

# 2014 OSCE

Financial Report and Financial Statements  
and the Report of the External Auditor



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# Letter of Transmittal to the Chairperson of the Permanent Council of the OSCE from the Secretary General



Organization for Security and Co-operation in Europe  
The Secretariat

12 June 2015

Sir,

Pursuant to Financial Regulation 7.04 and PC Decision 553 dated 27 June 2003, I have the honour to submit the Financial Report and Financial Statements of the Organization for Security and Co-operation in Europe for the year ended 31 December 2014 and the Audit Report of the External Auditor thereon for your consideration and approval.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Lamberto Zannier'. The signature is fluid and cursive.

Lamberto Zannier  
Secretary General



## I – EXTERNAL AUDITOR’S REPORT







**President  
Federal Court of Auditors  
Germany**

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To the  
Permanent Council of the  
Organization for Security and Co-operation in Europe

8 June 2015

Sir,

I have the honour to transmit the financial statements of the Organization for Security and Co-operation in Europe for the year ended 31 December 2014, which were submitted to me by the Secretary General in accordance with Financial Regulation 7.04 and PC Decision 553 dated 27 June 2003. I have audited these statements and have expressed my opinion thereon.

Further, in accordance with Financial Regulation 8.06, I have the honour to present my report on the accounts of the Organization for Security and Co-operation in Europe for the year ended 31 December 2014.

Accept Sir, the assurances of my highest consideration.

Kay Scheller  
President of the Federal Court of Auditors  
Germany  
External Auditor



## **INDEPENDENT AUDITOR'S REPORT**

### **CERTIFICATE OF THE EXTERNAL AUDITOR ON THE ACCOUNTS OF THE ORGANIZATION FOR SECURITY AND CO-OPERATION IN EUROPE FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014**

**To the Permanent Council of the Organization for Security and Co-operation in Europe**

#### **Identification of the financial statements**

I have audited the financial statements of the Organization for Security and Co-operation in Europe (hereinafter "the OSCE") for the financial period ended 31 December 2014, comprising

- the Statement of Financial Position,
- the Statement of Financial Performance,
- the Statement of Changes in Net Assets,
- the Cash Flow Statement,
- the Statement of Comparison of Budget and Actual Amounts,
- the Accounting Policies,
- supporting Notes.

#### **Statement of Responsibilities**

The Secretary General, in accordance with the OSCE's Financial Regulations, is responsible for preparing the financial statements. My responsibility, under Article 8.06 of the Financial Regulations, is to express an opinion on these financial statements based on my audit.

#### **Basis of Opinion**

I conducted my audit in conformity with International Standards on Auditing (ISA) as adopted and expanded by the International Organization of Supreme Audit Institutions (INTOSAI) and issued as International Standards for Supreme Audit Institutions (ISSAI). These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Secretary General, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

## **Opinion**

As a result of my audit, I am of the opinion that the financial statements present fairly the financial position as at 31 December 2014 and that they were prepared in accordance with the OSCE's stated accounting policies and that the transactions were in accordance with the Financial Regulations and legislative authority.

## **Report Reference**

In accordance with Article 8 of the Financial Regulations, I have also prepared a long-form report on the OSCE's financial statements.



Kay Scheller

President of the Federal Court of Auditors  
Germany  
External Auditor

8 June 2015

**REPORT OF THE EXTERNAL AUDITOR  
ON THE AUDIT OF THE FINANCIAL STATEMENTS  
OF THE  
ORGANIZATION FOR SECURITY AND CO-OPERATION IN EUROPE  
FOR THE YEAR ENDED 31 DECEMBER 2014**

➤	<b>A. Executive Summary</b>	<b>(paragraphs 1 – 22)</b>
	<b>A.1. Scope and Approach of the Audit</b>	<b>(paragraphs 1 – 21)</b>
	<b>A.2. Audit conclusion</b>	<b>(paragraph 22)</b>
➤	<b>B. Analysis of the Financial Statements</b>	<b>(paragraphs 23 – 78)</b>
	<b>B.1. Conversion to IPSAS</b>	<b>(paragraphs 24 – 34)</b>
	<b>B.2. Statement of Financial Position</b>	<b>(paragraphs 35 – 78)</b>
	<b>B.3. Statement of Financial Performance</b>	<b>(paragraphs 79 – 81)</b>
➤	<b>C. Field Work Visits</b>	<b>(paragraphs 82 – 85)</b>
➤	<b>D. Follow-up on Recommendations in Prior Years</b>	<b>(paragraphs 86 – 87)</b>
➤	<b>E. Other Matters</b>	<b>(paragraphs 88 – 91)</b>
	<b>E.1. Cases of Fraud and Presumptive Fraud</b>	<b>(paragraph 88)</b>
	<b>E.2. Losses, Write-offs and Ex-gratia Payments</b>	<b>(paragraphs 89 – 91)</b>
➤	<b>F. Cooperation with other Stakeholders</b>	<b>(paragraphs 92 – 93)</b>
	<b>F.1. Liaison with the Office of Internal Oversight</b>	<b>(paragraph 92)</b>
	<b>F.2. Progress Reporting to the Audit Committee</b>	<b>(paragraph 93)</b>
➤	<b>G. Acknowledgement</b>	<b>(paragraph 94)</b>

## A. EXECUTIVE SUMMARY

### A.1. Scope and Approach of the Audit

#### A.1.1. Scope of the audit

German Court of Auditors appointed as External Auditor of OSCE.

Responsibility of Management.

Article 8 of the OSCE Financial Regulations.

Principles governing my audit – ISA and ISSAI.

Report has been discussed with OSCE Management.

Report has been forwarded to OSCE PC.

1. Pursuant to the OSCE Permanent Council decision PC.DEC/1080 the German Federal Court of Auditors was appointed External Auditor of the Organization for Co-operation and Security in Europe (OSCE), starting on 1 May 2013 and expiring on 30 April 2016.

2. The Secretary General (SG) is responsible for preparing the financial statements in accordance with the Financial Regulations of the OSCE.

3. In accordance with Article 8 of the OSCE Financial Regulations, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in conformity with International Standards on Auditing (ISA) as adopted and expanded by the International Organization of Supreme Audit Institutions (INTOSAI) and issued as International Standards for Supreme Audit Institutions (ISSAI). The standards oblige me to comply with ethical requirements, and to plan and carry out the audit so as to obtain reasonable assurance that the financial statements are free from material misstatement.

5. My report for the financial year 2014 contains the principal observations, findings and recommendations. Together with my audit report and the audit opinion, the financial statements for the OSCE have been submitted to the SG as provided for by the relevant financial regulation. The SG took note of the contents of my report and agreed the relevant findings.

6. A copy of this Report was forwarded to the attention of the OSCE Permanent Council (PC).

#### A.1.2. Audit objective

Financial audit to form the audit opinion.

Performance Audits in accordance with ISSAI deal with economy, efficiency and effectiveness.

OSCE Provident Fund.

7. The ISA as issued for the private sector require the auditor to carry out an audit of the organization's financial statements and financial transactions. According to the requirements of ISA, the main purpose of the audit was to enable me to form an opinion on whether expenditure recorded for the year had been incurred for the purposes approved by the PC; whether revenue and expenses were properly classified and recorded in accordance with the OSCE's financial regulations; and whether the financial statements present fairly the financial position at 31 December 2014.

8. In addition to this the ISSAI also provide guidance for the conduct of performance audits. I therefore make such observations as I deem necessary on the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, on the financial impact of administrative practices in place. I examined OSCE's performance to assess whether expenditures were incurred according to the principles of economy, efficiency and effectiveness.

9. Regarding the OSCE Provident Fund, my audit is restricted to reviewing the presentation of the disclosures provided by management in the financial statements. Therefore the audit is limited to testing the deduction of Provident Fund payments from staff salaries as laid down in Article 6.03 of the OSCE Financial Regulations.

### A.1.3.

### Audit approach

My team examined the accounting records as necessary.	10. My audit examination included a general review, and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances. To achieve the audit objectives, I examined the financial and accounting procedures followed by OSCE in the light of their financial regulations, assessed the internal control system regulating the financial regulations, conducted substantive testing of selected transactions, matched the receipts with bank statements, and conducted an analysis of assessed contributions. These audit procedures are designed primarily to allow forming an opinion on the OSCE's financial statements.
OSCE Secretariat and Field Operations visited.	11. While auditing the 2014 financial activities, my team visited the OSCE Secretariat and six OSCE Field Operations outside Vienna. The audit evidence collected during the Field Operations is an integral part of the body of evidence underlying the opinion on the OSCEs' financial standing as an entity. In addition, my team undertook a joint visit with OIO to Skopje in June 2014.
Audit teams.	12. The audit was conducted by various audit teams. These audit teams held discussions with the relevant OSCE staff in their Headquarters and OSCE Field Operations. The audit teams interviewed the staff designated as key contacts for audit. In accordance with normal practice, my audit teams issued information requests and audit observations.
Areas covered in this report.	13. My report includes observations and recommendations designed to enhance financial management and control exercised by the Secretariat. As to 2014, my audit work has covered the areas described in the following paragraphs.
Overall financial situation (section B).The financial statements are prepared under IPSAS. My team checked whether the accounting methods applied conformed to IPSAS requirements.	14. In section B of my report I comment on the overall financial situation. The financial statements 2014 are the second set of financial statements fully prepared under IPSAS. One goal was to study whether OSCE's accounting methods conform to the officially established new accounting standards and whether the financial statements comply with IPSAS requirements. In particular, the aim was to study whether OSCE's accounting policies and notes to the financial statements reflected the application of IPSAS requirements to all financial transactions.
We conducted a random sample check of the invoices based on statistical sampling according the principles of ISSAI 1530.	15. My team analysed the OSCE's transactions using professional audit software. The team conducted a sample check of the invoices based on statistical sampling. In addition, my team analyzed the OSCE's transactions based on statistical sampling in compliance with ISSAI 1530 using professional audit software. We used probability theory to evaluate sample results, including measurement of sampling risk and stratification based upon the risk. According to a probability of 95 per cent and a tolerable rate of deviation of max. 4 per cent we took a random selection of invoices. We verified if invoices and the related documents had been filed in accordance with the regulations and cross-checked the basis for payment and the necessary signatures. None of the invoices examined gave cause for criticism.
Interim financial audit.	16. During the interim financial audit taking place in November 2014, my team covered several topics in regard of the Secretariat's staff, such as travel expenses and private use of mobiles and leases. The team requested data such as guidelines for private use of office equipment and reimbursement of costs for the Secretariat's staff (based on FAI 12), all reimbursement procedures based on FAI 7

Field working visits undertaken (section C).	No. 11.33 – 11.38 and supporting documentation (including each request for such a reimbursement), all requests of staff for travel and additional travel costs paid in advance (FAI 9 No. 11 and 14) as well as an excel sheet including all claims for expenditures/expenses (1 January 2014 – 31 October 2014 for all data requested). These examinations revealed no cause for objection.
Follow-up (section D).	17. My staff conducted six field visits (section C), in particular to the OSCE Project Co-ordinator in Uzbekistan, the OSCE Office in Tajikistan, the OSCE Office in Prague, the OSCE Centre in Bishkek, the OSCE Mission in Kosovo and the OSCE Centre in Ashgabat.
Other matters (section E).	18. Section D contains the follow-up of earlier recommendations.
Cooperation with other stakeholders (section F).	19. In section E, I inform about other matters, such as fraud, write-offs, losses and ex-gratia payments.
Acknowledgement (section G).	20. In section F, I inform about my cooperation with other stakeholders, namely the Office of Internal Oversight and the Audit Committee.
	21. I wish to convey my appreciation for the cooperation and assistance extended by the Secretary General, management and staff of the Secretariat. I am very grateful for their assistance during the entire external audit process (section G).

## **A.2. Audit conclusion**

There were no material weaknesses that affected the audit opinion. I placed an unqualified audit opinion on the financial statements.	22. Notwithstanding the observations in this report, my examination revealed no weaknesses or errors which I considered material to the accuracy, completeness and validity of the financial statements as a whole. Recommendations for improved procedures or more comprehensive disclosures were taken up by the Secretariat. None of my findings affect my audit opinion on the OSCE's financial statements, and I have placed an unqualified opinion on the OSCE's financial statements for 2014.
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## **B. ANALYSIS OF THE FINANCIAL STATEMENTS**

I report on the OSCE's financial development focusing on IPSAS requirements.	23. In the following paragraphs, I will report on trends, tendencies and background information. For that purpose, my staff analysed several of the OSCE's key figures and their development over the years since 2012. In particular, I will comment on issues which appeared for the first time and where changes in the financial policies were needed to reflect the requirements of IPSAS. This mainly applies to those assets and liabilities that have to be recorded under IPSAS for the first time ever.
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### **B.1.1. Conversion to IPSAS and Accounting Policies**

Progressive adoption of IPSAS in OSCE.	24. According to PC.DEC/1040 dated 10 May 2012, OSCE's Secretariat was tasked to work towards gradual implementation of IPSAS with a target deadline of issuing IPSAS compliant financial statements for the 2014 financial year. The gradual adoption of IPSAS standards started with the 2011 financial statements, continued throughout 2012 and was finalized with the issuance of the 2013 financial statements, one year ahead the approved target deadline.
The introduction of IPSAS will provide participating States with	25. These efforts of the OSCE in moving to an internationally recognized accounting framework provide participating States and management with better



better financial information.	financial information to use in managing the business of the Organization. The benefits that IPSAS can generate will help ensure that the efforts made contribute to a more efficient and effective use of resources as a result of improved management information.
Upgrade of the ORACLE ERP system.	26. The implementation of IPSAS in the OSCE is closely linked to the upgrade of the ORACLE Enterprise Resource Planning System (ERP system) which was completed in June 2014.
The financial statements provided by the Secretariat fulfil the structural requirements of IPSAS.	<p>27. The financial statements provided by the Secretariat fulfil the structural requirements of IPSAS 1 (IPSAS 1.21), since the statements are supported by a presentation of the financial policies and notes to the financial statements and comprise the following necessary components:</p> <ul style="list-style-type: none"> <li>• statement of financial position showing all the assets and liabilities of the Organization,</li> <li>• statement of financial performance showing all the revenue and expenses recognized during the year,</li> <li>• statement of changes in net assets summarising the residual value of the assets of the Organization after deducting all liabilities,</li> <li>• cash flow statement providing details of how cash resources have been utilized during the year, and</li> <li>• statement of comparison of budget and actual amounts showing expenditure against budget appropriations on the (modified cash) basis on which the budget was approved.</li> </ul>
Suggestions.	28. The significant accounting policies are presented in Note 1.1 – 1.19 to the financial statements. Nonetheless some improvements are suggested below:
Financial Regulations.	29. The Financial Regulations provide the general framework; particularly Regulation 7.01 “Preparation of the Accounts” refers to accounting standards. The existing Financial Regulations were approved in 1996 and last revised in 2000 and have since been modified by a number of PC decisions but have never been amended into a new version. Especially PC.DEC/1040 which adopted IPSAS in the OSCE has not been incorporated into the framework.
Recommendation.	30. I recommend consolidating the Financial Regulations particularly Regulation 1.02 “Terminology” and Regulation 7.01 “Preparation of the Accounts” to incorporate the relevant provisions referring to IPSAS.
Answer of the Secretariat.	31. Recommendation accepted. The Secretariat will propose the required changes pertaining to IPSAS to the Financial Regulations for approval by the ACMF.
OSCE established different thresholds. Review of these thresholds regularly is necessary.	32. OSCE established different thresholds for differing classes of assets, such as the established threshold for Property, Plant and Equipment (2014 FS – note 1.6), both for the capitalization of assets (EUR 1,000) and for the capitalization of leasehold improvements (EUR 50,000). All purchases of software licenses are capitalized (2014 FS – note 1.7). Determining the accurate threshold is a matter of balancing the financial reporting requirements with costs (of gathering and maintaining data) and always bears a risk of a material misstatement. Given that, each organization should provide reliable and objective evidence in support of thresholds. Therefore, OSCE should review the established levels of thresholds based on experience and new developments regularly.
Recommendation.	33. I recommend reviewing and adjusting the chosen thresholds regularly.
Answer of the Secretariat.	34. Recommendation accepted.

## B.2. Statement of Financial Position

### B.2.1. Assets and Liabilities

My team examined the Statement of Financial Position regarding compliance with IPSAS.

35. Full reporting of assets and liabilities in a balance sheet enables a reader to consider the financial position of an organisation. Such a statement of financial position is required under IPSAS. My team examined this statement regarding compliance with IPSAS and the presentation of the underlying accounts.

### B.2.2. Cash, Cash equivalents and Investments

The OSCE's overall cash situation is satisfactory.

36. The OSCE's overall cash situation is satisfactory. Cash, cash equivalents and investments in all funds increased by approximately EUR 19,035 thousand from EUR 67,414 thousand to EUR 86,449 thousand. Cash and cash equivalents comprise cash on hand, cash at bank, and short-term deposits with an initial maturity of three months or less.

Year	Cash and Cash equivalents	Investments
2012	30,161	31,208
2013	26,861	40,553
2014	33,659	52,790

**Table 1: Cash, cash equivalents and investments in EUR'000**  
(source: OSCE FS 2014 – Statement of Financial Position)

### B.2.3. Assessed Contributions Receivable

#### B.2.3.1. Arrears of Assessed Contributions

Arrears of assessed contributions EUR 5,642,000 in 2014.

37. In 2014, the level of outstanding assessed contributions further decreased by roughly EUR 142,000 or 2.5 per cent. I appreciate that participating States with arrears met their obligations to a large extent and paid off old debts.

Year	2012	2013	2014
Assessed Contributions Receivable	11,857	5,784	5,642

**Table 2: Assessed contributions receivable in EUR'000**  
(source: OSCE FS 2014 – Note 5.1)

The amount of outstanding assessed contributions further decreased.

38. The Secretariat made efforts to collect outstanding assessed contributions as set out in Financial Regulation 4.09 and Financial/Administrative Instruction 5 (FAI 5 – 7.7). I welcome this development and encourage the Secretariat to continue its efforts to collect the outstanding funds. There was no change in the Secretariat's approach to collect outstanding assessed contributions. However 2 participating States decided to settle part of their arrears.

The Secretariat recorded an allowance amounting to EUR 5,522,000 for

39. The arrears, however, include an allowance for doubtful debts. In accordance with IPSAS, an allowance for doubtful contributions had to be calculated as at 31 December 2014. The allowance amounts to EUR 5,522,000 and

doubtful debts.	is equivalent to the entire outstanding contributions receivable from participating States whose arrears equalled or exceeded the amount of contributions due for the preceding two full years.
Allowance for doubtful debts does not mean that the participating States' obligation to pay the arrears would not exist.	40. I would like to point out that recording an allowance for doubtful debts does not mean that the participating States' obligation to pay the arrears would no longer exist. The secretariat recorded this allowance merely to comply with IPSAS reporting requirements and reported its assessed contributions receivable at fair value.
Participating States with significant arrears should do their utmost to fulfil their obligations and to pay their contributions when due.	41. Therefore, I would like to remind the few participating States with significant arrears again to do their utmost to fulfil their obligations. It is also a question of fairness vis-à-vis the other participating States to contribute to the soundness of OSCE's financial position in accordance with the agreed scale of assessment. Let me once more point out that the assessed contributions are due by 50 per cent on 20 January and another 50 per cent on 1 April of each year (as set out in FAI 5 – 7.2). Moreover, Regulation 4.09 (Actions in the Event of Arrears) states the following: 'If the amount of arrears of a participating State(s) equals or exceeds the amount of the contributions due for the preceding two full years the Chairman-in-Office shall refer the issue to the Permanent Council. The Permanent Council shall take adequate steps to ensure early payment by the participating State(s) concerned.'

#### B.2.4.

#### Inventory

IPSAS requirements for inventories.	42. IPSAS requires recording the organization's inventories and identifying their appropriate value. Measuring and tracking of inventories is very time-consuming and can be very expensive, in particular with regards to the implementation and roll-out of the specific Inventory Module in the ERP if put in relation to the value of the stocks.
IPSAS Awareness Questionnaire in 2011.	43. In 2011, OSCE sent an IPSAS Awareness Questionnaire to all OSCE Field Missions, Offices and Institutions. OSCE survey included questions on <ul style="list-style-type: none"> <li>• materials or supplies consumed/used in the rendering of service by OSCE; materials or supplies distributed to the third parties of beneficiaries as part of OSCE activities; materials or supplies consumed/used in the production process;</li> <li>• the individual location where inventories are being stored if there is a separate warehouse or storage room within the premises;</li> <li>• whether there is an annual physical verification count for expendable items.</li> </ul> After evaluation of the answers submitted by the OSCE Field Missions, Offices and Institutions, the Secretariat decided not to recognize inventories as assets but instead continue to expense them upon purchase due to the fact that the value of inventories at stock was immaterial. As a consequence, OSCE stated in its GAP Analysis 2011 that IPSAS 12 did not apply to OSCE.
The Secretariat decided to recognize inventories in 2014.	44. Due to recent evidence and new facts, the OSCE FS 2014 include inventories for the first time. The underlying accounting policies were set up. According to IPSAS 12 (IPSAS 12.47) an entity shall disclose <ul style="list-style-type: none"> <li>• the total carrying amount of inventories,</li> <li>• the amount of inventories recognized as an expense during the period,</li> <li>• the amount of any write down of inventories recognized as an expense.</li> </ul> Whereas the OSCE's financial statements cover the cost formula (2014 FS – note 1.5) and the inventory amount (2014 FS – note 8), a proper information about the carrying amount, amount of inventories recognized as expenses and the amount of

	any write down is missing.
Recommendation.	45. I recommend specifying the disclosures to meet the requirements of IPSAS 12.47.
Answer of the Secretariat.	46. Recommendation accepted. Note 8 has been amended accordingly. There were no write downs of inventories during the reporting period.
Inventory items acquired in non-exchange transactions.	47. Inventory items acquired in non-exchange transactions should also be mentioned in the notes or underlying accounting policies and be measured at their fair value on the date of acquisition in accordance with IPSAS 12. Extra-budgetary contribution may include services as well as goods in the form of inventories, such as IT equipment donated for the purpose of immediate distribution. This is specifically laid down in IPSAS 12.16. In my opinion, OSCE should mention the specific accounting policy in place in the underlying notes.
Recommendation.	48. I recommend inserting in the notes a clause that duly reflects the possibility of cases described in IPSAS 12.16.
Answer of the Secretariat.	49. Recommendation accepted. There were no inventories received as part of a non-exchange transaction during the reporting period. However, Note 1.14 Revenue from non-exchange transactions has been amended to specify that also any inventories acquired in a non-exchange transaction are recorded at fair value.
Consumables and supplies are expensed upon purchase.	50. IPSAS 12.11 states that inventories include goods purchased by an entity, which are for distribution to other parties at no charge or at a nominal charge, for example, educational books produced by a health authority for donation to schools. This also applies to OSCE's distribution of printed publications. In addition, all publications can be downloaded free of charge from the OSCE's external website. The OSCE decided to expense consumables and supplies upon purchase. The Secretariat's treatment is IPSAS compliant.
Established threshold for inventories should be disclosed in the notes.	51. IPSAS neither requires the use of thresholds nor the disclosure of thresholds. On the one hand, OSCE discloses the established threshold for Property, Plant and Equipment (2014 FS – note 1.6), both for the capitalization of assets (EUR 1,000) and for the capitalization of leasehold improvements (EUR 50,000). In order to promote a consistent presentation of the financial statements and in particular of the supporting notes, the Secretariat may also disclose the established threshold for inventories.
Recommendation.	52. I recommend also disclosing the established threshold for inventories in the notes.
Answer of the Secretariat.	53. Recommendation accepted. Note 1.5 Inventories has been amended to provide a threshold for inventory recognition of EUR 50 thousand.

### **B.2.5. Property, Plant and Equipment (PP&E)**

The value of PP&E as at 31 December 2014 amounts to EUR 16,575,000.	54. On 31 December 2014, OSCE's stocktaking records showed total property, plant and equipment (PP&E) at a net book value of approximately EUR 16,575,000. Current values were determined by reducing the original cost over the estimated useful life of the items. Compared to the value as of year-end 2013, it shows an increase of approximately EUR 9,176,000.
The Secretariat recognized assets.	55. The Secretariat recognized assets ranging from IT equipment, vehicles, fixtures and fittings, safety and other equipment. PP&E was recognized at cost and depreciated using the straight-line method over a reasonable period. The Secretariat's treatment is IPSAS compliant.
OSCE availed itself of	56. In FS 2013, the Secretariat availed itself of the transitional provision

the transitional provision under IPSAS 17.	<p>under IPSAS 17 which states “that entities are not required to recognize property, plant, and equipment for reporting periods beginning on a date within five years following the date of first adoption of accrual accounting in accordance with IPSASs.” As stated in the explanation given in paragraph 101 of IPSAS 17, the transitional provisions are intended to give relief in situations where an entity is seeking to comply with the provisions of this Standard, in the context of implementing accrual accounting for the first time. When entities adopt accrual accounting in accordance with IPSAS for the first time ever, there are often difficulties in compiling comprehensive information on the existence and valuation of assets. To help ensure smooth transition to full accrual accounting, IPSAS 17 includes transitional provisions for this purpose. Following the practice of other Organizations in the UN system like the Vienna International Centre (VIC), OSCE has invoked the transitional provisions of IPSAS 17 for recognition of the asset classes “buildings” and “leasehold improvements”. OSCE expressly stated that it had applied the transitional provisions (2013 FS – note 8) and thus met the formal requirements for doing so (IPSAS 17.104).</p>
OSCE follows the encouragement in IPSAS 1.152 and IPSAS 17.102.	<p>57. Given that, the OSCE has five years to decide whether or not to recognise these assets and, if so, at what amount (IPSAS 17.106). Nevertheless, the OSCE has decided on these questions already for the 2014 FS in order to meet the requirement of full compliance of the financial statements with IPSAS as soon as possible (IPSAS 1.152 and IPSAS 17.102). I appreciate the Secretariat’s steps taken in that regard.</p>
No recognition of buildings.	<p>58. The Secretariat decided not to recognize buildings but to disclose the market value of all contributions in kind related to the premises as Revenue from non-exchange transactions in Note 1.14 which is valued at approximately EUR 5,283,000.</p>
Buildings in question.	<p>59. However, the Secretariat gives no indication which buildings are affected by that decision, namely the premises</p> <ul style="list-style-type: none"> <li>• in Vienna (Wallnerstr. 6), where the Secretariat is accommodated,</li> <li>• in Warsaw (ul. Miodowa 10, 00-251 Warsaw), where one of the OSCE’s institutions, namely the OSCE Office for Democratic Institutions and Human Rights has its headquarters,</li> <li>• in The Hague (Prinsessegracht 22, 2514 AP The Hague), where one of the OSCE’s institutions, namely the High Commissioner on National Minorities (hereinafter referred to as HCNM) has its headquarters, and</li> <li>• in Prague (Pod Kastany 529, Praha 6 Bubeneč), where the Prague Office (OSCE archives) is located.</li> </ul>
Recommendation.	<p>60. I recommend specifying in the supporting notes what buildings are concerned in accordance with IPSAS 17.</p>
Answer of the Secretariat.	<p>61. Recommendation accepted. Note 1.6 has been amended as required.</p>
Recognition of leasehold improvements.	<p>62. The Secretariat decided to recognize leasehold improvements. Leasehold improvements are modifications and installations which the tenant of a building or part of a building has carried out for own account in the building or part of the building. Leasehold improvements constitute a separate class of property, plant and equipment whose recognition in the balance sheet is advocated. Such item of property, plant and equipment shall be measured at its cost (IPSAS 17.26), purchase price (IPSAS 17.30 (a)) and all other directly attributable costs incurred in order to make the asset operative (IPSAS 17.30 (b)). Examples are set forth in IPSAS 17.31. The Secretariat calculated depreciation retrospectively with reference to the date placed in service. The Secretariat’s treatment is IPSAS compliant.</p>

### B.2.6. Intangible Assets

Intangible assets are recorded accordingly to IPSAS 31.

63. The statement of financial position recognizes intangible assets. Intangible assets are initially recognized at cost when future economic benefits are likely to flow to the entity and the cost can be measured reliably. The OSCE has identified two main reporting classes of intangible assets: software licenses externally acquired and the ERP Upgrade Project. IPSAS 31 requires that any directly attributable costs of preparing an asset for its intended use (for example staff costs and consultancy) need to be included as part of the cost of the asset. The OSCE recognised as intangible assets all acquired software licenses irrespective of their value. The Secretariat's treatment is IPSAS compliant.

Secretariat's treatment of intangible assets is IPSAS compliant.

64. As at 31 December 2014 approximately 25 per cent of the total net book value of intangible assets totalling EUR 4,281,896 relates to acquired software. The greater part of intangible assets relates to the ERP upgrade project as software under development (75 per cent). The value of the computer software is measured at cost, whereas the ERP upgrade project also includes – in addition to the software licenses purchased – , the cost of OSCE staff working hours spent on developing and testing the software and professional fees.

### B.2.7. Employee Benefit Liabilities and Actuarial Valuation

Pertinent information on employee benefit liabilities and expenses are disclosed.

65. In accordance with IPSAS, the Secretariat disclosed pertinent information regarding the nature of its defined benefit plans and the financial aspects of changes in those plans during the period. The Secretariat reported in detail on short-term and long-term (non-current and current) liabilities and employee benefit expenses.

An external consultant is in charge to perform the annual actuarial valuation of employee benefits.

66. The Secretariat engaged an external consultant (actuary) to perform the actuarial valuation of employee benefits in accordance with the IPSAS 25 standard, as it may apply for non-current employee benefits. Each year, the Secretariat provides the actuary with the most recent data relevant for performing the valuation. The valuation is based on a range of demographic, financial and economic assumptions as laid down in Note 16.

No payments need to be made in the immediate future.

67. It is important to understand that this actuarial valuation is an estimate of long-term liabilities and does not represent a payment that needs to be made in the immediate future. It has been calculated by actuaries after taking into consideration various assumptions. Changes in these assumptions and the discount rate as well as the rate of inflation may significantly change the estimate of this liability. Actual cash payments required to meet these expenses and other separation benefits will occur in future years.

### B.2.8. Other Reserves

OSCE renamed line item "Other Reserves", which was called "IPSAS Reserve", thereby reclassifying the part related to the IPSAS Initial Adoption.

68. In 2014, OSCE renamed line item "Other Reserves", which was previously called "IPSAS Reserve", thereby reclassifying the part related IPSAS Initial Adoption to Accumulated Gains/(Losses). The consolidation of the IPSAS Initial Adoption Reserve into Accumulated Surplus/Deficit was done as the change in accounting policy (adoption of IPSAS) that triggered the setup of these reserves is completed. This is in line with the practice of other international organizations (UNESCO, WHO, etc.) of not showing these reserves as a separate item after IPSAS implementation.

No offsetting in the meaning of IPSAS.

69. IPSAS 1 states that "assets and liabilities, and revenue and expenses, may not be offset unless offsetting is permitted or required by another IPSAS" (IPSAS

1). As the aforementioned line items are not involved, there is no offsetting. The merging only affects line item surplus (as the result of revenue and expenses). As IPSAS is silent on that question we agree with the reclassification for providing a clearer picture to the relevant stakeholders in regard of surplus/deficit.

## B.2.9.

### Contingent Assets and Contingent Liabilities

OSCE mentioned a contingent liability for Kosovo claims in note 38.

70. IPSAS 19 provides guidance on the type of provisions that should be made and on general principles. The objective is to ensure appropriate recognition and measurement bases are applied to provisions and contingent liabilities. The latter arise where there is a significant uncertainty about a number of aspects regarding the liability. Under contingent liabilities, OSCE reports “multiple claims received from different entities requesting payment of back rent for four premises, thereof one is currently occupied by, and the other were previously occupied by the Mission in Kosovo (hereinafter: OMiK)” (2014 FS – note 38).

Buildings in question.

71. However, the Secretariat gives no indication which buildings are affected by that decision, namely the premises the BBC logistics compound, the OMiK former HQ building, the former Regional Center in Mitrovica and the former Rilindja Parking Lot.

Briefing memorandum.

72. A briefing memorandum of 14 May 2012 sent by the OMiK Office of Legal Affairs via the OMiK Head of Mission to the Chairman of the Advisory Committee on Management and Finance (ACMF) listed five premises in Kosovo which were used by OMiK in the past without paying any rent and for which different parties claim to be the owner and consequently claim to be reimbursed for back rent.

Steps currently undertaken for clarifying the uncertain situation.

73. The Secretariat is consulting with OMiK, as the principal liaison in Kosovo, on a regular basis to follow the issue. OMiK is in ongoing communication on this issue and monitors relevant legal developments, continues to seek clarity on the claims through reviewing documentation, consults over any substantial letters to be sent to claimants, is engaged in a comprehensive review of all work done on the files so far in order to update and rationalise the legal and factual analysis. Furthermore, OMiK is preparing to vacate the premises of the BBC Logistics Compound in order to put an end to the further accumulation of any potential claims for backrent. The relocation of OMiK’s Logistics Compound will be completed in the course of 2015.

Analysis will be finalized in May 2015.

74. Depending on workload, it is anticipated that OMiK’s analysis will be finalized in May 2015 and the results could be incorporated into the formal letter of representation, pertaining to the 2014 year-end financial statements. The numerous uncertainties regarding the legality of these claims prevent OSCE to estimate the amount, if any, of a contingent liability.

Requirements under IPSAS 19.100 and 19.44 as well as 19.50.

75. Unless the possibility of any outflow in settlement is remote, an entity shall disclose, for each class of contingent liability at the reporting date,

- a brief description of the nature of the contingent liability and, where practicable:
  - an estimate of its financial effect, measured under paragraphs 44 – 62;
  - an indication of the uncertainties relating to the amount or timing of any outflow; and
  - the possibility of any reimbursement.

Contingent liability should be reviewed regularly.

76. A contingent liability may develop in a way other than initially expected. Therefore, they should be assessed regularly to determine any changes and whether an outflow of economic benefits has become probable. Where practicable, an

	estimate of the financial effect should be made. There is a variety of stakeholders claiming for potential reimbursements in regard of the aforementioned buildings. But the economic outflow cannot be measured reliably at the moment. As a result, the Secretariat should continuously monitor the developments and potential effects.
Recommendation.	77. I recommend keeping any changes and new facts, circumstances and value-adjusting events under review for making sure that the requirements of IPSAS 19 (especially IPSAS 19.100) are met.
Answer of the Secretariat.	78. Recommendation accepted. The OSCE remains in ongoing communication and monitoring legal developments in consultation with the parties involved. The notes on contingent liabilities have been amended to specify the buildings.

### B.3. Statement of Financial Performance

OSCE experienced an excess of income over expenditure.	79. In 2014, the OSCE experienced an overall excess of revenue over expenses of EUR 20,701,000. Revenues increased significantly by 21 per cent whereas expenses only increased by 13 per cent in relation to 2013; stating that, the OSCE almost quadrupled its surplus. The increase is mainly due to higher extra-budgetary contributions totalling EUR 48,140,000, and is mostly related to the Special Monitoring Mission to Ukraine. In the same period, expenses also increased, especially staff costs rose by almost 10 per cent compared to 2013.
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Year	2012	2013 (re-stated)	2014
Total Revenue	171,010	168,998	204,813
Total Expenses	170,033	163,281	184,113
Surplus/Deficit	977	5,717	20,701

**Table 3: Revenue and Expenses; Surplus/(Deficit) for the Period in EUR'000**  
(source: OSCE FS 2014 – Statement of Financial Performance)

#### B.3.1. Extra-budgetary Contributions

Member States provided voluntary contributions.	80. Member States increasingly met demands for the OSCE's services by providing voluntary contributions. However, it needs to be understood that under IPSAS, revenue from voluntary contributions is recognized upon the signing of a binding agreement between the OSCE and the donor.
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#### B.3.2. Finance Revenue

Investment income totalled EUR 251,000.	81. In 2014, interest revenue represented only 0.1 per cent of total revenue. Interest income slightly increased from EUR 206,000 in 2013 to EUR 251,000 thousand in 2014 because interest rates generally are low for secure investments.
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## C. FIELD WORKING VISITS

We visited six Field Operations.	<p>82. During the period from May 2014 to April 2015, we conducted a number of field visits, in particular to the</p> <ul style="list-style-type: none"> <li>• OSCE Project Co-ordinator in Uzbekistan (23 to 27 June 2014);</li> <li>• OSCE Office in Tajikistan (1 to 9 July 2014);</li> <li>• OSCE Office in Prague (21 to 25 July 2014);</li> <li>• OSCE Centre in Bishkek (3 to 10 September 2014);</li> <li>• OSCE Mission in Kosovo (8 to 19 September 2014); and</li> <li>• OSCE Centre in Ashgabat (15 to 22 October 2014).</li> </ul>
Joint Audit with OIO.	<p>83. My team also undertook a joint visit with the OSCE Office of Internal Oversight (OIO) to Skopje in June 2014.</p>
Reports were submitted to relevant stakeholders within OSCE.	<p>84. Field audits were designed to provide independent assessment of financial procedures and managerial activities. The reports with all the observations, findings and recommendations were submitted to the Fund Managers. Copies of the reports were sent to the attention of the Department of Management and Finance (DMF), OIO and the Audit Committee.</p>
Independent assessment of financial procedures and managerial activities.	<p>85. Field audits were designed to provide independent assessment of financial procedures and managerial activities. All the audit findings were summarized and evaluated during the audit of the OSCE Financial Statements for 2014. The audit findings were mostly related to such areas as Cash and Bank Management, Staff Costs, Travel Costs, Procurement &amp; Contracting, IT etc. Although our assessment revealed no material misstatements, the audit findings with recommendations related to areas requiring managerial decisions were brought to the attention of the OSCE Secretariat with the aim of further enhancing the appropriate financial activities.</p>

## D. FOLLOW-UP ON FINDINGS

Progress on previous audit recommendations.	<p>86. At the end of 2014 we evaluated the recommendations issued so far to ensure continuity and institutional memory. The survey was based on the updated Secretariat's Action and Work Plan. All recommendations included in the Financial Statements 2013 have been implemented.</p>
Secretariat's actions taken are appreciated.	<p>87. I appreciate the Secretariat's actions taken to implement recommendations.</p>

## E. OTHER MATTERS

### E.1. Cases of Fraud and Presumptive Fraud

One case of fraud reported in 2014.	<p>88. In the 2014 Financial Statements, OSCE reported on information in regard to cases of fraud or suspected fraud.</p> <p>In 2014 the OIO investigated a case of collusion with implementing partners in one of its field operations. The investigation concluded that the OSCE suffered a direct loss in the sum of at least €22,640. OIO recommended that appropriate disciplinary action be taken and that the field operation seek recompense in the amount of €22,640. OIO was informed that the field operation was successful in recovering this amount.</p> <p>During our audit, my team did not find any other cases of fraud or presumptive fraud.</p>
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## **E.2. Losses, Write-offs and ex gratia Payments**

### **E.2.1. Write-offs and Losses**

Receivables written off.	89.	Receivables amounting to EUR 3.234,45 were written-off in 2014.
Cash and other losses as well as compensation made for the loss of private property.	90.	Cash and other losses were reported at a value of EUR 232.10 as lost. Moreover, private property at a value of EUR 110.00 was reported as lost during 2014.

### **E.2.2. Ex-gratia Payments**

One ex-gratia payment.	91.	During 2014, one ex-gratia payment in the amount of EUR 2,800.00 was made. This was approved by the Secretary General on 4 June 2014.
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## **F. COOPERATION WITH OTHER STAKEHOLDERS**

### **F.1. Liaison with the Office of Internal Oversight (OIO)**

Meetings with OIO.	92.	During the reporting period, my team worked closely with the OIO. This cooperation included several meetings, regularly sharing ideas and knowledge, audit reports and findings and strengthening mutual ability to promote good governance and accountability practices. Cooperation with the OIO also served to better coordinate internal and external audit planning and audit activities. This approach helped both sides to enhance efficiency of field audits.
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### **F.2. Progress Reporting to the Audit Committee**

Progress reporting to the OSCE Audit Committee took place in March 2015.	93.	My team met with the OSCE Audit Committee on 9 March 2015 to review the results of the external audit work carried out for the year ended 31 December 2014. Following the established practice, the OSCE Audit Committee was informed about audit findings in Field Operations carried out in 2014, interim financial audits, the preparation and focus for the OSCE FS 2014 audit, and the External Auditor's working plan.
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## **G. ACKNOWLEDGEMENT**

94. I wish to express my appreciation for the cooperation and assistance extended by the Secretary General, management and staff of the OSCE. I am very grateful for their assistance during the whole external audit process.

Kay Scheller

President of the Federal Court of Auditors  
Germany  
External Auditor

II - OSCE FINANCIAL REPORT  
AND  
FINANCIAL STATEMENTS



# Letter of Transmittal to the Auditor General from the Secretary General



Organization for Security and Co-operation in Europe  
The Secretariat

31 March 2015

Sir,

Pursuant to Financial Regulation 7.04 and PC Decision 553 dated 27 June 2003, I have the honour to submit the Financial Report and Financial Statements of the Organization for Security and Co-operation in Europe for the year ended 31 December 2014 and the Audit Report of the External Auditor thereon for your consideration and approval.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Lamberto Zannier', written in a cursive style.

Lamberto Zannier  
Secretary General

Prof. Dr. Dieter Engels  
President of the Federal  
Court of Auditors  
Adenauerallee, 81  
53113 Bonn  
GERMANY



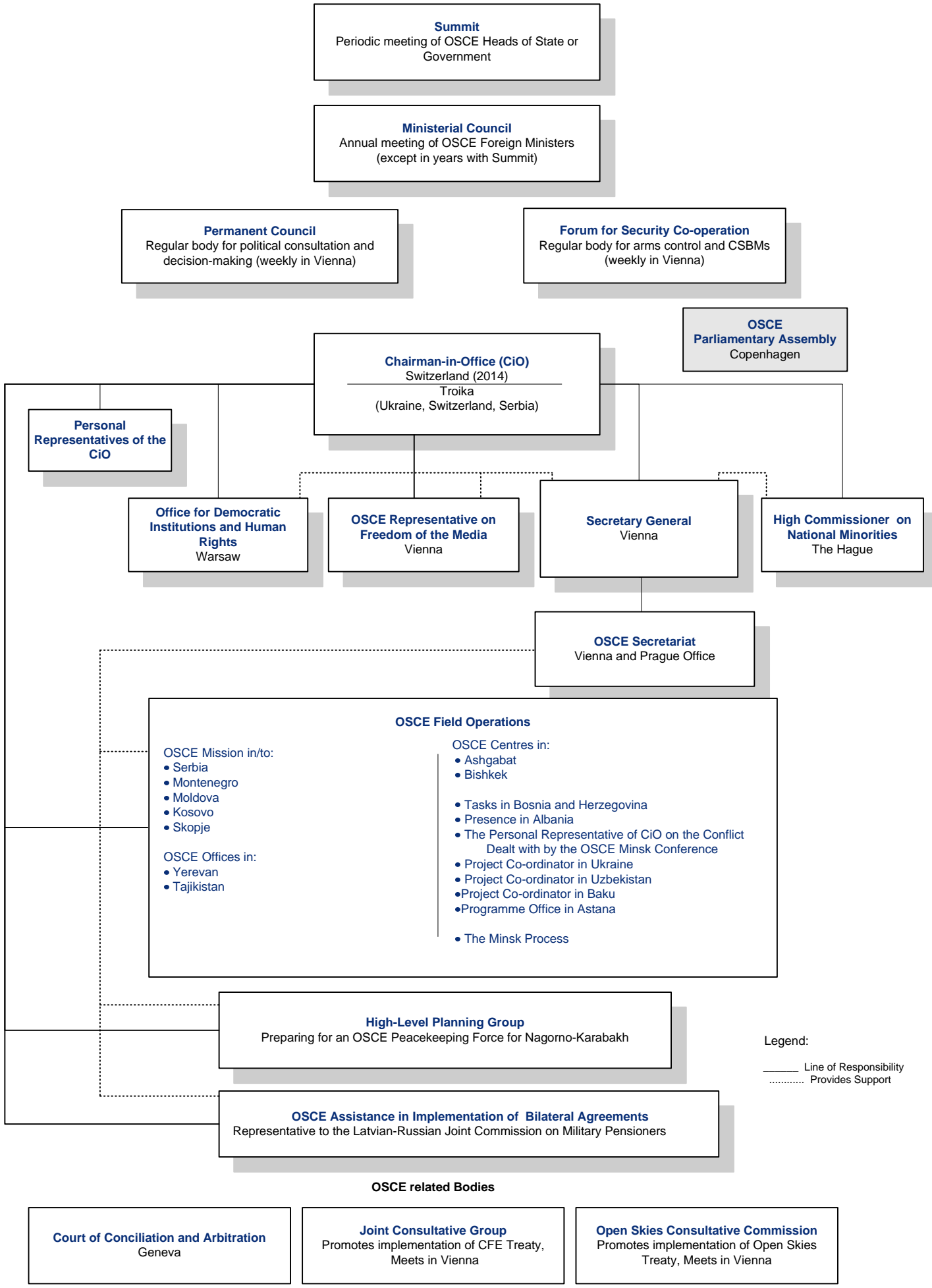
## Chapter I

# Report of the Secretary General on the Financial Statements of the OSCE

for the year ended 31 December 2014









# Chapter I – Report of the Secretary General on the Financial Statements of the OSCE for the year ended 31 December 2014

## INTRODUCTION

1. The Secretary General of the Organization for Security and Co-operation in Europe (OSCE) submits herewith the Report on the Financial Statements for the year ended 31 December 2014.
2. The Report of the External Auditor, with the unqualified opinion on the Financial Statements, is submitted in accordance with Financial Regulation 7.04.
3. The Financial Statements reflect the system of fund accounting operated by the OSCE. Executive structures reported are the Secretariat and Institutions, Field Operations, Extra-budgetary Funds and Special Purpose Funds.
4. Starting with 2013, the OSCE adopted International Public Sector Accounting Standards (IPSAS), availing itself of the transitional provisions foreseen in IPSAS 17 Property, Plant and Equipment. In 2014 the transitional provisions have been discontinued, following the recognition of leasehold improvements in the Financial Statements. In accordance with IPSAS, Financial Statements I to IV and VI are presented on an accrual basis, whereas Statement V (Comparison of Budget and Actual Amounts) and the calculation of cash surplus/deficit remain on a modified cash basis compatible with the basis of the Unified Budget. This requires a reconciliation between the two accounting bases which is described in the Notes to the Financial Statements.

## FINANCIAL AND BUDGET ANALYSIS

### *Summary*

5. The activities of the OSCE were considerably impacted by the launch of the Special Monitoring Mission to Ukraine (SMM) in March 2014, involving major additional funding and budgetary commitments. Whereas the implications of SMM are presented as part of the OSCE Financial Statements, a separate description is provided below at the end this report.
6. The year 2014 concluded on a solid financial basis. Assets cover liabilities nearly 1.6 times (2013: 1.5 times). The same applies to cash and investments which exceed current liabilities. Assessed contributions receivable have increased, mainly due to SMM. Similarly, SMM activities caused a considerable increase in revenue and expenses compared to 2013. Finally, implementation of the unified budget was on track with a rate of 96.8% (2013: 97.8%) as compared to the initially approved Unified Budget. The following table includes financial highlights in accordance with IPSAS:

**Financial Highlights**

EUR'000	2014	2013
Total revenue	204,813	168,998
Total expenses	184,113	163,281
Revenue from assessed contributions	145,108	141,767
Extra-budgetary revenue	48,140	27,356
Net assets	43,000	25,546
Outstanding assessed contributions	6,231	5,784
Cash and investments	86,449	67,413
Cash surplus	2,678	6,976
In-kind contributions *	52,743	43,683

(\* In-kind contributions of services are not recognized in the Financial Statements and therefore not included in total revenue

7. A unique feature of the OSCE is the significant amount of in-kind contributions of services provided in the form of seconded staff and premises as elaborated in Note 1.14. In particular, generous contributions are acknowledged from the Austrian government for office rent and conference facilities and the Polish government for the Office for Democratic Institutions and Human Rights (ODIHR). These governments have provided further substantial contributions in-kind in the form of tax concessions, security and parking areas.
8. In order to facilitate the presentation of the Financial Statements, an organisational chart as of 31 December 2014 is presented as an introduction to this report.

**Financial Statement I – Statement of Financial Position**

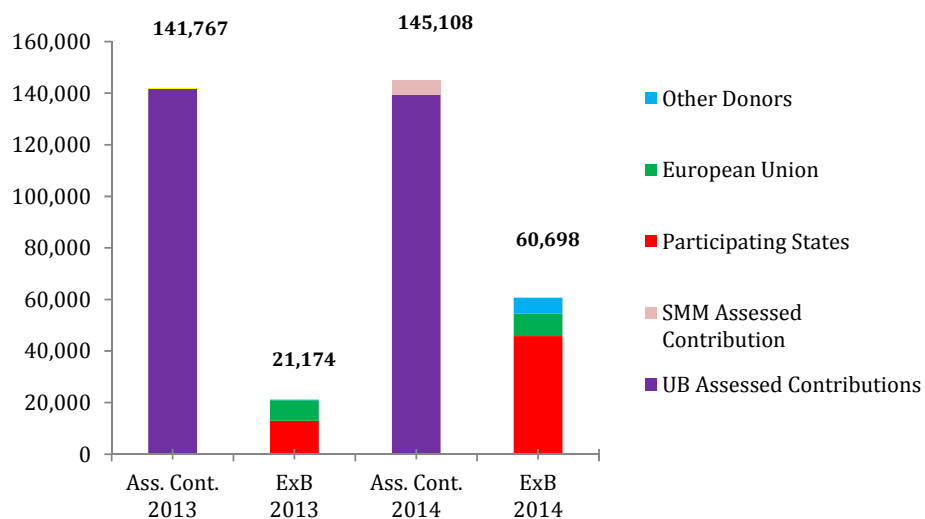
9. Total current assets amount to EUR 94,200 thousand (2013: EUR 72,706 thousand). This includes cash and investments in the amount of EUR 86,449 thousand (2013: EUR 67,413 thousand), reflecting an increase of EUR 19,036 or 28.3%. Cash and investments exceed current liabilities 1.3 times, an indicator for appropriate liquidity. Cash is managed centrally in order to safeguard funds, better monitor cash flow and optimise investment income. Most of the cash, namely 98.4%, is held at the Secretariat. In 2014 the Investment Committee continued to monitor cash management activities and to assess the risks associated with placing deposits with banks. The Investment Committee regularly reviews the investment portfolio and approves the banks where investments are placed. The notes to the financial statements provide details of how the OSCE manages its financial risks, including currency, credit, interest rate, market and liquidity risk.
10. Total current assets also include outstanding assessed contributions in the amount of EUR 6,231 thousand (2013: EUR 5,784 thousand). The increase of EUR 447 thousand or 7.7% is due to SMM. Receivables due beyond one year have increased slightly by EUR 177 thousand (2014: EUR 5,108 thousand compared to 2013: EUR 4,931 thousand). Of the assessed contributions for 2014, 99.5% were collected by 31 December 2014 (2013: 99.2%), in addition to 11% of prior years' arrears. For IPSAS reporting purposes, an allowance of EUR 5,522 thousand (2013: EUR 5,344 thousand) is calculated as 100% of the outstanding receivable from participating States whose arrears exceeded the amount of contributions due for the preceding two years. The allowance increased by EUR 178 thousand (or 3.3%) from 2013 to 2014.

11. Total non-current assets amount to EUR 20,871 thousand (2013: EUR 9,019 thousand). There has been an increase in the net book value of property, plant and equipment (PP&E) by 124% to EUR 16,575 thousand (2013: EUR 7,399 thousand), thereof EUR 9,261 thousand refers to equipment for SMM, including EUR 1,853 thousand for vehicles received as donations in-kind.
12. Leasehold improvements were capitalized for the first time in 2014, in accordance with IPSAS, and refer to two locations: the Secretariat premises at Wallnerstrasse in Vienna, Austria and the premises of the ODIHR in 'Palac Młodziejowski' in Warsaw, Poland. For Walnerstrasse, leasehold improvements of EUR 4,145 thousand were recognised. These refer to building adjustments (including elevators), technical infrastructure (electricity, heating and cooling system) and the communication infrastructure, security and IT. In case of 'Palac Młodziejowski', leasehold improvements amount to EUR 172 thousand and refer to fixtures related to security and communication equipment.
13. Intangible assets refer to property that does not have physical substance, which in OSCE's case refer to the ERP upgrade project and software licenses. The net book value of intangible assets increased by EUR 2,671 thousand from EUR 1,611 thousand in 2013 to EUR 4,282 thousand in 2014, thereof 75.4% (EUR 3,229 thousand) refer to the ERP upgrade project.
14. Total liabilities amount to EUR 72,071 thousand (2013: EUR 56,179 thousand). This includes deferred revenue of EUR 44,841 thousand (2013: EUR 26,976 thousand) which reflects voluntary contributions received from donors subject to conditions. Once the conditions are met, this amount is shown as revenue in the Statement of Financial Position.
15. Liabilities also include employee benefits of EUR 8,187 thousand at 31 December 2014 (2013: EUR 7,824 thousand) and cover benefits that staff have earned but not yet received.
16. Cash surpluses were used in 2014 to finance the new missions in Ukraine in an amount of EUR 8,627 thousand, thereof EUR 7,653 thousand for SMM and EUR 974 thousand for the deployment of OSCE observers to two Russian checkpoints on the Russian-Ukrainian border.
17. At 31 December 2014, total net assets amounted to EUR 43,000 thousand (2013: EUR 25,546 thousand). Net assets include the reserves of the Revolving Fund and the Contingency Fund of EUR 4,890 thousand. IPSAS reserves were reclassified to Accumulated Surplus/(Deficit). The accumulated surplus amounted to EUR 38,657 thousand (2013: EUR 20,789 thousand) and pertains mainly to unspent funds of ongoing multi-year extra-budgetary projects. The financial impact of the changes in accounting policy derived from the adoption of IPSAS is also reflected in Accumulated Surplus/(Deficit) and actuarial gains and losses resulting from employee benefits are reported under Other Reserves.
18. As shown in the details of the Segment Reporting (Statement VI.1 to Statement VI.2.X.2), of the total net assets of EUR 43,000 thousand, EUR 9,953 thousand relate to the Unified Budget, EUR 21,419 thousand to extra-budgetary funds, and EUR 11,628 thousand to Special Purpose Funds, mainly SMM.

**Financial Statement II - Statement of Financial Performance**

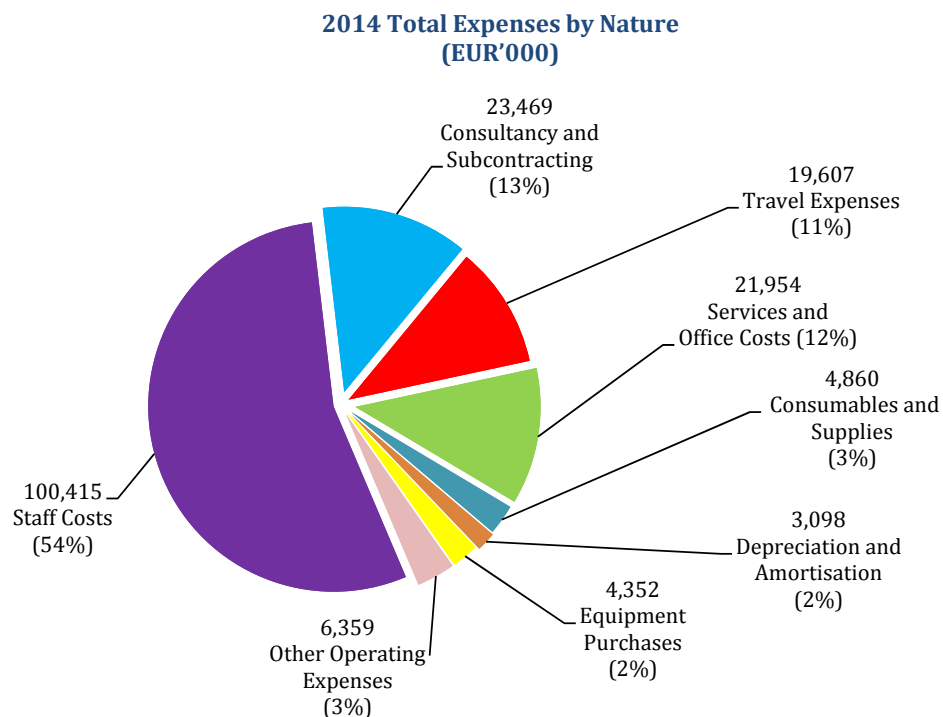
19. Total revenue in 2014 was EUR 204,813 thousand (2013: EUR 169,998 thousand), an increase of EUR 34,815 thousand or 20%, largely due to SMM.
20. Total revenue is comprised of assessed contributions of EUR 145,108 thousand (2013: EUR 141,767 thousand) thereof EUR 139,350 thousand relates to the Unified Budget and EUR 5,758 thousand to SMM; extra-budgetary contributions of EUR 48,140 thousand (2013: EUR 27,356 thousand), and currency exchange adjustments, finance revenue, revenue from the sale of assets and other revenue amounting to EUR 11,565 thousand (2013: EUR 125 thousand loss).
21. Other revenue in 2014 of EUR 10,582 thousand mainly includes funding of SMM done from internal allocations of cash surplus of EUR 8,627 thousand as well as external donations of vehicles to SMM from the European Union and some OSCE participating States amounting to EUR 1,853 thousand.
22. The continuing trend of negative interest rates on short-term deposits adversely affected Finance Revenue, resulting in a low return on investment. The Organization’s investment policy is being amended to allow investing for longer periods and new relationships with highly-rated investment banks are being negotiated. Besides increasing the income from deposits, these activities will favour the diversification of risk.
23. Extra-budgetary contributions continue to be an important source of funding for the OSCE to finance projects and activities that are consistent with OSCE objectives. Unlike resources provided under the Unified Budget, extra-budgetary resources are normally multi-year in nature with balances carried forward from one year to the next.
24. The following chart illustrates the growing importance of extra-budgetary resources as compared to assessed contribution as source of funding for OSCE:

**Comparison of Revenue from Assessed Contributions vs. Extra-Budgetary Funding (EUR'000)\***



\*Extra-Budgetary Funding represents approved ExB pledges for 2014

25. Total 2014 OSCE expenses are illustrated below according to details indicated in the Statement of Financial Performance and represent expenditure according to IPSAS.



26. As can be seen in the Statement of Financial Performance, the increase in staff costs to EUR 100,415 thousand (2013: EUR 91,612 thousand) or 10% is mainly attributable to SMM. Elsewhere staff costs decreased. There is also an increase in services and office costs to EUR 21,954 thousand (2013: EUR 21,028 thousand) or 4.4%, and consumables and supplies to EUR 4,860 thousand (2013: EUR 3,554 thousand) or 36.7%. Despite an increase of EUR 3,405 thousand (from EUR 947 thousand in 2013 to EUR 4,352 thousand in 2014), non-capitalized equipment purchases continue to represent one of the smallest categories of expenses with only 2%. The increase in other operating expenses from EUR 2,221 thousand to EUR 6,359 thousand is mainly attributable to service costs for the provision of a turnkey solution for unarmed aerial vehicle services in SMM.

### ***Financial Statement III - Cash Flow Statement***

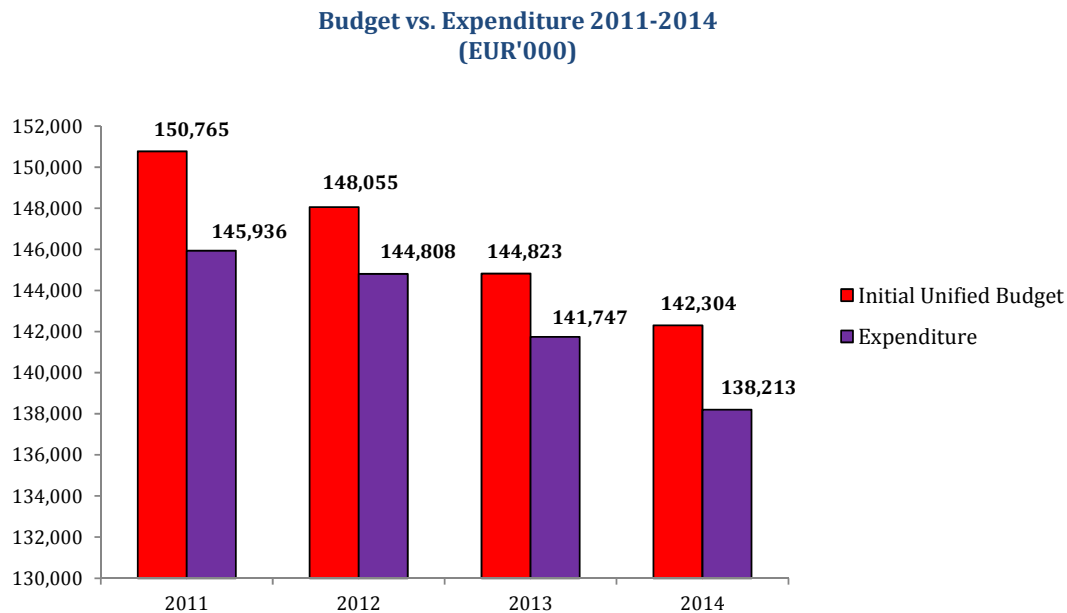
27. Overall the cash balance held to support OSCE's requirements increased to EUR 33,659 thousand (2013: EUR 26,861 thousand) by EUR 6,798 thousand or 25%. This increase is derived from cash inflows from operating activities in connection with an increase in the surplus of the year by EUR 14,984 thousand, mainly attributable to SMM activities, which more than offset the increase in outflows from investing activities (mainly long term deposits and investment in property, plant and equipment).

**Financial Statement IV - Statement of Changes in Net Assets**

- 28. The balance as at 31 December 2013 has been restated by EUR 3,029 thousand to reflect the first time capitalization of leasehold improvements.
- 29. Changes during 2014 include the recognition of the surplus for the year 2014 amounting to EUR 2,678 thousand.

**Financial Statement V - Comparison of Budget and Actual Amounts**

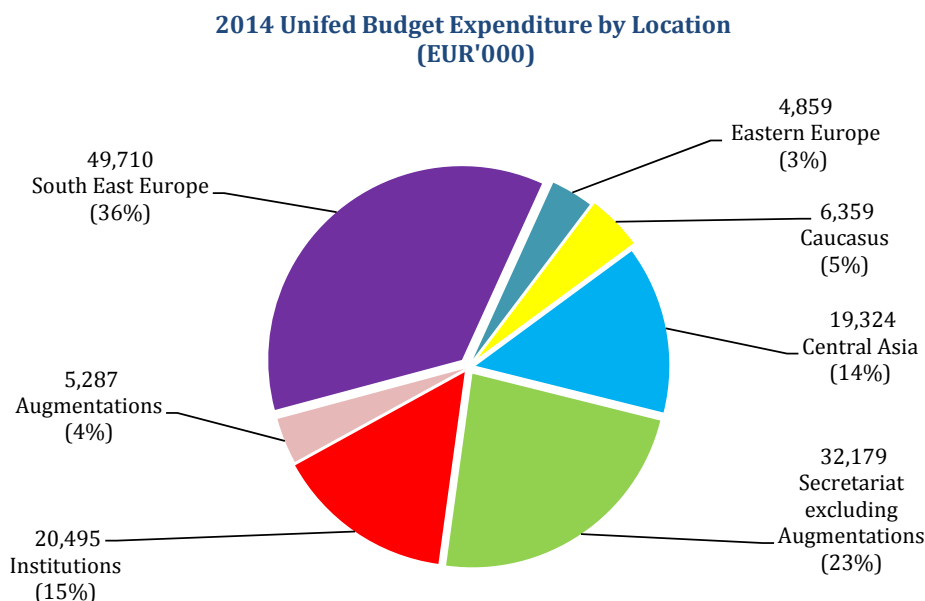
- 30. The 2014 Unified Budget of EUR 142,304 thousand was approved under PC.DEC/1123 on 22 May 2014. Revisions that decreased the 2014 Unified Budget by EUR 2,954 thousand were approved under subsequent Permanent Council Decisions resulting in a year-end revised Unified Budget of EUR 139,350 thousand (PC.DEC/1159 of 26 February 2015). OSCE is a field operation oriented organization, with the field operations representing 62% (EUR 87,539 thousand) of the 2014 Unified Budget as compared to 38% (EUR 54,766 thousand) for the Secretariat and Institutions.
- 31. Unified Budget expenditure amounted to EUR 138,213 thousand in 2014 (2013: EUR 141,747 thousand), representing a decrease of 2.5% as compared to 2013. The implementation rate was 97 % as compared to the initial budget of EUR 142,304 thousand (2013: 98%). Annual budget vs expenditure for the period 2011 to 2014 are shown below:



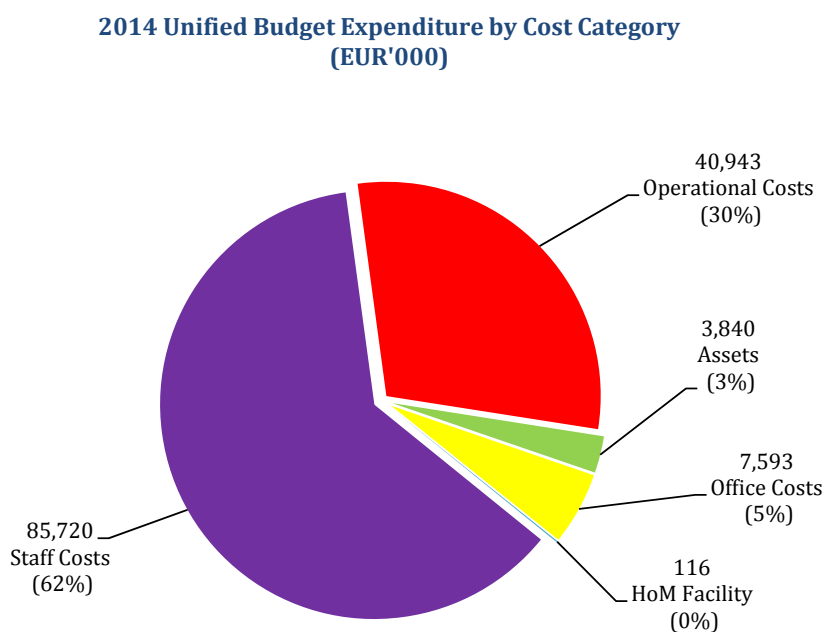
- 32. The 2014 Unified Budget is prepared under the commitment basis (modified cash basis), whereas expense as shown in the Statement of Financial Performance is recognized under the IPSAS accrual basis in the period in which the goods or services are delivered. In order to facilitate comparison the IPSAS accrual expense is reconciled to the commitment basis as shown in the Statement of Comparison of Budget and Actual Amounts and in notes 22.1 and 37.



33. The distribution of Unified Budget Expenditure by region, Institutions and Secretariat is shown below.

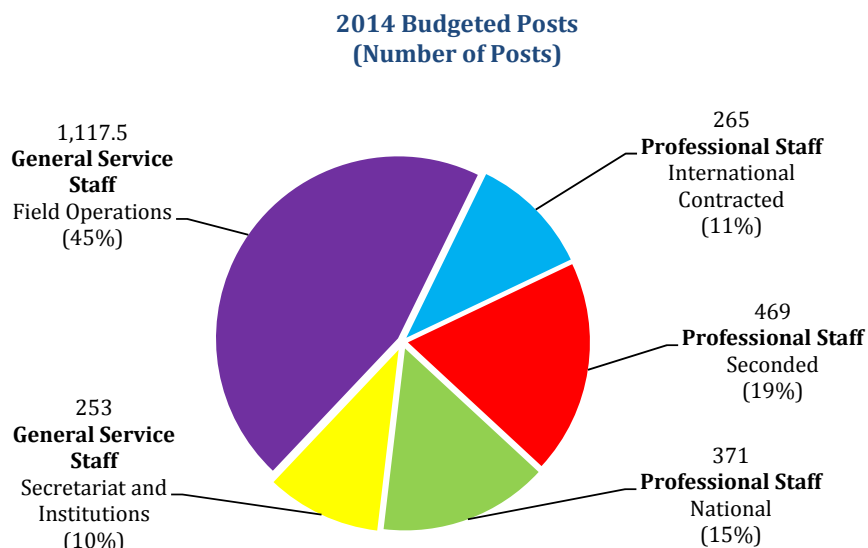


34. The distribution of Unified Budget Expenditure by cost category is shown below. Compared to 2013, staff costs continue to represent the largest share of expenditure with 62% even though it decreased in absolute terms from EUR 88,595 thousand in 2013 to EUR 85,720 thousand in 2014.



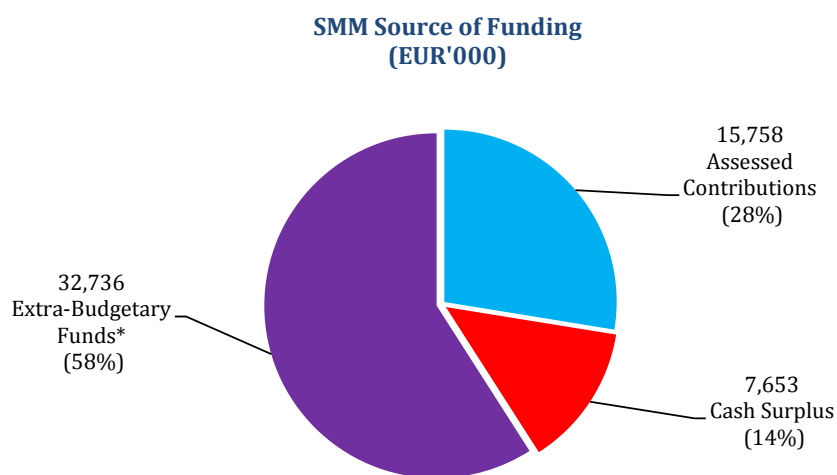
35. The total budgeted posts for the 2014 Unified Budget were 2,475.5 (2013: 2,570.5), representing a 4% decrease over the previous year.

36. Of the 2,475.5 budgeted posts, 2,283.5 or 92% were occupied as at 31 December 2014. The occupancy rate for professional posts was 87% (963 filled, out of 1,105 budgeted); for General Service Staff was 96% (1,320.5 filled, out of 1,369.5 budgeted) and was lowest for seconded posts with 82% (378 filled, out of 469 budgeted). The distribution of budgeted posts and staff in post by Fund is shown in Chapter II. The following chart indicates the number of budgeted posts by post category in 2014.



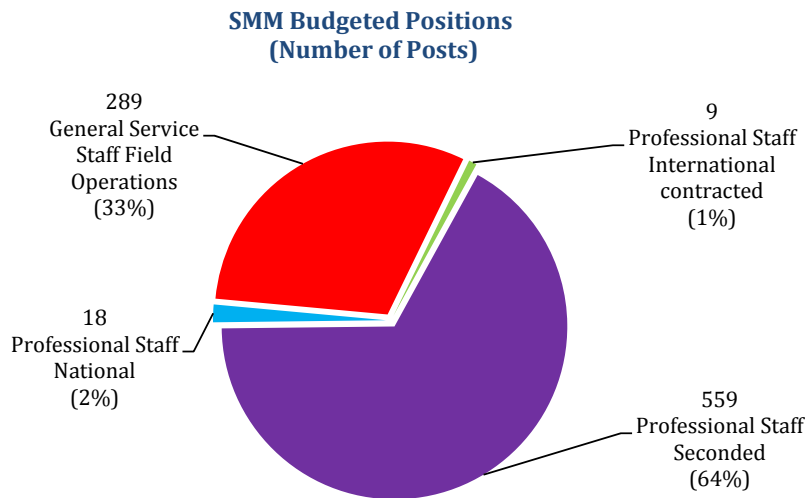
**Special Monitoring Mission (SMM) in Ukraine**

37. The SMM mandate in 2014, was approved through PC.DEC/1117 and PC.DEC/1129. The SMM mandate spanned from 21 March 2014 to 20 March 2015, as decided with PC.DEC/1117 and PC.DEC/1129; however, the chart below represents the funding of SMM for the period 21 March 2014 to 31 December 2014, which is included in these financial statements. Extra-budgetary funding represents the largest source of funding with a total EUR 32,736 thousand (58%), followed by assessed contributions of EUR 15,758 thousand (28%) and allocations from cash surplus of EUR 7,653 thousand (14%).



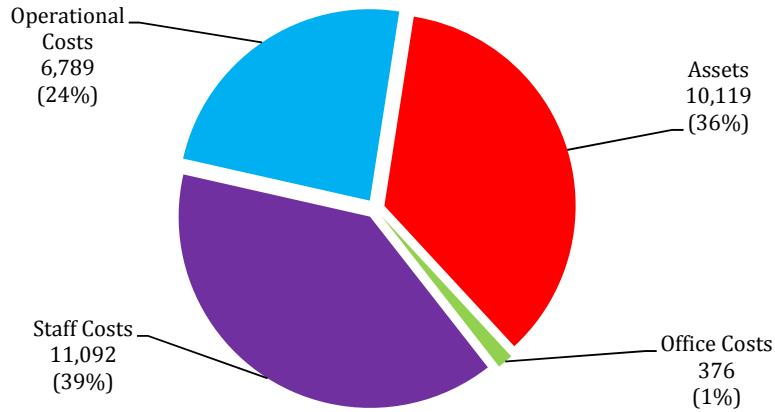
\*Extra-Budgetary Funds represents total approved ExB pledges as of 31 December 2014

38. In addition to the funding shown above, SMM also received in-kind contributions of vehicles amounting to EUR 1,853 thousand as well as the services of seconded staff amounting to a fair value of EUR 10,861 thousand.
39. For the period 21 March 2014 to 20 March 2015, budgeted posts amount to 875 (500 monitors and 375 other staff) as provided for in document SEC.FR/578/14 of 19 September 2014. As indicated in the chart below, SMM relies mainly on seconded staff.



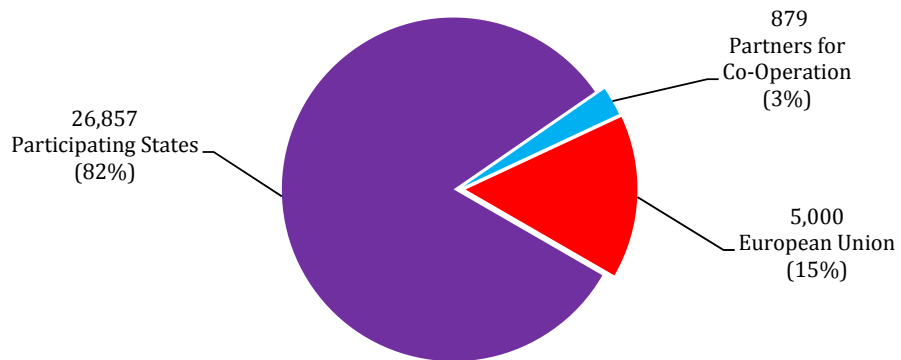
40. The total expenditure until 31 December 2014 amounted to EUR 28,376 thousand, of which EUR 18,815 relates to Extra-budgetary. Amounts by expenditure categories are shown in the chart below.

**SMM Expenditure by Cost Category  
(EUR'000)**



41. As shown in the chart below, pledges in 2014 were provided mainly by OSCE participating States accounting for 82%, followed by the European Union with 15% and OSCE Partners for Co-operation with 3%.

**SMM Approved Pledge Amounts by Donor  
(EUR'000)**



## INTERNAL CONTROLS

42. On 1 December 2005, participating States adopted the decision on establishing a comprehensive Common Regulatory Management System (CRMS) (PC.DEC/705) to facilitate the effective and efficient management of OSCE's human, financial and material resources.
43. The OSCE issued for the first time a 'Statement of Internal Control' (SIC) along with the Financial Statements for the year ending 31 December 2012. The SIC is the means by which the Secretary General declares his approach to, and responsibility for, risk management, internal control and corporate governance. Please refer to Chapter V - Statement of Internal Control.
44. The Statement of Internal Control highlights significant matters pertaining to 2014. Other significant matters reported in the previous years in the Statement on Internal Controls which continue to be monitored and worked on include: volatile payment patterns of assessed contributions by participating States; a budget cycle reform process; revision to the Financial Regulations; staffing levels and structure including the conditions and periods of service and the availability of secondees; and the lack of a uniform set of privileges and immunities within the Organization.

## RESPONSIBILITY

45. Pursuant to the Financial Regulation 7.04 and PC Decision 553 dated 27 June 2003, I am pleased to submit the following financial statements. These financial statements have been prepared according to IPSAS. I certify that to the best of my knowledge and information, all transactions during the period have been properly entered in the accounting records and that these transactions together with the following financial statements and notes, details of which form part of this document, fairly present the financial position of the OSCE as at 31 December 2014 and its performance for the year ended 31 December 2014:

Statement I	Statement of Financial Position
Statement II	Statement of Financial Performance
Statement III	Cash Flow Statement
Statement IV	Statement of Changes in Net Assets
Statement V	Statement of Comparison of Budget and Actual Amounts
Notes to the Financial Statements	



Chapter II – Budget and Expenditure Report  
and  
Staffing Overview





Budget and Expenditure Report as at 31 December 2014

Fund	Approved Budget PC.DEC/1123	PC Authorized Transfers	Revised Budget PC.DEC/1159	Transfers Fin. Reg. 3.02(b)	Revised Budget after Transfers	Disbursement	ULO	Expenditure	Utiliz. Rate %
<b>I. FUNDS RELATED TO SECRETARIAT AND INSTITUTIONS</b>									
<b>The Secretariat</b>									
<b>Secretary General and Central Services</b>									
Executive Management	1,042	18	1,060	-	1,060	1,040	19	1,059	100
Security Management	392	(118)	274	-	274	274	0	274	100
External Co-operation	681	(7)	674	-	674	667	1	669	99
Legal Services	541	(60)	481	-	481	480	1	480	100
Communications and Media Relations Section	1,219	(12)	1,207	-	1,207	1,172	34	1,206	100
Conference and Language Services	4,947	105	5,052	-	5,052	4,823	78	4,900	97
Records Management	256	(0)	256	-	256	254	2	255	100
Prague Office	402	(72)	330	-	330	300	30	330	100
Gender Issues	364	8	371	-	371	366	5	371	100
<b>TOTAL</b>	<b>9,844</b>	<b>(139)</b>	<b>9,705</b>	<b>-</b>	<b>9,705</b>	<b>9,375</b>	<b>171</b>	<b>9,546</b>	<b>98</b>
<b>Chairman-in-Office</b>									
Short-Term Mission/Visits of CIO and PR of the CIO	440	(2)	438	-	438	413	25	438	100
Advisory Committee on Management and Finance (ACMF)	15	-	15	-	15	13	2	15	100
Panel of Adjudicators	39	(37)	2	-	2	2	-	2	94
Audit Committee	49	(27)	22	-	22	22	-	22	100
External Auditors	100	-	100	-	100	100	-	100	100
<b>TOTAL</b>	<b>643</b>	<b>(66)</b>	<b>577</b>	<b>-</b>	<b>577</b>	<b>549</b>	<b>28</b>	<b>577</b>	<b>100</b>
<b>Internal Oversight</b>									
Internal Oversight	1,363	(213)	1,151	-	1,151	1,061	89	1,150	100
<b>TOTAL</b>	<b>1,363</b>	<b>(213)</b>	<b>1,151</b>	<b>-</b>	<b>1,151</b>	<b>1,061</b>	<b>89</b>	<b>1,150</b>	<b>100</b>
<b>Office of the Special Representative/Co-ordinator for Combating Trafficking in Human Beings</b>									
Office of the Special Representative/Co-ordinator for Combating Trafficking in Human Beings	757	(24)	733	-	733	722	6	728	99
<b>TOTAL</b>	<b>757</b>	<b>(24)</b>	<b>733</b>	<b>-</b>	<b>733</b>	<b>722</b>	<b>6</b>	<b>728</b>	<b>99</b>
<b>Addressing Transnational Threats</b>									
Co-ordination of TNT Activities	525	(78)	447	-	447	446	1	447	100
Strategic Police Matters Unit	618	(133)	485	-	485	467	3	471	97
Action Against Terrorism	783	(66)	717	-	717	714	2	717	100
Border Security and Management	429	21	450	-	450	449	0	450	100
<b>TOTAL</b>	<b>2,355</b>	<b>(256)</b>	<b>2,100</b>	<b>-</b>	<b>2,100</b>	<b>2,077</b>	<b>7</b>	<b>2,084</b>	<b>99</b>
<b>Activities Related to the Economic and Environmental Aspects of Security</b>									
Co-ordinator of OSCE Economic and Environmental Activities	1,512	31	1,543	-	1,543	1,518	16	1,534	99
Economic and Environmental Forum	449	(40)	409	-	409	375	30	405	99
<b>TOTAL</b>	<b>1,961</b>	<b>(9)</b>	<b>1,952</b>	<b>-</b>	<b>1,952</b>	<b>1,893</b>	<b>46</b>	<b>1,939</b>	<b>99</b>
<b>Conflict Prevention</b>									
CPC Direction and Management	414	(47)	367	-	367	365	2	367	100
Policy Support Service	907	(47)	860	-	860	857	3	860	100
Operations Service	698	(28)	671	-	671	645	26	671	100
Programming and Evaluation Support Unit	363	(15)	349	-	349	348	0	349	100
FSC Chairmanship	33	-	33	-	33	33	-	33	100
FSC Support	571	(11)	560	-	560	557	0	558	100
Communications Network	573	(14)	559	-	559	494	63	557	100
<b>TOTAL</b>	<b>3,560</b>	<b>(162)</b>	<b>3,398</b>	<b>-</b>	<b>3,398</b>	<b>3,300</b>	<b>93</b>	<b>3,393</b>	<b>100</b>
<b>Human Resources Management</b>									
HR Direction and Management	450	(23)	427	-	427	406	13	419	98
Personnel Management and Payroll Administration	1,184	(46)	1,138	-	1,138	1,080	58	1,138	100
Common Staff Costs	1,909	(136)	1,773	-	1,773	1,729	45	1,775	100
Recruitment	548	(15)	533	-	533	530	3	533	100
Training Section	997	(103)	894	-	894	884	7	891	100
<b>TOTAL</b>	<b>5,086</b>	<b>(323)</b>	<b>4,764</b>	<b>-</b>	<b>4,764</b>	<b>4,629</b>	<b>126</b>	<b>4,755</b>	<b>100</b>

Budget and Expenditure Report as at 31 December 2014

Fund	Approved Budget PC.DEC/1123	PC Authorized Transfers	Revised Budget PC.DEC/1159	Transfers Fin. Reg. 3.02(b)	Revised Budget after Transfers	Disbursement	ULO	Expenditure	Utiliz. Rate %
EUR '000									
<b>Department of Management and Finance</b>									
DMF Direction and Management	314	2	315	-	315	315	1	315	100
Budget and Internal Control Services	642	(31)	611	-	611	609	0	610	100
Financial Accounting and Treasury Services	839	66	905	-	905	888	3	892	99
Information and Communication Technology Services	1,965	4	1,969	-	1,969	1,847	53	1,900	96
Mission Support Services	1,448	(148)	1,299	-	1,299	1,270	29	1,299	100
Secretariat Common Operational Costs	3,294	(30)	3,264	-	3,264	2,492	498	2,990	92
<b>TOTAL</b>	<b>8,501</b>	<b>(137)</b>	<b>8,363</b>	<b>-</b>	<b>8,363</b>	<b>7,421</b>	<b>585</b>	<b>8,006</b>	<b>96</b>
<b>TOTAL FOR THE SECRETARIAT</b>	<b>34,071</b>	<b>(1,329)</b>	<b>32,743</b>	<b>-</b>	<b>32,743</b>	<b>31,029</b>	<b>1,150</b>	<b>32,179</b>	<b>98</b>
<b>Office for Democratic Institutions and Human Rights</b>									
Direction and Policy	1,293	121	1,414	-	1,414	1,394	19	1,413	100
Fund Administration Unit	2,152	(61)	2,091	-	2,091	2,072	25	2,096	100
Common Operational Costs	770	(40)	729	-	729	560	177	737	101
Human Dimension Meetings	606	(29)	577	-	577	567	12	578	100
Democratization	1,520	(17)	1,503	-	1,503	1,485	17	1,502	100
Human Rights	1,202	(49)	1,153	-	1,153	1,101	50	1,150	100
Elections	6,405	63	6,468	-	6,468	6,298	161	6,459	100
Tolerance and Non-Discrimination	1,306	31	1,337	-	1,337	1,316	14	1,329	99
Roma and Sinti Issues	551	(18)	533	-	533	504	29	533	100
<b>TOTAL</b>	<b>15,805</b>	<b>-</b>	<b>15,805</b>	<b>-</b>	<b>15,805</b>	<b>15,297</b>	<b>503</b>	<b>15,800</b>	<b>100</b>
<b>High Commissioner on National Minorities</b>									
Fund Administration Unit	370	(8)	362	-	362	362	-	362	100
Common Operational Costs	176	(20)	157	-	157	130	23	153	98
Office of the High Commissioner	2,862	(118)	2,744	-	2,744	2,662	69	2,731	100
<b>TOTAL</b>	<b>3,408</b>	<b>(145)</b>	<b>3,262</b>	<b>-</b>	<b>3,262</b>	<b>3,155</b>	<b>92</b>	<b>3,246</b>	<b>100</b>
<b>Representative on Freedom of the Media</b>									
Freedom of the Media	1,482	(31)	1,451	-	1,451	1,432	17	1,449	100
<b>TOTAL</b>	<b>1,482</b>	<b>(31)</b>	<b>1,451</b>	<b>-</b>	<b>1,451</b>	<b>1,432</b>	<b>17</b>	<b>1,449</b>	<b>100</b>
<b>TOTAL FOR FUNDS RELATED TO THE SECRETARIAT AND INSTITUTIONS</b>	<b>54,766</b>	<b>(1,505)</b>	<b>53,261</b>	<b>-</b>	<b>53,261</b>	<b>50,912</b>	<b>1,761</b>	<b>52,674</b>	<b>99</b>
<b>II. FUNDS RELATED TO OSCE FIELD OPERATIONS</b>									
<b>AUGMENTATIONS</b>									
<b>Secretariat Augmentations</b>									
Communication and Media Relations Section	273	(6)	267	-	267	267	0	267	100
Internal Oversight	291	(72)	219	-	219	218	1	219	100
Policy Support Service	401	(52)	349	-	349	349	0	349	100
Programming and Evaluation Support Unit	62	6	69	-	69	68	0	68	100
Operations Service	187	(1)	185	-	185	185	1	185	100
Personnel Management and Payroll Administration	354	20	374	-	374	373	1	374	100
Recruitment	450	(62)	388	-	388	387	1	388	100
Budget and Internal Control Services	322	(65)	256	-	256	256	0	256	100
Financial Accounting and Treasury Services	472	(2)	470	-	470	469	1	470	100
Information and Communication Technology Services	1,311	51	1,363	-	1,363	1,355	8	1,362	100
Mission Support Service	1,063	52	1,115	-	1,115	1,112	3	1,115	100
<b>TOTAL</b>	<b>5,186</b>	<b>(131)</b>	<b>5,056</b>	<b>-</b>	<b>5,056</b>	<b>5,039</b>	<b>16</b>	<b>5,055</b>	<b>100</b>
<b>ODIHR Augmentations</b>									
ODIHR Democratization	234	(2)	232	-	232	216	16	232	100
<b>TOTAL</b>	<b>234</b>	<b>(2)</b>	<b>232</b>	<b>-</b>	<b>232</b>	<b>216</b>	<b>16</b>	<b>232</b>	<b>100</b>
<b>TOTAL FOR AUGMENTATIONS</b>	<b>5,420</b>	<b>(132)</b>	<b>5,288</b>	<b>-</b>	<b>5,288</b>	<b>5,255</b>	<b>32</b>	<b>5,287</b>	<b>100</b>

Budget and Expenditure Report as at 31 December 2014

Fund	Approved Budget PC.DEC/1123	PC Authorized Transfers	Revised Budget PC.DEC/1159	Transfers Fin. Reg. 3.02(b)	Revised Budget after Transfers	Disbursement	ULO	Expenditure	Utiliz. Rate %
EUR '000									
<b>SOUTH-EASTERN EUROPE</b>									
<b>Mission in Kosovo</b>									
Office of Head of Mission	2,992	106	3,098	-	3,098	3,020	77	3,097	100
Fund Administration Unit	2,581	134	2,715	-	2,715	2,619	89	2,708	100
Common Operational Costs	3,628	(323)	3,305	-	3,305	2,412	859	3,271	99
Security and Public Safety	1,312	(53)	1,259	-	1,259	1,229	30	1,259	100
Democratization	2,366	(8)	2,358	-	2,358	2,196	149	2,345	99
Human Rights and Communities	6,803	61	6,864	-	6,864	6,748	108	6,856	100
<b>TOTAL</b>	<b>19,680</b>	<b>(82)</b>	<b>19,598</b>	<b>-</b>	<b>19,598</b>	<b>18,224</b>	<b>1,313</b>	<b>19,537</b>	<b>100</b>
<b>Tasks in Bosnia and Herzegovina</b>									
Office of Head of Mission	1,287	(38)	1,248	-	1,248	1,240	7	1,247	100
Fund Administration Unit	1,865	40	1,904	-	1,904	1,902	2	1,904	100
Common Operational Costs	2,386	163	2,549	-	2,549	2,195	350	2,544	100
Security Co-operation	512	1	513	-	513	509	1	510	99
Human Dimension	6,119	(274)	5,845	-	5,845	5,825	15	5,840	100
<b>TOTAL</b>	<b>12,168</b>	<b>(109)</b>	<b>12,059</b>	<b>-</b>	<b>12,059</b>	<b>11,670</b>	<b>375</b>	<b>12,045</b>	<b>100</b>
<b>Regional Stabilization/Arms Control</b>									
Implementation of Article IV	219	(1)	218	-	218	213	4	218	100
<b>TOTAL</b>	<b>219</b>	<b>(1)</b>	<b>218</b>	<b>-</b>	<b>218</b>	<b>213</b>	<b>4</b>	<b>218</b>	<b>100</b>
<b>Grand Total for Tasks in Bosnia and Herzegovina</b>	<b>12,387</b>	<b>(110)</b>	<b>12,278</b>	<b>-</b>	<b>12,278</b>	<b>11,883</b>	<b>380</b>	<b>12,263</b>	<b>100</b>
<b>Mission to Serbia</b>									
Office of Head of Mission	931	(4)	927	-	927	913	11	924	100
Fund Administration Unit	677	(19)	658	-	658	656	2	658	100
Common Operational Costs	1,181	(114)	1,066	-	1,066	979	85	1,064	100
Police Affairs	1,125	90	1,215	-	1,215	1,202	13	1,215	100
Democratization	1,164	37	1,201	-	1,201	1,146	49	1,195	100
Media	415	35	449	-	449	426	23	449	100
Rule of Law and Human Rights	1,087	(106)	981	-	981	937	43	981	100
<b>TOTAL</b>	<b>6,579</b>	<b>(82)</b>	<b>6,497</b>	<b>-</b>	<b>6,497</b>	<b>6,259</b>	<b>227</b>	<b>6,486</b>	<b>100</b>
<b>Presence in Albania</b>									
Office of Head of Mission	475	(26)	449	-	449	439	1	440	98
Fund Administration Unit	420	29	450	-	450	426	24	449	100
Common Operational Costs	652	(16)	636	-	636	546	80	627	99
Security Co-operation	357	(26)	332	-	332	319	4	323	97
Governance in Economic and Environmental Issues	303	(9)	294	-	294	256	35	291	99
Democratization	433	27	460	-	460	438	6	444	97
Rule of Law and Human Rights	342	6	348	-	348	338	6	343	99
<b>TOTAL</b>	<b>2,982</b>	<b>(15)</b>	<b>2,967</b>	<b>-</b>	<b>2,967</b>	<b>2,761</b>	<b>156</b>	<b>2,917</b>	<b>98</b>
<b>Mission to Skopje</b>									
Office of Head of Mission	994	(7)	988	-	988	982	5	987	100
Fund Administration Unit	850	11	861	-	861	859	2	861	100
Common Operational Costs	972	81	1,053	-	1,053	935	118	1,053	100
Public Safety and Community Outreach	1,808	(44)	1,765	-	1,765	1,721	42	1,763	100
Human Dimension	1,803	(76)	1,728	-	1,728	1,599	125	1,724	100
<b>TOTAL</b>	<b>6,428</b>	<b>(34)</b>	<b>6,394</b>	<b>-</b>	<b>6,394</b>	<b>6,096</b>	<b>293</b>	<b>6,389</b>	<b>100</b>
<b>Mission to Montenegro</b>									
Office of Head of Mission	336	(8)	328	-	328	322	-	322	98
Fund Administration Unit	271	(15)	256	-	256	255	0	255	100
Common Operational Costs	416	2	418	-	418	374	35	409	98
Police Affairs	376	2	378	-	378	375	2	377	100
Democratization	411	(4)	408	-	408	402	-	402	99
Media	119	(5)	114	-	114	112	1	112	99
Rule of Law and Human Rights	256	(15)	241	-	241	239	-	239	99
<b>TOTAL</b>	<b>2,184</b>	<b>(42)</b>	<b>2,142</b>	<b>-</b>	<b>2,142</b>	<b>2,081</b>	<b>37</b>	<b>2,118</b>	<b>99</b>
<b>TOTAL FOR SOUTH-EASTERN EUROPE</b>	<b>50,240</b>	<b>(364)</b>	<b>49,876</b>	<b>-</b>	<b>49,876</b>	<b>47,304</b>	<b>2,405</b>	<b>49,710</b>	<b>100</b>

Budget and Expenditure Report as at 31 December 2014

Fund	Approved Budget PC.DEC/1123	PC Authorized Transfers	Revised Budget PC.DEC/1159	Transfers Fin. Reg. 3.02(b)	Revised Budget after Transfers	Disbursement	ULO	Expenditure	Utiliz. Rate %
EUR '000									
<b>EASTERN EUROPE</b>									
<b>Mission to Moldova</b>									
Office of Head of Mission	435	(36)	399	-	399	374	24	398	100
Fund Administration Unit	225	3	228	-	228	227	1	228	100
Common Operational Costs	497	25	522	-	522	463	55	518	99
Conflict Prevention/Resolution	462	(9)	453	-	453	415	36	451	100
Human Rights Monitoring/Democratization	295	(24)	271	-	271	223	47	270	100
Anti-Trafficking/Gender	268	(11)	257	-	257	256	0	256	100
<b>TOTAL</b>	<b>2,180</b>	<b>(52)</b>	<b>2,128</b>	<b>-</b>	<b>2,128</b>	<b>1,958</b>	<b>164</b>	<b>2,122</b>	<b>100</b>
<b>Project Co-ordinator in Ukraine</b>									
Office of Head of Mission	262	(23)	239	-	239	222	17	239	100
Fund Administration Unit	330	20	351	-	351	350	-	350	100
Common Operational Costs	393	(19)	374	-	374	337	36	374	100
Democratization and Good Governance	305	(20)	285	-	285	285	-	285	100
Rule of Law and Human Rights	865	(45)	820	-	820	820	0	820	100
Economic, Environmental and Politico-Military Projects	718	(57)	661	-	661	625	36	661	100
<b>TOTAL</b>	<b>2,873</b>	<b>(144)</b>	<b>2,729</b>	<b>-</b>	<b>2,729</b>	<b>2,640</b>	<b>89</b>	<b>2,729</b>	<b>100</b>
<b>Representative to the Latvian-Russian Joint Commission on Military Pensioner</b>									
Office of Head of Mission	9	(1)	8	-	8	8	-	8	99
<b>TOTAL</b>	<b>9</b>	<b>(1)</b>	<b>8</b>	<b>-</b>	<b>8</b>	<b>8</b>	<b>-</b>	<b>8</b>	<b>99</b>
<b>TOTAL FOR EASTERN EUROPE</b>	<b>5,062</b>	<b>(197)</b>	<b>4,866</b>	<b>-</b>	<b>4,866</b>	<b>4,606</b>	<b>253</b>	<b>4,859</b>	<b>100</b>
<b>CAUCASUS</b>									
<b>Office in Yerevan</b>									
Office of Head of Mission	309	(2)	306	-	306	277	30	306	100
Fund Administration Unit	221	(12)	209	-	209	207	1	209	100
Common Operational Costs	397	(21)	376	-	376	362	12	374	99
Politico-Military Activities	533	(2)	532	-	532	525	11	535	101
Economic and Environmental Activities	491	(10)	481	-	481	474	7	481	100
Democratization	292	27	320	-	320	319	0	320	100
Human Rights	305	14	319	-	319	319	-	319	100
Good Governance	314	(2)	313	-	313	312	0	312	100
<b>TOTAL</b>	<b>2,862</b>	<b>(7)</b>	<b>2,855</b>	<b>-</b>	<b>2,855</b>	<b>2,795</b>	<b>61</b>	<b>2,856</b>	<b>100</b>
<b>Project Co-ordinator in Baku</b>									
Office of Head of Mission	213	(1)	213	-	213	198	14	213	100
Fund Administration Unit	240	22	262	-	262	239	23	262	100
Common Operational Costs	430	40	470	-	470	442	27	469	100
Politico-Military Activities	273	(38)	235	-	235	168	65	233	99
Economic and Environmental Activities	254	(25)	229	-	229	105	122	226	99
Human Dimension Activities	390	2	392	-	392	313	79	392	100
<b>TOTAL</b>	<b>1,800</b>	<b>-</b>	<b>1,800</b>	<b>-</b>	<b>1,800</b>	<b>1,465</b>	<b>331</b>	<b>1,795</b>	<b>100</b>
<b>High-Level Planning Group</b>									
Office of Head of Mission	251	(56)	195	-	195	194	1	195	100
<b>TOTAL</b>	<b>251</b>	<b>(56)</b>	<b>195</b>	<b>-</b>	<b>195</b>	<b>194</b>	<b>1</b>	<b>195</b>	<b>100</b>
<b>The Minsk Process</b>									
Office of Head of Mission	928	(474)	454	-	454	453	1	453	100
<b>TOTAL</b>	<b>928</b>	<b>(474)</b>	<b>454</b>	<b>-</b>	<b>454</b>	<b>453</b>	<b>1</b>	<b>453</b>	<b>100</b>
<b>Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference</b>									
Office of Head of Mission	530	(103)	427	-	427	388	30	418	98
Fund Administration Unit	225	5	230	-	230	228	2	230	100
Common Operational Costs	438	(1)	437	-	437	399	13	412	94
<b>TOTAL</b>	<b>1,193</b>	<b>(99)</b>	<b>1,094</b>	<b>-</b>	<b>1,094</b>	<b>1,015</b>	<b>46</b>	<b>1,060</b>	<b>97</b>
<b>TOTAL FOR CAUCASUS</b>	<b>7,033</b>	<b>(636)</b>	<b>6,397</b>	<b>-</b>	<b>6,397</b>	<b>5,921</b>	<b>438</b>	<b>6,359</b>	<b>99</b>

Budget and Expenditure Report as at 31 December 2014

Fund	Approved Budget PC.DEC/1123	PC Authorized Transfers	Revised Budget PC.DEC/1159	Transfers Fin. Reg. 3.02(b)	Revised Budget after Transfers	Disbursement	ULO	Expenditure	Utiliz. Rate %
EUR '000									
<b>CENTRAL ASIA</b>									
<b>Centre in Astana</b>									
Office of Head of Mission	212	(22)	190	-	190	181	9	190	100
Fund Administration Unit	251	(10)	240	-	240	225	14	240	100
Common Operational Costs	421	(33)	388	-	388	308	73	381	98
Politico-Military Activities	420	18	438	-	438	390	20	410	94
Economic and Environmental Activities	424	17	441	-	441	411	31	442	100
Human Dimension Activities	420	12	432	-	432	366	66	432	100
<b>TOTAL</b>	<b>2,148</b>	<b>(19)</b>	<b>2,130</b>	<b>-</b>	<b>2,130</b>	<b>1,881</b>	<b>214</b>	<b>2,095</b>	<b>98</b>
<b>Centre in Ashgabat</b>									
Office of Head of Mission	323	(0)	323	-	323	318	2	320	99
Fund Administration Unit	177	(8)	169	-	169	169	0	169	100
Common Operational Costs	272	2	274	-	274	223	22	245	89
Conflict Prevention and Confidence and Security Building	261	(4)	257	-	257	252	4	257	100
Economic and Environmental Activities	241	(3)	238	-	238	226	9	235	99
Human Dimension Activities	254	13	266	-	266	231	21	252	95
<b>TOTAL</b>	<b>1,527</b>	<b>-</b>	<b>1,527</b>	<b>-</b>	<b>1,527</b>	<b>1,419</b>	<b>58</b>	<b>1,478</b>	<b>97</b>
<b>Centre in Bishkek</b>									
Office of Head of Mission	1,009	57	1,065	-	1,065	976	67	1,043	98
Fund Administration Unit	562	5	567	-	567	560	4	564	100
Common Operational Costs	854	10	864	-	864	741	110	851	98
Politico-Military Activities	1,541	(27)	1,515	-	1,515	1,476	12	1,488	98
Economic and Environmental Activities	1,246	12	1,259	-	1,259	1,170	81	1,251	99
Human Dimension Activities	1,047	(60)	986	-	986	914	59	974	99
Police Matters Programme	651	(25)	626	-	626	549	75	624	100
<b>TOTAL</b>	<b>6,910</b>	<b>(27)</b>	<b>6,882</b>	<b>-</b>	<b>6,882</b>	<b>6,385</b>	<b>409</b>	<b>6,794</b>	<b>99</b>
<b>Project Co-ordinator in Uzbekistan</b>									
Office of Head of Mission	185	(8)	176	-	176	175	1	176	100
Fund Administration Unit	103	4	107	-	107	106	1	107	100
Common Operational Costs	281	9	290	-	290	238	50	288	99
Politico-Military Activities	403	6	409	-	409	400	9	409	100
Economic and Environmental Activities	524	(15)	509	-	509	393	115	508	100
Human Dimension Activities	484	(1)	484	-	484	469	15	483	100
<b>TOTAL</b>	<b>1,980</b>	<b>(5)</b>	<b>1,975</b>	<b>-</b>	<b>1,975</b>	<b>1,781</b>	<b>191</b>	<b>1,971</b>	<b>100</b>
<b>Office in Tajikistan</b>									
Office of Head of Mission	1,161	17	1,178	-	1,178	1,101	61	1,162	99
Fund Administration Unit	605	0	606	-	606	600	6	606	100
Common Operational Costs	1,568	11	1,579	-	1,579	1,482	93	1,575	100
Political and Military Aspects of Security	1,745	(15)	1,730	-	1,730	1,425	269	1,694	98
Economic and Environmental Activities	1,080	(18)	1,062	-	1,062	948	90	1,038	98
Human Dimension Activities	1,058	(64)	995	-	995	821	90	911	92
<b>TOTAL</b>	<b>7,218</b>	<b>(68)</b>	<b>7,150</b>	<b>-</b>	<b>7,150</b>	<b>6,377</b>	<b>608</b>	<b>6,985</b>	<b>98</b>
<b>TOTAL FOR CENTRAL ASIA</b>	<b>19,783</b>	<b>(120)</b>	<b>19,663</b>	<b>-</b>	<b>19,663</b>	<b>17,843</b>	<b>1,480</b>	<b>19,324</b>	<b>98</b>
<b>TOTAL FOR FUNDS RELATED TO THE OSCE FIELD OPERATIONS</b>	<b>87,539</b>	<b>(1,449)</b>	<b>86,090</b>	<b>-</b>	<b>86,090</b>	<b>80,930</b>	<b>4,609</b>	<b>85,539</b>	<b>99</b>
<b>TOTAL OSCE UNIFIED BUDGET</b>	<b>142,304</b>	<b>(2,954)</b>	<b>139,350</b>	<b>-</b>	<b>139,350</b>	<b>131,842</b>	<b>6,371</b>	<b>138,213</b>	<b>99</b>



**Staffing Overview - Budget and Actual Staff Positions**  
**Unified Budget**  
as at 31 December 2014

Fund number of positions	International Staff				National Professional		Local Staff General Service		Sub-Total		Grand Total	
	Contracted		Seconded		Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	Budget	Actual	Budget	Actual								
The Secretariat	143	125	50	37	0	0	184	177	184	177	377	339
Office for Democratic Institutions and Human Rights	63	58	16	10	0	0	56	56	56	56	135	124
High Commissioner on National Minorities	16	15	5	4	0	0	9	9	9	9	30	28
Representative on Freedom of the Media	7	7	6	6	0	0	3	3	3	3	16	16
<b>Secretariat and Institutions</b>	<b>229</b>	<b>205</b>	<b>77</b>	<b>57</b>	<b>0</b>	<b>0</b>	<b>252</b>	<b>245</b>	<b>252</b>	<b>245</b>	<b>558</b>	<b>507</b>
Mission in Kosovo	11	9	151	123	83	80	342	335.5	424.5	415.5	586.5	547.5
Tasks in Bosnia and Herzegovina	4	4	47	33	134	123	188	177.5	321.5	300.5	372.5	337.5
Mission to Serbia	1	1	26	22	28	25	80	73.5	107.5	98.5	134.5	121.5
Presence in Albania	1	1	19	18	17	15	47	45	64	60	84	79
Mission to Skopje	3	3	44	35	18	18	89	84	106.5	102.0	153.5	140.0
Mission to Montenegro	1	1	9	9	7	7	24	24	31	31	41	41
<b>South-Eastern Europe</b>	<b>21</b>	<b>19</b>	<b>296</b>	<b>240</b>	<b>287</b>	<b>268</b>	<b>768</b>	<b>739.5</b>	<b>1,055</b>	<b>1,007.5</b>	<b>1,372</b>	<b>1,266.5</b>
Mission to Moldova	1	1	12	12	9	9	30	28	39	37	52	50
Project Co-ordinator in Ukraine	1	1	2	2	22	21	19	19	41	40	44	43
<b>Eastern Europe</b>	<b>2</b>	<b>2</b>	<b>14</b>	<b>14</b>	<b>31</b>	<b>30</b>	<b>49</b>	<b>47</b>	<b>80</b>	<b>77</b>	<b>96</b>	<b>93</b>
Office in Yerevan	1	1	6	6	12	11	28	28	40	39	47	46
Project Co-ordinator in Baku	1	1	4	4	6	5	7.5	7.5	13.5	12.5	18.5	17.5
High-Level Planning Group	0	0	8	5	0	0	1	1	1	1	9	6
Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference	1	1	5	5	0	0	11	11	11	11	17	17
<b>Caucasus</b>	<b>3</b>	<b>3</b>	<b>23</b>	<b>20</b>	<b>18</b>	<b>16</b>	<b>47.5</b>	<b>47.5</b>	<b>65.5</b>	<b>63.5</b>	<b>91.5</b>	<b>86.5</b>
Programme Office in Astana	1	0	5	4	4	4	18	17.5	22	21.5	28	25.5
Centre in Ashgabat	1	1	5	4	2	2	17	17	19	19	25	24
Centre in Bishkek	4	4	22	17	11	10	84	75	95	85	121	106
Project Co-ordinator in Uzbekistan	0	0	3	2	5	5	15	15	20	20	23	22
Office in Tajikistan	4	4	24	20	13	12	119	117	132	129	160	153
<b>Central Asia</b>	<b>10</b>	<b>9</b>	<b>59</b>	<b>47</b>	<b>35</b>	<b>33</b>	<b>253</b>	<b>241.5</b>	<b>288</b>	<b>274.5</b>	<b>357</b>	<b>330.5</b>
<b>Total for Funds Related to OSCE Field Operations</b>	<b>36</b>	<b>33</b>	<b>392</b>	<b>321</b>	<b>371</b>	<b>347</b>	<b>1,117.5</b>	<b>1,075.5</b>	<b>1,488.5</b>	<b>1,422.5</b>	<b>1,916.5</b>	<b>1,776.5</b>
<b>Total OSCE 2014 Unified Budget Post Table</b>	<b>265</b>	<b>238</b>	<b>469</b>	<b>378</b>	<b>371</b>	<b>347</b>	<b>1,369.5</b>	<b>1,320.5</b>	<b>1,740.5</b>	<b>1,667.5</b>	<b>2,474.5</b>	<b>2,283.5</b>

**Staffing Overview - Budget and Actual Staff Positions**  
**Special Purpose Funds**  
as at 31 December 2014

Fund Number of positions as per the PC DECs in 2014	International Staff						Local Staff						Grand Total	
	Contracted		Seconded		Sub-Total		Professional		General Service		Sub-Total		Budget	Actual
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual		
Special Monitoring Mission to Ukraine	9	6	559	398	568	404	18	9	289	132	307	141	875	545
Observer Mission at the two Russian Checkpoints	0	0	22	12	22	12	0	0	3	0	3	0	25	12
<b>Total Special Purpose Funds</b>	<b>9</b>	<b>6</b>	<b>581</b>	<b>410</b>	<b>590</b>	<b>416</b>	<b>18</b>	<b>9</b>	<b>292</b>	<b>132</b>	<b>310</b>	<b>141</b>	<b>900</b>	<b>557</b>



## Chapter III – Financial Statements



## I. Statement of Financial Position

### Total OSCE

As at 31 December 2014

EUR '000	TOTAL OSCE		
	Note	2014	2013 Restated
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	33,659	26,861
Investments	4	52,790	40,553
Assessed Contributions Receivable	5	709	440
Accounts Receivable	6	2,793	2,421
Prepayments	7	4,137	2,428
Inventory	8	110	0
Inter-Fund Balances		0	0
Other Current Assets	9	2	3
		<b>94,200</b>	<b>72,706</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	10	16,575	7,399
Intangible Assets	11	4,282	1,611
Other Non-Current Assets	9	14	10
		<b>20,871</b>	<b>9,019</b>
<b>Total Assets</b>		<b>115,072</b>	<b>81,725</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	12	4,694	2,897
Accruals	13	5,891	3,676
Deferred Revenue	14	44,841	26,976
Funds Held for Third Parties	15	2,370	3,209
Employee Benefits Current	16	5,289	5,084
Cash Surplus Current	18.1	167	(1,904)
Provisions	19	2,679	6,099
Other Current Liabilities	20	564	425
		<b>66,495</b>	<b>46,463</b>
<b>Non-Current Liabilities</b>			
Employee Benefits Non-Current	16	2,898	2,740
Cash Surplus Non-Current	18.2	2,678	6,976
Other Non-Current Liabilities	20	0	0
		<b>5,576</b>	<b>9,716</b>
<b>Total Liabilities</b>		<b>72,071</b>	<b>56,179</b>
<b>NET ASSETS</b>			
Cash Surplus Withheld	18.3	254	269
Revolving Fund	1.3	2,710	2,710
Contingency Fund	1.3	2,180	2,180
Other Reserves	21	(801)	(402)
Accumulated Surplus/(Deficit)	22	38,657	20,789
<b>Total Net Assets</b>		<b>43,000</b>	<b>25,546</b>

## II. Statement of Financial Performance

### Total OSCE

For the Year Ended 31 December 2014

EUR '000	TOTAL OSCE		
	Note	2014	2013 Restated
<b>REVENUE</b>			
Assessed Contributions	23	145,108	141,767
Extra-Budgetary Contributions	24	48,140	27,356
Finance Revenue	25	251	206
Revenue from Exchange Transactions	26	184	(74)
Foreign Exchange Gains/(Losses)	27	548	(388)
Other Revenue	28	10,582	131
<b>Total Revenue</b>		<b>204,813</b>	<b>168,998</b>
<b>EXPENSES</b>			
Staff Costs	29	100,415	91,612
Consultancy and Subcontracting	30	23,469	24,828
Travel Expenses	31	19,607	16,491
Services and Office Costs	32	21,954	21,028
Consumables and Supplies	33	4,860	3,554
Depreciation and Amortisation	34	3,098	2,601
Equipment Purchases	35	4,352	947
Other Operating Expenses	36	6,359	2,221
<b>Total Expenses</b>		<b>184,113</b>	<b>163,281</b>
<b>Surplus/(Deficit) for the Period</b>	22.1	<b>20,701</b>	<b>5,717</b>

### III. Cash Flow Statement

#### Total OSCE

For the Year Ended 31 December 2014

EUR '000	TOTAL OSCE		
	Note	2014	2013 Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus/(Deficit) for the Period	22.1	20,701	5,717
<b>Non-Cash Movements</b>			
Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents	27	36	162
Deduction of Depreciation, Amortisation and Impairments	34	3,426	2,602
Deduction of Loss on Disposal of PP&E	26	92	392
Deduction of Non-Cash Changes in Net Assets	22	(399)	3,180
(Increase) / Decrease in Assessed Contributions Receivable	5	(269)	6,239
(Increase) / Decrease in Accounts Receivable	6	(372)	220
(Increase) / Decrease in Prepayments	7	(1,709)	292
(Increase) / Decrease in Inventory	8	(110)	0
(Increase) / Decrease in Other Current/Non-Current Assets	9	(3)	45
Increase /(Decrease) in Accounts Payable	12	1,797	(1,308)
Increase /(Decrease) in Accruals	13	2,215	(4,326)
Increase /(Decrease) in Deferred Revenue	14	17,865	(439)
Increase /(Decrease) in Funds Held for Third Parties	15	(839)	(1,964)
Increase /(Decrease) in Employee Benefits	16	363	134
Increase /(Decrease) in Cash Surplus Payable	18	(2,227)	5,164
Increase /(Decrease) in Provisions	19	(3,420)	3,413
Increase /(Decrease) in Other Liabilities	20	139	121
Increase /(Decrease) in Inter-Fund Balances		0	0
<b>Net Cash Flows from Operating Activities</b>		<b>37,285</b>	<b>19,645</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Investments	4	(12,237)	(9,344)
(Addition) / Disposal of PP&E and Intangibles	10,11	(15,366)	(6,324)
<b>Net Cash Flows from Investing Activities</b>		<b>(27,603)</b>	<b>(15,668)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Credits for Cash Surplus Withheld	18.3	(15)	(8)
Allocation of Current Year Cash Surplus	18.2	(2,678)	(6,976)
Credit of Network Operating System Fund Remaining Balance	1.3	(22)	0
Refund of Unspent Extra-budgetary Contributions	22	(133)	(131)
<b>Net Cash Flows from Financing Activities</b>		<b>(2,848)</b>	<b>(7,115)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>6,834</b>	<b>(3,138)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>		<b>26,861</b>	<b>30,161</b>
<b>Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents</b>		<b>(36)</b>	<b>(162)</b>
<b>Cash and Cash Equivalents at End of Period</b>	3	<b>33,659</b>	<b>26,861</b>

#### IV. Statement of Changes in Net Assets

##### Total OSCE

For the Year Ended 31 December 2014

EUR '000	Note	Cash Surplus Withheld	Revolving Fund	Contingency Fund	Other Reserves	Accumulated Surplus/(Deficit)	Total Net Assets
<b>Balance as at 31 December 2013</b>		<b>269</b>	<b>2,710</b>	<b>2,180</b>	<b>(35,177)</b>	<b>52,535</b>	<b>22,517</b>
<i>Changes in Accounting Policy</i>	22						
First time recognition of leasehold improvements					3,251	(223)	<b>3,029</b>
Changes in PP&E initially recognized in net assets					(223)	223	<b>0</b>
Reallocation of IPSAS Initial Adoption Reserves to Accumulated Gains/Losses					31,746	(31,746)	<b>0</b>
<b>Restated Balance as at 31 December 2013</b>		<b>269</b>	<b>2,710</b>	<b>2,180</b>	<b>(402)</b>	<b>20,789</b>	<b>25,546</b>
<b>Changes in Net Assets for 2014</b>							
Release of Cash Surplus Withheld	18.3	(15)					<b>(15)</b>
Allocation of Current Year Cash Surplus	18.1					(2,678)	<b>(2,678)</b>
Actuarial Gains/(Losses)	21				(399)		<b>(399)</b>
Refund of Unspent Extrabudgetary Contributions	22					(133)	<b>(133)</b>
Credit of Network Operating System Fund remaining balance	1.3					(22)	<b>(22)</b>
Release of Contingency Fund for Special Monitoring Mission to Ukraine	1.3			(900)			<b>(900)</b>
Billing of Contingency Fund	1.3			900			<b>900</b>
Surplus/(Deficit) for the Period	22.1					20,701	<b>20,701</b>
<b>Total Recognized Revenue and Expense for the Period</b>		<b>254</b>	<b>2,710</b>	<b>2,180</b>	<b>(801)</b>	<b>38,657</b>	<b>43,000</b>

## V. Statement of Comparison of Budget and Actual Amounts

### Total Unified Budget \*

For the Year Ended 31 December 2014

EUR '000	Approved Budget	PC Authorized Transfers	Revised Budget	Actuals	Variance
The Secretariat	34,071	(1,329)	32,743	32,179	564
Office for Democratic Institutions and Human Rights	15,805	0	15,805	15,800	6
High Commissioner on National Minorities	3,408	(145)	3,262	3,246	16
Representative on Freedom of the Media	1,482	(31)	1,451	1,449	1
<b>Total Secretariat and Institutions</b>	<b>54,766</b>	<b>(1,505)</b>	<b>53,261</b>	<b>52,674</b>	<b>587</b>
Augmentations	5,420	(132)	5,288	5,287	1
South-Eastern Europe	50,240	(364)	49,876	49,710	166
Eastern Europe	5,062	(197)	4,866	4,859	6
Caucasus	7,033	(636)	6,397	6,359	38
Central Asia	19,783	(120)	19,663	19,324	340
<b>Total Field Operations</b>	<b>87,539</b>	<b>(1,449)</b>	<b>86,090</b>	<b>85,539</b>	<b>551</b>
<b>Total Unified Budget</b>	<b>142,304</b>	<b>(2,954)</b>	<b>139,350</b>	<b>138,213</b>	<b>1,138</b>

\* The budget basis and the accounting basis differ. Actuals are reported on this statement on a budget basis and include solely Unified Budget funds.

**VI.1 Segment Reporting**  
**Statement of Financial Position**  
**Summary by Source of Funds**

As at 31 December 2014

EUR '000		Total Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		TOTAL OSCE	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>ASSETS</b>													
<b>Current Assets</b>													
Cash and Cash Equivalents	3	18,299	19,574	1,734	2,281	20,033	21,855	626	0	13,000	5,005	33,659	26,861
Investments	4	18,890	6,708	0	0	18,890	6,708	0	0	33,900	33,844	52,790	40,553
Assessed Contributions Receivable	5	65	220	56	220	121	440	589	0	0	0	709	440
Accounts Receivable	6	2,011	1,867	652	554	2,663	2,421	131	0	0	0	2,793	2,421
Prepayments	7	2,398	1,382	1,695	1,046	4,093	2,428	44	0	0	0	4,137	2,428
Inventory	8	0	0	106	0	106	0	0	0	4	0	110	0
Inter-Fund Balances		(21,231)	(9,748)	5,004	6,454	(16,226)	(3,295)	4,351	2,276	11,875	1,019	0	0
Other Current Assets	9	2	3	0	0	2	3	0	0	0	0	2	3
		<b>20,433</b>	<b>20,007</b>	<b>9,248</b>	<b>10,555</b>	<b>29,681</b>	<b>30,561</b>	<b>5,740</b>	<b>2,276</b>	<b>58,779</b>	<b>39,869</b>	<b>94,200</b>	<b>72,706</b>
<b>Non-Current Assets</b>													
Property, Plant and Equipment	10	3,461	3,771	3,417	3,159	6,878	6,931	4,283	20	5,415	448	16,575	7,399
Intangible Assets	11	553	197	75	52	628	250	3,384	1,345	270	15	4,282	1,611
Other Non-Current Assets	9	14	1	0	9	14	10	0	0	0	0	14	10
		<b>4,027</b>	<b>3,970</b>	<b>3,492</b>	<b>3,221</b>	<b>7,519</b>	<b>7,190</b>	<b>7,668</b>	<b>1,365</b>	<b>5,684</b>	<b>463</b>	<b>20,871</b>	<b>9,019</b>
<b>Total Assets</b>		<b>24,461</b>	<b>23,977</b>	<b>12,739</b>	<b>13,775</b>	<b>37,200</b>	<b>37,752</b>	<b>13,408</b>	<b>3,641</b>	<b>64,464</b>	<b>40,332</b>	<b>115,072</b>	<b>81,725</b>
<b>LIABILITIES</b>													
<b>Current Liabilities</b>													
Accounts Payable	12	2,494	1,461	1,999	1,927	4,493	3,388	202	(2)	0	(489)	4,694	2,897
Accruals	13	1,122	639	1,995	1,810	3,117	2,449	152	4	2,621	1,222	5,891	3,676
Deferred Revenue	14	6,437	5,166	0	0	6,437	5,166	1,207	0	37,198	21,810	44,841	26,976
Funds Held for Third Parties	15	2,349	3,188	21	21	2,370	3,209	0	0	0	0	2,370	3,209
Employee Benefits Current	16	1,786	1,843	3,078	3,056	4,864	4,899	165	0	260	185	5,289	5,084
Cash Surplus Current	18.1	65	(539)	103	(1,365)	167	(1,904)	0	0	0	0	167	(1,904)
Provisions	19	0	0	0	275	0	275	0	0	2,679	5,824	2,679	6,099
Other Current Liabilities	20	264	209	68	109	332	317	4	0	228	108	564	425
		<b>14,517</b>	<b>11,968</b>	<b>7,263</b>	<b>5,833</b>	<b>21,780</b>	<b>17,800</b>	<b>1,729</b>	<b>3</b>	<b>42,985</b>	<b>28,659</b>	<b>66,495</b>	<b>46,463</b>
<b>Non-Current Liabilities</b>													
Employee Benefits Non-Current	16	2,461	2,280	328	413	2,789	2,694	50	0	59	47	2,898	2,740
Cash Surplus Non-Current	18.2	1,212	2,697	1,466	4,279	2,678	6,976	0	0	0	0	2,678	6,976
Other Non-Current Liabilities	20	0	0	0	0	0	0	0	0	0	0	0	0
		<b>3,673</b>	<b>4,978</b>	<b>1,794</b>	<b>4,692</b>	<b>5,467</b>	<b>9,670</b>	<b>50</b>	<b>0</b>	<b>59</b>	<b>47</b>	<b>5,576</b>	<b>9,716</b>
<b>Total Liabilities</b>		<b>18,190</b>	<b>16,946</b>	<b>9,057</b>	<b>10,524</b>	<b>27,247</b>	<b>27,470</b>	<b>1,780</b>	<b>3</b>	<b>43,045</b>	<b>28,706</b>	<b>72,071</b>	<b>56,179</b>
<b>NET ASSETS</b>													
Cash Surplus Withheld	18.3	194	203	60	66	254	269	0	0	0	0	254	269
Revolving Fund	1.3	2,710	2,710	0	0	2,710	2,710	0	0	0	0	2,710	2,710
Contingency Fund	1.3	2,180	2,180	0	0	2,180	2,180	0	0	0	0	2,180	2,180
Other Reserves	21	(1,056)	(572)	368	269	(688)	(303)	(13)	0	(100)	(99)	(801)	(402)
Accumulated Surplus/(Deficit)	22	2,243	2,510	3,254	2,916	5,497	5,426	11,641	3,638	21,519	11,725	38,657	20,789
<b>Total Net Assets</b>		<b>6,271</b>	<b>7,031</b>	<b>3,682</b>	<b>3,251</b>	<b>9,953</b>	<b>10,282</b>	<b>11,628</b>	<b>3,638</b>	<b>21,419</b>	<b>11,626</b>	<b>43,000</b>	<b>25,546</b>



**VI.2 Segment Reporting**  
**Statement of Financial Performance**  
**Summary by Source of Funds**

For the Year Ended 31 December 2014

EUR '000		Total Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		Total OSCE	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>REVENUE</b>													
Assessed Contributions	23	53,261	53,387	86,090	88,380	139,350	141,767	5,758	0	0	0	145,108	141,767
Extra-Budgetary Contributions	24	0	0	0	0	0	0	0	0	48,140	27,356	48,140	27,356
Finance Revenue	25	246	197	5	9	251	206	0	0	0	0	251	206
Revenue from Exchange Transactions	26	12	27	210	249	222	277	0	0	(38)	(351)	184	(74)
Foreign Exchange Gains/(Losses)	27	(8)	(21)	(68)	(75)	(76)	(96)	14	0	611	(292)	548	(388)
Other Revenue	28	62	101	24	44	86	145	10,496	(14)	0	0	10,582	131
<b>Total Revenue</b>		<b>53,572</b>	<b>53,691</b>	<b>86,260</b>	<b>88,608</b>	<b>139,832</b>	<b>142,299</b>	<b>16,268</b>	<b>(14)</b>	<b>48,713</b>	<b>26,713</b>	<b>204,813</b>	<b>168,998</b>
<b>EXPENSES</b>													
Staff Costs	29	32,378	33,208	51,362	53,268	83,740	86,476	5,694	8	10,982	5,128	100,415	91,612
Consultancy and Subcontracting	30	5,783	5,248	7,818	7,745	13,601	12,993	133	202	9,735	11,632	23,469	24,828
Travel Expenses	31	4,453	4,462	8,116	7,570	12,569	12,033	397	0	6,640	4,458	19,607	16,491
Services and Office Costs	32	7,259	6,549	11,018	12,289	18,277	18,838	391	4	3,286	2,186	21,954	21,028
Consumables and Supplies	33	834	651	2,683	2,581	3,517	3,233	80	24	1,263	297	4,860	3,554
Depreciation and Amortisation	34	691	627	1,393	1,685	2,084	2,312	613	7	401	282	3,098	2,601
Equipment Purchases	35	441	197	1,394	612	1,834	809	607	0	1,910	137	4,352	947
Other Operating Expenses	36	783	737	674	680	1,457	1,417	333	0	4,569	804	6,359	2,221
<b>Total Expenses</b>		<b>52,622</b>	<b>51,680</b>	<b>84,456</b>	<b>86,430</b>	<b>137,078</b>	<b>138,110</b>	<b>8,248</b>	<b>246</b>	<b>38,787</b>	<b>24,924</b>	<b>184,113</b>	<b>163,281</b>
<b>Surplus/(Deficit) for the Period</b>	22.1	<b>951</b>	<b>2,011</b>	<b>1,804</b>	<b>2,178</b>	<b>2,754</b>	<b>4,189</b>	<b>8,020</b>	<b>(261)</b>	<b>9,926</b>	<b>1,789</b>	<b>20,701</b>	<b>5,717</b>

### VI.3 Segment Reporting

#### Cash Flow Statement

#### Summary by Source of Funds

For the Year Ended 31 December 2014

EUR '000		Total Institutions		Total Field Operations		Total Unified Budget		Total Special Purpose Funds		Total Extra-Budgetary Funds		Total OSCE	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>													
Surplus/(Deficit) for the Period	22.1	951	2,011	1,804	2,178	2,754	4,189	8,020	(261)	9,926	1,789	20,701	5,717
<b>Non-Cash Movements</b>													
Deduction of Unrealized Foreign Exchange Gains/Losses on Cash and Cash Equivalents	27	(29)	19	42	11	13	30	23	0	0	133	36	162
Deduction of Depreciation, Amortisation and Impairments	34	691	627	1,393	1,686	2,084	2,313	941	7	401	282	3,426	2,602
Deduction of Loss on Disposal of PP&E	26	14	(14)	53	40	67	26	(15)	14	40	351	92	392
Deduction of Non-Cash Changes in Net Assets	22	(484)	2,816	99	370	(385)	3,186	(13)	0	(0)	(6)	(399)	3,180
(Increase) / Decrease in Assessed Contributions Receivable	5	156	2,237	164	4,002	319	6,239	(589)	0	0	0	(269)	6,239
(Increase) / Decrease in Accounts Receivable	6	(144)	259	(98)	(39)	(241)	220	(131)	0	0	0	(372)	220
(Increase) / Decrease in Prepayments	7	(1,016)	6	(649)	286	(1,665)	292	(44)	0	0	0	(1,709)	292
(Increase) / Decrease in Inventory	8	0	0	(106)	0	(106)	0	0	0	(4)	0	(110)	0
(Increase) / Decrease in Other Current/Non-Current Assets	9	(12)	19	9	26	(3)	45	0	0	0	0	(3)	45
Increase /(Decrease) in Accounts Payable	12	1,033	(603)	72	(214)	1,104	(817)	203	(2)	489	(489)	1,797	(1,308)
Increase /(Decrease) in Accruals	13	483	(531)	185	(295)	668	(827)	148	(53)	1,399	(3,447)	2,215	(4,326)
Increase /(Decrease) in Deferred Revenue	14	1,271	1,724	0	0	1,271	1,724	1,207	0	15,387	(2,163)	17,865	(439)
Increase /(Decrease) in Funds Held for Third Parties	15	(839)	(1,966)	0	1	(839)	(1,964)	0	0	0	0	(839)	(1,964)
Increase /(Decrease) in Employee Benefits	16	124	138	(63)	(64)	61	74	215	0	87	60	363	134
Increase /(Decrease) in Cash Surplus Payable	18	(882)	1,698	(1,345)	3,467	(2,227)	5,164	0	0	0	0	(2,227)	5,164
Increase /(Decrease) in Provisions	19	0	0	(275)	(325)	(275)	(325)	0	0	(3,145)	3,738	(3,420)	3,413
Increase /(Decrease) in Other Liabilities	20	55	1	(41)	34	14	35	4	0	121	86	139	121
Increase /(Decrease) in Inter-Fund Balances		11,477	4,527	1,450	(5,695)	12,926	(1,168)	(2,070)	1,636	(10,856)	(468)	0	0
<b>Net Cash Flows from Operating Activities</b>		<b>12,848</b>	<b>12,966</b>	<b>2,693</b>	<b>5,470</b>	<b>15,541</b>	<b>18,436</b>	<b>7,899</b>	<b>1,342</b>	<b>13,845</b>	<b>(133)</b>	<b>37,285</b>	<b>19,645</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>													
Purchase of Investments	4	(12,182)	0	0	0	(12,182)	0	0	0	(56)	(9,344)	(12,237)	(9,344)
(Addition) / Disposal of PP&E and Intangibles	10,11	(750)	(3,603)	(1,725)	(1,205)	(2,475)	(4,808)	(7,228)	(1,342)	(5,662)	(173)	(15,366)	(6,324)
<b>Net Cash Flows from Investing Activities</b>		<b>(12,932)</b>	<b>(3,603)</b>	<b>(1,725)</b>	<b>(1,205)</b>	<b>(14,657)</b>	<b>(4,808)</b>	<b>(7,228)</b>	<b>(1,342)</b>	<b>(5,718)</b>	<b>(9,518)</b>	<b>(27,603)</b>	<b>(15,668)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>													
Credits for Cash Surplus Withheld	18.3	(9)	(7)	(6)	(2)	(15)	(8)	0	0	0	0	(15)	(8)
Allocation of Current Year Cash Surplus	18.2	(1,212)	(2,697)	(1,466)	(4,279)	(2,678)	(6,976)	0	0	0	0	(2,678)	(6,976)
Credit of Network Operating System Fund Remaining Balance	1.3	0	0	0	0	0	0	(22)	0	0	0	(22)	0
Refund of Unspent Extra-budgetary Contributions	22	0	0	0	0	0	0	0	0	(133)	(131)	(133)	(131)
<b>Net Cash Flows from Financing Activities</b>		<b>(1,221)</b>	<b>(2,704)</b>	<b>(1,472)</b>	<b>(4,281)</b>	<b>(2,693)</b>	<b>(6,985)</b>	<b>(22)</b>	<b>0</b>	<b>(133)</b>	<b>(131)</b>	<b>(2,848)</b>	<b>(7,115)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(1,305)</b>	<b>6,659</b>	<b>(504)</b>	<b>(15)</b>	<b>(1,809)</b>	<b>6,644</b>	<b>649</b>	<b>0</b>	<b>7,995</b>	<b>(9,782)</b>	<b>6,834</b>	<b>(3,138)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>		<b>19,574</b>	<b>12,935</b>	<b>2,281</b>	<b>2,307</b>	<b>21,855</b>	<b>15,241</b>	<b>0</b>	<b>0</b>	<b>5,005</b>	<b>14,920</b>	<b>26,861</b>	<b>30,161</b>
<b>Foreign Exchange Gains/(Losses) on Cash and Cash Equivalents</b>		<b>29</b>	<b>(19)</b>	<b>(42)</b>	<b>(11)</b>	<b>(13)</b>	<b>(30)</b>	<b>(23)</b>	<b>0</b>	<b>0</b>	<b>(133)</b>	<b>(36)</b>	<b>(162)</b>
<b>Cash and Cash Equivalents at End of Period</b>	3	<b>18,299</b>	<b>19,574</b>	<b>1,734</b>	<b>2,281</b>	<b>20,033</b>	<b>21,855</b>	<b>626</b>	<b>0</b>	<b>13,000</b>	<b>5,005</b>	<b>33,659</b>	<b>26,861</b>

**VI.1.A Segment Reporting**  
**Statement of Financial Position**  
**Institutions**

As at 31 December 2014

EUR '000		The Secretariat		Office for Democratic Institutions and Human Rights		High Commissioner on National Minorities		Representative on Freedom of the Media		Total Institutions	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and Cash Equivalents	3	17,950	19,435	297	120	51	19	0	0	18,299	19,574
Investments	4	18,890	6,708	0	0	0	0	0	0	18,890	6,708
Assessed Contributions Receivable	5	38	137	20	64	4	14	2	6	65	220
Accounts Receivable	6	1,847	1,685	92	157	72	24	0	0	2,011	1,867
Prepayments	7	1,859	1,009	405	279	134	94	0	0	2,398	1,382
Inventory	8	0	0	0	0	0	0	0	0	0	0
Inter-Fund Balances		(21,743)	(10,956)	494	1,055	(22)	66	41	87	(21,231)	(9,748)
Other Current Assets	9	0	0	2	3	0	0	0	0	2	3
		<b>18,841</b>	<b>18,019</b>	<b>1,310</b>	<b>1,679</b>	<b>239</b>	<b>217</b>	<b>43</b>	<b>93</b>	<b>20,433</b>	<b>20,007</b>
<b>Non-Current Assets</b>											
Property, Plant and Equipment	10	3,214	3,484	223	249	21	32	3	6	3,461	3,771
Intangible Assets	11	440	153	109	40	4	4	0	0	553	197
Other Non-Current Assets	9	14	0	0	1	0	0	0	0	14	1
		<b>3,668</b>	<b>3,637</b>	<b>332</b>	<b>290</b>	<b>24</b>	<b>37</b>	<b>3</b>	<b>6</b>	<b>4,027</b>	<b>3,970</b>
<b>Total Assets</b>		<b>22,509</b>	<b>21,656</b>	<b>1,642</b>	<b>1,969</b>	<b>263</b>	<b>253</b>	<b>46</b>	<b>99</b>	<b>24,461</b>	<b>23,977</b>
<b>LIABILITIES</b>											
<b>Current Liabilities</b>											
Accounts Payable	12	2,129	1,041	326	358	39	63	(1)	(1)	2,494	1,461
Accruals	13	678	398	349	199	84	22	12	20	1,122	639
Deferred Revenue	14	6,437	5,166	0	0	0	0	0	0	6,437	5,166
Funds Held for Third Parties	15	1,976	3,011	373	177	0	0	0	0	2,349	3,188
Employee Benefits Current	16	1,217	1,265	406	428	88	93	75	57	1,786	1,843
Cash Surplus Current	18.1	43	(130)	17	(318)	3	(67)	1	(23)	65	(539)
Provisions	19	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	20	205	209	0	(0)	59	(0)	0	0	264	209
		<b>12,685</b>	<b>10,961</b>	<b>1,471</b>	<b>843</b>	<b>274</b>	<b>112</b>	<b>88</b>	<b>52</b>	<b>14,517</b>	<b>11,968</b>
<b>Non-Current Liabilities</b>											
Employee Benefits Non-Current	16	1,555	1,468	668	623	156	134	81	56	2,461	2,280
Cash Surplus Non-Current	18.2	1,100	1,778	85	723	20	138	6	58	1,212	2,697
Other Non-Current Liabilities	20	0	0	0	0	0	0	0	0	0	0
		<b>2,655</b>	<b>3,246</b>	<b>753</b>	<b>1,346</b>	<b>176</b>	<b>272</b>	<b>88</b>	<b>114</b>	<b>3,673</b>	<b>4,978</b>
<b>Total Liabilities</b>		<b>15,340</b>	<b>14,207</b>	<b>2,224</b>	<b>2,189</b>	<b>450</b>	<b>384</b>	<b>176</b>	<b>166</b>	<b>18,190</b>	<b>16,946</b>
<b>NET ASSETS</b>											
Cash Surplus Withheld	18.3	181	190	8	8	4	4	1	1	194	203
Revolving Fund	1.3	2,710	2,710	0	0	0	0	0	0	2,710	2,710
Contingency Fund	1.3	2,180	2,180	0	0	0	0	0	0	2,180	2,180
Other Reserves	21	(523)	(265)	(469)	(263)	(62)	(52)	(3)	8	(1,056)	(572)
Accumulated Surplus/(Deficit)	22	2,621	2,633	(121)	35	(129)	(82)	(128)	(77)	2,243	2,510
<b>Total Net Assets</b>		<b>7,169</b>	<b>7,449</b>	<b>(582)</b>	<b>(220)</b>	<b>(187)</b>	<b>(131)</b>	<b>(129)</b>	<b>(67)</b>	<b>6,271</b>	<b>7,031</b>

**VI.2.A Segment Reporting**  
**Statement of Financial Performance**  
**Institutions**

For the Year Ended 31 December 2014

EUR '000		The Secretariat		Office for Democratic Institutions and Human Rights		High Commissioner on National Minorities		Representative on Freedom of the Media		Total Institutions	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>REVENUE</b>											
Assessed Contributions	23	32,743	33,107	15,805	15,574	3,262	3,283	1,451	1,424	53,261	53,387
Extra-Budgetary Contributions	24	0	0	0	0	0	0	0	0	0	0
Finance Revenue	25	245	194	1	2	0	0	0	0	246	197
Revenue from Exchange Transactions	26	(3)	3	15	24	0	(0)	0	0	12	27
Foreign Exchange Gains/(Losses)	27	0	(2)	(8)	(18)	(0)	(0)	(0)	(1)	(8)	(21)
Other Revenue	28	61	97	1	4	0	0	0	0	62	101
<b>Total Revenue</b>		<b>33,045</b>	<b>33,399</b>	<b>15,815</b>	<b>15,587</b>	<b>3,262</b>	<b>3,282</b>	<b>1,450</b>	<b>1,423</b>	<b>53,572</b>	<b>53,691</b>
<b>EXPENSES</b>											
Staff Costs	29	21,188	22,054	7,668	7,715	2,407	2,395	1,114	1,044	32,378	33,208
Consultancy and Subcontracting	30	1,045	990	4,373	3,884	303	262	63	112	5,783	5,248
Travel Expenses	31	2,355	2,310	1,527	1,693	381	296	190	164	4,453	4,462
Services and Office Costs	32	5,552	4,989	1,493	1,355	121	137	94	69	7,259	6,549
Consumables and Supplies	33	415	330	373	274	36	37	10	10	834	651
Depreciation and Amortisation	34	557	510	118	98	14	15	2	4	691	627
Equipment Purchases	35	230	88	199	90	6	10	6	9	441	197
Other Operating Expenses	36	611	598	136	105	21	22	15	11	783	737
<b>Total Expenses</b>		<b>31,952</b>	<b>31,870</b>	<b>15,886</b>	<b>15,214</b>	<b>3,289</b>	<b>3,174</b>	<b>1,494</b>	<b>1,422</b>	<b>52,622</b>	<b>51,680</b>
<b>Surplus/(Deficit) for the Period</b>	22.1	<b>1,093</b>	<b>1,529</b>	<b>(71)</b>	<b>373</b>	<b>(27)</b>	<b>109</b>	<b>(44)</b>	<b>1</b>	<b>951</b>	<b>2,011</b>

**VI.1.B Segment Reporting**  
**Statement of Financial Position**  
**Field Operations by Region**

As at 31 December 2014

EUR '000		Augmentations		South-Eastern Europe		Eastern Europe		Caucasus		Central Asia		Total Regions		Closed Funds		Total Field Operations	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>ASSETS</b>																	
<b>Current Assets</b>																	
Cash and Cash Equivalents	3	0	0	936	985	192	197	225	335	382	763	1,734	2,281	0	0	1,734	2,281
Investments	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assessed Contributions Receivable	5	3	14	30	126	4	12	4	19	12	47	54	217	2	2	56	220
Accounts Receivable	6	0	0	284	239	282	230	0	0	86	85	652	554	0	0	652	554
Prepayments	7	0	0	857	295	244	17	130	155	465	579	1,695	1,046	0	0	1,695	1,046
Inventory	8	0	0	74	0	18	0	0	0	13	0	106	0	0	0	106	0
Inter-Fund Balances		854	608	1,943	3,260	(355)	(76)	328	303	2,202	2,274	4,972	6,370	32	84	5,004	6,454
Other Current Assets	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>858</b>	<b>622</b>	<b>4,124</b>	<b>4,905</b>	<b>384</b>	<b>381</b>	<b>688</b>	<b>813</b>	<b>3,160</b>	<b>3,747</b>	<b>9,214</b>	<b>10,469</b>	<b>34</b>	<b>86</b>	<b>9,248</b>	<b>10,555</b>
<b>Non-Current Assets</b>																	
Property, Plant and Equipment	10	0	0	1,516	1,572	210	151	338	296	1,353	1,140	3,417	3,159	0	0	3,417	3,159
Intangible Assets	11	0	0	50	30	7	6	3	4	15	13	75	52	0	0	75	52
Other Non-Current Assets	9	0	0	0	0	0	0	0	0	0	9	0	9	0	0	0	9
		<b>0</b>	<b>0</b>	<b>1,566</b>	<b>1,602</b>	<b>217</b>	<b>157</b>	<b>341</b>	<b>300</b>	<b>1,368</b>	<b>1,162</b>	<b>3,492</b>	<b>3,221</b>	<b>0</b>	<b>0</b>	<b>3,492</b>	<b>3,221</b>
<b>Total Assets</b>		<b>858</b>	<b>622</b>	<b>5,690</b>	<b>6,507</b>	<b>601</b>	<b>538</b>	<b>1,029</b>	<b>1,112</b>	<b>4,528</b>	<b>4,910</b>	<b>12,706</b>	<b>13,689</b>	<b>34</b>	<b>86</b>	<b>12,739</b>	<b>13,775</b>
<b>LIABILITIES</b>																	
<b>Current Liabilities</b>																	
Accounts Payable	12	0	(0)	757	709	113	55	19	109	1,110	1,053	1,999	1,927	0	0	1,999	1,927
Accruals	13	17	1	765	733	165	98	324	272	724	706	1,995	1,810	0	0	1,995	1,810
Deferred Revenue	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	15	0	0	20	20	0	0	0	0	0	0	21	21	0	0	21	21
Employee Benefits Current	16	272	303	2,068	2,121	119	115	121	155	498	363	3,079	3,056	(1)	(1)	3,078	3,056
Cash Surplus Current	18.1	6	(93)	62	(841)	5	(73)	8	(88)	22	(297)	102	(1,393)	1	28	103	(1,365)
Provisions	19	0	0	0	275	0	0	0	0	0	0	0	275	0	0	0	275
Other Current Liabilities	20	0	0	58	92	0	0	1	2	8	15	68	109	0	0	68	109
		<b>294</b>	<b>211</b>	<b>3,730</b>	<b>3,110</b>	<b>404</b>	<b>195</b>	<b>473</b>	<b>449</b>	<b>2,362</b>	<b>1,840</b>	<b>7,263</b>	<b>5,805</b>	<b>0</b>	<b>27</b>	<b>7,263</b>	<b>5,833</b>
<b>Non-Current Liabilities</b>																	
Employee Benefits Non-Current	16	213	247	76	115	6	9	8	11	26	30	328	413	0	0	328	413
Cash Surplus Non-Current	18.2	15	237	692	2,568	26	210	221	330	498	898	1,452	4,242	14	37	1,466	4,279
Other Non-Current Liabilities	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>228</b>	<b>484</b>	<b>767</b>	<b>2,683</b>	<b>32</b>	<b>219</b>	<b>228</b>	<b>341</b>	<b>524</b>	<b>928</b>	<b>1,780</b>	<b>4,655</b>	<b>14</b>	<b>37</b>	<b>1,794</b>	<b>4,692</b>
<b>Total Liabilities</b>		<b>522</b>	<b>696</b>	<b>4,498</b>	<b>5,793</b>	<b>435</b>	<b>413</b>	<b>701</b>	<b>790</b>	<b>2,886</b>	<b>2,768</b>	<b>9,043</b>	<b>10,460</b>	<b>14</b>	<b>64</b>	<b>9,057</b>	<b>10,524</b>
<b>NET ASSETS</b>																	
Cash Surplus Withheld	18.3	0	0	27	30	2	2	10	10	5	5	43	47	17	19	60	66
Revolving Fund	1.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	1.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	21	147	88	316	275	(4)	(9)	(12)	(14)	(78)	(71)	369	269	(1)	(1)	368	269
Accumulated Surplus/(Deficit)	22	188	(162)	849	409	169	132	330	326	1,715	2,207	3,251	2,913	3	3	3,254	2,916
<b>Total Net Assets</b>		<b>335</b>	<b>(74)</b>	<b>1,192</b>	<b>714</b>	<b>166</b>	<b>125</b>	<b>328</b>	<b>322</b>	<b>1,642</b>	<b>2,141</b>	<b>3,663</b>	<b>3,229</b>	<b>19</b>	<b>22</b>	<b>3,682</b>	<b>3,251</b>

**VI.2.B Segment Reporting**  
**Statement of Financial Performance**  
**Field Operations by Region**

For the Year Ended 31 December 2014

EUR '000		Augmentations		South-Eastern Europe		Eastern Europe		Caucasus		Central Asia		Total Regions		Closed Funds		Total Field Operations	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>REVENUE</b>																	
Assessed Contributions	23	5,288	5,518	49,876	51,990	4,866	4,810	6,397	7,138	19,663	18,924	86,090	88,380	0	0	86,090	88,380
Extra-Budgetary Contributions	24	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance Revenue	25	0	0	3	7	2	1	0	1	0	0	5	9	0	0	5	9
Revenue from Exchange Transactions	26	0	0	185	257	5	13	11	12	8	(32)	210	249	0	0	210	249
Foreign Exchange Gains/(Losses)	27	0	0	(6)	(1)	(14)	(8)	27	(33)	(74)	(33)	(68)	(75)	0	0	(68)	(75)
Other Revenue	28	0	0	34	12	(34)	5	1	1	22	26	24	44	0	0	24	44
<b>Total Revenue</b>		<b>5,288</b>	<b>5,518</b>	<b>50,091</b>	<b>52,265</b>	<b>4,826</b>	<b>4,821</b>	<b>6,436</b>	<b>7,119</b>	<b>19,619</b>	<b>18,885</b>	<b>86,260</b>	<b>88,608</b>	<b>0</b>	<b>0</b>	<b>86,260</b>	<b>88,608</b>
<b>EXPENSES</b>																	
Staff Costs	29	4,732	4,850	34,981	36,473	2,237	2,254	2,542	3,002	6,870	6,688	51,362	53,268	0	(1)	51,362	53,268
Consultancy and Subcontracting	30	31	89	2,384	2,210	689	711	909	1,273	3,804	3,462	7,818	7,745	0	0	7,818	7,745
Travel Expenses	31	138	181	2,672	2,902	605	654	1,179	992	3,523	2,841	8,116	7,570	0	0	8,116	7,570
Services and Office Costs	32	7	13	6,227	6,965	850	839	1,126	1,319	2,808	3,153	11,018	12,289	0	0	11,018	12,289
Consumables and Supplies	33	2	6	1,154	1,396	134	172	182	186	1,211	820	2,683	2,581	0	0	2,683	2,581
Depreciation and Amortisation	34	0	0	720	883	69	74	111	113	494	615	1,393	1,685	0	0	1,393	1,685
Equipment Purchases	35	0	0	566	199	97	(3)	81	53	650	363	1,394	612	0	0	1,394	612
Other Operating Expenses	36	11	8	251	290	88	53	83	107	255	233	688	692	(14)	(11)	674	680
<b>Total Expenses</b>		<b>4,922</b>	<b>5,148</b>	<b>48,956</b>	<b>51,319</b>	<b>4,767</b>	<b>4,754</b>	<b>6,212</b>	<b>7,046</b>	<b>19,614</b>	<b>18,174</b>	<b>84,470</b>	<b>86,442</b>	<b>(14)</b>	<b>(12)</b>	<b>84,456</b>	<b>86,430</b>
<b>Surplus/(Deficit) for the Period</b>	22.1	<b>366</b>	<b>370</b>	<b>1,135</b>	<b>945</b>	<b>59</b>	<b>67</b>	<b>225</b>	<b>73</b>	<b>6</b>	<b>710</b>	<b>1,790</b>	<b>2,166</b>	<b>14</b>	<b>12</b>	<b>1,804</b>	<b>2,178</b>

**VI.1.C Segment Reporting**  
**Statement of Financial Position**  
**South-Eastern Europe**

As at 31 December 2014

EUR '000	Note	Mission in Kosovo		Tasks in Bosnia and Herzegovina		Mission to Serbia		Presence in Albania		Mission to Skopje		Mission to Montenegro		Total South-Eastern Europe	
		2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>ASSETS</b>															
<b>Current Assets</b>															
	3	68	44	121	191	313	433	128	133	199	169	107	15	936	985
	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	5	12	49	7	31	4	17	2	7	4	16	1	5	30	126
	6	(0)	0	162	106	0	0	20	51	102	83	0	0	284	239
	7	12	32	6	8	666	131	23	38	52	25	97	62	857	295
	8	62	0	0	0	12	0	0	0	0	0	0	0	74	0
		2,043	2,216	267	592	(448)	(48)	132	315	39	144	(89)	42	1,943	3,260
	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>2,196</b>	<b>2,341</b>	<b>564</b>	<b>928</b>	<b>547</b>	<b>533</b>	<b>305</b>	<b>543</b>	<b>396</b>	<b>436</b>	<b>116</b>	<b>124</b>	<b>4,124</b>	<b>4,905</b>
<b>Non-Current Assets</b>															
	10	528	714	431	278	312	279	62	41	143	207	41	53	1,516	1,572
	11	15	18	6	4	6	5	1	1	22	2	0	0	50	30
	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>543</b>	<b>732</b>	<b>436</b>	<b>282</b>	<b>319</b>	<b>284</b>	<b>63</b>	<b>42</b>	<b>164</b>	<b>209</b>	<b>41</b>	<b>53</b>	<b>1,566</b>	<b>1,602</b>
<b>Total Assets</b>		<b>2,739</b>	<b>3,073</b>	<b>1,000</b>	<b>1,210</b>	<b>866</b>	<b>817</b>	<b>368</b>	<b>585</b>	<b>561</b>	<b>645</b>	<b>157</b>	<b>178</b>	<b>5,690</b>	<b>6,507</b>
<b>LIABILITIES</b>															
<b>Current Liabilities</b>															
	12	275	331	85	31	257	103	49	176	47	53	45	16	757	709
	13	209	269	95	81	174	113	73	153	205	109	9	8	765	733
	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	15	0	0	6	5	0	0	0	0	14	15	0	0	20	20
	16	955	948	579	597	208	220	65	72	202	229	59	55	2,068	2,121
	18.1	25	(305)	16	(239)	8	(117)	4	(45)	7	(105)	2	(29)	62	(841)
	19	0	275	0	0	0	0	0	0	0	0	0	0	0	275
	20	56	90	1	0	0	0	0	0	1	(1)	0	3	58	92
		<b>1,520</b>	<b>1,607</b>	<b>783</b>	<b>475</b>	<b>646</b>	<b>318</b>	<b>190</b>	<b>355</b>	<b>476</b>	<b>299</b>	<b>115</b>	<b>54</b>	<b>3,730</b>	<b>3,110</b>
<b>Non-Current Liabilities</b>															
	16	39	55	10	22	5	8	7	8	11	19	3	4	76	115
	18.2	436	1,022	64	651	35	327	89	156	38	309	30	104	692	2,568
	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		<b>475</b>	<b>1,077</b>	<b>74</b>	<b>673</b>	<b>40</b>	<b>335</b>	<b>96</b>	<b>163</b>	<b>50</b>	<b>327</b>	<b>33</b>	<b>108</b>	<b>767</b>	<b>2,683</b>
<b>Total Liabilities</b>		<b>1,995</b>	<b>2,684</b>	<b>856</b>	<b>1,148</b>	<b>687</b>	<b>654</b>	<b>287</b>	<b>519</b>	<b>526</b>	<b>627</b>	<b>148</b>	<b>162</b>	<b>4,498</b>	<b>5,793</b>
<b>NET ASSETS</b>															
	18.3	21	19	7	9	2	2	4	6	(6)	(6)	0	0	27	30
	1.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	1.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	21	222	199	37	28	30	27	10	7	16	15	1	(0)	316	275
	22	501	172	100	24	148	134	67	53	25	9	7	16	849	409
<b>Total Net Assets</b>		<b>744</b>	<b>389</b>	<b>144</b>	<b>61</b>	<b>179</b>	<b>163</b>	<b>81</b>	<b>67</b>	<b>35</b>	<b>18</b>	<b>9</b>	<b>16</b>	<b>1,192</b>	<b>714</b>

**VI.2.C Segment Reporting**  
**Statement of Financial Performance**  
**South-Eastern Europe**

For the Year Ended 31 December 2014

EUR '000	Note	Mission in Kosovo		Tasks in Bosnia and Herzegovina		Mission to Serbia		Presence in Albania		Mission to Skopje		Mission to Montenegro		Total South-Eastern Europe	
		2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>REVENUE</b>															
Assessed Contributions	23	19,598	20,511	12,278	13,052	6,497	6,784	2,967	2,990	6,394	6,519	2,142	2,134	49,876	51,990
Extra-Budgetary Contributions	24	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance Revenue	25	0	3	0	0	0	1	0	(0)	2	2	0	0	3	7
Revenue from Exchange Transactions	26	56	65	101	64	28	76	0	1	0	47	0	3	185	257
Foreign Exchange Gains/(Losses)	27	(0)	(0)	0	(0)	(1)	2	4	0	(10)	(2)	0	0	(6)	(1)
Other Revenue	28	(4)	0	36	9	1	0	1	0	(0)	2	0	0	34	12
<b>Total Revenue</b>		<b>19,650</b>	<b>20,580</b>	<b>12,415</b>	<b>13,126</b>	<b>6,525</b>	<b>6,863</b>	<b>2,972</b>	<b>2,992</b>	<b>6,387</b>	<b>6,568</b>	<b>2,142</b>	<b>2,137</b>	<b>50,091</b>	<b>52,265</b>
<b>EXPENSES</b>															
Staff Costs	29	14,610	15,226	9,115	9,736	4,051	4,248	1,736	1,639	4,279	4,445	1,192	1,179	34,981	36,473
Consultancy and Subcontracting	30	702	718	349	313	500	336	296	329	364	357	173	157	2,384	2,210
Travel Expenses	31	442	622	768	699	628	643	206	223	368	421	259	294	2,672	2,902
Services and Office Costs	32	2,243	2,487	1,351	1,485	954	1,166	433	524	852	926	394	377	6,227	6,965
Consumables and Supplies	33	398	620	273	269	101	119	108	114	235	219	39	56	1,154	1,396
Depreciation and Amortisation	34	314	446	179	161	103	91	27	39	83	132	15	14	720	883
Equipment Purchases	35	148	49	205	(68)	79	120	42	43	81	54	11	2	566	199
Other Operating Expenses	36	23	12	35	40	62	65	23	45	70	91	38	37	251	290
<b>Total Expenses</b>		<b>18,881</b>	<b>20,180</b>	<b>12,276</b>	<b>12,634</b>	<b>6,477</b>	<b>6,788</b>	<b>2,870</b>	<b>2,957</b>	<b>6,332</b>	<b>6,645</b>	<b>2,120</b>	<b>2,116</b>	<b>48,956</b>	<b>51,319</b>
<b>Surplus/(Deficit) for the Period</b>	22.1	<b>770</b>	<b>400</b>	<b>139</b>	<b>492</b>	<b>49</b>	<b>75</b>	<b>102</b>	<b>35</b>	<b>55</b>	<b>(77)</b>	<b>21</b>	<b>21</b>	<b>1,135</b>	<b>945</b>



**VI.1.D Segment Reporting**  
**Statement of Financial Position**  
**Eastern Europe**

As at 31 December 2014

EUR '000		Mission to Moldova		Project Co-ordinator in Ukraine		Representative on the Latvian-Russian Joint Commission on Military Pensioners		Total Eastern Europe	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash and Cash Equivalents	3	8	18	184	180	0	0	192	197
Investments	4	0	0	0	0	0	0	0	0
Assessed Contributions Receivable	5	1	5	3	7	0	0	4	12
Accounts Receivable	6	33	43	248	187	0	0	282	230
Prepayments	7	40	15	204	2	0	0	244	17
Inventory	8	0	0	18	0	0	0	18	0
Inter-Fund Balances		160	157	(515)	(233)	0	0	(355)	(76)
Other Current Assets	9	0	0	0	0	0	0	0	0
		<b>242</b>	<b>238</b>	<b>142</b>	<b>143</b>	<b>0</b>	<b>0</b>	<b>384</b>	<b>381</b>
<b>Non-Current Assets</b>									
Property, Plant and Equipment	10	170	113	40	38	0	0	210	151
Intangible Assets	11	2	1	5	5	0	0	7	6
Other Non-Current Assets	9	0	0	0	0	0	0	0	0
		<b>171</b>	<b>114</b>	<b>45</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>217</b>	<b>157</b>
<b>Total Assets</b>		<b>414</b>	<b>352</b>	<b>187</b>	<b>185</b>	<b>0</b>	<b>0</b>	<b>601</b>	<b>538</b>
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Accounts Payable	12	40	18	73	38	0	0	113	55
Accruals	13	104	79	61	19	0	0	165	98
Deferred Revenue	14	0	0	0	0	0	0	0	0
Funds Held for Third Parties	15	0	0	0	0	0	0	0	0
Employee Benefits Current	16	41	38	78	77	0	0	119	115
Cash Surplus Current	18.1	2	(25)	3	(48)	0	(0)	5	(73)
Provisions	19	0	0	0	0	0	0	0	0
Other Current Liabilities	20	0	0	0	0	0	0	0	0
		<b>188</b>	<b>110</b>	<b>215</b>	<b>85</b>	<b>0</b>	<b>(0)</b>	<b>404</b>	<b>195</b>
<b>Non-Current Liabilities</b>									
Employee Benefits Non-Current	16	5	7	1	2	0	0	6	9
Cash Surplus Non-Current	18.2	34	101	(8)	108	0	0	26	210
Other Non-Current Liabilities	20	0	0	0	0	0	0	0	0
		<b>39</b>	<b>109</b>	<b>(7)</b>	<b>109</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>219</b>
<b>Total Liabilities</b>		<b>227</b>	<b>219</b>	<b>209</b>	<b>194</b>	<b>0</b>	<b>0</b>	<b>435</b>	<b>413</b>
<b>NET ASSETS</b>									
Cash Surplus Withheld	18.3	1	1	1	1	0	0	2	2
Revolving Fund	1.3	0	0	0	0	0	0	0	0
Contingency Fund	1.3	0	0	0	0	0	0	0	0
Other Reserves	21	(7)	(10)	2	1	0	0	(4)	(9)
Accumulated Surplus/(Deficit)	22	193	143	(25)	(11)	0	0	169	132
<b>Total Net Assets</b>		<b>187</b>	<b>134</b>	<b>(21)</b>	<b>(9)</b>	<b>0</b>	<b>0</b>	<b>166</b>	<b>125</b>

**VI.2.D Segment Reporting**  
**Statement of Financial Performance**  
**Eastern Europe**

For the Year Ended 31 December 2014

EUR '000		Mission to Moldova		Project Co-ordinator in Ukraine		Representative on the Latvian-Russian Joint Commission on Military Pensioners		Total Eastern Europe	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>REVENUE</b>									
Assessed Contributions	23	2,128	2,057	2,729	2,746	8	7	4,866	4,810
Extra-Budgetary Contributions	24	0	0	0	0	0	0	0	0
Finance Revenue	25	0	0	2	1	0	0	2	1
Revenue from Exchange Transactions	26	5	13	0	1	0	0	5	13
Foreign Exchange Gains/(Losses)	27	6	(2)	(20)	(6)	0	0	(14)	(8)
Other Revenue	28	2	4	(36)	1	0	0	(34)	5
<b>Total Revenue</b>		<b>2,142</b>	<b>2,071</b>	<b>2,676</b>	<b>2,743</b>	<b>8</b>	<b>7</b>	<b>4,826</b>	<b>4,821</b>
<b>EXPENSES</b>									
Staff Costs	29	1,043	1,073	1,193	1,181	0	0	2,237	2,254
Consultancy and Subcontracting	30	175	151	514	559	0	0	689	711
Travel Expenses	31	209	203	388	444	8	7	605	654
Services and Office Costs	32	452	414	398	425	(0)	0	850	839
Consumables and Supplies	33	56	89	78	84	0	0	134	172
Depreciation and Amortisation	34	47	60	22	14	0	0	69	74
Equipment Purchases	35	41	(16)	56	13	0	0	97	(3)
Other Operating Expenses	36	35	36	53	17	0	0	88	53
<b>Total Expenses</b>		<b>2,058</b>	<b>2,010</b>	<b>2,701</b>	<b>2,737</b>	<b>8</b>	<b>7</b>	<b>4,767</b>	<b>4,754</b>
<b>Surplus/(Deficit) for the Period</b>	22.1	<b>84</b>	<b>61</b>	<b>(25)</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>59</b>	<b>67</b>

**VI.1.E Segment Reporting**  
**Statement of Financial Position**  
**Caucasus**

As at 31 December 2014

EUR '000		Office in Yerevan		Project Co-ordinator in Baku		High-Level Planning Group		The Minsk Process		Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference		Total Caucasus	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>ASSETS</b>													
<b>Current Assets</b>													
Cash and Cash Equivalents	3	13	29	132	194	0	0	0	0	79	112	225	335
Investments	4	0	0	0	0	0	0	0	0	0	0	0	0
Assessed Contributions Receivable	5	2	7	1	7	0	1	0	2	1	3	4	19
Accounts Receivable	6	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	7	49	48	80	104	0	0	0	0	2	3	130	155
Inventory	8	0	0	0	0	0	0	0	0	0	0	0	0
Inter-Fund Balances		38	25	240	217	40	41	(150)	(123)	160	143	328	303
Other Current Assets	9	0	0	0	0	0	0	0	0	0	0	0	0
		<b>102</b>	<b>110</b>	<b>453</b>	<b>521</b>	<b>40</b>	<b>41</b>	<b>(149)</b>	<b>(120)</b>	<b>242</b>	<b>261</b>	<b>688</b>	<b>813</b>
<b>Non-Current Assets</b>													
Property, Plant and Equipment	10	119	83	82	106	0	0	0	0	137	107	338	296
Intangible Assets	11	3	4	0	0	0	0	0	0	0	0	3	4
Other Non-Current Assets	9	0	0	0	0	0	0	0	0	0	0	0	0
		<b>122</b>	<b>86</b>	<b>82</b>	<b>106</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>137</b>	<b>107</b>	<b>341</b>	<b>300</b>
<b>Total Assets</b>		<b>223</b>	<b>196</b>	<b>535</b>	<b>627</b>	<b>40</b>	<b>41</b>	<b>(149)</b>	<b>(120)</b>	<b>380</b>	<b>368</b>	<b>1,029</b>	<b>1,112</b>
<b>LIABILITIES</b>													
<b>Current Liabilities</b>													
Accounts Payable	12	(9)	6	25	101	0	0	0	0	3	1	19	109
Accruals	13	19	8	293	251	0	2	1	2	11	9	324	272
Deferred Revenue	14	0	0	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	15	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	16	59	57	35	79	7	7	0	0	20	12	121	155
Cash Surplus Current	18.1	3	(54)	3	(34)	0	(4)	0	12	1	(8)	8	(88)
Provisions	19	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	20	0	0	1	2	0	0	0	0	0	0	1	2
		<b>71</b>	<b>18</b>	<b>357</b>	<b>400</b>	<b>8</b>	<b>4</b>	<b>1</b>	<b>14</b>	<b>36</b>	<b>14</b>	<b>473</b>	<b>449</b>
<b>Non-Current Liabilities</b>													
Employee Benefits Non-Current	16	3	3	2	4	0	0	0	0	2	4	8	11
Cash Surplus Non-Current	18.2	47	106	102	138	2	7	11	16	59	62	221	330
Other Non-Current Liabilities	20	0	0	0	0	0	0	0	0	0	0	0	0
		<b>50</b>	<b>110</b>	<b>105</b>	<b>142</b>	<b>2</b>	<b>7</b>	<b>11</b>	<b>16</b>	<b>61</b>	<b>66</b>	<b>228</b>	<b>341</b>
<b>Total Liabilities</b>		<b>121</b>	<b>127</b>	<b>461</b>	<b>542</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>29</b>	<b>97</b>	<b>80</b>	<b>701</b>	<b>790</b>
<b>NET ASSETS</b>													
Cash Surplus Withheld	18.3	1	1	1	1	1	1	5	5	2	2	10	10
Revolving Fund	1.3	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	1.3	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	21	(2)	(3)	(6)	(6)	0	0	0	0	(4)	(5)	(12)	(14)
Accumulated Surplus/(Deficit)	22	103	70	80	91	29	29	(166)	(155)	285	291	330	326
<b>Total Net Assets</b>		<b>102</b>	<b>69</b>	<b>74</b>	<b>85</b>	<b>30</b>	<b>30</b>	<b>(161)</b>	<b>(150)</b>	<b>283</b>	<b>289</b>	<b>328</b>	<b>322</b>

**VI.2.E Segment Reporting**  
**Statement of Financial Performance**  
**Caucasus**

For the Year Ended 31 December 2014

EUR '000		Office in Yerevan		Project Co-ordinator in Baku		High-Level Planning Group		The Minsk Process		Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference		Total Caucasus	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>REVENUE</b>													
Assessed Contributions	23	2,855	2,764	1,800	2,755	195	183	454	359	1,094	1,078	6,397	7,138
Extra-Budgetary Contributions	24	0	0	0	0	0	0	0	0	0	0	0	0
Finance Revenue	25	0	0	0	0	0	0	0	0	0	1	0	1
Revenue from Exchange Transactions	26	9	8	10	2	0	0	0	0	(8)	2	11	12
Foreign Exchange Gains/(Losses)	27	31	(13)	(4)	(20)	0	0	0	0	0	0	27	(33)
Other Revenue	28	0	0	0	1	0	0	0	0	0	0	1	1
<b>Total Revenue</b>		<b>2,895</b>	<b>2,759</b>	<b>1,806</b>	<b>2,737</b>	<b>195</b>	<b>183</b>	<b>454</b>	<b>359</b>	<b>1,087</b>	<b>1,081</b>	<b>6,436</b>	<b>7,119</b>
<b>EXPENSES</b>													
Staff Costs	29	1,061	1,009	770	1,270	76	74	3	3	631	647	2,542	3,002
Consultancy and Subcontracting	30	732	790	176	480	0	0	0	0	2	2	909	1,273
Travel Expenses	31	416	300	225	254	29	23	425	314	84	101	1,179	992
Services and Office Costs	32	398	452	454	579	85	85	12	15	178	187	1,126	1,319
Consumables and Supplies	33	69	77	41	50	2	2	0	1	70	56	182	186
Depreciation and Amortisation	34	33	37	31	30	0	0	0	0	47	46	111	113
Equipment Purchases	35	67	57	2	(7)	1	0	1	0	10	4	81	53
Other Operating Expenses	36	40	40	17	39	0	0	13	15	13	13	83	107
<b>Total Expenses</b>		<b>2,816</b>	<b>2,762</b>	<b>1,715</b>	<b>2,695</b>	<b>193</b>	<b>184</b>	<b>454</b>	<b>348</b>	<b>1,034</b>	<b>1,056</b>	<b>6,212</b>	<b>7,046</b>
<b>Surplus/(Deficit) for the Period</b>	22.1	<b>79</b>	<b>(2)</b>	<b>91</b>	<b>42</b>	<b>2</b>	<b>(1)</b>	<b>(0)</b>	<b>10</b>	<b>53</b>	<b>25</b>	<b>225</b>	<b>73</b>

**VI.1.F Segment Reporting**  
**Statement of Financial Position**  
**Central Asia**

As at 31 December 2014

EUR '000		Programme Office in Astana		Centre in Ashgabat		Centre in Bishkek		Project Co-ordinator in Uzbekistan		Office in Tajikistan		Total Central Asia	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>ASSETS</b>													
<b>Current Assets</b>													
Cash and Cash Equivalents	3	88	37	40	97	66	267	88	117	101	245	382	763
Investments	4	0	0	0	0	0	0	0	0	0	0	0	0
Assessed Contributions Receivable	5	1	5	1	4	4	17	1	5	5	16	12	47
Accounts Receivable	6	(0)	0	0	0	53	50	0	0	33	34	86	85
Prepayments	7	118	115	6	(0)	152	287	62	81	127	97	465	579
Inventory	8	0	0	0	0	0	0	13	0	0	0	13	0
Inter-Fund Balances		98	191	145	91	472	670	109	242	1,378	1,081	2,202	2,274
Other Current Assets	9	0	0	0	0	0	0	0	0	0	0	0	0
		<b>305</b>	<b>347</b>	<b>191</b>	<b>192</b>	<b>747</b>	<b>1,291</b>	<b>273</b>	<b>444</b>	<b>1,644</b>	<b>1,474</b>	<b>3,160</b>	<b>3,747</b>
<b>Non-Current Assets</b>													
Property, Plant and Equipment	10	22	34	102	96	583	558	170	152	476	299	1,353	1,140
Intangible Assets	11	2	0	2	8	12	5	0	0	0	0	15	13
Other Non-Current Assets	9	0	9	0	0	0	0	0	0	0	0	0	9
		<b>23</b>	<b>44</b>	<b>104</b>	<b>104</b>	<b>595</b>	<b>563</b>	<b>170</b>	<b>152</b>	<b>476</b>	<b>299</b>	<b>1,368</b>	<b>1,162</b>
<b>Total Assets</b>		<b>328</b>	<b>391</b>	<b>295</b>	<b>296</b>	<b>1,342</b>	<b>1,854</b>	<b>443</b>	<b>597</b>	<b>2,120</b>	<b>1,773</b>	<b>4,528</b>	<b>4,910</b>
<b>LIABILITIES</b>													
<b>Current Liabilities</b>													
Accounts Payable	12	19	63	22	7	145	115	43	44	881	824	1,110	1,053
Accruals	13	113	125	30	25	225	288	115	172	240	96	724	706
Deferred Revenue	14	0	0	0	0	0	0	0	0	0	0	0	0
Funds Held for Third Parties	15	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	16	84	76	30	63	79	72	19	20	286	132	498	363
Cash Surplus Current	18.1	3	(12)	2	(22)	8	(100)	2	(29)	6	(134)	22	(297)
Provisions	19	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	20	0	0	(0)	0	0	7	(0)	0	8	7	8	15
		<b>219</b>	<b>252</b>	<b>84</b>	<b>74</b>	<b>457</b>	<b>382</b>	<b>179</b>	<b>206</b>	<b>1,422</b>	<b>925</b>	<b>2,362</b>	<b>1,840</b>
<b>Non-Current Liabilities</b>													
Employee Benefits Non-Current	16	3	4	3	4	7	7	1	2	13	14	26	30
Cash Surplus Non-Current	18.2	66	117	107	87	161	337	23	90	141	266	498	898
Other Non-Current Liabilities	20	0	0	0	0	0	0	0	0	0	0	0	0
		<b>68</b>	<b>120</b>	<b>111</b>	<b>91</b>	<b>167</b>	<b>344</b>	<b>24</b>	<b>92</b>	<b>154</b>	<b>280</b>	<b>524</b>	<b>928</b>
<b>Total Liabilities</b>		<b>287</b>	<b>373</b>	<b>195</b>	<b>165</b>	<b>625</b>	<b>726</b>	<b>203</b>	<b>299</b>	<b>1,576</b>	<b>1,206</b>	<b>2,886</b>	<b>2,768</b>
<b>NET ASSETS</b>													
Cash Surplus Withheld	18.3	1	1	1	1	0	0	1	1	2	2	5	5
Revolving Fund	1.3	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	1.3	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	21	(13)	(11)	5	5	(26)	(23)	(5)	(4)	(39)	(38)	(78)	(71)
Accumulated Surplus/(Deficit)	22	54	29	94	125	743	1,150	244	301	580	603	1,715	2,207
<b>Total Net Assets</b>		<b>41</b>	<b>18</b>	<b>100</b>	<b>131</b>	<b>717</b>	<b>1,128</b>	<b>240</b>	<b>298</b>	<b>543</b>	<b>567</b>	<b>1,642</b>	<b>2,141</b>

**VI.2.F Segment Reporting**  
**Statement of Financial Performance**  
**Central Asia**

For the Year Ended 31 December 2014

EUR '000		Programme Office in Astana		Centre in Ashgabat		Centre in Bishkek		Project Co-ordinator in Uzbekistan		Office in Tajikistan		Total Central Asia	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>REVENUE</b>													
Assessed Contributions	23	2,130	2,132	1,527	1,488	6,882	6,761	1,975	1,966	7,150	6,576	19,663	18,924
Extra-Budgetary Contributions	24	0	0	0	0	0	0	0	0	0	0	0	0
Finance Revenue	25	0	0	0	0	0	0	0	0	0	0	0	0
Revenue from Exchange Transactions	26	6	0	(6)	17	(20)	(50)	(2)	0	29	1	8	(32)
Foreign Exchange Gains/(Losses)	27	(6)	(6)	3	(2)	13	(1)	6	(1)	(89)	(24)	(74)	(33)
Other Revenue	28	2	16	3	1	5	2	3	0	10	8	22	26
<b>Total Revenue</b>		<b>2,132</b>	<b>2,142</b>	<b>1,526</b>	<b>1,504</b>	<b>6,880</b>	<b>6,712</b>	<b>1,981</b>	<b>1,966</b>	<b>7,100</b>	<b>6,561</b>	<b>19,619</b>	<b>18,885</b>
<b>EXPENSES</b>													
Staff Costs	29	813	825	567	621	2,126	2,095	429	395	2,936	2,752	6,870	6,688
Consultancy and Subcontracting	30	425	356	261	228	1,872	1,658	339	271	907	948	3,804	3,462
Travel Expenses	31	396	447	268	261	1,008	691	609	530	1,242	911	3,523	2,841
Services and Office Costs	32	300	365	250	236	1,041	1,170	358	398	859	984	2,808	3,153
Consumables and Supplies	33	43	50	21	16	486	248	76	83	585	423	1,211	820
Depreciation and Amortisation	34	17	22	29	25	227	351	77	55	143	163	494	615
Equipment Purchases	35	20	14	15	(10)	301	257	82	43	232	58	650	363
Other Operating Expenses	36	27	46	38	21	66	45	45	60	79	62	255	233
<b>Total Expenses</b>		<b>2,041</b>	<b>2,125</b>	<b>1,449</b>	<b>1,398</b>	<b>7,127</b>	<b>6,515</b>	<b>2,015</b>	<b>1,835</b>	<b>6,981</b>	<b>6,301</b>	<b>19,614</b>	<b>18,174</b>
<b>Surplus/(Deficit) for the Period</b>	22.1	<b>91</b>	<b>17</b>	<b>77</b>	<b>106</b>	<b>(247)</b>	<b>197</b>	<b>(34)</b>	<b>131</b>	<b>119</b>	<b>259</b>	<b>6</b>	<b>710</b>

**VI.1.S Segment Reporting**  
**Statement of Financial Position**  
**Special Purpose Funds**

As at 31 December 2014

EUR '000		Network Operating System Fund		ERP Upgrade Fund		Special Monitoring Mission to Ukraine		Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border		Total Special Purpose Funds	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and Cash Equivalents	3	0	0	0	0	603	0	23	0	626	0
Investments	4	0	0	0	0	0	0	0	0	0	0
Assessed Contributions Receivable	5	0	0	0	0	589	0	0	0	589	0
Accounts Receivable	6	0	0	0	0	131	0	0	0	131	0
Prepayments	7	0	0	0	0	34	0	10	0	44	0
Inventory	8	0	0	0	0	0	0	0	0	0	0
Inter-Fund Balances		0	22	(97)	2,253	3,925	0	523	0	4,351	2,276
Other Current Assets	9	0	0	0	0	0	0	0	0	0	0
		<b>0</b>	<b>22</b>	<b>(97)</b>	<b>2,253</b>	<b>5,282</b>	<b>0</b>	<b>556</b>	<b>0</b>	<b>5,740</b>	<b>2,276</b>
<b>Non-Current Assets</b>											
Property, Plant and Equipment	10	0	0	14	20	4,163	0	106	0	4,283	20
Intangible Assets	11	0	0	3,337	1,345	48	0	0	0	3,384	1,345
Other Non-Current Assets	9	0	0	0	0	0	0	0	0	0	0
		<b>0</b>	<b>0</b>	<b>3,351</b>	<b>1,365</b>	<b>4,211</b>	<b>0</b>	<b>106</b>	<b>0</b>	<b>7,668</b>	<b>1,365</b>
<b>Total Assets</b>		<b>0</b>	<b>22</b>	<b>3,253</b>	<b>3,619</b>	<b>9,492</b>	<b>0</b>	<b>662</b>	<b>0</b>	<b>13,408</b>	<b>3,641</b>
<b>LIABILITIES</b>											
<b>Current Liabilities</b>											
Accounts Payable	12	0	0	0	(2)	190	0	12	0	202	(2)
Accruals	13	0	0	141	4	7	0	5	0	152	4
Deferred Revenue	14	0	0	0	0	1,207	0	0	0	1,207	0
Funds Held for Third Parties	15	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	16	0	0	0	0	164	0	1	0	165	0
Cash Surplus Current	18.1	0	0	0	0	0	0	0	0	0	0
Provisions	19	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	20	0	0	0	0	4	0	0	0	4	0
		<b>0</b>	<b>0</b>	<b>141</b>	<b>3</b>	<b>1,571</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>1,729</b>	<b>3</b>
<b>Non-Current Liabilities</b>											
Employee Benefits Non-Current	16	0	0	0	0	50	0	1	0	50	0
Cash Surplus Non-Current	18.2	0	0	0	0	0	0	0	0	0	0
Other Non-Current Liabilities	20	0	0	0	0	0	0	0	0	0	0
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>50</b>	<b>0</b>
<b>Total Liabilities</b>		<b>0</b>	<b>0</b>	<b>141</b>	<b>3</b>	<b>1,620</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>1,780</b>	<b>3</b>
<b>NET ASSETS</b>											
Cash Surplus Withheld	18.3	0	0	0	0	0	0	0	0	0	0
Revolving Fund	1.3	0	0	0	0	0	0	0	0	0	0
Contingency Fund	1.3	0	0	0	0	0	0	0	0	0	0
Other Reserves	21	0	0	0	0	(13)	0	(0)	0	(13)	0
Accumulated Surplus/(Deficit)	22	0	22	3,112	3,616	7,885	0	644	0	11,641	3,638
<b>Total Net Assets</b>		<b>0</b>	<b>22</b>	<b>3,112</b>	<b>3,616</b>	<b>7,872</b>	<b>0</b>	<b>644</b>	<b>0</b>	<b>11,628</b>	<b>3,638</b>

**VI.2.S Segment Reporting**  
**Statement of Financial Performance**  
**Special Purpose Funds**

For the Year Ended 31 December 2014

EUR '000	Note	Network Operating System Fund		ERP Upgrade Fund		Special Monitoring Mission to Ukraine		Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border		Total Special Purpose Funds	
		2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>REVENUE</b>											
Assessed Contributions	23	0	0	0	0	5,758	0	0	0	5,758	0
Extra-Budgetary Contributions	24	0	0	0	0	0	0	0	0	0	0
Finance Revenue	25	0	0	0	0	0	0	0	0	0	0
Revenue from Exchange Transactions	26	0	0	0	0	0	0	0	0	0	0
Foreign Exchange Gains/(Losses)	27	0	0	0	0	16	0	(2)	0	14	0
Other Revenue	28	0	(14)	0	0	9,410	0	1,086	0	10,496	(14)
<b>Total Revenue</b>		<b>0</b>	<b>(14)</b>	<b>0</b>	<b>0</b>	<b>15,184</b>	<b>0</b>	<b>1,084</b>	<b>0</b>	<b>16,268</b>	<b>(14)</b>
<b>EXPENSES</b>											
Staff Costs	29	0	0	8	8	5,369	0	316	0	5,694	8
Consultancy and Subcontracting	30	0	0	133	202	0	0	0	0	133	202
Travel Expenses	31	0	0	0	0	315	0	82	0	397	0
Services and Office Costs	32	0	0	57	4	319	0	14	0	391	4
Consumables and Supplies	33	0	0	0	24	64	0	16	0	80	24
Depreciation and Amortisation	34	0	4	305	4	298	0	10	0	613	7
Equipment Purchases	35	0	0	0	0	607	0	1	0	607	0
Other Operating Expenses	36	0	0	1	0	332	0	0	0	333	0
<b>Total Expenses</b>		<b>0</b>	<b>4</b>	<b>504</b>	<b>243</b>	<b>7,304</b>	<b>0</b>	<b>440</b>	<b>0</b>	<b>8,248</b>	<b>246</b>
<b>Surplus/(Deficit) for the Period</b>	22.1	<b>0</b>	<b>(18)</b>	<b>(504)</b>	<b>(243)</b>	<b>7,880</b>	<b>0</b>	<b>644</b>	<b>0</b>	<b>8,020</b>	<b>(261)</b>



**VI.1.X.1 Segment Reporting**  
**Statement of Financial Position**  
**Extra-Budgetary Part 1**

As at 31 December 2014

EUR '000		Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina		Fund to Foster the Integration of Recently Admitted Participating States		Fund for Activities Related to Economic and Environmental Aspect of Security		Fund for Activities Related to the Removal and Destruction of Russian Ammunition and Armaments from Moldova		Fund Related to the Stability Pact for South Eastern Europe		Fund for Activities Related to Special Monitoring Mission to Ukraine	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>ASSETS</b>													
<b>Current Assets</b>													
Cash and Cash Equivalents	3	0	0	0	0	0	0	0	0	0	0	0	0
Investments	4	0	0	0	0	0	0	6,900	6,344	0	0	0	0
Assessed Contributions Receivable	5	0	0	0	0	0	0	0	0	0	0	0	0
Accounts Receivable	6	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	7	0	0	0	0	0	0	0	0	0	0	0	0
Inventory	8	0	0	0	0	0	0	0	0	0	0	0	0
Inter-Fund Balances		1,771	2,074	3	3	1,019	1,463	123	117	6	6	15,172	0
Other Current Assets	9	0	0	0	0	0	0	0	0	0	0	0	0
		<b>1,772</b>	<b>2,074</b>	<b>3</b>	<b>3</b>	<b>1,019</b>	<b>1,463</b>	<b>7,023</b>	<b>6,462</b>	<b>6</b>	<b>6</b>	<b>15,172</b>	<b>0</b>
<b>Non-Current Assets</b>													
Property, Plant and Equipment	10	0	0	0	0	2	1	0	0	0	0	5,098	0
Intangible Assets	11	0	0	0	0	0	0	0	0	0	0	220	0
Other Non-Current Assets	9	0	0	0	0	0	0	0	0	0	0	0	0
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,318</b>	<b>0</b>
<b>Total Assets</b>		<b>1,772</b>	<b>2,074</b>	<b>3</b>	<b>3</b>	<b>1,021</b>	<b>1,465</b>	<b>7,023</b>	<b>6,462</b>	<b>6</b>	<b>6</b>	<b>20,490</b>	<b>0</b>
<b>LIABILITIES</b>													
<b>Current Liabilities</b>													
Accounts Payable	12	0	(100)	0	0	0	(7)	0	0	0	0	0	0
Accruals	13	3	2	0	0	15	20	0	0	0	0	2,156	0
Deferred Revenue	14	432	594	(1)	(54)	770	1,129	5,942	5,472	0	(9)	7,037	0
Funds Held for Third Parties	15	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	16	6	6	0	0	13	7	0	1	0	0	51	0
Cash Surplus Current	18.1	0	0	0	0	0	0	0	0	0	0	0	0
Provisions	19	125	161	0	53	20	84	0	519	4	13	3	0
Other Current Liabilities	20	0	0	0	0	0	0	0	0	0	0	0	0
		<b>567</b>	<b>662</b>	<b>(1)</b>	<b>(1)</b>	<b>818</b>	<b>1,234</b>	<b>5,942</b>	<b>5,992</b>	<b>4</b>	<b>4</b>	<b>9,248</b>	<b>0</b>
<b>Non-Current Liabilities</b>													
Employee Benefits Non-Current	16	0	1	0	0	1	1	0	0	0	0	8	0
Cash Surplus Non-Current	18.2	0	0	0	0	0	0	0	0	0	0	0	0
Other Non-Current Liabilities	20	0	0	0	0	0	0	0	0	0	0	0	0
		<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>0</b>
<b>Total Liabilities</b>		<b>567</b>	<b>664</b>	<b>(1)</b>	<b>(1)</b>	<b>818</b>	<b>1,234</b>	<b>5,942</b>	<b>5,992</b>	<b>4</b>	<b>4</b>	<b>9,256</b>	<b>0</b>
<b>NET ASSETS</b>													
Cash Surplus Withheld	18.3	0	0	0	0	0	0	0	0	0	0	0	0
Revolving Fund	1.3	0	0	0	0	0	0	0	0	0	0	0	0
Contingency Fund	1.3	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserves	21	1	(1)	0	0	0	0	0	0	0	0	(5)	0
Accumulated Surplus/(Deficit)	22	1,204	1,411	4	4	202	230	1,081	470	2	2	11,240	0
<b>Total Net Assets</b>		<b>1,205</b>	<b>1,410</b>	<b>4</b>	<b>4</b>	<b>202</b>	<b>230</b>	<b>1,081</b>	<b>470</b>	<b>2</b>	<b>2</b>	<b>11,234</b>	<b>0</b>

**VI.2.X.1 Segment Reporting**  
**Statement of Financial Performance**  
**Extra-Budgetary Part 1**

For the Year Ended 31 December 2014

EUR '000		Fund to Support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina		Fund to Foster the Integration of Recently Admitted Participating States		Fund for Activities Related to Economic and Environmental Aspect of Security		Fund for Activities Related to the Removal and Destruction of Russian Ammunition and Armaments from Moldova		Fund Related to the Stability Pact for South Eastern Europe		Fund for Activities Related to Special Monitoring Mission to Ukraine	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>REVENUE</b>													
Assessed Contributions	23	0	0	0	0	0	0	0	0	0	0	0	0
Extra-Budgetary Contributions	24	802	1,017	0	1	867	678	50	44	0	(1)	24,772	0
Finance Revenue	25	0	0	0	0	0	0	0	0	0	0	0	0
Revenue from Exchange Transactions	26	0	0	0	0	0	(1)	0	0	0	0	0	0
Foreign Exchange Gains/(Losses)	27	0	0	0	0	0	0	611	(292)	0	0	0	0
Other Revenue	28	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Revenue</b>		<b>802</b>	<b>1,017</b>	<b>0</b>	<b>1</b>	<b>867</b>	<b>677</b>	<b>660</b>	<b>(248)</b>	<b>0</b>	<b>(1)</b>	<b>24,772</b>	<b>0</b>
<b>EXPENSES</b>													
Staff Costs	29	226	162	0	0	235	119	16	13	0	0	5,895	0
Consultancy and Subcontracting	30	414	301	0	0	299	129	0	0	0	0	93	0
Travel Expenses	31	149	144	0	0	201	105	25	24	0	0	1,234	0
Services and Office Costs	32	179	31	0	0	84	90	8	8	0	0	637	0
Consumables and Supplies	33	38	4	0	0	7	16	0	0	0	0	619	0
Depreciation and Amortisation	34	0	0	0	0	1	1	0	0	0	0	227	0
Equipment Purchases	35	0	0	0	0	9	7	0	0	0	0	995	0
Other Operating Expenses	36	2	1	0	0	10	6	0	0	0	0	3,831	0
<b>Total Expenses</b>		<b>1,008</b>	<b>644</b>	<b>0</b>	<b>0</b>	<b>844</b>	<b>473</b>	<b>49</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>13,532</b>	<b>0</b>
<b>Surplus/(Deficit) for the Period</b>	22.1	<b>(207)</b>	<b>373</b>	<b>0</b>	<b>1</b>	<b>22</b>	<b>205</b>	<b>611</b>	<b>(293)</b>	<b>0</b>	<b>(1)</b>	<b>11,240</b>	<b>0</b>

**VI.1.X.2 Segment Reporting**  
**Statement of Financial Position**  
**Extra-Budgetary Part 2**

As at 31 December 2014

EUR '000	Fund for Activities Related to the Reduction of Military Forces and Equipment from Georgia		Bishkek Conference	The Partnership Fund		Other Activities and Special Projects		Total Extra-Budgetary Funds			
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and Cash Equivalents	3	0	0	0	0	0	0	13,000	5,005	13,000	5,005
Investments	4	0	0	0	0	0	0	27,000	27,500	33,900	33,844
Assessed Contributions Receivable	5	0	0	0	0	0	0	0	0	0	0
Accounts Receivable	6	0	0	0	0	0	0	0	0	0	0
Prepayments	7	0	0	0	0	0	0	0	0	0	0
Inventory	8	0	0	0	0	0	0	4	0	4	0
Inter-Fund Balances		0	634	0	0	235	281	(6,455)	(3,560)	11,875	1,019
Other Current Assets	9	0	0	0	0	0	0	0	0	0	0
		<b>0</b>	<b>634</b>	<b>0</b>	<b>0</b>	<b>235</b>	<b>281</b>	<b>33,549</b>	<b>28,946</b>	<b>58,779</b>	<b>39,869</b>
<b>Non-Current Assets</b>											
Property, Plant and Equipment	10	0	0	0	0	0	0	315	447	5,415	448
Intangible Assets	11	0	0	0	0	0	0	50	15	270	15
Other Non-Current Assets	9	0	0	0	0	0	0	0	0	0	0
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>365</b>	<b>462</b>	<b>5,684</b>	<b>463</b>
<b>Total Assets</b>		<b>0</b>	<b>634</b>	<b>0</b>	<b>0</b>	<b>235</b>	<b>281</b>	<b>33,913</b>	<b>29,408</b>	<b>64,464</b>	<b>40,332</b>
<b>LIABILITIES</b>											
<b>Current Liabilities</b>											
Accounts Payable	12	0	0	0	0	0	0	0	(382)	0	(489)
Accruals	13	0	0	0	0	15	1	432	1,199	2,621	1,222
Deferred Revenue	14	0	(10)	(1)	(1)	3	(61)	23,016	14,749	37,198	21,810
Funds Held for Third Parties	15	0	0	0	0	0	0	0	0	0	0
Employee Benefits Current	16	0	0	0	0	0	0	190	171	260	185
Cash Surplus Current	18.1	0	0	0	0	0	0	0	0	0	0
Provisions	19	0	10	0	0	64	138	2,462	4,847	2,679	5,824
Other Current Liabilities	20	0	0	0	0	0	0	228	108	228	108
		<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(1)</b>	<b>82</b>	<b>78</b>	<b>26,328</b>	<b>20,691</b>	<b>42,985</b>	<b>28,659</b>
<b>Non-Current Liabilities</b>											
Employee Benefits Non-Current	16	0	0	0	0	0	0	50	45	59	47
Cash Surplus Non-Current	18.2	0	0	0	0	0	0	0	0	0	0
Other Non-Current Liabilities	20	0	0	0	0	0	0	0	0	0	0
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50</b>	<b>45</b>	<b>59</b>	<b>47</b>
<b>Total Liabilities</b>		<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(1)</b>	<b>82</b>	<b>78</b>	<b>26,378</b>	<b>20,736</b>	<b>43,045</b>	<b>28,706</b>
<b>NET ASSETS</b>											
Cash Surplus Withheld	18.3	0	0	0	0	0	0	0	0	0	0
Revolving Fund	1.3	0	0	0	0	0	0	0	0	0	0
Contingency Fund	1.3	0	0	0	0	0	0	0	0	0	0
Other Reserves	21	0	0	0	0	0	0	(95)	(99)	(100)	(99)
Accumulated Surplus/(Deficit)	22	0	634	1	1	154	202	7,631	8,771	21,519	11,725
<b>Total Net Assets</b>		<b>0</b>	<b>634</b>	<b>1</b>	<b>1</b>	<b>154</b>	<b>202</b>	<b>7,536</b>	<b>8,672</b>	<b>21,419</b>	<b>11,626</b>

**VI.2.X.2 Segment Reporting**  
**Statement of Financial Performance**  
**Extra-Budgetary Part 2**

For the Year Ended 31 December 2014

EUR '000		Fund for Activities Related to the Reduction of Military Forces and Equipment from Georgia				Bishkek Conference		The Partnership Fund		Other Activities and Special Projects		Total Extra-Budgetary Funds	
	Note	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
<b>REVENUE</b>													
Assessed Contributions	23	0	0	0	0	0	0	0	0	0	0	0	0
Extra-Budgetary Contributions	24	(634)	(0)	0	1	79	353	22,205	25,262	48,140	27,356	48,140	27,356
Finance Revenue	25	0	0	0	0	0	0	0	0	0	0	0	0
Revenue from Exchange Transactions	26	0	0	0	0	0	0	(38)	(350)	(38)	(351)	(38)	(351)
Foreign Exchange Gains/(Losses)	27	0	0	0	0	0	0	0	0	611	(292)	611	(292)
Other Revenue	28	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Revenue</b>		<b>(634)</b>	<b>(0)</b>	<b>0</b>	<b>1</b>	<b>79</b>	<b>353</b>	<b>22,167</b>	<b>24,912</b>	<b>48,713</b>	<b>26,713</b>	<b>48,713</b>	<b>26,713</b>
<b>EXPENSES</b>													
Staff Costs	29	0	0	0	0	6	10	4,604	4,823	10,982	5,128	10,982	5,128
Consultancy and Subcontracting	30	0	0	0	0	8	20	8,920	11,182	9,735	11,632	9,735	11,632
Travel Expenses	31	0	0	0	0	60	94	4,972	4,091	6,640	4,458	6,640	4,458
Services and Office Costs	32	0	0	0	0	46	30	2,332	2,028	3,286	2,186	3,286	2,186
Consumables and Supplies	33	0	0	0	0	0	8	598	268	1,263	297	1,263	297
Depreciation and Amortisation	34	0	0	0	0	0	0	173	281	401	282	401	282
Equipment Purchases	35	0	0	0	0	0	0	906	130	1,910	137	1,910	137
Other Operating Expenses	36	0	0	0	0	3	15	723	781	4,569	804	4,569	804
<b>Total Expenses</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>124</b>	<b>178</b>	<b>23,229</b>	<b>23,585</b>	<b>38,787</b>	<b>24,924</b>	<b>38,787</b>	<b>24,924</b>
<b>Surplus/(Deficit) for the Period</b>	22.1	<b>(634)</b>	<b>(0)</b>	<b>0</b>	<b>1</b>	<b>(45)</b>	<b>176</b>	<b>(1,062)</b>	<b>1,327</b>	<b>9,926</b>	<b>1,789</b>	<b>9,926</b>	<b>1,789</b>

## Chapter IV – Notes to the Financial Statements



# Notes to the Financial Statements

## Note 1 – Significant Accounting Policies

### 1.1 Reporting Entity and Basis of Presentation

- The OSCE traces its origins to the early 1970s, to the Helsinki Final Act (1975) and the creation of the Conference on Security and Co-operation in Europe (CSCE). In 1994, the CSCE, having evolved well beyond its initial role, was renamed the Organization for Security and Co-operation in Europe. Now with 57 participating States in North America, Europe and Asia, the OSCE is the world's largest regional security organization, working to ensure peace and stability for more than a billion people. The OSCE is a regional organization in the sense of Chapter VIII of the United Nations Charter and is an observer in the United Nations General Assembly.

The OSCE operates in three dimensions:

- Politico-military dimension – includes mechanisms for conflict prevention and resolution, and military confidence-building measures.
- Economic and environmental dimension – activities aimed at counteracting threats and challenges to security and stability caused by economic and environmental factors.
- Human dimension – set of norms and activities related to human rights and the rule of law.

With its Secretariat, specialized Institutions, expert units and network of Field Operations, the OSCE addresses a range of issues that have an impact on common security, including arms control, terrorism, good governance, energy security, human trafficking, democratization, media freedom and minority rights.

OSCE's Secretariat is based in Vienna. Although the role of OSCE Secretariat, Institutions and the Parliamentary Assembly is hard to overestimate, the most of the OSCE's activities are implemented in the OSCE's field operations in South-Eastern Europe, Eastern Europe, the South Caucasus and Central Asia. These operations are established at the invitation of the respective host countries, and their mandates are agreed by consensus by the participating States.

- The Financial Statements of the Organization are prepared on the accrual basis of accounting in accordance with the requirements of the International Public Sector Accounting Standards (IPSAS) and the Financial Regulations. The Financial Statements are presented in euro which is also the functional currency of the Organization. The figures are presented rounded to the nearest euro thousand and to the nearest one-tenth percent. This may result in totals that differ by EUR 1 thousand or by 0.1%. These financial statements cover the calendar year ended 31 December 2014. The financial period coincides with the calendar year.

### 1.2 IPSAS Progressive Adoption

The progressive adoption of IPSAS was formally approved by participating States with a target deadline of 2014 (PC.DEC/1040 dated 10 May 2012). IPSAS adoption aligns OSCE's accounting with internationally recognized standards and best practices, improves controls and transparency of assets and liabilities, provides more comprehensive information, and improves consistency and comparability of the Financial Statements.

In order to progress with IPSAS adoption, the OSCE began in 2011 to implement certain changes in accounting policies, which are allowed under the United Nations System Accounting Standards (UNSAS). This strategy of progressive adoption of the Standards continued in 2012. In 2013 OSCE adopted the remaining applicable IPSAS standards but availing itself of transitional provisions under IPSAS 17.

Leasehold improvements have been recognized in the Statement of Financial Position for the first time in 2014.

### 1.3 Fund Accounting and Segment Reporting

The OSCE operates a system of fund accounting and the resulting financial statements present the financial results of Budgetary Funds approved under PC.DEC/1123 dated 22 May 2014 and subsequent budget revisions, Special Purpose Funds and Extra-Budgetary Funds. The financial statements are prepared on a fund accounting basis, showing the consolidated position of all Funds at the end of the reporting period.

For purposes of the presentation and approval of the 2014 Unified Budget, Funds were grouped under (i) Funds related to the Secretariat and Institutions and (ii) Funds related to Field Operations, with the latter, in turn, being grouped into regions. This presentation is also followed in the 2014 Financial Report and in the Financial Statements. The segment information is presented geographically and based on the principal sources of financing of the Organization (Unified Budget Funds, Special Purpose Funds and Extra-Budgetary Funds).

The following Funds were operational in 2014:

**a) Standard Scale of Contributions for 2014**  
(PC.DEC/1072 dated 7 February 2013)

**(i) FUNDS RELATED TO THE SECRETARIAT AND INSTITUTIONS**

- The Secretariat
- Office for Democratic Institutions and Human Rights (ODIHR)
- High Commissioner on National Minorities (HCNM)
- Representative on Freedom of the Media (RFoM)

**b) Field Operations Scale of Contributions for 2014**  
(PC.DEC/1072 dated 7 February 2013)

**(ii) FUNDS RELATED TO OSCE FIELD OPERATIONS**

- Augmentations Fund (see point c below)

- South-Eastern Europe

- Mission in Kosovo
- Tasks in Bosnia and Herzegovina
- Mission to Serbia
- Presence in Albania
- Mission to Skopje
- Mission to Montenegro

- Eastern Europe

- Mission to Moldova
- Project Co-ordinator in Ukraine
- Representative to the Latvian-Russian JC on Military Pensioners



- Caucasus
  - Office in Yerevan
  - Project Co-ordinator in Baku
  - High Level Planning Group
  - The Minsk Process
  - Personal Representative of the CIO
  
- Central Asia
  - Programme Office in Astana
  - Centre in Ashgabat
  - Centre in Bishkek
  - Project Co-ordinator in Uzbekistan
  - Office in Tajikistan
  
- Missions and Field Operations whose mandate has expired for one financial year are grouped under Closed Funds. This includes the following Funds:
  - Kosovo, Sandjak and Vojvodina
  - Mission to Estonia
  - Expert Mission to Ukraine
  - Mission to Latvia
  - Representative to the Joint Committee on the Skrunda Radar Station
  - Sanctions Assistance Missions
  - Action Against Terrorism
  - Assistance Group to Chechnya
  - Representative to the Estonian Commission on Military Pensioners
  - Mission to Croatia
  - Mission to Georgia
  - End of Mandate Procedure Mission to Georgia
  - Office in Minsk
  - Office in Zagreb

**c) The Augmentations Fund**

The Augmentations Fund was established on a provisional basis under PC.DEC/827 dated 21 December 2007 and is financed on the basis of the Field Operations Scale.

**d) Revolving and Contingency Funds**

- The Revolving Fund, in the amount of EUR 2,710 thousand was established by the Permanent Council (PC.DEC/133 dated 27 June 1996) to meet the short-term cash requirements of duly authorized OSCE activities that could result from the period between the billing and payment of assessed contributions.
  
- The Contingency Fund, in the amount of EUR 2,180 thousand was established by the Permanent Council (PC.DEC/182 dated 17 July 1997) to allow OSCE to act immediately after the adoption of a Permanent Council decision on a new activity and to cover the corresponding financial requirements prior to the approval of the relevant supplementary budget. Pursuant to PC.DEC/1117 dated 21 March 2014, EUR 900 thousand was utilized for the deployment of the Special Monitoring Mission to Ukraine. The amount was replenished on 7 May 2014 with the issuance of a bill to the participating States.

**e) Network Operating System Fund**

The Network Operating System Fund was established in 2010 (PC.DEC/926) to finance the replacement of the OSCE's network and desktop systems. The funding of the Network Operating System was financed

from the 2008 cash surplus in the amount of EUR 1,890 thousand. The Fund was closed in 2013 and the remaining unspent funds amounting to EUR 22 thousand are to be credited to the participating States with the first bill of 2015.

**f) ERP Upgrade Fund**

The Enterprise Resource Planning (ERP) Upgrade Fund was established in 2012 (PC.DEC/1033) to finance the upgrade of the OSCE's ERP system. The funding of the ERP Upgrade Fund was financed in three instalments of EUR 1,310 thousand from the 2009, 2010 and 2011 cash surplus, for a total funding of EUR 3,930 thousand. The ERP Upgrade Fund was extended until 31 December 2015 according to PC.DEC/1150 dated 18 December 2014.

**g) Special Monitoring Mission to Ukraine**

The Special Monitoring Mission to Ukraine was originally established pursuant to (PC.DEC/1117) from 21 March 2014 for a period of six months. The Special Monitoring Mission was further expanded for an additional period of six months in line with PC.DEC/1129 from 22 July 2014. The approved funding modality includes EUR 1,818 thousand from the 2011 cash surplus, EUR 5,834 thousand from the 2013 cash surplus, EUR 900 thousand from the contingency fund, EUR 4,858 thousand assessed contributions on the basis of the field operation scale and EUR 9,508 thousand from voluntary contributions.

On the 19 September 2014 the document SEC.FR/578/14 provided an expansion to support the Minsk Documents. Subsequently the Extra-Budgetary project was increased by EUR 30,808 thousand. On the 24 November the document SEC.GAL/189/14 provided for a reduction in the budget of EUR 15,415 thousand. The budget was revised through a reduction of the required voluntary contributions in the Extra-Budgetary project. On the 30 December the Special Monitoring Mission was refinanced through PC.DEC/1157 that raised an additional EUR 10,000 thousand through assessed contributions using the field operation scale, with a matching reduction of the required voluntary contributions in the Extra-Budgetary project. These assessed contributions were not recorded as revenue in 2014 as they were only billed in 2015.

**h) Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border**

Pursuant to PC.DEC/1130 from 24 July 2014, the OSCE deployed observers to the two Russian checkpoints of Donetsk and Gukovo on the Russian-Ukrainian border. The Observer Mission was initially deployed for three months and further subject to three additional extensions until 23 March 2015, in line with the following decisions: PC.DEC/1133 from 22 October 2014, PC.DEC/1135 from 20 November 2014, and PC.DEC/1155 from 18 December 2014. The total funding of EUR 974 thousand was financed from the 2013 cash surplus.

**e) Extra-Budgetary Funds (see Note 24)**

*1.4 Uncollected Assessed Contributions*

If a participating State has not paid all its assessed contributions for the preceding financial year by 1 April of the current financial year, the Secretary General requests that participating State to pay its arrears within 60 days. If payment is not made in full during that period, the Secretary General requests an explanation of the reasons for non-payment from the participating State concerned. The Secretary General informs the Advisory Committee on Management and Finance of the steps taken as well as other initiatives undertaken and consults the Chairperson-in-Office. If the amount of arrears of a participating State equals or exceeds the amount of the contributions due for the preceding two full years the Chairperson-in-Office refers the issue to the Permanent Council. The Permanent Council shall take concrete measures to ensure early payment by the participating State concerned (Ref. Financial Regulation 4.09).

### 1.5 Inventories

Inventories are stated at the lower of either cost or current replacement cost. Cost is determined using a weighted average cost formula unless the inventory items are unique in nature, in which case the specific identification method is used.

Current replacement cost, which is used for inventories to be distributed to beneficiaries at no or nominal charge and also for inventories which will be used for OSCE's consumption, is the cost the OSCE would incur to acquire the asset on the reporting date.

Consumables and supplies are expensed upon purchase, except fuel, for which a material stock is purchased and stored for future consumption in one of OSCE's field operations. The capitalization threshold in this case is established at EUR 50 thousand.

Write downs from cost to current replacement cost or net realizable value are recognized in the Statement of Financial Performance.

### 1.6 Property, Plant and Equipment

Property, plant and equipment (PP&E) is stated at historical cost less accumulated depreciation and any recognized impairment losses. The threshold for capitalization of PP&E assets is established at EUR 1 thousand. Subsequent costs that are included in asset's carrying amount include freight and installation. Repairs and maintenance costs are charged to the Statement of Financial Performance during the period in which they are incurred. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset, and are included in the Statement of Financial Performance. Depreciation is charged using the straight-line method and the residual values are estimated at zero.

Leasehold improvements refer to improvements made by the OSCE to leased buildings, or buildings where the OSCE has the right to use in Institutions. Leasehold improvements in other Executive Structures are excluded, due to the short term nature of their mandate. These improvements revert to the lessor at the expiration of the lease or right to use agreement and include building adjustments, fixtures, technical, communication and security infrastructure. The threshold for capitalization of leasehold improvements is established at EUR 50 thousand.

Buildings where the OSCE has been given the right to use but for which there is no full transfer of risks and rewards incidental to their use, are not capitalized as assets. The buildings affected by this decision are those where the The Secretariat and Institutions are located:

- The Secretariat, Wallnerstrasse 6-6a, 1010 Vienna, Austria
- The Secretariat (Prague Office), Pod Kastany 529, Praha 6 Bubenec, Czech Republic
- Office for Democratic Institutions and Human Rights, ul. Miodowa 10, 00-251 Warsaw, Poland
- High Commissioner on National Minorities, Prinsessegracht 22, 2514 AP The Hague, The Netherlands

The market value of all contributions in-kind related to premises is disclosed in Note 1.14 Revenue from non-exchange transactions.

The estimated useful lives for the different PP&E classes are shown in the following table. For leasehold improvements, the shorter of the useful life or the lease agreement applies.

<b>Asset Class</b>	<b>Useful Life (Years)</b>
ICT Equipment	3 to 10
Vehicles	5 to 10
Household and Office Equipment	3 to 10
Security and Safety Equipment	3 to 25
Other Equipment	3 to 10
Leasehold improvements	7 to 35

### 1.7 Intangible Assets

Intangible assets consist of software and are stated at cost less accumulated amortization and any recognized impairment losses. Intangible assets which are under development are recorded at cost and will only begin to be amortized once they are available for use. All purchases of software licenses are capitalized.

The costs that are incurred to bring software into use are added to the cost of the underlying asset. These include salaries and employee benefits and external consultancy costs. Maintenance costs are charged to the Statement of Financial Performance during the financial period in which they are incurred.

Intangible assets are amortized using the straight line method over their estimated useful life; residual values are estimated at zero. The useful lives for the different classes of intangible assets are as follows:

<b>Asset Class</b>	<b>Useful Life (Years)</b>
Externally Purchased Software	5
ERP Software	7

### 1.8 Impairment of Assets

The OSCE performed a review of its assets in conjunction to revenue earned to identify whether it owned any cash-generating assets. Cash-generating assets are assets held with the primary objective of generating a commercial return. In 2014 there were no intangible assets or items of property, plant and equipment which met this definition, therefore all assets were classified as non-cash-generating and IPSAS 21 was applied to the reporting of impairments.

Intangible assets and items of PP&E are reviewed annually for impairment to determine if the carrying amount is still considered to be recoverable. Situations that could lead to impairment include major damage or obsolescence. Impairment losses are recognized in the Statement of Financial Performance for the amount by which the asset's carrying amount exceeds its recoverable service amount, and are reported under Other Operating Expenses.

### 1.9 Operating Leases

Leases where the OSCE does not retain a significant portion of the risks and rewards inherent in ownership are classified as operating leases. Rent under operating leases is charged to the Statement of Financial Performance as incurred.

## 1.10 Employee Benefits

### 1.10.1 Employee Benefits Current

Current employee benefits are expected to be settled within 12 months of the reporting date, and include payroll and allowances, assignment grants, education grants, annual leave, home leave and rest and recuperation for employees in Field Missions. The amounts related to these liabilities were determined by an independent actuary based on the methodology and assumptions as described in Note 13 or calculated by the OSCE based on personnel data and past experience, and are as follows:

- Annual leave – in accordance with OSCE’s Staff Regulations, upon separation, contracted OSCE officials shall receive payment for unused leave days up to a maximum of thirty days. Annual leave is considered as a current benefit and hence, is not subject to actuarial valuation. The liability for annual leave was calculated by multiplying the number of unused leave days as of 31 December 2014, up to a maximum of thirty days on the basis of the monthly net salary, including post adjustment, if applicable.
- Home leave and rest and recuperation leave - Heads of Mission and other fixed-term international Mission members, both contracted and seconded staff, are entitled to home leave once every twelve months. In addition, for those staff serving in duty stations designated as hazardous or hardship, there is an additional entitlement to rest and recuperation leave once every twelve months. For international fixed-term contracted staff members, including the Secretary General and Heads of Institutions the entitlement for home leave is once every two years. OSCE also pays the costs of travel expenses of the spouse and dependent children who reside at the duty station with the staff member. The liabilities for home leave were calculated by using estimates of travel expenses based on historical average costs. The effect of discounting was deemed to be immaterial and these liabilities were classified as current.

Currently the duty stations that qualify for rest and recuperation are as follows:

- Mission in Kosovo
- Centre in Astana
- Centre in Ashgabat
- Centre in Bishkek
- Project Co-ordinator in Uzbekistan
- Office in Tajikistan
- Office in Yerevan
- Special Monitoring Mission to Ukraine (only in the locations of Luhansk and Donetsk)

The liabilities for both home leave and rest and recuperation leave were calculated by using estimates of travel costs based on historical average costs.

### 1.10.2 Employee Benefits Non-Current

Non-current employee benefits relate to post-employment benefits, including repatriation benefits such as:

- Repatriation Grant – OSCE pays repatriation grants to international fixed term contracted staff members, including the Secretary General and the Heads of Institution, and their eligible dependents upon separation from service. The amount of the grant is calculated on the basis of the staff member’s last salary, excluding post adjustment, and the staff member’s completed years and months of qualifying service.
- Repatriation Travel – upon separation, the OSCE pays the travel expenses for fixed-term contracted OSCE officials, seconded officials and international short-term contracted staff. The spouse and dependent children of international fixed-term contracted staff members are also entitled to repatriation travel.

- Removal of Household Effects – upon separation, the Secretary General, Heads of Institution and international contracted staff members appointed for a period of not less than one year are entitled to the payment of the removal of household effects. The costs to be reimbursement shall be the actual expenses incurred.

The present value of non-current employee benefits liabilities is determined by discounting the estimated cash outflows using interest rates of high quality corporate bonds with a duration that approximates the maturity terms of the related liabilities.

#### *1.11 Deferred Revenue*

Unified Budget deferred revenue consists mainly of assessed contributions received in advance and credits to participating States.

Extra-budgetary contributions which are subject to conditions are classified as Deferred Revenue until such conditions are satisfied.

#### *1.12 Provisions*

Provisions are recognized in such circumstances when the OSCE has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The amount of the provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

#### *1.13 Contingent Liabilities and Contingent Assets*

Contingent liabilities are disclosed when there are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the OSCE. Contingent assets are disclosed when there are probable assets that arise from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the OSCE.

#### *1.14 Revenue from Non-Exchange Transactions*

- Revenue from assessed contributions from participating States is recorded on an accrual basis, independent from when the cash is received. It reflects the approved unified budget for the year, including the year-end revision and any revisions if applicable.
- Revenue from extra-budgetary contributions is measured based on the increase in net assets recognized. Where the criteria for recognition of an asset under a non-exchange agreement are not fulfilled, a contingent asset may be disclosed. Voluntary contributions that have conditions on their utilization are initially recognized as deferred revenue in the Statement of Financial Position and subsequently recognized as revenue in the Statement of Financial Performance when the conditions are satisfied.

Contributions in-kind in the form of salaries for seconded staff and rental of premises are not recorded in the Financial Statements of the Organization. For 2014 the estimated value of in-kind contributions for use of rental premises is approximately EUR 5,283 thousand (EUR 5,483 thousand in 2013) and for seconded staff assigned to both approved Unified Budget posts and Extra-budgetary posts is approximately EUR 36,284 thousand (EUR 38,200 thousand in 2013).

In addition, the estimated total value of in-kind contributions related to seconded staff deployed to the Special Monitoring Mission to Ukraine and the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border amounts to EUR 11,176 thousand.

Contributions in-kind in the form of goods (including inventory, property plant and equipment and intangible assets) are measured at fair value and recorded as Other Revenue in the Financial Statements of the Organization. The total fair value of goods in-kind received in 2014 amounts to EUR 1,853 thousand and consists of vehicles donated to the Special Monitoring Mission to Ukraine.

#### 1.15 Revenue from Exchange Transactions

Revenue from exchange transactions refers mainly to occasional sales of assets. Revenue is measured at the fair value of the consideration received or receivable and is recognized as goods and services are delivered.

#### 1.16 Expenses

Expenses are accounted for on an accrual basis and are recognized when the goods or services are delivered to the OSCE.

For budgetary purposes expenditure is recorded on a modified accrual basis. See Note 22.1 for reconciliation between budgetary expenditure and expenditure as reported in the Statement of Financial Performance.

#### 1.17 Cash Surplus or Deficit

At the end of each financial year, the cash surplus or deficit for the Funds financed by assessed contributions is determined by calculating the excess of Unified Budget revenue actually received over budgetary expenditure or the excess of budgetary expenditure over Unified Budget revenue received. The cash surplus of all Funds financed by assessed contributions is credited against contributions of the participating States in accordance with the scale of distribution for the year to which the surplus relates, in the year following the year in which the accounts are accepted by the Permanent Council. The allocation to a participating State of its share of the cash surplus is deferred in cases where the State is in arrears for the year to which the surplus relates and until such time as these arrears are paid in full (Financial Regulation 7.07).

#### 1.18 Financial Risk Management

Financial risk management is carried out by the Treasury Unit in the Secretariat under policies approved by the Investment Committee and by applying the guidelines included in OSCE's Provisional Financial/Administrative Instruction Five - *Income and Cash Management* and the Investment Policy. IPSAS 30 *Financial Instruments: Disclosures* states the types of risks that the Organization should disclose:

- (a) *Liquidity risk* – is the risk that an entity will encounter difficulty in receiving funds to meet its financial commitments. The OSCE invests funds not required for immediate operational purposes in short-term deposits up to a maximum of six months. Maturities are scheduled on the basis of operational requirements as identified by the Treasury Unit and OSCE Executive Structures' cash flow forecasts.

The timing of payment of assessed contributions by participating States has an impact on the liquidity of the Organization. Delays in payment by large contributors can affect normal operations, although the Revolving Fund in the amount of EUR 2,710 thousand is available to meet short-term cash requirements as stated in PC.DEC/133 of 27 June 1996.

Liquidity is monitored through cash flow forecast reports for a period of 12 month into the future. Unpaid bills from participating States are dealt with in accordance to Financial Regulation 4.09 (see Note 1.4).

(b) *Currency risk* - is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The OSCE has a policy of not using derivative financial instruments to hedge against currency risk. Risk is mitigated by limiting the amount of cash held in currencies other than euro; by concluding most of the OSCE contracts in euro; and by not converting one currency to another to avoid realization of gains and losses. In 2014, the majority of net expenditures were transacted in euro or currencies pegged to the euro.

Transactions in foreign currencies are recorded in euro at the UN Monthly Operational Rates of Exchange in effect on the date of the transactions. At the end of the reporting period assets and liabilities are valued at the rates applicable as at 31 December 2014. Gains and losses arising from transactions and translation are recorded as currency exchange adjustments. In 2014 there was a net foreign exchange gain of EUR 548 thousand. In compliance with Financial Administrative Instruction Five on Income and Cash Management, large exchange rate gains or losses incurred under extra-budgetary programmes/projects have been credited or charged to the respective extra-budgetary programmes/projects.

(c) *Interest rate risk* - is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The OSCE did not enter into any transactions involving variable interest rates in 2014 and only made short-term deposits for fixed durations and fixed interest rates. Fluctuations in interest rates only affect the interest revenue from short-term deposits to be concluded in the future; however, the OSCE is not dependent on interest revenue for the continuation of its activities. In 2014, interest revenue represented only 0.1% of total revenue.

(d) *Market risk* - is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. None of the OSCE's financial instruments in 2014 was affected by changes in market prices.

(e) *Credit risk* - is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The largest exposures to such risk for the OSCE are Assessed Contributions Receivable and bank risk. The Treasury Unit monitors the creditworthiness of its banks on a regular basis and has strict guidelines to limit the amount deposited with each approved bank. The table below shows the amounts deposited with banks according to their credit rating. At the end of the reporting period, 98.2% of the total was held in bank accounts carrying an investment grade (BBB- and above). The table reflects the fact that due to the financial crisis most bank ratings have been revised downwards in recent years. The remaining balances are held in non-investment grade or unrated banks to support OSCE local operational needs.

At the end of the reporting period, 97.2% of the total cash was held in bank accounts administered by the Treasury Unit. The remaining 2.8% was held in bank accounts throughout OSCE locations for daily operational purposes.

EUR '000	Rating	Total as of 31 December 2014	Total as of 31 December 2013
High Grade	AA- to AA+	11	27
Upper Medium Grade	A- to A+	48,056	51,280
Lower Medium Grade	BBB- to BBB+	36,520	14,452
Non-Investment Grade	BB- to BB+	0	0
Highly Speculative	B- to B+	176	100
Unrated	N/A	1,293	1,204
<b>Total Bank Balances</b>		<b>86,056</b>	<b>67,063</b>

(f) *Cash flow risk* - is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. For the OSCE such fluctuations relate to future money-market deposits



in the event of changes in interest rates. As mentioned in (b) above, the OSCE is not dependent on the cash flows resulting from money-market deposits for the continuation of its activities.

- (g) There were no significant changes in the OSCE's exposure to risk or to its risk management policies during the reporting period.

### 1.19 Critical Accounting Estimates and Judgments

The preparation of the Financial Statements involves the use of accounting estimates and professional judgment; therefore there is a risk that actual amounts could differ from the related estimates. The areas where those are more significant in the preparation of OSCE's Financial Statements include inter alia: useful lives of tangible and intangible assets, provisions, accruals, contingent assets and liabilities and employee benefits.

### Note 2 – Financial Instruments

Financial instruments in use during the reporting period consisted of cash, bank accounts, short-term deposits, accounts receivable and accounts payable. No transactions involving derivative financial instruments were made during the reporting period.

Upon initial recognition, all financial instruments are measured at fair value and classified as Loans and Receivables. When subsequently measured, these are measured at amortized cost less impairment losses, if any.

The fair value of all financial instruments approximates their carrying amount. Given the short-term nature of these financial instruments, the effect of discounting is immaterial. A review of amounts outstanding for Assessed Contributions Receivable and Accounts Receivable resulted in the recognition of allowances to reflect the impact of doubtful debts (see Notes 5.2 and 6).

### Note 3 – Cash and Cash Equivalents

Cash and cash equivalent comprise cash on hand, cash at bank, and short-term deposits with initial maturity of 3 months or less. Cash and cash equivalent as at 31 December 2014 amounted to EUR 33,659 thousand. In accordance with Financial Regulation 5.02, funds not needed for immediate requirements were invested in the form of money-market deposits. Those deposits with and initial maturity of 3 months or less were classified as cash equivalents.

EUR '000	Unified Budget	Special Purpose Funds	Extra-Budgetary	Total
Cash	263	131	0	394
Bank	11,173	495	8,598	20,266
Short-term Deposits	0	0	13,000	13,000
<b>Total Cash and Cash Equivalents</b>	<b>11,436</b>	<b>626</b>	<b>21,598</b>	<b>33,659</b>

### Note 4 – Investments

Investments consist of money-market deposits with initial maturity over 3 months. At the end of the reporting period, investments amounted to EUR 52,790 thousand, of which EUR 18,890 thousand was in respect of Unified Budget activities and EUR 33,900 thousand for Extra-Budgetary Funds.

## Note 5 – Assessed Contributions Receivable

Assessed Contributions Receivable as at 31 December 2014 amounted to a total of EUR 709 thousand (EUR 440 thousand in 2013).

EUR '000	2014	2013
UB Assessed Contributions Receivable	5,642	5,784
Allowance for UB Assessed Contributions Receivable	(5,522)	(5,344)
<b>Total UB Assessed Contributions Receivable</b>	<b>120</b>	<b>440</b>
Special Monitoring Mission to Ukraine Assessed Contributions Receivable	589	0
<b>Total Special Purpose Funds Assessed Contributions Receivable</b>	<b>589</b>	<b>0</b>
<b>Total Assessed Contributions Receivable</b>	<b>709</b>	<b>440</b>

### 5.1 Unified Budget Assessed Contributions Receivable

Assessed Contributions Receivable as at 31 December 2014 amounted to a total of EUR 5,642 thousand (EUR 5,784 thousand in 2013). A schedule of outstanding Assessed Contributions Receivable by participating State is shown below:

Participating State	Outstanding for 2012 and Prior Years	2013	2014	Total Outstanding Balance as at 31 December 2014
Canada	0	0	16	16
Croatia	0	0	38	38
Kyrgyzstan	972	44	45	1,061
Mongolia	0	0	44	44
Montenegro	0	0	22	22
Tajikistan	120	44	45	209
The former Yugoslav Republic of Macedonia	1	84	87	172
Uzbekistan	3,612	231	237	4,080
<b>Total</b>	<b>4,705</b>	<b>403</b>	<b>534</b>	<b>5,642</b>

Payments of assessed contributions by participating States are credited to that State's assessments in the order in which those assessments are made (Financial Regulation 4.06).

### 5.2 Allowance for Unified Budget Assessed Contributions Receivable

Based on each participating State's historical pattern of payment, an allowance for doubtful debts has been established in accordance with IPSAS 29, to bring the balance of Assessed Contributions Receivable in line with its fair value. The allowance is calculated as 100% of the outstanding receivable from participating States whose arrears equalled or exceeded the amount of contributions due for the preceding two full years.

The allowance for 2014 and the change compared to 2013 are as follows:

Participating State	Outstanding Balance as at 1 January 2014	Payments of Arrears Received in 2014	Assessments / Credits for 2014	Outstanding Balance as at 31 December 2014	2014 Allowance	Change in Allowance from 2013
Kyrgyzstan	1,067	(45)	40	1,061	1,061	(5)
Tajikistan	261	(85)	32	209	209	(52)
The former Yugoslav Republic of Macedonia	171	(85)	85	172	172	1
Uzbekistan	3,845	0	234	4,080	4,080	234
<b>Total</b>	<b>5,344</b>	<b>(215)</b>	<b>392</b>	<b>5,522</b>	<b>5,522</b>	<b>177</b>

### 5.3 Special Purpose Funds Assessed Contributions Receivable

Assessed Contributions Receivable for Special Purpose Funds related to the bills issued in 2014 for the financing of the Special Monitoring Mission to Ukraine. As at 31 December 2014 amounted to a total of EUR 589 thousand remained outstanding.

Participating State	Total Outstanding Balance as at 31 December 2014
Azerbaijan	1
Croatia	5
Italy	269
Kazakhstan	3
Kyrgyzstan	1
Monaco	1
Mongolia	1
Netherlands	173
Russian Federation	121
Tajikistan	1
The former Yugoslav Republic of Macedonia	1
Turkmenistan	1
Ukraine	7
Uzbekistan	2
<b>Total</b>	<b>589</b>

### Note 6 – Accounts Receivable

Accounts receivable are carried at the original invoice amount, less estimated doubtful debts based on a review of all outstanding amounts at the year-end. An allowance of EUR 6 thousand was created in 2014 to account for potentially unrecoverable receivables from implementing partners. Net of this allowance, accounts receivable amounted to EUR 2,793 thousand as at 31 December 2014 (EUR 2,421 thousand in 2013). This amount is comprised primarily of VAT reimbursements receivable from governments.

### Note 7 – Prepayments

Prepayments amounted to EUR 4,137 thousand as at 31 December 2014 (EUR 2,428 thousand in 2013). This amount is comprised primarily of advances to suppliers and implementing partners. As prepayments are intended to be settled through delivery of goods or services, they do not meet the definition of

financial instruments as defined by IPSAS 28. Furthermore prepayments are considered as non-monetary items as defined by IPSAS 4, and therefore translated at the transaction exchange rate.

### Note 8 – Inventory

Inventory amounted to EUR 110 thousand as at 31 December 2014 and consisted of fuel held in stock by the Mission in Kosovo (EUR 62 thousand) and project assets before distribution to the beneficiaries (EUR 47 thousand). The total amount of inventories recognized as an expense during the reporting period is as follows: fuel in the Mission in Kosovo EUR 117 thousand and project assets distributed to beneficiaries EUR 456 thousand. There were no write downs of inventories during the reporting period.

### Note 9 – Other Current and Non-Current Assets

Other non-current assets include deposits for rent recoverable after the termination of the leases.

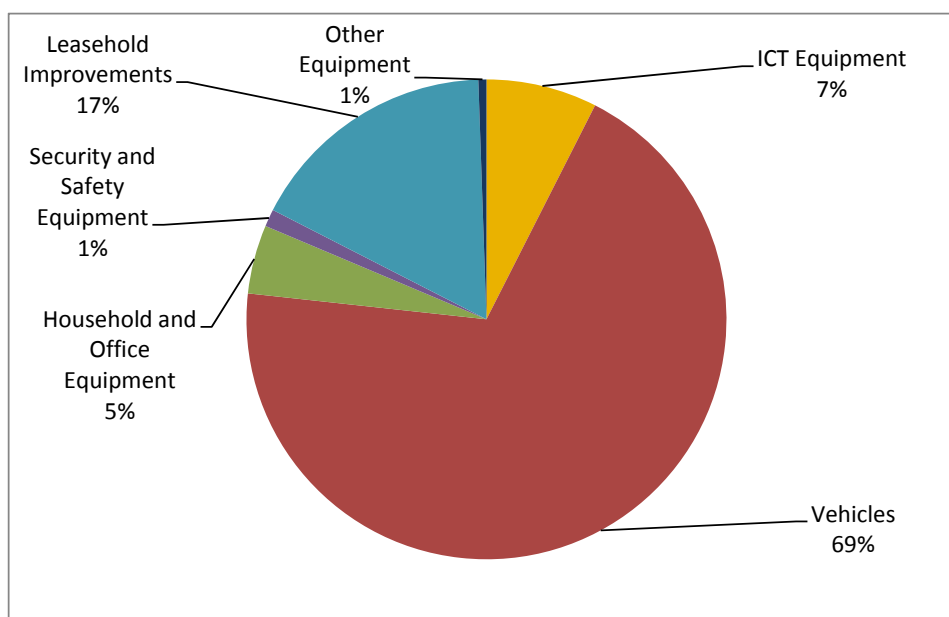
### Note 10 – Property, Plant and Equipment

In accordance with the requirements of IPSAS 17, in adopting accrual accounting for the first time the opening balances of property, plant and equipment are initially recognized at cost.

The OSCE has availed itself of transitional provisions under IPSAS 17 and accordingly has recognized leasehold improvements as assets in the Statement of Financial Position for the first time in 2014.

EUR '000	ICT Equipment	Vehicles	Household and Office Equipment	Security and Safety Equipment	Other Equipment	Leasehold improvements	Total Property, Plant and Equipment
<i>Cost at 1 January 2014</i>	7,608	12,412	5,707	1,285	4,317	368	31,697
Additions	528	11,125	448	99	0	70	12,270
Disposals	(651)	(1,397)	(476)	(180)	0	(8)	(2,712)
<i>Cost at 31 December 2014</i>	7,485	22,140	5,679	1,204	4,317	430	41,254
<i>Accumulated depreciation and impairment losses at 1 January 2014</i>	6,191	10,255	5,118	1,119	1,288	327	24,298
Depreciation	690	1,395	284	68	223	19	2,679
Disposals	(635)	(1,318)	(491)	(176)	0	(7)	(2,626)
Impairments	0	328	0	0	0	0	328
<i>Accumulated depreciation at 31 December 2014</i>	6,246	10,660	4,911	1,011	1,511	340	24,679
<b>Net carrying amount at 31 December 2014</b>	<b>1,239</b>	<b>11,479</b>	<b>768</b>	<b>193</b>	<b>2,806</b>	<b>91</b>	<b>16,575</b>

**Distribution of the Net Book Value of PP&E per Class as of 31 December 2014**



The total gross value of fully depreciated PP&E which was still in use as of 31 December 2014 amounted to EUR 17,972 thousand (EUR 17,906 thousand as of 31 December 2013).

Leasehold improvements refer to two locations: the Secretariat premises at Wallnerstrasse in Vienna, Austria and the premises of the Office for Democratic Institutions and Human Rights in Palac Młodziejowski in Warsaw, Poland.

In particular the leasehold improvements for the Wallnerstrasse premises amounted to EUR 4,145 million and were classified into three main categories and associated with the following useful lives:

- Building adjustments including elevator (35 years);
- Technical infrastructure including electrical cabling, heating and cooling systems (25 years);
- Communications, security and IT infrastructure (15 years).

Leasehold improvements in Palac Młodziejowski amounted to EUR 172 thousand and refer to fixtures related to security and communication equipment. The lease agreement for these premises is for 7 years and therefore the improvements are being depreciated over this period in line with OSCE's policy.

Depreciation was calculated retrospectively with reference to the date placed in service, namely 2007 for Wallnerstrasse and 2011 for Palac Młodziejowski.

### *10.1 Impairment of Property, Plant and Equipment*

An impairment loss of EUR 328 thousand was recorded in 2014 and pertains to vehicles deployed in the Special Monitoring Mission to Ukraine. No reversals of impairment took place in 2014.

### **Note 11 – Intangible Assets**

The OSCE currently only recognizes software as intangible assets, as it is not considered probable that significant future economic benefits from copyrights and intellectual property will flow to OSCE. All acquired software licenses are recognized as intangible assets irrespective of their value.

EUR'000	Computer software acquired	ERP Upgrade Project	Assets under development	Total Intangible Assets
<i>Cost at 1 January 2014</i>	289	0	1,345	1,634
Additions	921	0	2,177	3,097
Disposals	(7)	0	0	(7)
Transfer to Completed	0	3,522	(3,522)	0
<i>Cost at 31 December 2014</i>	1,202	3,522	0	4,725
<i>Accumulated amortization and impairment losses at 1 January 2014</i>	24	0	0	24
Amortization	126	294	0	419
Disposals	(0)	0	0	(0)
Impairment losses	0	0	0	0
<i>Accumulated amortization and impairment losses at 31 December 2014</i>	149	294	0	443
<b>Net carrying amount at 31 December 2014</b>	<b>1,053</b>	<b>3,229</b>	<b>0</b>	<b>4,282</b>

The OSCE has identified two main reporting classes of intangible assets: software licenses externally acquired and the ERP Upgrade Project. IPSAS 31 requires that any directly attributable costs of preparing an asset for its intended use need to be included as part of the cost of the asset.

In addition to the costs of EUR 1,345 capitalized in 2013 when the ERP Upgrade Project was in the process of being implemented, additional costs that meet the asset recognition criteria are being capitalized in 2014:

EUR'000	ERP Upgrade Project Capitalized Costs
Salaries and Employee Benefits	715
Software Licenses	44
Professional Fees	1,418
<b>Total</b>	<b>2,177</b>

Amortization of the software started in June 2014, when the system was ready for use.

## Note 12 – Accounts Payable

Accounts Payable amounted to EUR 4,694 thousand as at 31 December 2014 (EUR 2,897 thousand in 2013). This includes dues for delivered goods and services, as well as amounts owed to staff.

## Note 13 – Accruals

For budgetary purposes, OSCE records unliquidated obligations (ULOs). These refer to budget commitments for purchase orders for delivery of goods (assets, consumables and supplies) and services (including travel, utilities, and payroll related expenses, among others).

For budgetary purposes the criteria for recognition of ULOs related expense for both goods and services has not been impacted by IPSAS adoption. The detail of 2013 Unified Budget (UB) ULOs charged to expense and respective savings or over-expenditure is as below:

EUR '000	2013 Reserve for ULOs	Expenditure in 2014 against 2013 Reserve	(Savings) /Over Expenditure on 2013 ULOs
<b>I. Funds Related to the Secretariat and Institutions</b>			
The Secretariat	1,328	1,097	231
Office for Democratic Institutions and Human Rights (ODIHR)	603	526	77
High Commissioner on National Minorities	62	57	5
Representative on Freedom of Media	35	29	6
<b>Subtotal Secretariat and Institutions</b>	<b>2,028</b>	<b>1,709</b>	<b>319</b>
<b>II. Funds Related to the OSCE Field Operations</b>			
Augmentations	21	14	7
<b>South-Eastern Europe</b>			
Mission in Kosovo	1,131	852	279
Tasks in Bosnia and Herzegovina	465	450	15
Mission to Serbia	195	182	13
Presence in Albania	243	214	29
Mission to Skopje	148	118	30
Mission to Montenegro	18	16	2
<b>Eastern Europe</b>			
Mission to Moldova	133	123	10
Project Co-ordinator in Ukraine	36	28	8
Representative to the Latvian-Russian Joint Commission on Military Pensioners	0	0	0
<b>Caucasus</b>			
Office in Yerevan	44	41	3
Office in Baku	315	229	86
High Level Planning Group	2	0	2
The Minsk Process	11	4	7
Personal representative of the CiO	70	51	19
<b>Central Asia</b>			
Centre in Astana	174	148	26
Centre in Ashgabat	114	63	51
Centre in Bishkek	807	761	46
Project Co-ordinator in Uzbekistan	279	270	9
Office in Tajikistan	448	431	17
<b>Subtotal Field Operations</b>	<b>4,654</b>	<b>3,995</b>	<b>659</b>
<b>Total UB Funds</b>	<b>6,682</b>	<b>5,704</b>	<b>978</b>

In line with IPSAS requirements, ULOs related to purchases of goods (assets, consumables and supplies) not yet delivered have been derecognized because liabilities should be accrued based on the delivery principle.

The following table provides a reconciliation between the ULO amount as of 31 December 2014 on a budgetary (commitment) basis and the accrual portion thereof.

EUR '000	Amount
Total ULOs	8,353
IPSAS adjustment	(2,462)
<b>Accrual</b>	<b>5,891</b>

ULOs related to payroll amounting to EUR 731 thousand (EUR 683 thousand in 2013) represent valid accruals and were reported within Current Employee Benefits.

#### Note 14 – Deferred Revenue

EUR '000	2014	2013
Advance Payments by participating States	0	288
UB Revision for 2014 (2013)	2,954	3,057
Credit of Network Operating System Fund Remaining Balance	22	0
Credits against future Assessed Contributions	3,461	1,821
<b>Total Unified Budget Deferred Revenue</b>	<b>6,437</b>	<b>5,166</b>
Advance Payments by participating States	1,207	0
<b>Total Special Purpose Funds Deferred Revenue</b>	<b>1,207</b>	<b>0</b>
Extra-Budgetary Contributions Subject to Conditions	37,198	21,810
<b>Total Extra-Budgetary Deferred Revenue</b>	<b>37,198</b>	<b>21,810</b>
<b>Total Deferred Revenue</b>	<b>44,841</b>	<b>26,976</b>

The Unified Budget deferred revenue is applied against the next available bill to decrease participating States' Assessed Contributions for the following year.

In line with the requirements of IPSAS 23 - Revenue from Non-Exchange Transactions, voluntary contributions which are subject to conditions are classified as deferred revenue. As the conditions are satisfied, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognized.

#### Note 15 – Funds Held for Third Parties

Funds held for Third Party Funds amounted to EUR 2,370 thousand as at 31 December 2014 (EUR 3,209 thousand in 2013). This amount consists primarily of funds received from participating States for payment of salaries to seconded staff on their behalf.

#### Note 16 – Employee Benefits

Actuarial assumptions are required to be disclosed in the Financial Statements in accordance with IPSAS 25. The following key assumptions and methods have been used by the actuary to determine the value of non-current employee benefits to estimate the liability.

- Discount rate of 0.29% (1.05% in 2013) derived in reference to market yields of high quality corporate bonds - iBoxx Euro Corporates AA, with a duration of 1.62 years, which approximates the maturity terms of the related liabilities;



- Present value of future benefits based on salary projections;
- Increase in salary of 2.5% per year;
- No increase in shipment costs;
- No increase in travel costs;
- Estimated years of service based on OSCE's historical averages.

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payment required to settle the obligation resulting from employee service rendered in the current and prior periods.

Actuarial gains or losses arise when the actuarial assessment differs from the long term expectation on the obligations: they result from experience adjustments (differences between the previous actuarial assumptions and what has actually occurred) and the effects of change in actuarial assumptions. Actuarial gains or losses for non-current benefit obligation are recognized directly in Equity/Net Assets. Current service cost is the increase in the present value of the defined obligation resulting from employee service in the current period.

Interest cost is the increase during the period in the present value of the defined benefit obligation which arises because the benefits are one period closer to settlement.

Both interest cost and service cost are recognized in the Statement of Financial Performance.

The following table provides more details regarding how the different types of benefits have changed in 2014:

EUR'000	Defined Benefit Obligation 31/12/2013	Current Service Cost 1/1/2014- 31/12/2014	Interest Cost 1/1/2014- 31/12/2014	Actual payments 1/1/2014- 31/12/2014	Actuarial (Gains)/Losses 1/1/2014- 31/12/2014	Defined Benefit Obligation 31/12/2014
Home leave and rest and recuperation	270	435	0	(375)	0	330
Annual leave	4,131	592	0	(496)	0	4,227
Termination benefits	0	0	0	0	0	0
<i>Total Annual leave, home leave and rest and recuperation</i>	<i>4,401</i>	<i>1,027</i>	<i>0</i>	<i>(871)</i>	<i>0</i>	<i>4,557</i>
Repatriation grant	1,848	444	10	(587)	279	1,994
Repatriation shipment	655	196	4	(313)	121	663
Repatriation travel	237	101	1	(96)	(2)	241
<i>Total repatriation benefits</i>	<i>2,740</i>	<i>741</i>	<i>15</i>	<i>(996)</i>	<i>398</i>	<i>2,898</i>
<b>Total</b>	<b>7,141</b>	<b>1,768</b>	<b>15</b>	<b>(1,867)</b>	<b>398</b>	<b>7,455</b>

Liabilities for current employee benefits include payroll-related ULOs.

### 16.1 *Provident Fund*

The Provident Fund is a defined contribution plan. The employer contributions of 15% of staff salaries are fixed and are recognized as payroll expense. Employees contribute 7.5% of their salary and may make additional voluntary contributions of up to 15%. The assets are held by Generali Guernsey in the beneficial ownership of the employee. The Secretary General's responsibility is to establish arrangements to provide a Provident Fund facility to employees and to monitor these arrangements. The balance of funds held for the benefit of OSCE Staff by the Provident Fund as at 31 December 2014 was EUR 92,750 thousand.

The Provident Fund is administered by Generali Guernsey in accordance with the contract. The OSCE obtains the Financial Statements of Generali Guernsey on an annual basis. The latest available Financial Statements were in respect of the year ended 31 December 2013 and were audited by Ernst & Young LLP, Chartered Accountants, who gave an unqualified opinion on the Financial Statements.

The Provident Fund summary statement for the year ending 31 December 2014 is shown in the Appendix.

## Note 17 – Related Party Disclosures

### 17.1 *Governing Bodies*

Based in Vienna, the Permanent Council is the body for regular political consultation and decision-making on all issues pertinent to the OSCE and is responsible for the day-to-day business of the Organization.

The OSCE Permanent Council is formed by the delegates of the 57 participating States. The OSCE's 12 Partners for Co-operation may attend as observers. A delegation to the Permanent Council consists of a team of diplomats of the participating State headed by an ambassador.

OSCE decisions have to be taken by consensus and the Chairman seeks approval from all delegations. In the case of one or more delegations opposing a decision, the issue is renegotiated. If all delegates agree, the decision becomes politically binding for all participating States.

The Ministerial Council meets once a year towards the end of every term of chairmanship to consider issues relevant to the OSCE and make appropriate decisions. During periods between summits, decision-making and governing power lies with the Ministerial Council, whose members are the Foreign Ministers of the OSCE participating States.

Members of the delegations are appointed separately by the Governments of each participating State and are not considered key management personnel as defined by IPSAS. They do not receive remuneration from the Organization.

### 17.2 *Key Management Personnel*

The Secretary General, Heads of Institutions and Heads of Mission, including Personal Representatives who are Fund Managers, as well as Secretariat's main programme managers at the Director level represent the key management personnel (KMP) as they have authority for planning, directing and controlling the activities of OSCE.

The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as allowances, grants and subsidies, and employer provident pension fund and health insurance contributions. As defined in the Staff Regulations and Rules, Heads of Mission and Personal Representatives who are Fund Managers are seconded by or through a participating State and therefore do not receive a salary remuneration from OSCE, but are entitled to a Boarding and Lodging Allowance (BLA).

No close family members of KMP were employed by OSCE during the year.

Advances are those made against entitlements in accordance with Staff Regulations and Rules and are available to all OSCE staff. The table below details the number of key management personnel positions and the number of key management staff who held these positions over the course of the year.

EUR'000	Number of Individuals	Number of Posts	Remuneration and Post Adjustment	Entitlements	Provident Fund and Health Plan	Total Remuneration 2014	Outstanding Advances against entitlements
SG and Heads of Institutions	5	4	705	90	115	910	-
Secretariat's Directors	15	8	1,292	173	224	1,689	-
Heads of Mission and Personal Representative	21	17	-	832	2	834	-
<b>Key Management Personnel</b>	<b>41</b>	<b>29</b>	<b>1,997</b>	<b>1,095</b>	<b>341</b>	<b>3,433</b>	<b>-</b>

#### Note 18 – Cash Surplus or Deficit

The cash surplus for the year 2011 was utilized to fund the Special Monitoring Mission to Ukraine pursuant to PC.DEC/1117 (EUR 1,818 thousand), after deduction of EUR 1,310 thousand for the upgrade of the Enterprise Resource Planning (ERP) system, pursuant to PC.DEC/1033 dated 22 March 2012. The latter Decision required that the newly established ERP Upgrade Fund be financed with EUR 3,930 thousand in three equal instalments of EUR 1,310 thousand from each of the 2009, 2010 and 2011 cash surpluses.

EUR '000	Institutions	Field Operations	Total
Cash Surplus 2011	1,730	1,398	3,128
Less: Transfer to ERP Upgrade Fund (PC.DEC/1033)	(724)	(586)	(1,310)
Less: Transfer to Special Monitoring Mission to Ukraine (PC.DEC/1117)	(1,006)	(813)	(1,818)
<b>Remaining Cash Surplus 2011</b>	<b>0</b>	<b>0</b>	<b>0</b>

In 2012 a large increase in outstanding assessed contributions (EUR 11,857 thousand compared to EUR 8,929 thousand in 2011) resulted in a cash deficit for the year. The total amount to be recovered from participating States is EUR 1,904 thousand, and it was offset against the 2013 Year-End UB Revision. The remaining balance was included in deferred revenue as at 31 December 2014 and credited to the participating States with the first bill of 2015.

EUR '000	Institutions	Field Operations	Total
Cash Deficit 2012	(539)	(1,365)	(1,904)
Add: 2013 Year-End UB Revision	1,222	1,835	3,057
<b>Remaining amount</b>	<b>683</b>	<b>470</b>	<b>1,153</b>

### 18.1 Cash Surplus Current

The cash surplus for 2013 is classified as a current liability, to be credited to participating States in 2015. The original amount of EUR 6,976 thousand was partially utilized for the funding of the Special Monitoring Mission to Ukraine and the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border, as detailed in the following table.

EUR '000	Institutions	Field Operations	Total
<i>Cash Surplus 2013</i>	2,697	4,279	6,976
Less: Transfers to Special Monitoring Mission to Ukraine			
PC.DEC/1117	(458)	(726)	(1,184)
PC.DEC/1129	(1,798)	(2,852)	(4,650)
<i>Transfers to Special Monitoring Mission to Ukraine</i>	<i>(2,256)</i>	<i>(3,578)</i>	<i>(5,834)</i>
Less: Transfers to Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border			
PC.DEC/1130	(131)	(207)	(338)
PC.DEC/1133	(41)	(65)	(106)
PC.DEC/1135	(57)	(91)	(148)
PC.DEC/1155	(148)	(234)	(382)
<i>Transfers to Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border</i>	<i>(377)</i>	<i>(598)</i>	<i>(974)</i>
<b>Remaining amount</b>	<b>65</b>	<b>103</b>	<b>167</b>

### 18.2 Cash Surplus Non-Current

The cash surplus for the current year is due to be settled two years in arrears, therefore it is classified as a non-current liability. The total cash surplus for 2014 is EUR 2,678 thousand, and is calculated as shown in the table below.

EUR '000	Institutions	Field Operations	Total
Budgetary Surplus/(Deficit)	1,234	1,301	2,536
Add: Assessed Contributions Receivable at Beginning of Period	3,379	2,405	5,784
Less: Assessed Contributions Receivable at End of Period	(3,402)	(2,240)	(5,642)
<b>Cash Surplus for 2014</b>	<b>1,212</b>	<b>1,466</b>	<b>2,678</b>

The Budgetary Surplus/(Deficit) for the Period does not include IPSAS adjustments (see Note 22.1 for a reconciliation of the Budgetary Surplus/(Deficit) to the Surplus/(Deficit) for the Period as shown in the Statement of Financial Performance).

The cash surplus for the Special Purpose Funds does not lead to an immediate credit to participating States due to the revolving nature of these funds which do not follow the calendar year. As at 31 December 2014 the cash surplus of the Special Monitoring Mission to Ukraine amounted to EUR 3,867 thousand and the cash surplus of Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border amounted to EUR 542 thousand.

The breakdown of the cash surplus for the year 2014 by Fund is shown in the following table.

EUR '000	Cash Surplus/ (Deficit) 2014	Cash Surplus/ (Deficit) 2013
The Secretariat	1,100	1,778
Office for Democratic Institutions and Human Rights	85	723
High Commissioner on National Minorities	20	138
Representative on Freedom of the Media	6	58
<b>Total Institutions</b>	<b>1,212</b>	<b>2,697</b>
<b>Total Augmentations</b>	<b>15</b>	<b>237</b>
Mission in Kosovo	436	1,022
Tasks in Bosnia and Herzegovina	64	651
Mission to Serbia	35	327
Presence in Albania	89	156
Mission to Skopje	38	309
Mission to Montenegro	30	104
<b>Total South-Eastern Europe</b>	<b>692</b>	<b>2,568</b>
Mission to Moldova	34	101
Project Co-ordinator in Ukraine	(8)	108
Representative to the Latvian-Russian JC on Military Pensioners	0	0
<b>Total Eastern Europe</b>	<b>26</b>	<b>210</b>
Office in Yerevan	47	106
Project Co-ordinator in Baku	102	138
High-Level Planning Group	2	7
The Minsk Process	11	16
Personal Representative of the CiO on the Conflict Dealt with by the Minsk Conference	59	62
<b>Total for Caucasus</b>	<b>221</b>	<b>330</b>
Centre in Astana	66	117
Centre in Ashgabat	107	87
Centre in Bishkek	161	337
Project Co-ordinator in Uzbekistan	23	90
Office in Tajikistan	141	266
<b>Total Central Asia</b>	<b>498</b>	<b>898</b>
SAMs Common Costs	2	(1)
Missions of Long Durations to Kosovo, Sandjak and Vojvodina	0	0
Representative to the Joint Commission on the Skrunda Radar Station	0	0
Mission to Estonia	1	0
Mission in Latvia	1	0
Administrative Closure of the Assistance Group to Chechnya	1	1
Representative to the Estonian Commission on Military Pensioners	0	0
Mission to Croatia	2	3
Mission to Georgia	3	4
End of Mandate Procedure Mission to Georgia	1	0
Office in Minsk	1	1
Office in Zagreb	1	28
<b>Total Closed Funds</b>	<b>14</b>	<b>37</b>
<b>Total Field Operations</b>	<b>1,466</b>	<b>4,279</b>
<b>Grand Total</b>	<b>2,678</b>	<b>6,976</b>

### 18.3 Cash Surplus Withheld

The cash surplus for those participating States that have not settled their assessed contributions in full is withheld by the OSCE until the outstanding payments are received. During 2014 EUR 15 thousand were released and credited to deferred revenue.

Cash surplus withheld does not meet the definition of liability and is therefore included in reserves. The table below is a summary of the cash surplus withheld by participating State and by year. The longest outstanding cash surplus withheld is from 1999.

EUR '000	2010 and Prior Years	2011	2012	Total
Kyrgyzstan	51	0	0	51
Tajikistan	0.1	0	0	0.1
Uzbekistan	203	0	0	203
<b>Total Cash Surplus Withheld</b>	<b>254</b>	<b>0</b>	<b>0</b>	<b>254</b>

### Note 19 - Provisions

EUR'000	2014	2013
Provision for Legal Claims	0	275
Provision for Pending Refunds to Donors	2,679	5,824
<b>Total</b>	<b>2,679</b>	<b>6,099</b>

The provision for a potential private claim related to the use of premises in Kosovo was used during 2014. A provision for pending refunds to Extra-Budgetary donors for closed projects amounts to EUR 2,679 thousand.

### Note 20 - Other Current and Non-Current Liabilities

Other non-current liabilities consist primarily of advance refunds from governments.

### Note 21 - Other Reserves

Other Reserves was previously called IPSAS Reserves. The part that related to IPSAS Initial Adoption Reserves has been reclassified to Accumulated Gains/(Losses). The remaining amount consists of actuarial losses related to employee benefits, amounting to EUR 801 thousand (EUR 402 thousand in 2013).

The composition of Other Reserves, previously called IPSAS Reserves, is as follows:

EUR '000	Amount
<b>Balance as of 31/12/2013</b>	<b>(35,177)</b>
Initial recognition of leasehold improvements	(3,029)
Reclassification to Accumulated Gains/(Losses)	37,803
<b>Restated balance as of 31/12/2013</b>	<b>(402)</b>
Actuarial losses in 2014	(399)
<b>Balance as of 31/12/2014</b>	<b>(801)</b>

## Note 22 – Accumulated Surpluses/(Deficits)

The table below summarizes the restatements which were made in the audited Statement of Financial Position as of 31 December 2013 in order to provide comparatives in line with the first time capitalization of leasehold improvements and the reclassification of IPSAS Initial Adoption Reserves into Accumulated Surplus/(Deficit). Details of the changes can be seen in Statement IV – Statement of Changes in Net Assets.

EUR '000	2013 Audited	2013 Restated	Restatements
<b>ASSETS</b>			
Plant, Property & Equipment	4,370	7,399	3,029
<b>Total Restatements Assets</b>			<b>3,029</b>
<b>NET ASSETS</b>			
IPSAS Reserves	(35,177)	0	(35,177)
Other Reserves	0	(396)	(396)
Accumulated Surplus/(Deficit)	52,535	57,744	38,602
<b>Total Restatements Net Assets</b>			<b>3,029</b>

The Statement of Financial Performance was also restated to include comparatives for depreciation of leasehold improvements

EUR '000	2013 Audited	2013 Restated	Restatements
Depreciation and Amortisation	2,378	2,600	223
<b>Total Restatements Expenses</b>			<b>222</b>
Revenue from Exchange Transactions	(88)	(74)	14
Other Revenue	145	131	(14)
<b>Total Restatements Revenue</b>			<b>0</b>
<b>Total Restatements Surplus/(Deficit)</b>			<b>(223)</b>

Further changes that affected Accumulated Surplus/Deficit during 2014 are the allocation of the Cash Surplus for 2014 (see note 18.2), and the refund of unspent Extra-Budgetary contributions to donors, as shown in the following table:

EUR' 000	2014	2013
Funds to Support OSCE Action for Peace, Democracy and Stability in BiH	133	0
Fund to Foster the Integration of Recently Admitted Participating States	0	28
Fund for Activities Relating to Economic and Environmental Aspects of Security	66	10
Fund for Activities Related to the Reduction of Military Forces and Equipment from Georgia	0	5
Partnership Fund	7	9
Fund for Economic Rehabilitation in the Zone of Georgian - Ossetian Conflict	0	185
Fund for Activities Related to the Removal and Destruction of Russian Ammunition and Armaments from Moldova	0	260
Other Activities and Special Projects	1,776	873
<b>Total refunds on a cash basis</b>	<b>1,982</b>	<b>1,370</b>
Provision for pending refunds to donors	(1,850)	(1,239)
<b>Refund of Unspent Extra-Budgetary Contributions</b>	<b>133</b>	<b>131</b>

## 22.1 Reconciliation of Surplus/ (Deficit) for the Period

The IPSAS adjustments affect the surplus/ (deficit) for the year as described in the following table. The calculation of cash surplus or deficit derives from the excess/shortfall of income over expenditure on a budgetary basis and is not affected by the IPSAS adjustments.

EUR '000	UB Funds	Special Purpose Funds	Extra-Budgetary Funds	Total OSCE
<b>Excess of Income over Expenditure (budgetary basis)</b>	2,536	2,632	18,127	23,295
IPSAS related adjustments:				
<b>Revenue</b>				
- Accrued interest	(2)	0	0	(2)
- Revenue from conditional funding agreements	0	0	14,089	14,089
- Revenue from exchange transactions	(183)	0	(43)	(226)
- Other Revenue	(731)	1,867	(28,173)	(27,037)
<b>Subtotal Revenue</b>	<b>(916)</b>	<b>1,867</b>	<b>(14,127)</b>	<b>(13,176)</b>
<b>Expenses</b>				
- Allowance for doubtful debts	(183)	0	0	(183)
- UL0s and other adjustments	199	3	911	1,111
- Employee benefits	92	(182)	(130)	(219)
- Adjustments to expenses related to Inventory	106	0	4	110
- Adjustments to expenses related to PP&E	(86)	2,381	4,880	7,176
- Adjustments to expenses related to Intangibles	1,007	1,318	261	2,586
<b>Subtotal Expenses</b>	<b>1,135</b>	<b>3,520</b>	<b>5,926</b>	<b>10,581</b>
<b>Total IPSAS Adjustments</b>	<b>219</b>	<b>5,387</b>	<b>(8,201)</b>	<b>(2,595)</b>
<b>Surplus/(Deficit) for the period</b>	<b>2,755</b>	<b>8,019</b>	<b>9,926</b>	<b>20,700</b>

## Note 23 – Assessed Contributions

Accrued revenue from assessed contributions amounted to EUR 145,108 thousand (EUR 141,767 thousand in 2013). This amount includes the original 2014 Unified Budget (PC.DEC/1123 dated 22 May 2014), as modified by the 2014 Year-End Unified Budget Revision (PC.DEC/1159 dated 26 February 2015), as well as assessed contributions for the Special Monitoring Mission to Ukraine amounting to EUR 5,758 thousand.

## Note 24 – Extra-Budgetary Contributions

Revenue from extra-budgetary contributions is recorded according to the requirements of IPSAS 23 - Revenue from Non-Exchange Transactions.

For voluntary contributions that have conditions on their use, such as the funds must be returned to the donor if these conditions are not met, these are initially recognized as deferred revenue in the Statement of Financial Position and subsequently recognized as revenue in the Statement of Financial Performance when the conditions are satisfied

Extra-Budgetary Funds established by the Permanent Council are as follows:

- The Fund to foster the integration of recently admitted participating States (PC.DEC/23 dated 2 March 1995);



- The Fund to support OSCE Action for Peace, Democracy and Stability in Bosnia and Herzegovina (PC.DEC/101 dated 11 January 1996);
- The Fund for Activities Related to Economic Aspects of Security (PC.DEC/150 dated 19 December 1996);
- The Fund relating to the Stability Pact for South Eastern Europe (PC.DEC/306 dated 1 July 1999);
- The Fund for Activities Related to the Removal and Destruction of Russian Ammunition and Armaments from Moldova (PC.DEC/329 dated 9 December 1999);
- The Fund for Activities related to the reduction of Military Forces and equipment from Georgia (293rd Reinforced Meeting of the Permanent Council on Georgia dated 17 July 2000);
- The Bishkek International Conference on Enhancing Security and Stability in Central Asia: Strengthening Comprehensive Efforts to Counter Terrorism (PC.DEC/440 dated 11 October 2001).
- The Partnership Fund (PC.DEC/812 dated 30 November 2007).
- The Fund for Activities Related to Special Monitoring Mission to Ukraine (PC.DEC/1117 from 21 March 2014)

Extra-budgetary contributions that do not fall under Funds established by the Permanent Council are classified, under “Other Activities and Special Projects”.

In 2014, reclassification of project funds resulted in net inflow of EUR 856 thousand from Third Party Funds to Extra-Budgetary Funds (EUR 100 thousand in 2013).

#### Note 25 – Finance Revenue

Finance revenue includes interest from bank balances and short-term cash deposits.

EUR '000	2014	2013
Interest received from banks	252	209
Accrual adjustments	(1)	(3)
<b>Total</b>	<b>251</b>	<b>206</b>

#### Note 26 – Revenue from Exchange Transactions

Revenue from Exchange Transactions refers to gains and losses related to the sale of assets and minor equipment.

#### Note 27 – Foreign Exchange Gains/(Losses)

The revenue pertains to both realized and unrealized gains and losses on foreign exchange balances and transactions.

#### Note 28 – Other Revenue

Other revenue includes inter alia revenue from insurance claims and discounts taken.

### Note 29 – Staff Costs

Salaries comprise amounts paid to international and local contracted staff, local professional staff, and temporary assistance.

Other staff costs include hazard pay, personal income tax, interview and appointment travel and overtime costs, training as well as other employee benefits, such as education grant, child and spouse allowance, assignment grant and rental subsidy as well as service costs for employee benefits (see Note 16). Insurance costs refer to health, life and accident insurance.

Board and Lodging Allowance (BLA) consists of a daily allowance payable by the OSCE which is intended to cover at least partially the living expenses incurred by international mission members assigned or appointed to a Mission. BLA is paid to internationally contracted and seconded staff. The BLA rates are established for each Mission by the Secretary General in December each year and remain valid for the following year.

EUR '000	2014	2013
Salaries	57,370	57,500
BLA for seconded staff	23,542	16,105
Provident fund	8,315	8,263
Other staff costs	2,024	1,266
BLA for international Staff	2,297	2,048
Insurance	2,238	1,966
Other employee benefits	4,629	4,464
<b>Total</b>	<b>100,415</b>	<b>91,612</b>

### Note 30 – Consultancy and Subcontracting

Other contractual services includes inter alia, subcontracting services related to the implementation of extra-budgetary projects, costs related to services to support Election Observation Missions as well as special service agreements (SSAs), including related travel. Implementing partner costs include both capacity building and non-capacity building.

EUR '000	2014	2013
Other contractual services	16,161	13,283
Implementing Partner costs	7,308	11,545
<b>Total</b>	<b>23,469</b>	<b>24,828</b>

### Note 31 – Travel

Other duty travel represents regular duty travel of staff on various missions including travel ticket costs, daily subsistence allowance (DSA), local transportation and terminal allowances. Travel of non OSCE officials is related to conferences and seminars and recruitment travel.

EUR '000	2014	2013
Travel of non-OSCE officials	9,284	8,315
Other duty travel	9,673	7,403
Travel for training	650	773
<b>Total</b>	<b>19,607</b>	<b>16,491</b>

### Note 32 – Services and Office Costs

Communication services include, among others, internet access fees, rental of communication equipment and leased lines. IT services refer to maintenance and support fees, as well as rental and installation of IT equipment

EUR '000	2014	2013
Rental and maintenance of buildings	8,529	7,803
Conferences, seminars, workshops	4,631	4,503
Communication services	1,847	1,966
Interpreters, translators and typing services	1,883	1,905
IT services	2,119	1,579
Printing and copying services	1,238	977
Other office costs	484	851
Freight and transportation	421	565
Insurance other than staff	416	576
Bank charges	386	303
<b>Total</b>	<b>21,954</b>	<b>21,028</b>

### Note 33 – Consumables and Supplies

Consumables and supplies include items that are either used or consumed in the rendering of services (such as office and communication and IT supplies, fuel for generators and vehicles and spare parts) or are held prior to distribution, such as publications and other printed materials.

EUR '000	2014	2013
Fuel and lubricants	1,055	1,045
Other supplies	1,940	1,463
Communication and IT supplies	712	385
Publications, newspapers and printed materials	459	488
Spare parts	365	173
Building/Household Supplies	327	0
<b>Total</b>	<b>4,860</b>	<b>3,554</b>

### Note 34 – Depreciation and Amortization

EUR '000	2014	2013 Restated
Amortization	419	24
Depreciation	2,679	2,577
<b>Total</b>	<b>3,098</b>	<b>2,601</b>

### Note 35 – Equipment purchases

Equipment purchases include costs related to the acquisition of equipment which would otherwise meet the definition of PP&E, but is below the capitalization threshold of EUR 1 thousand.

### Note 36 – Other Operating Expenses

Other expenses comprise mainly costs related to common project costs. The increase in 2014 is mainly attributable to services providing a turnkey solution for unarmed aerial vehicle services to Special Monitoring Mission to Ukraine amounting to EUR 3,820 thousand.

EUR '000	2014	2013
Other Expenses	5,265	1,474
Representation	578	570
Change in Allowance for Assessed Contributions	177	166
Write-Offs for Uncollectable Receivables	3	9
Changes in Allowance for Doubtful Receivables	6	0
Cash and Other Losses	0	1
Impairment Losses	328	1
<b>Total</b>	<b>6,359</b>	<b>2,221</b>

The write-off for uncollectable receivables of EUR 3 thousand refers to the Centre in Bishkek.

#### 36.1 Ex-Gratia Payments

During 2014 ex-gratia payments totalling EUR 3 thousand (referring to the Office for Democratic Institutions and Human Rights) were approved by the Secretary General.

### Note 37 – Reconciliation of Actual Amounts on a Comparable Basis and Cash Flows Statement

The Financial Statements and the Budget are not prepared on a comparable basis, therefore, as required under IPSAS 24 – Presentation of Budget Information in Financial Statements, the actual amounts presented on a comparable basis to the Budget need to be reconciled to the net cash from operating investing and financing activities.

EUR'000	Operating activities	Investing activities	Financing activities	Total
Actual Surplus as per the Statement of Comparison of Budget and Actual Amounts	1,138	0	0	1,138
Basis Differences:				
Unliquidated Obligations	6,371	0	0	6,371
Unreceived Contributions	(534)	0	0	(534)
<b>Net Surplus/(Deficit) on Cash Basis</b>	<b>6,975</b>	<b>0</b>	<b>0</b>	<b>6,975</b>
Timing Differences	0	0	0	0
Presentation Differences	482	10,657	2,693	13,832
Entity Differences	29,828	(34,260)	(5,541)	(9,973)
<b>Amount in the Cash Flow Statement</b>	<b>37,285</b>	<b>(23,603)</b>	<b>(2,848)</b>	<b>10,834</b>

The reconciliation also requires that any timing, basis and entity differences be separately identified:

- Entity differences: the Statement of Comparison of Budget and Actual Amounts refer solely to the Unified Budget, whereas the Cash Flow Statement includes also Extra-Budgetary Funds, the ERP Upgrade Fund and the Network Operating Fund.

- Basis differences: in order to reconcile the Budget results to the Cash Flow Statement, the non-cash elements such as unliquidated obligations and outstanding assessed contributions need to be considered as basis differences;
- Timing differences: occur in such cases when the budget cycle differs from the financial reporting cycle. For the OSCE there are no timing differences, since both cycles coincide;
- Presentation differences refer to differences in the content and classification schemes in the Statement of Cash Flow and the Statement of Comparison of Budget and Actual Amounts; for example, revenue that is not included in the Statement of Comparison of Budget and Actual Amounts is shown as a presentation difference;

For further details on budget and expenditure figures, see Chapter I - Financial Report.

### Note 38 – Contingent Assets and Contingent Liabilities

Contingent assets consist of Extra-Budgetary pledges received in 2014, which have not yet been paid as at 31 December 2014, and amount to EUR 7,555 thousand.

Contingent liabilities consist of multiple claims received from different entities requesting payment of back rent for four premises, namely the BBC logistics compound, the OMiK former HQ building, the former Regional Centre in Mitrovica and the former Rilindja Parking Lot. Of these, only the first is currently occupied by the Mission in Kosovo.

A settlement for the premises in Peja/Pec was reached in December 2013 and the payment effected in February 2014. This claim should be seen as quite distinct from the other claims: title was clear and the claimant was eventually able to substantiate his claim with evidence of ownership. Therefore a provision had been created for this claim.

No other claimant has yet submitted convincing proof of legal ownership of any of the other four premises. Consequently, there remain numerous uncertainties regarding the legality of these claims that prevent the OSCE to estimate an amount, if any, of a contingent liability.

### Note 39 – Leases and Contractual Obligations

Lease agreements in the Secretariat, Institutions and Field Offices refer to lease of premises and office equipment. These agreements are classified as operating leases and the related payments are charged as expense over the period of the lease. The total lease expense for the year 2014 amounted to EUR 5,854 thousand (EUR 5,792 thousand in 2013).

Future minimum lease payments include payments for such rented premises (EUR 2,037 thousand) and equipment (EUR 9 thousand) that would be required until the earliest possible termination date under the respective agreements. There are no agreements that contain purchase options.

The total amount of future minimum lease payments under non-cancellable operating leases is as follows:

EUR '000	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
Minimum Lease Payments	1,058	988	0	2,046

In the majority of cases operating lease arrangements for field office premises can be generally cancelled by providing notice up to 90 days. Also the majority of the operating lease agreements contain renewal clauses which enable the Organization to extend the terms of the leases at the end of the original lease terms.

#### Note 40 – Events after the Reporting Date

OSCE's reporting date is 31 December 2014. The financial statements were authorized for issuance by the Secretary General on 31 March 2015, the date at which they were submitted to the External Auditors.

According to the requirements set forth by IPSAS 14 - Events After the Reporting Date, below are the significant events which occurred between the reporting date and the issuance date:

##### *40.1 Adjusting Events*

The 2014 Unified Budget was decreased by EUR 2,954 thousand as a result of the OSCE 2014 Year-End Unified Budget Revision (PC.DEC/1159/15 dated 26 February 2015).

##### *40.2 Non-adjusting Events*

According to PC.DEC/1162 dated 12 March 2015, the mandate of the Special Monitoring Mission to Ukraine was extended until 31 March 2016. This extension is funded by assessed contributions by an amount of EUR 65,000 thousand, with the remaining balance being financed through voluntary contributions.

In addition, according to PC.DEC/1160 dated 12 March 2015, the mandate of the deployment of the Observer Mission to Two Russian Checkpoints on the Russian-Ukrainian Border was extended until 30 June 2015. This extension is funded from the 2014 Year-End Revision by an amount of EUR 257 thousand.

## Chapter V – Statement on Internal Control







## Organization for Security and Co-operation in Europe

### Statement on Internal Control for 2014

May 2015

#### Scope of responsibility

As Secretary General of the OSCE, I am responsible to the Permanent Council for the efficient use of the Organization's resources, in accordance with the responsibility assigned to me, including under Ministerial Council Decision No. 15/04. To this end, I have established mechanisms of internal oversight and financial control in accordance with "Financial Regulation 6.01: Principles".

#### Purpose of the system of internal control

Internal control is designed to reduce and manage the risk of failure to achieve an organization's aims, objectives and related policies. Therefore, it can only provide a reasonable assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.

Internal control is a process of systematic measures effected by the Permanent Council, the Secretary-General, the Fund Managers, senior management and other OSCE officials, and designed to provide reasonable assurance on the achievement of the following internal control objectives:

- Effectiveness and efficiency of operations,
- Safeguarding of assets,
- Reliability, accurateness and completeness of the recording of transactions and the related financial reporting process, and
- Compliance with the OSCE's Common Regulatory Management System.

My current statement on OSCE's internal control process, as described above, applies for the year ended 31 December 2014, and up to the date of approval of the OSCE's financial statements.

#### Risk management and control framework

The OSCE has established a risk management framework, which includes the:

- Identification of risks classified according to relevance, impact and probability of occurrence,
- Publication of policy guidance on risk management for administrative, security and project related risks, setting out the scope, basic concepts and mechanisms underlying risk management and enabling OSCE staff to identify, evaluate and manage risk as applicable to their executive structures,
- Continued training and awareness-raising in risk management,
- Periodic and ad hoc reviews of risk management and the operation of the risk management framework.

Risk management shall be further strengthened by expanding the scope to other risk categories and strengthening the oversight and accountability framework.

In addition, a comprehensive 'Integrated Internal Control Framework' that includes, along with the Risk Management process, the support of executive management, the OSCE ethical framework, the Common Regulatory Management System, and established automated and manual control and monitoring activities has been designed to ensure that the OSCE's objectives are achieved efficiently, underpinned by appropriate ethical values. The Framework comprises, but is not limited to, the OSCE Code of Conduct, Financial and Staff Regulations, other Ministerial/Permanent Council decisions related to management of the OSCE's activities, current Staff Rules and financial, staff, administrative and security instructions, which provide the mechanisms for managing the financial, human and material resources of the OSCE's activities. The Framework also includes the coordinated review in the Secretariat of all Extra-Budgetary Projects planned to ensure compliance with the Common Regulatory Management System and with respective mandates; and the review of all executive structures' Unified Budget programmes and application of Performance Based Programme Budgeting. Furthermore, an escalation procedure is in place in the form of Exception Requests, bringing deviations from the Common Regulatory Management System to my attention for approval.

Furthermore, my senior management team and I are committed to a continuous improvement programme to strengthen the system of internal control across the OSCE.

### **Review of effectiveness**

My review of the effectiveness of the system of internal controls is mainly informed by:

- Fund Managers of the executive structures, as well as senior managers who play important roles and are accountable for expected results, performance, controlling their executive structure's activities and the resources entrusted to them.
- For the year ended 31 December 2014, Letters of Representation received from the Fund Managers of the executive structures in connection with the issuance and audit of the Annual Financial Statements.
- The Department of Management and Finance, which coordinates and monitors control activities and the Risk Management process.
- The Office of Internal Oversight, on whose reports of internal audits, evaluations and advisory services I rely. These include independent and objective information on the adequacy and effectiveness of the OSCE's system of internal controls and on programme effectiveness, together with recommendations for improvement.
- The Audit Committee.
- The External Auditors.
- The participating States' observations.

### **Significant matter(s) to report in 2014**

- In response to the crisis in and around Ukraine and subsequent Permanent Council decision PC.DEC/1117 of 21 March 2014, I have taken all measures to respond to the crisis as tasked by the participating States. The Special Monitoring Mission to Ukraine exposes the OSCE staff to physical safety and security risk in performing their duties. In this regard I have undertaken special measures and I am continuously monitoring and mitigating this risk.

- The growing number of contentious personnel cases throughout 2014 and the potential contingent liabilities arising from such cases has focused attention on the need to review, in light of international administrative law best practices and possibly update the OSCE internal justice system to minimize the risk of errors and consequent awards of monetary compensation to the complainants. I have encouraged the liaison process between the appropriate units of the Secretariat and the Chairmanship-in-Office, with the intention of finding the appropriate way forward in revising the related regulatory framework and procedures.

I am committed to taking all necessary measures to safeguard the OSCE's capacity to deliver on its mandate, which will necessitate medium and longer-term measures aimed at increasing effectiveness and efficiency further while maintaining an effective internal control system.

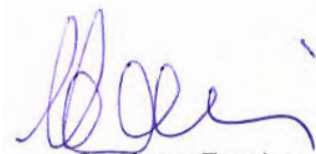
Significant matters identified in previous years are reported and monitored as described in my Financial Report for the year 2014.

### **Conclusion**

Effective internal control, no matter how well designed, has inherent limitations – including the possibility of circumvention – and, therefore, can provide only reasonable assurance. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time.

I am committed to addressing any weaknesses in internal controls noted during the year and brought to my attention and to taking necessary measures remedying the situation.

Based on the above, I conclude that, to the best of my knowledge and information, there are no material weaknesses which would prevent the External Auditor from providing an unqualified opinion on the OSCE's financial statements, nor are there other significant matters arising which would need to be raised in the present document for the year ended 31 December 2014.



Lamberto Zannier  
OSCE Secretary General



## Appendix



**OSCE Provident Fund Summary Statement**  
for the year ending 31 December 2014  
unaudited - for information purposes only

	Deposit Administration Funds				International Equity Funds				European Equity Fund		TOTAL EUR '000
	Units '000	EUR '000	Units '000	USD '000	Units '000	EUR '000	Units '000	USD '000	Units '000	EUR '000	
Opening Balance 1 Jan 2014	63,108	79,794	5,197	6,555	18	665	23	1,143	89	1,141	
Contributions/Premium Allocation	10,881	13,814	1,080	1,368	1	44	4	186	19	251	
Unit Adjustments	0	0	0	0	0	0	0	0	0	0	
Surrenders	(7,189)	(9,114)	(357)	(452)	(3)	(107)	(1)	(73)	(18)	(243)	
Withdrawals	(1,272)	(1,614)	(179)	(227)	(1)	(26)	(1)	(27)	(3)	(36)	
Switch Out	(0.20)	(0.26)	(0)	(0)	0	0	0	0	(3.92)	(51.96)	
Switch In	41	52	0	0	0	0	0	0		0	
Transfer Out	(296)	(375)	(475)	(600)	0	0	(1)	(28)			
Transfer In	0	0	0	0							
Fees (Administration Fee and Establishment Charge)	0	0	0	0	0	0	0	0			
<b>Total movements during year</b>	<b>2,164</b>	<b>2,763</b>	<b>69</b>	<b>88</b>	<b>(2)</b>	<b>(90)</b>	<b>01</b>	<b>58</b>	<b>(6)</b>	<b>(81)</b>	
Guaranteed Interest on Opening Balance		600		49							
Guaranteed Interest on units accumulated during year		(5)		(1)							
Deposit Administration Bonus Units (additional interest)	1,024	1,305	82	104							
<b>Closing Balance 31 December 2014</b>	<b>66,297</b>		<b>5,348</b>		<b>16</b>		<b>24</b>		<b>83</b>		
<b>Market Value as at 31 December 2014</b>		<b>84,455</b>		<b>6,796</b>		<b>681</b>		<b>1,244</b>		<b>1,141</b>	
<b>Exchange Rate</b>				<b>1.2392</b>				<b>1.2392</b>			
<b>Closing Balance 31 December 2014 in EUR '000</b>		<b>84,455</b>		<b>5,484</b>		<b>665</b>		<b>1,004</b>		<b>1,141</b>	<b>92,750</b>

