ER vs MoU Rate		
-Cash paid to contractors and other OB related charges		59,494
BES Expenses	<u>\$ 757,650</u>	<u>\$ 1,242,726</u>

Annex II: Budget Calls and Receipts

The Operational and Administrative Budget contributions are called based on cash requirements and within the FMPD schedule and limits. The Operational Budget reached the contribution ceiling in 2013, the Administrative Budget reached the contribution ceiling in 2014 and as such there were no calls made in 2019 by the OotL.

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North Atlantic Treaty Organization



NATO Medium Extended Air Defense System Management Organization in Liquidation



Financial Statements

For the year ended

31 December 2020

Serial # GM-5006-38047-OM

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A. Overview of NATO MEADS Management Organization's in Liquidation Operations and Environment

General description of the NATO MEADS Management Organization in Liquidation

The North Atlantic Treaty Organization (NATO) Medium Extended Air Defense System Management Organization (NAMEADSMO) is a NATO Development, Production and Logistics Organization (NPLO), a subsidiary body of NATO created by the North Atlantic Council with the "Charter of NAMEADSMO", documented at C-M(2005)0044-ADD1. Per virtue of the Section VII of the Charter, the organization comprises a Steering Committee (now called Board of Directors), and a NATO Agency whose headquarter is located in the United States of America.

NAMEADSMO shares the international characteristics of NATO and the jurisdictional autonomy by virtue of Article 4 of the Ottawa Agreement. NAMEADSMO was created to provide direction, coordination, and execution of all phases of the MEADS program as delineated by the participating Nations. The participating Nations (Participants) are Germany, Italy, and the United States of America.

On 4 April 2016, the Board of Directors (BoD) submitted a formal request to the North Atlantic Council (NAC) to place NAMEADSMO into Liquidation (NAMEADSMO i.L.). This request was approved and became effective on 1 July 2016.

NAMEADSMO i.L. is comprised of a BoD, composed of one representative from each of the Participants, and the Office of the Liquidator (OotL) which replaced the former NATO MEADS Management Agency (NAMEADSMA).

Consequently, NAMEADSMO i.L. and its staff are under the governance of the NATO Document C-M(66)9 which states in Article 1.b)

"Until the liquidation is completed, the provision of the Charter of the Production Organization will continue to apply to the Production Organization in Liquidation and its staff, insofar as nothing to the contrary results from the provisions of this document or from the purpose of the liquidation."

The liquidation phase for the MEADS program is financed with the "inherited" contributions received prior to the liquidation phase from participating Governments in accordance with the Financial Management Policy Document (FMPD) and in accordance with the terms stipulated in the Design and Development (D&D) Memorandum of Understanding (MoU). While some parts of the MoU expired on 22 April 2017, Section 19.7 provides application in perpetuity of the Sections "Equipment", "Disclosure and Use of Project Information", "Controlled unclassified Information, "Security", "Third Party Sales and transfers", "Liability and Claims" and "Amendment, Termination, Entry into Effect, and Duration".

The FMPD specifies the financial management policies and the funding schedule set for the MEADS D&D phase also applicable for the liquidation phase. It delineates the Participants' annual cumulative financial ceilings which are the basis for the NAMEADSMO i.L. annual budgets. The budgets consist of the Administrative and Operational Budgets. Germany, Italy and the USA (DEU/ITA/USA) percentage shares of the total contribution ceiling are 25.2%, 16.7% and 58.1% respectively, including a portion of non-financial contributions as defined in the FMPD. No further contribution by each Nation will occur during the liquidation phase. The total contribution ceilings for Germany and Italy for the Operational Budget (OB) were reached in 2013 and for the Administrative Budget (AB) in 2014. The USA will not reach their contribution ceilings for either budget as it was noted with BoD decision D14/08 that "no additional USA funds will be provided for the remainder of the MEADS program."

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The cumulative D&D costs incurred until 31 December 2020 amounts to 2,607M US Dollars and 1,420M Euros.

The organization of the OotL remained unchanged from previous years. In 2020, the Office of the Liquidator is comprised of the position of a Liquidator (DEU) and a Business Financial Manager (DEU) and a Contract Specialist/Financial Controller (ITA)

NAMEADSMO i.L. has no liens or encumbrances on the agency's assets.

NAMEADSMO i.L. has given no guarantees to third parties.

NAMEADSMO i.L. is located in Huntsville, Alabama, USA.

Role of the Office of the Liquidator

Beginning 01 July 2016, the Office of the Liquidator (OotL) is the successor of NAMEADSMA. OotL is responsible for the planning, execution, and overall management of the liquidation of the program with the goal to complete the ongoing effort, safeguard the development results and accomplish a successful close-out.

Main responsibility of the OotL is the close out of contracts of the MEADS program. In addition, as per direction of the BoD, the OotL amends existing contracts or awards new ones. It also provides support and information/data to the BoD, the National Product Offices, Industry, and national price audit agencies.

The OotL inherited all existing contracts awarded by the (former) NATO Agency NAMEADSMA throughout the D&D phase.

Contract legacy with NAMEADSMA can be explained as follows:

- The Prime Contract with MEADS International (MI), the prime contractor, was definitized on 31 May 2005. The main D&D phase and MI main contract effort were completed on 31 December 2014 while "Data Archival" of all development documentation (drawings, reports, test results, etc.) and the distribution of the development residual material lasted throughout 2016-2017. It is now completed. Remaining contractual and administrative close-out activities will be carried out until final settlement.
- Ancillary contracts were also part of the business transferred to the OotL. Lockheed Martin was engaged in a cooperative agreement for the realization of a Low Frequency Sensor (LFS). The MBDA joint venture EuroMEADS was retrofitting one of the two Multifunction Fire Control Radars (MFCR). MBDA-DEU received a contract to fulfill a non-common requirement regarding German Maturation Activities funded by Germany only. MEADS LLC had been providing support services for the D&D effort to the Agency by conducting independent technical analyses of the MEADS Program system level performance, systems engineering activities, design, development, integration, fabrication, test, producibility, logistic, and programmatic activities. All ancillary contracts are completed. The LFS and MFCR#1 contract are currently under final price audit.

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- Bailment agreements were awarded in order to preserve German and Italian hardware in the USA and in Italy. In both cases the owners of the equipment (Germany and Italy) decided the final disposition of the hardware. Both agreements are now completed.

Compliance with Financial Regulations

NAMEADSMO i.L. follows standardized rules and regulations approved by the NAC. Specifically, NAMEADSMO i.L. adheres to the NATO Financial Regulations (NFRs) and Financial Rules and Procedures (FRPs) and to the NATO Civilian Personnel Regulations (CPRs). Since the financial management of NAMEADSMO i.L. is separate and distinct from those of the International Staff or other NATO entities, NAMEADSMO i.L. also follows the NAMEADSMO Financial Rules and Regulations (FRRs), as approved by the NAMEADSMO BoD. If a conflict between the NFR/FRP and NAMEADSMO FRRs arises, the most recent NATO NFR/FRP will prevail.

Note that the BoD decided with decision D22/03 that the Liquidator has the discretion to modify processes and regulations of the NAMEADSMO FRR and Operating Instructions (OIs) to accommodate the OotL organization and requirements, as long as these modifications are compliant with the NFR.

NAMEADSMO i.L.'s mission, strategies and how they relate to its Financial Position, Financial Performance and Cash Flows

NAMEADSMO i.L. does not have any objectives and strategies in relation to its financial position, performance, and cash flows other than to have enough funding available to cover its administrative and operational costs. This is done while acting in the best interest of the three participating Nations within the mission established by the NAMEADSMO Charter and the D&D MoU objectives, in accordance with guidance received from the BoD.

Risks and Uncertainties that affect NAMEADSMO i.L.'s Financial Position and Performance

NAMEADSMO i.L.'s performance is based on the MEADS program results and deliveries that can be achieved with the resources spent. The financial position of NAMEADSMO i.L. is not affected by any significant risk as the MEADS program comes to an end.

Assets/Liabilities in regard of other NATO bodies

NAMEADSMO i.L. does not have any assets or liabilities in respect of other NATO entities.

B. Statement of Financial Position

as at 31 December 2020
(in US Dollars)

	Notes	<u>2020</u>	<u>2019</u>
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	2	7,793,078	8,411,338
Receivables	3	1,599	68,080
Prepayments	4	-	-
		<u>7,794,678</u>	<u>8,479,418</u>
<i>Non-Current Assets</i>			
Property, Plant and Equipment	5	-	-
Total Assets		<u>7,794,678</u>	<u>8,479,418</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable and Accruals	6	68,407	165,176
Deferred Revenue and Liability to Nations	7	7,726,271	8,314,242
		<u>7,794,678</u>	<u>8,479,418</u>
Total Liabilities		<u>7,794,678</u>	<u>8,479,418</u>

C. Statement of Financial Performance

for the year ended 31 December 2020
(in US Dollars)

	Notes	2020	2019
Revenue	10		
Operational		-	-
Administrative		824,010	757,650
Total Revenue		824,010	757,737
Expense	11, 12, 13, 14		
Operational		-	-
Administrative		824,010	757,650
Total Expense		824,011	757,737
Net Result for the Year		-	-

D. Statement of Cash Flows

for the year ended 31 December 2020
(in US Dollars)

	<u>2020</u>	<u>2019</u>
<i>Operational Budget</i>		
Cash Paid to Contractors	(184,894)	(1,204,716)
Other Cash Receipts	305,458	-
Total Operational Budget	120,564	(1,204,716)
<i>Administrative Budget</i>		
Other Cash Receipts	66,481	
Cash Paid to Suppliers and Employees	(816,253)	(738,934)
Total Administrative Budget	(749,772)	(738,934)
Total Cash Flows from Operating Activities	(629,208)	(1,943,650)
Total Cash Flows from Investing Activities	-	-
Total Cash Flows from Financing Activities	-	-
Net Increase/Decrease in Cash	(629,208)	(1,943,650)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	10,948	(36,116)
Cash at Beginning of Period	8,411,338	10,391,104
Cash at End of Period	7,793,078	8,411,338

E. Statement of Changes to Net Assets/Equity

for the year ended 31 December 2020
(in US Dollars)

	Capital assets	Reserves	Accumulated surplus/deficit	Total
Balance at the end of the period 1 Jan - 31 Dec 2018	-	-	-	-
Net gains/(losses) recognised directly in net assets/equity	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Change in net assets/equity for the year ended 31 Dec 2019	-	-	-	-
Balance at the end of the period 1 Jan - 31 Dec 2019	-	-	-	-
Net gains/(losses) recognised directly in net assets/equity	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Change in net assets/equity for the year ended 2020	-	-	-	-
Balance at 31 December 2020	-	-	-	-

F. Notes to the Financial Statements

The notes form an integral part of these financial statements. The financial statements were originally issued to the International Board of Auditors for NATO (IBAN) on 31 March 2020 and resubmitted, upon agreement from IBAN (IBA-A(2021)0129), on 19 November 2021.

Note 1. Significant Accounting Policies

Basis of preparation

The financial statements of NAMEADSMO i.L. have been prepared on the accrual basis of accounting in accordance with the NATO Accounting Framework (NAF) as adopted by the NATO Council (NAC). The NAF is an adaptation of the International Public Sector Accounting Standards (IPSAS).

The application of the NATO accounting framework has had no material impact on the disclosures or on the amounts recognised in the NAMEADSMO i.L. financial statements.

The financial statements comply with the accounting requirements of the NFR and FRP and the relevant NAMEADSMO FRR. They are prepared on a non-going concern basis in consideration of the decisions taken by the Participants.

With the development coming to an end and with none of the participating Nations continuing this MEADS Program, in 2012 the NAMEADSMO BoD requested a plan for the orderly transition to close-out the Agency by mid-2014. Subsequently, in June 2014 the BoD approved a new plan to initiate the liquidation of the entity on 1 February 2015. In the end, the BoD submitted a formal request to the NAC to place NAMEADSMO into Liquidation on 4 April 2016. This request was approved and became effective on 1 July 2016. Consequently, NAMEADSMO became “NAMEADSMO in Liquidation”, headed by the Liquidator who is supported by a small staff also referred to as “Office of the Liquidator”.

Accounting as Procurement Agent

According to the IPSAS Preface, IPSASs are converged with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) by adapting them to public sector context where appropriate.

IFRS 15 defines a Principal as the party that controls the goods or services before they are transferred to customers and defines an Agent as the party that arranges for the goods or services to be provided by another party without taking control over those goods or services.

NAMEADSMA/NAMEADSMO i.L. – OotL has been acting as a procurement agent in respect of its operations since it does not control a good or service before it is transferred to the customer. As such the agency does not have:

- Primary responsibility for fulfilling the promise to provide the specified good or service
- Inventory risk
- Discretion in establishing the price for the specified good or service

The Agency was created for the sole purpose of designing MEADS on behalf of Germany, Italy and the United States and consequently has been carrying out the acceptance of goods and services on behalf of the participating Nations. All assets are owned, controlled, and operated by the three Nations.

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The running costs of the Agency are reimbursed via the Administrative Budget. Therefore, the operational revenue and expenses are not recognised throughout these financial statements. In order to align with this change from Principal to Agent certain balances of these statements are restated.

Accounting estimates and judgments

In accordance with NAF, the financial statements necessarily include amounts based on estimates and assumptions made by 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 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, revenue, 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 are not likely to be significant to the financial statements.

Changes in accounting policy

The same accounting policies are applied within each period and from one period to the next, unless a change in accounting policy meets one of the criteria set in NAF/IPSAS 3. For the 31 December 2020 financial statements, the accounting policies have been applied consistently throughout the reporting period.

Restatements

NAMEADSMO i.L. has not restated any balances.

Changes in pronouncements

Some new standards, alignments of standards and interpretations were issued.

IPSAS	Name	Effective date for periods beginning on or after
IPSAS 41	Financial Instruments	01 January 2023
IPSAS 42	Social Benefits	01 January 2023
IPSAS 36 and IPSAS 41	Long-term Interests in Associates and Joint Ventures (Amendment to IPSAS 36) and Prepayment Features with Negative Compensation (Amendment to IPSAS 41)	01 January 2023
IPSAS 19	Collective and Individual Services (Amendments to IPSAS 19)	01 January 2023
IPSAS	Improvements to IPSAS, 2019	01 January 2023

The above-mentioned standards have no material impact on the financial statements of the agency.

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Foreign Currency

These financial statements are presented in US Dollars (USD), which is NAMEADSMO i.L.'s reporting currency. EURO (€) currency transactions are translated into USD at the average monthly NATO exchange rates, with the exception of foreign exchange transactions, which are converted at the daily exchange rate. Monetary assets and liabilities denominated in EURO at period-end are translated into USD using the NATO exchange rates applicable at 31 December 2020.

All EURO transactions related to the budget are converted into equivalent USD (EUSD) at the MoU exchange rate of 1.19.

For transparency, Note 14 explains in more detail the Effect of Exchange Rate Changes on Cash and Cash Equivalents.

Financial Instruments disclosure/presentation

NAMEADSMO i.L. uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, accounts receivable, provisions and liabilities. Financial instruments are recognized in the Statement of Financial Position at fair value.

Financial risk factors

NAMEADSMO i.L. is minimally exposed to a variety of financial risks, including credit, liquidity, and currency risks.

a. Credit risk

The OotL holds current bank account balances with registered banking institutions in the USA and Germany. Wells Fargo (USA) and Sparkasse (Germany) have a very low long-term credit risk rating. In accordance with Fitch, the following are the latest bank deposit ratings assigned:

- Wells Fargo Bank: AA-/F1+
- Sparkasse Koblenz: A+/F1+

b. Liquidity risk

The OotL does not expect to encounter any difficulty in meeting obligations associated with financial liabilities. There is limited exposure to liquidity risk because of the budget mechanism that guarantees funds for the total approved budget.

c. Currency risk

The OotL continues to operate on the contributions received in prior years from the Participants in USD (\$) and EURO (€), based on the FMPD. Generally, expenses are paid in the same currency as the receipts. For the Operational Budget, in the past total obligations for each currency may not have matched the available resources in the same currency, yielding some foreign exchange risk from fluctuations in currency rates. Consequently, the BoD authorized foreign exchange money market operations, if necessary, to maintain adequate funding level in each currency to hedge this risk (decision D15/09). As of 2020 the Operational Budget holds enough resources in the same currency and therefore yielding no longer foreign exchange risk.

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The exposure of financial instruments to foreign currency exchange risk associated with the Administrative Budget is insignificant as contributions and expenditure are made in USD only.

Revenue and Expense Recognition

Revenue comprises contributions from Participants to fund the entity's 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 revenue recognition is matched with the recognition of expenses.

Administrative Budget

Administrative Budget contributions fund the costs of NATO contract personnel and the goods and services to be rendered toward the performance of tasks to be executed by NAMEADSMO i.L. over an agreed period of time. Contributions are initially recorded as deferred revenue liabilities. They are recognized as revenue in the statement of financial performance when such contributions are used for their intended purpose as estimated in the Administrative Budget.

Operational Budget

The entity's contracts are with the private sector utilizing *cost-plus fixed fee* contract. The operational revenue and expenses are not recognised since the entity is considered an agent in respect of its operations.

Budget Execution

Total budgetary resources are comprised of assessed contributions from the Participants.

The budgets are Administrative (costs for agency personnel, supplies and services, furnishings and equipment), and Operational (costs associated with the MEADS system development and ancillary contracts). Costs are further categorized by chapters, items and sub-items within the separate budgets. In accordance with NFR Art. 34.4, a Budget Execution Statement (BES) is presented in Annex I.

There has not been a change in the execution of the BES compared to the previous accounting period for transparency and disclosures to readers. The BES is prepared on an accrual basis of accounting.

Cash Flow Statements

NAMEADSMO i.L. has elected to use the direct method of presentation in these financial statements, in accordance with NAF.

Financial Assets

The financial assets are cash and cash equivalents, accounts receivable and prepayments. They are measured at fair value. Bank deposits denominated in foreign currencies are translated to reporting currency at the closing date NATO exchange rate. Changes in fair value are recognized in the Statement of Financial Performance

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Financial Liabilities

The financial liabilities are accounts payable and accruals, and advances and unearned revenue from Participants. They are measured at fair value. Changes in fair value are recognized in the Statement of Financial Performance. As consequence of the 1 July 2016 transition into liquidation, all NAMEADSMO assets and liabilities were subsumed into NAMEADSMO i.L. assets and liabilities.

Receivables

Amounts receivable are stated at fair value in the Statement of Financial Position. No provision for doubtful debts is necessary as all receivables are deemed to be collectible.

Prepayments

Advance payments to vendors are reflected as prepayments in the Statement of Financial Position.

Accounts Payable and Accruals

Accounts Payable represent amounts for which goods and/or services, supported by an invoice, have been received by period-end but which remain unpaid. Accruals represent amounts for goods and/or services rendered by period-end but are not yet supported by an invoice at period-end.

Deferred Revenue and Liability to Nations

Deferred revenue represents contributions from Participants and/or third parties for the Administrative Budget that have been called for, in prior years' budgets but that have not yet been recognized as revenue.

Liability to Nations refers to contributions from Participants and/or third parties for the Operational Budget that have been called for, in prior years' budgets but that have not yet been returned back to the Nations.

Property, Plant and Equipment (PP&E)

PP&E is reported in the financial statements in accordance with internal policy guidance for Property, Plant and Equipment for the Administrative Budget. No changes occurred with the criterion adopted by former NAMEADSMA's internal policy guidances. PP&E is recognized in accordance with the criteria relating to control outlined in the NATO Accounting Framework.

After recognition as an asset, an item of PP&E is carried at its historical cost less any accumulated depreciation. Total cost consists of the asset purchase price plus any installation costs for bringing the asset to working condition for its intended use.

As allowed under the NATO Accounting Framework, NAMEADSMO i.L. uses capitalization thresholds based on its activities and size. These thresholds are lower than the agreed NATO thresholds in the framework.

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NAMEADSMO i.L. uses the straight-line method of depreciation (calculated by dividing the cost equally over the asset's useful life) with a half-year rule to recognize assets with six months depreciation in the first year regardless of the date the asset was received. The half-year rule treats all property acquired during the year as being acquired exactly in the middle of the year. This means that only half of the full-year depreciation is allowed in the first year, with the remaining balance being deducted in the final year of the depreciation schedule, or the year that the property is disposed.

The estimated useful lives for asset classes applicable to NAMEADSMO i.L. are listed in the table below:

Asset Class	Depreciation Method	Useful Life Years	Capitalization Threshold Dollars (\$)	Notes
Leasehold Improvements	Straight-Line	40	65,000	Major Building Renovations
Furniture & Fixtures	Straight-Line	10	1,000	Per item cost
Communication Systems	Straight-Line	3	1,000	Per item cost
Automated Information Systems	Straight-Line	3	1,000	Per item cost
Major Software	Straight-Line	3	65,000	Acquired Externally

Note that for some items the useful life is longer than the estimated life of the Agency. The depreciation expense was adjusted in 2012 and again in 2013 to the estimated expected end of the life of the Agency. The final year of depreciation for all remaining NAMEADSMO assets was 2015.

Consequently, everything acquired by the NAMEADSMO i.L. - OotL, starting 01 July 2016, is fully expensed.

Intangible Assets

NAMEADSMO i.L. does not have any intangible assets.

Retirement benefit plans: NATO Defined Contribution Pension Scheme (DCPS)

Contributions to the NATO defined contribution pension scheme are charged to the Statement of Financial Performance in the year to which they relate. NAMEADSMO i.L. is not directly exposed to any liabilities that may arise on the scheme and has no control over the assets of the scheme. The assets and liabilities for the NATO Pension Schemes are accounted for centrally by NATO International Staff (IS).

Retirement benefit plans: NATO Defined Benefit Scheme

Contributions to the NATO defined benefit scheme are charged to the Statement of Financial Performance in the year to which they relate. NAMEADSMO i.L. is not directly exposed to any liabilities that may arise on the scheme and has no control over the assets of the scheme. The assets and liabilities for the NATO Pension Schemes are accounted for centrally by NATO IS.

Provisions

Provisions are recognized when the entity has a legal or constructive obligation as a result of a 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.

Contingent Liabilities

Contingent liabilities are possible obligations arising from past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of NAMEADSMO i.L..

Reserves and Net Assets

NAMEADSMO i.L. operates on a “no profit, no loss” basis. As such, it does not have net assets; any surplus gained in the year becomes payable to the Participants while any deficit becomes a receivable from the Participants.

Comparative Figures

The reporting period for the current financial statements of 12 months, is the same as the reporting period for the previous financial statements 01 Jan -31 Dec 2019. Comparative amounts for related notes are therefore comparable.

Note 2. Cash and Cash Equivalents

2020:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	91,989	-	-	-	4,609,960	4,721,736
Administrative	-	19,991	-	5,136	3,046,215	3,071,342
TOTAL	91,989	19,991	-	5,136	7,656,175	7,793,078

The agency’s cash includes deposits which are held in non-interest-bearing current bank accounts in immediately available funds. Current bank accounts are held in USD (\$) and Euro (€) currencies. The cash holdings of USD 4,609,960 for the operational account include a return of funding in the amount of USD 305,458 for de-obligated funds for the Foreign Military Sales case implemented in 2014.

2019:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	92,460	-	-	-	4,488,860	4,590,224
Administrative	-	25,825	-	5,136	3,790,153	3,821,114
TOTAL	92,460	25,825	-	5,136	8,279,013	8,411,338

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Note 3. Receivables**2020:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Contract Receivables		-		-		-
Total Operational	-	-	-	-	-	-
Administrative						
Miscellaneous					1,599	1,599
Total Administrative		-		-	1,599	1,599
TOTAL	-	-	-	-	1,599	1,599

2019:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Contract Receivables		-		-		-
Total Operational	-	-	-	-	-	-
Administrative						
Miscellaneous					68,080	68,080
Total Administrative		-		-	68,080	68,080
TOTAL	-	-	-	-	68,080	68,080

Note 4. Prepayments**2020:**

There are no prepayments as at 31 December 2020.

2019:

There were no prepayments as at 31 December 2019.

Note 5. Property, Plant and Equipment

The gross carrying amount and the accumulated depreciation at the beginning and end of the period can be seen in the table below. A reconciliation of the carrying amount at the beginning and end of the period is also displayed.

	Furniture & Fixtures		Communication Systems		Automated Information Systems		Major Software		Total	
Reporting Period	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Gross Carrying Amount, opening	6,395	6,395	-	-	13,274	13,274	-	-	19,669	19,669
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Loss on Disposals	-	-	-	-	-	-	-	-	-	-
Gross Carrying Amount, closing	6,395	6,395	-	-	13,274	13,274	-	-	19,669	19,669
Accumulated Depreciation, opening	6,395	6,395	-	-	13,274	13,274	-	-	19,669	19,669
Depreciation	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation, closing	6,395	6,395	-	-	13,274	13,274	-	-	19,669	19,669
Net Carrying Amount	-	-	-	-	-	-	-	-	-	-

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Additionally, the entity has several non-capitalized items of Property, Plant and Equipment, acquired before 2013. These are maintained in the disposition of the Entity. In accordance with the NATO Accounting Framework (C-M(2016)0023), which requires for these items to provide the type of inventories, locations and approximate number of these items held per asset category, the table below is disclosed:

Furniture & Fixtures	Automated Information System	Communication Systems	Leasehold Improvements	Major Software	Total
48	5	0	0	0	53

These items are located at the Office site – 620 Discovery Dr. – BLDG 1 – Suite 110 – Huntsville (AL).

Note 6. Accounts Payable and Accruals

2020:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Accrued Expenses	-	-	-	-	27,689	27,689
Total Operational	-	-	-	-	27,689	27,689
Administrative						
Accounts Payable	-	-	-	-	-	-
Accrued Expenses	-	62	-	-	40,654	40,716
Total Administrative	-	62	-	-	40,654	40,716
TOTAL	-	62	-	-	68,344	68,406

Payables to contractors and suppliers include invoices received from suppliers but not yet paid and estimated accrued expenses.

2019:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Accruals	-	-	-	-	132,217	132,217
Total Operational	-	-	-	-	132,217	132,217
Administrative						
Accounts Payable	-	-	-	-	-	-
Accrued Expenses	-	58	-	-	32,902	32,959
Total Administrative	-	58	-	-	32,902	32,959
TOTAL	-	58	-	-	165,119	165,176

Note 7. Deferred Revenue and Liability to Nations

2020:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Liability to Nations	91,989	-	-	-	4,582,270	4,694,046
Total Operational	91,989	-	-	-	4,582,270	4,694,046
Administrative						
Deferred Revenue	-	19,929	-	5,137	3,007,158	3,032,225
Total Administrative	-	19,929	-	5,137	3,007,158	3,032,225
TOTAL	91,989	19,929	-	5,137	7,589,428	7,726,271

Deferred revenue and Liability to nations include uncommitted funds and lapses. All remaining funds, if any, will be returned to the respective national treasuries prior to the dissolution of the agency. The amount of USD 4,582,270 under Liability to Nations include a return of funding in the amount of USD 305,458 for de-obligated funds for the Foreign Military Sales case implemented in 2014.

2019:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Liability to Nations	92,460	-	-	-	4,356,643	4,458,007
Total Operational	92,460	-	-	-	4,356,643	4,458,007
Administrative						
Deferred Revenue	-	25,768	-	5,137	3,825,331	3,856,235
Total Administrative	-	25,768	-	5,137	3,825,331	3,856,235
TOTAL	92,460	25,768	-	5,137	8,181,973	8,314,242

Note 8. Other Current Liabilities**2020:**

There are no other current liabilities as the banks ceased to yield interest on the cash balances for the period 01 Jan – 31 Dec 2020.

2019:

There are no other current liabilities as the banks ceased to yield interest on the cash balances for the period 01 Jan – 31 Dec 2019.

Note 9. Provisions and Contingent Liabilities

The OotL does not have any provisions or contingent liabilities to report.

Note 10. Revenue**2020:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	-	-	-	-	-	-
Administrative	-	5,838	-	-	818,172	824,010
TOTAL	-	5,838	-	-	818,172	824,010

The operational revenue is not recognised since the entity is considered an agent in respect of its operations.

2019:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	-	-	-	-	-	-
Administrative	-	1,983	-	414	755,253	757,650
TOTAL	-	1,983	-	414	755,253	757,650

Note 11. Expenses**2020:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Total Operational	-	-	-	-	-	-
Administrative						
Personnel	-	-	-	-	745,673	745,673
Operating	-	5,838	-	-	72,500	78,338
Total Administrative	-	5,838	-	-	818,172	824,010
TOTAL	-	5,838	-	-	818,172	824,010

The operational expenses are not recognised since the entity is considered an agent in respect of its operations.

2019:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Total Operational	-	-	-	-	-	-
Administrative						
Personnel	-	-	-	-	663,086	663,086
Operating	-	1,983	-	414	92,167	94,564
Total Administrative	-	1,983	-	414	755,253	757,650
TOTAL	-	1,983	-	414	755,253	757,650

Note 12. Personnel Expenses

The figures disclosed below represent the costs of NATO personnel including salary, allowances, complementary insurance, and pension plan contributions. The amount for Personnel Expense in Note 11 is greater than the employee benefits expense defined in this note because Note 11 includes all Chapter 1 budget Personnel items such as recruitment/separation, home leave, contractor personnel expense, etc.

	31 Dec 2020 (3 people for 12 months)	31 Dec 2019 (3 people for 7 months +2 people for 5 months)
Employee Benefits Expenses	642,619	525,074
Post Employment Benefits	30,979	21,510

The OotL does not accrue untaken leave. In accordance with CPR Article 42.3, untaken leave must be taken within the allowed time period or will be forfeited.

The OotL does not have any termination benefits. The Agency has only seconded personnel under NATO personnel contracts.

NATO Pension Schemes are accounted for centrally at NATO Headquarters and therefore are not recognized in these financial statements. NATO IS manages these systems centrally on behalf of the other NATO entities.

Note 13. Leases

The OotL has two operational leases. One lease is for an office space with the JU Huntsville CRP III Owner, LLC, which currently terminates on 31 Dec 2021. The obligated base lease payments from 01 January through 31 December 2020 amount to USD 37,929. The costs from 01 January through 31 December 2021 will total USD 39,074. In addition, the OotL pays operating expenses in the amount of USD 408 per month.

The other operational lease is for a printer for the office which went into effect on 01 October 2020 and is valid for one year. The contract lease charge is in the amount of USD 50 per month (USD 150 for 01 Oct 2020 until 31 Dec 2020) and the contract base rate in the amount of USD 22.50 per month (USD 67.50 for 01 Oct 2020 until 31 Dec 2020).

The OotL does not have any financial leases.

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Note 14. Effect of Foreign Exchange Rates Changes on Cash and Cash Equivalents

The total effect is separately disclosed in the Statement of Cash Flow. The nature of exchange differences and how they are calculated is shown in the table below:

	Euro	Year-end Rate 2019 (1.09630)	Avg monthly NATO ER	Year-end Rate 2020 (1.21510)	Effect of FX Rate in EUSD
<i>Opening Balance</i>	92,460	101,364		112,348	10,984
<i>Contractors Exp.</i>	(471)		(536)	(573)	(37)
Total Balance	91,989				
Effect on FX					10,948

Note 15. Draw Down of Operations**Operational:**General Remarks:

After the completion of all operational effort in November of 2020 (legacy effort from D&D program plus safe keeping effort during liquidation phase) the OotL continues to support national requirements (e.g., price audits, information requests) and closing out contracts.

In the beginning of 2020, the prime contractor MI announced a delay in their ability to close out contracts which was later on even more impacted by the ongoing pandemic. OotL assessed this schedule shift and currently predicts the final dissolution date to be June of 2022. So far, this also resulted in two extensions of the OotL by the BoD (currently through December of 2021).

Details:

The final delivery under the MI D&D prime contract was made in mid-2020. In parallel, MI performed a complete financial reconciliation of the prime contract during the year 2020. Subsequently, the contractor submitted the final close out proposal for the open CLIN at the end of March 2021 which is currently under review and will be subject to approval by the Participants.

The MFCR#1 contract is currently under price investigation. The close out is pending, awaiting the outcome of a price audit requested by Nations.

In October 2016, NAMEADSMO i.L. – OotL awarded a bailment agreement with Lockheed Martin Syracuse on behalf of the German government

Under this agreement, industry was in possession of the property and responsible for all loss or damage of it during the bailment and until the end of the agreement. The value of the assets was approximately USD 2.642M. In April 2018, this Bailment was subsumed under CLIN006 of the LFS Cooperative Agreement. In March 2020, the hardware was transferred to DEU National contract (and CLIN 006 completed). The LFS contract is completed and currently in close out. The close out is pending, awaiting the outcome of a price audit requested by Nations.

In March 2017, NAMEADSMO i.L. – OotL awarded a bailment agreement with Leonardo SpA on behalf of the Italian government as well. The value of the assets was approximately €2.658M (USD 3.23M at year-end rate 2020).

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ITA directed the OotL to have Leonardo SpA abandon these items in place in November of 2020. The contract was closed out in May 2021.

All other operational effort is completed and closed out.

Administrative:

Parallel to closing down the operational part of the agency, the OotL continues the liquidation effort on the administrative side as well. This includes but is not limited to resolving open security matters, dismantling of the office, archiving materials, etc). All this is being performed in close cooperation with NATO IS (divisions/offices) and the Nations.

Final Remarks:

No additional assets were disposed in the period of 01 January 2020 through 31 December 2020.

Un-obligated funds will be continued to be used for administrative expenses of the OotL. Unused funds will be returned to Nations.

Note 16. Write-Off

No capitalized item was written off in 2020.

Note 17. Employee Disclosure

During 2020, there was no government personnel from the USA detailed to the agency.

Note 18. Related Parties

The OotL is under direct control of NAMEADSMO i.L.'s Board of Directors.

The key management personnel of the OotL and the BoD have no related party relationships that could affect the operation of this reporting entity. Board members receive no remuneration, and the Liquidator is remunerated in accordance with the published NATO pay scales. Neither receives loans that are not available to all staff.

NATO IS, who deals with NATO pensions on behalf of other NATO entities, is a related party due to the OotL's pension plans being handled centrally at NATO HQ. NATO IS performed administrative support services for the OotL in 2020. No fees were charged to OotL for the period ending 31 December 2020.

During 2020, there is one key management personnel - the Liquidator. The aggregate remuneration of key management personnel includes salary, allowances, and complementary insurances and was as follows for the period 01 Jan – 31 Dec 2020:

	31 Dec 2020 (1 person 12 months)	31 Dec 2019 (1 person 12 months)
Aggregate Remuneration	258,663	248,556

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Note 19. Representation Allowance

There were no qualifying officials to receive Representation Allowance in 2020.

Note 20. Events after the Reporting Date

At the end of March 2021, OotL received a proposal for the conversion of MEADS D&D into a firm fixed price which would close out the open CLIN on the prime contract. If accepted, it is considered likely that approximately USD 1.4M in funds could be de-obligated. This would have an impact on the budget special carry forwards reflected in the Budget Execution Statement for the year. However, this proposal has yet to be fully assessed and requires the approval of the BoD before it can be executed, and the prime contract amended accordingly.

Furthermore, as of September 2021 the OotL was extended through 31 August 2022.

Otherwise, there have been no other events between the reporting date and the date the financial statements are re-issued (19 November 2021) that would affect the amounts recognized in these financial statements.

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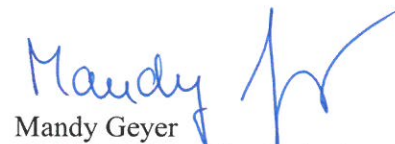
G. Report of Management

The North Atlantic Treaty Organization (NATO) Medium Extended Air Defense Missile System Management Organization in Liquidation's (NAMEADSMO i.L.) Financial Statements have been prepared in accordance with the NAF as adopted by the NAC. The NAF is an adaptation of the IPSAS. The Agency's system of internal financial control is designed to provide reasonable assurance regarding the reliability of financial reports and the preparation of financial statements.

The NAMEADSMO i.L. Financial Statements are approved and certified by the Liquidator and the Financial Controller respectively to the best of their knowledge and according to the applicable accounting standards to give a true and fair view, in all material respect, of the assets, liabilities, financial position and financial performance of NAMEADSMO i.L. and to be in accordance with the books and records maintained.



Nils Kusserow
Liquidator



Mandy Geyer
Financial Controller (acting)

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Annex I – Budget Execution

The Budget Execution Statement (BES) for the current reporting period 01 January 2020 through 31 December 2020 is presented on the accrual basis of accounting. For transparency purposes, both the Operational and the Administrative Budgets are shown.

“Accrual Basis” provides full visibility of revenues and expenses recorded in the period when they are earned, irrespective of the actual cash flows (according to NAF).

The funds shown for the Operational Budget 2020 reflect the maximum amount that is being authorized to be committed and spent. The remaining cash holdings are expected to be returned to the respective national treasuries.

The funds shown for the Administrative Budget 2020 reflect only the current year authorizations. Remaining funds are available for future years until dissolution. The remaining cash holdings are expected to be returned to the respective national treasuries.

Statement of Budget Execution as at 31 December 2020

Equivalent USD	Original estimated budget for 2020	Special Carry Forward 2019/2020	Special Carry Forward Adjustment 2019/2020	1st Budget Amendment	2nd Budget Amendment	Final budget 2020/ Appropriations	Commitments	2020 Expenses	Special CFw for Uncommitted Appropriations 2020 - 2021	CFw for Committed Appropriations 2020 - 2021	Lapses
Budget 2020 Operational											
Chapter 3	-	-	-	381	190	571	561	561	-	-	10
Total FY 2020	-	-	-	381	190	571	561	561	-	-	10
Budget 2020 Administrative											
Chapter 1 Personnel	680,200	-	-	252,100		932,300	745,673	745,673	-	-	186,627
Chapter 2 Admin/Svcs	199,300	-	-	(9,900)		189,400	73,585	73,585	-	-	115,815
Chapter 4 Investments	29,000	-	-	-		29,000	4,753	4,753	-	-	24,247
Total FY 2020	908,500	-	-	242,200	-	1,150,700	824,010	824,010	-	-	326,690
Budget 2019 Operational											
Total FY 2019	-	-	-	-	-	-	-	-	-	-	-
Budget 2019 Administrative											
Total FY 2019	-	-	-	-	-	-	-	-	-	-	-
Budget 2018 Operational											
Chapter 3	-	2,349,032	68,162	(750,000)		1,667,194	79,830.74	79,830.74	1,587,363	-	-
Total FY 2018	-	2,349,032	68,162	(750,000)	-	1,667,194	79,831	79,831	1,587,363	-	-
Budget 2018 Administrative											
Total FY 2018	-	-	-	-	-	-	-	-	-	-	-
Total Operational	-	2,349,032	68,162	(749,619)	190	1,667,765	80,391	80,391	1,587,363	-	10
Total Administrative	908,500	-	-	242,200	-	1,150,700	824,010	824,010	-	-	326,690
Total all Budgets	908,500	2,349,032	68,162	(507,419)	190	2,818,465	904,402	904,402	1,587,363	-	326,700

Explanation of Special Carry Forward, Carry Forward and Lapsed Credits/Ending Balance:

Operational Budget:

The Budget Execution Statement (BES) shows special carry forward in order to recognize the nature of funds. Special carry forward are funds of uncommitted appropriations for a clearly identified purpose.

In the BES, the total amount of special carry forward of uncommitted appropriations on 31 December 2020 for Chapter 3 (Design and Development) is EUSD 1,587,363. These funds are allocated to the prime contract with MEADS International (MI) which are not related to any active specific work to be performed but to cover the final price settlements of “cost reimbursement” contracts.

The total amount of lapses represents funds that were budgeted for other OB related expenses but not obligated.

Administrative Budget:

The lapsed credits of EUSD 326,690 are funds that were approved by the BoD for the entire Administrative Budget 2020 but were not obligated or spent by the end of 2020.

Lapsed credit amounts for Chapter 1 – Personnel (EUSD 186,627) are mainly due to personnel costs being lower than budgeted (only 1 removal took place instead of 3 due to the extension of the agency resulting in EUSD 141,550 lapses; EUSD 12,000 lapsed due to untaken home leave because of the global pandemic). Lapsed credit amounts for Chapter 2 – Admin/Services (EUSD 115,815) and Chapter 4 are mainly funds approved by the BoD but not obligated/spent due to the extension of the agency past 31 December 2020.

Budget Transfers

For the Administrative Budget, transfers of credits between budget chapters can be made after approval of the BoD. The Liquidator may authorize transfers within any chapter between items and among sub-items within an item concerning recurring expenditure and within any item concerning capital expenditure. No transfers within the Administrative Budget occurred in 2020, however the BoD approved an amendment to the budget after the agency was extended through 31 December 2020.

For the Operational Budget, transfers of credits between budget chapters and items can be made after approval by the BoD. The Liquidator may authorize transfers between sub-items within any chapter item. No transfers within the Operational Budget occurred in 2020, however the BoD approved amendments to the budget.

Budget Execution Reconciliations

Reconciliation of expenses in the Statement of Cash Flows to the expenses in the Budget Execution Statement

	Administrative	Operational
Statement of Cash Flow - Cash paid to Contractors/ Suppliers and Employees	816,253	184,894
Less:		
Accruals 2019	(32,959)	(132,217)
Plus:		
Accruals 2020	40,716	27,689
Variation on year-end rate 2019 vs. MoU rate on accrued expenses 2020		-
Variation for Expenses (avg. NATO ER vs. MoU rate)		25
BES Expenses	824,010	80,391

Reconciliation of the expenses in the Statement of Financial Performance to the expenses in the Budget Execution Statement

	Administrative	Operational
Statement of Financial Performance Expenses	\$ 824,010	\$ -
Plus:		
Cash paid to contractors		80,367
Adjustments for Euro payments at average NATO ER vs MoU Rate for - Other OB related charges		25
BES Expenses	\$ 824,010	\$ 80,391

Annex II: Budget Calls and Receipts

The Operational and Administrative Budget contributions are called based on cash requirements and within the FMPD schedule and limits. The Operational Budget reached the contribution ceiling in 2013, the Administrative Budget reached the contribution ceiling in 2014 and as such there were no calls made in 2020 by the OotL