
***Geneva Centre for the Democratic
Control of Armed Forces (DCAF)
Geneva***

***Report of the statutory auditor
to the Foundation Council
on the financial statements 2016***





Report of the auditor to the Foundation Council of Geneva Centre for the Democratic Control of Armed Forces (DCAF)

Geneva

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Geneva Center for the Democratic Control of Armed Forces (DCAF), which comprise the balance sheet, profit and loss statement, cash flow statement, statement of changes in capital and notes, for the year ended 31 December 2016. As permitted by Swiss GAAP FER the information in the performance report is not required to be subject to the statutory auditors' examination.

Foundation Council's responsibility

The Foundation Council is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Swiss GAAP FER, Swiss law and the foundation's deed and internal regulations. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The Foundation Council is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the year ended 31 December 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law, the foundation's deed and internal regulations.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 83b paragraph 3 CC in connection with article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 83b paragraph 3 CC in connection with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Foundation Council.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Marc Secretan
Audit expert
Auditor in charge

Alexandre Meugnot

Geneva, 26 April 2017

Enclosure:

- Financial statements (balance sheet, profit and loss statement, cash flow statement, statement of changes in capital and notes)

GENEVA CENTRE FOR THE DEMOCRATIC CONTROL OF ARMED FORCES

Balance sheet as at 31 December 2016

		2016 CHF	2015 CHF
ASSETS			
Cash and cash equivalents	3.1	5'798'432	7'841'524
Accounts receivable	3.2	975'564	528'947
Other receivables	3.3	200'747	422'519
Prepaid expenses and accrued income	3.4	33'955	5'120
<i>Current assets</i>		<i>7'008'698</i>	<i>8'798'110</i>
Total assets		<i>7'008'698</i>	<i>8'798'110</i>
LIABILITIES AND EQUITY			
Accounts Payable	3.5	479'459	489'422
Other Short Term Liabilities	3.6	138'211	178'633
Accrued Liabilities	3.7	566'910	425'456
Deferred Income		4'468'396	5'586'618
<i>Current Liabilities</i>		<i>5'652'976</i>	<i>6'680'129</i>
Initial Funds		50'000	50'000
Restricted Funds	3.8	517'578	717'128
Free Funds		788'144	1'350'853
<i>Organisation Capital</i>		<i>1'355'722</i>	<i>2'117'981</i>
<i>Total liabilities and equity</i>		<i>7'008'698</i>	<i>8'798'110</i>

GENEVA CENTRE FOR THE DEMOCRATIC CONTROL OF ARMED FORCES

Profit and loss statement for the year ended 31.12.2016

		2016 CHF	2015 CHF
Contributions			
Public Contributions		22'491'099	23'712'981
Total Public Contributions		22'491'099	23'712'981
Other Income		1'533'977	1'118'054 1)
Total other Income		1'533'977	1'118'054
Operating Income	4.1	24'025'076	24'831'035
Expenses			
Project Expenses Divisions			
Core expenses (Division core + Brussels & Ljubljana)		2'759'415	3'157'055
Project expenses (All project expenses)	4.2	10'898'267	10'655'924
Total Project Expenses Divisions		13'657'682	13'812'979
Administration Expenses			
Salaries and Social Charges	4.3	8'631'204	7'975'912
Facilities	4.4	1'872'393	2'030'556
Administration+Maintenance & acquisitions	4.5	443'443	696'575
Governance / Director's Office	4.6	129'480	189'127
Total Administration Expenses		11'076'520	10'892'170
Operating Expense		24'734'202	24'705'149
Operating Result		-709'126	125'886
Financial Income		2	17'719
Financial Charges		-53'135	-
Result before Change of Free Capital		-762'259	143'605
Allocations / appropriations			
Restricted funds		199'550	-30'415
Free funds		562'709	-113'190
		-	-

1) Due to the reclassification of the financial income this figure changed

Cash flow statement as at 31 December 2016

	2016	2015
	CHF	CHF
Annual Result (before allocation to organisation capital)	-762'259	143'605
(Decrease) / Increase in deferred income	-1'118'222	-1'009'914
(Decrease) / Increase in accrued liabilities	141'454	63'009
(Decrease) / Increase in other short term liabilities	-40'422	43'785
(Decrease) / Increase in account payables	-9'963	-543'524
Decrease / (Increase) in account receivables	-446'617	733'623
Decrease / (Increase) in other receivables	221'772	-208'210
Decrease / (Increase) in prepaid expenses and accrued income	-28'835	104'737
Cash Flow From Operating Activities	-2'043'092	-672'889
Cash Flow From Investment Activities	-	-
Cash Flow From Financing Activities	-	-
Change In Cash	-2'043'092	-672'889
Cash and cash equivalents at beginning of the year	7'841'524	8'514'413
Cash and cash equivalents at year end	5'798'432	7'841'524
Evidence Of Change In Cash	-2'043'092	-672'889

Notes to the financial statements

General information

The Geneva Centre for the Democratic Control of Armed Forces (DCAF) is one of the world's leading institutions in the areas of security sector reform (SSR) and security sector governance (SSG). DCAF provides in-country advisory support and practical assistance programs, develops and promotes appropriate democratic norms at the international and national levels, advocates good practices and makes policy recommendations to ensure effective democratic governance of the security sector.

DCAF was established in 2000 by the Swiss government and the head office is located in Geneva. DCAF is an international foundation with 63 Member States. DCAF's main divisions are Research, Operations Europe, Operations Middle East and North Africa, Operations Gender and Africa, Operations Public Private Partnerships, and ISSAT. The staff numbers over 150 employees from more than 30 countries. The Centre also has permanent offices in Brussels, Ljubljana, Beirut, Tunis and Ramallah.

Note 1 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. To conform to the presentation adopted in the current year, certain amounts from prior year have been reclassified.

1.1 Accounting principles

DCAF prepares its accounts in compliance with the policies described in the following notes. As recommended by the Swiss Federal Audit Office the accounting policies applied are in compliance with the entire Swiss GAAP FER (Swiss Accounting and Reporting Recommendations). Last year's accounts were in compliance with Swiss GAAP FER 21. PricewaterhouseCoopers changed the audit team and the responsible auditors as recommended by the Swiss Federal Audit Office.

The accounts also comply with article 69a of the Swiss Civil Code. DCAF decided to also present the profit and loss statement for 2015 as comparative figures. To render the figures comparable some reallocations were made to the profit and loss statement in 2015.

Information required by Swiss GAAP FER on the performance of DCAF, and not disclosed in the financial report, is included in the annual report.

The financial statements have been prepared under the historical cost convention. The income statement is presented using the classification of expenses by function. The statements are based on economic values and present a true and fair view of DCAF's assets, financial position and results of operations.

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements were measured using the currency of the primary economic environment in which DCAF operates ('the functional currency'), which is Swiss Francs ("CHF"). The presentation currency is CHF.

(b) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement

Balances in foreign currency are revalued using exchange rates prevailing at the dates of closing.

1.3 Presentation

To conform to the presentation adopted in the current year, certain amounts from the prior year have been reclassified.

Note 2 - Principles of valuation

2.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances in bank accounts. They are valued at their nominal value.

2.2 Accounts receivable

Accounts receivable are amounts due from parties for services performed in the ordinary course of business. If collection is expected within in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.

These receivables are valued at their nominal values. Credit default risks are accounted for by specific and general allowances. General allowances are recognized for items that have not yet been considered with a specific allowance. The general allowance is based on the assumption that the default risk increases as the debt becomes increasingly overdue.

2.3 Provisions

Provisions are recognized if an event in the past gives rise to a justified, likely obligation which is of uncertain timing or amount, but which can be estimated reliably. Provisions are measured on the basis of the estimated amount of money required to satisfy the obligation.

2.4 Trade payables and other liabilities

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables and other liabilities are stated at their nominal values.

2.5 Employee benefits

Wages, salaries, social contributions, paid annual leave, sick leave and other benefits are paid or accrued undiscounted in the year in which the associated services are rendered by employees. Legal or constructive obligations such as bonus are recognized for the amount expected to be paid in the year the services are provided.

DCAF is a member of a collective occupational pension that fully insures the risks with an Insurance Company. This pension scheme is financed by employer and employee contributions.

2.6 Leasing

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period lease.

3.1 Cash and Cash Equivalents

	2016 CHF	2015 CHF
Petty Cash	12'537	20'435
Post finance	21'454	696'437
Bank accounts	5'764'441	7'124'652
Total Cash and Cash Equivalents	5'798'432	7'841'524

The cash balance decreased as less project funding was received in 2016.

3.2 Accounts Receivable

	2016 CHF	2015 CHF
Unpaid rent OMM	64'214	49'323
Accrued Income	911'350	479'624
Total Accounts Receivable	975'564	528'947

The accounts receivables increased due to the late payments of the donors and the Zurich insurance received in 2017

3.3 Other receivables

	2016 CHF	2015 CHF
Bank Guarantees	10'460	37'784
Other receivables	2'180	8'490
Funds advanced	158'228	319'271
Intercompany accounts Ljubljana	14'013	30'535
Salary Advances	15'866	26'439
Total Other receivables	200'747	422'519

The other receivables decreased due to the lower balance of the cash advance to the external project managers and the reimbursement of CHF 79'272 by DCAF Ljubljana

3.4 Prepaid expenses

	2016 CHF	2015 CHF
Prepaid expenses	33'955	5'120

The prepaid expenses increased due to prepayment to DCAF Ljubljana

3.5 Accounts Payable

	2016 CHF	2015 CHF
Accounts Payable	443'259	400'520
Staff expenses	36'200	88'902
Total Accounts payable	479'459	489'422

3.6 Other Short Term Liabilities

	2016 CHF	2015 CHF
Social charges Switzerland	38'543	118'229
Pension fund Ramallah	53'114	38'452
Others	46'554	21'952
Total Other Short Term Liabilities	138'211	178'633

The decrease in other short term liabilities is due to the lower final invoice of OCAS

3.7 Accrued Liabilities

	2016 CHF	2015 CHF
Short Term Accruals	240'658	70'474
Accrued Vacations	326'252	354'982
Total Accrued Liabilities	566'910	425'456

The increase of the short term accruals is due to the late payments of 2016 expenses in Ramallah. The number of days of accrued vacation decreased

3.8 Statement of changes in capital

	1	2	3	4	5	6
	Initial Funds	Special Reserve	Accumulated Surplus	Restricted Funds	Free Funds	Total
2014						
Reserves as of 01. January 2014	50'000	2'460'000	95'238	-	-	2'555'238
Dissolution 2014	-	-700'000	-	-	-	-700'000
Profit / Loss 2014	-	-	69'138	-	-	69'138
Reserves as of 31. December 2014 before change to Swiss GAAP FER 21	50'000	1'760'000	164'376	-	-	1'974'376
2015						
Change to Swiss GAAP FER 21	-	-1'760'000	-164'376	686'713	1'237'663	-
Reserves as of 31. December 2015 after change to Swiss GAAP FER 21	50'000	-	-	686'713	1'237'663	1'974'376
Dissolution 2015	-	-	-	-163'935	-	-163'935
Attribution 2015	-	-	-	194'350	113'190	307'540
Reserves as of 31 December 2015	50'000	-	-	717'128	1'350'853	2'117'981
2016						
Dissolution 2016	-	-	-	-199'550	-562'709	-762'259
Attribution 2016	-	-	-	-	-	-
Reserves as of 31 December 2016	50'000	-	-	517'578	788'144	1'355'722

4.1 Revenues 2016

	2016 CHF			2015 CHF		
	Def Income 2015 - 2016	Income received - 2016	Def Income 2016 - 2017	Gross 2015	Def Income 2015 - 2016	Net 2015
Switzerland						
DFAE - Core funding	-	11'250'679	-	10'961'322	-	10'961'322
SWI DFAE - Project funding (I)	1'847'664	2'324'852	1'716'286	3'774'637	1'847'664	1'885'792
DDPS - Project funding	332'742	450'938	140'039	793'722	332'742	502'161
Total Switzerland	2'180'406	14'026'469	1'856'325	15'529'681	2'180'406	13'349'275
Other Member States						
Albania	-	10'783	-	10'901	-	10'901
Austria	-	44'156	-	33'698	-	33'698
Azerbaijan	-	-	-	48'668	-	48'668
Bosnia and Herzegovina	-	10'841	-	22'539	-	22'539
Bulgaria	-	11'024	-	7'233	-	7'233
Czech Republic	937	-	937	937	937	-
Denmark through NDI	5'109	136'621	1'740	237'688	5'109	232'579
Estonia	-	5'421	-	5'472	-	5'472
Finland	-	-	-	30'871	-	30'871
France	80'917	97'047	97'047	125'466	80'917	44'549
Germany	-	2'368'729	344'144	41'258	-	41'258
Hungary	-	10'841	-	11'011	-	11'011
Ireland	-	215'660	-	158'160	-	158'160
Latvia	-	21'566	29'253	27'588	27'588	-
Liechtenstein	5'036	40'000	-	46'000	5'036	40'964
Luxembourg	282'938	382'797	452'738	414'254	282'938	131'316
Macedonia	-	21'717	-	-	-	-
Moldova	-	43'608	-	11'011	-	11'011
Montenegro	-	10'701	-	10'943	-	10'943
Netherlands	308'987	743'578	148'599	914'157	308'987	605'170
Norway	337'663	554'429	188'317	1'534'974	337'663	1'197'311
Romania	-	10'841	-	32'829	-	32'829
Serbia	-	33'456	-	-	-	-
Slovakia	13'653	77'016	10'783	23'102	13'653	9'449
Slovenia	2'611	-	2'611	10'337	2'611	7'726
Spain	139'759	-	66'394	139'759	139'759	-
Sweden	123'352	1'140'808	162'654	1'351'457	123'352	1'228'105
United Kingdom	-	351'759	4'143	362'825	-	362'825
US State Department	-	282'928	4'158	103'977	-	103'977
Others	151'568	424'249	99'833	333'596	151'568	182'028
ISSAT Core Accruals	756'525	-	696'014	-	756'525	-756'525
Transitorities	756'039	6'153	80'432	6'285'564	756'039	5'529'525
Total Other Member States	2'992'681	7'056'727	2'389'796	12'336'276	2'992'681	9'343'593
Total Switzerland & Other Member States	5'173'087	21'083'196	4'246'121	27'865'957	5'173'087	22'692'868

	2016 CHF		2015 CHF	
Total Income Switzerland & Other Member States	5'173'087	4'246'121	5'173'087	22'692'868
International Organisations				
EU European Union	404'900	214'486	404'900	784'919
OIF	1'914	-	1'914	11'247
NATO	-	1'072	-	101'695
UN	6'717	6'717	6'717	122'253
Total International Organisations	413'531	222'275	413'531	1'020'114
Total Public contributions	5'586'618	4'468'396	5'586'618	23'712'980
Other Income				
Insurance reimbursements	-	-	23'927	23'927
Rent Avenue Blanc 49	-	-	48'000	48'000
Office Space Rent at WMO/OMM	-	-	682'312	682'312
Other	-	-	17'351	17'351
Overhead Income	-	-	346'463	346'463
Extra Ordinary Income	-	-	-	-
Total Cash Income	5'586'618	4'468'396	5'586'618	24'831'035
Interest				
Interest received	-	-	302	302
Total Interest	-	-	302	302

Total Income Switzerland & Other Member States

International Organisations

EU European Union

OIF

NATO

UN

Total International Organisations

Total Public contributions

Other Income

Insurance reimbursements

Rent Avenue Blanc 49

Office Space Rent at WMO/OMM

Other

Overhead Income

Extra Ordinary Income

Total Cash Income

Interest

Interest received

Total Interest

4.2 Project Expenses	2016	2015
	CHF	CHF
Deputy Director's Office		
Core	109'762	139'241
Projects	944'438	819'702
	1'054'200	958'943
Operations I Southeast Europe		
Core	321'460	313'009
Projects	1'337'696	1'646'614
	1'659'156	1'959'623
Operations Middle East and North Africa		
Core	59'508	151'235
Projects	3'379'530	2'453'419
	3'439'038	2'604'654
Operations III Sub-Saharan & Gender and SSR		
Core	219'997	203'944
Projects	1'350'932	2'159'535
	1'570'929	2'363'479
Operations IV Public-Private Partnership		
Core	51'671	70'202
Projects	631'591	815'152
	683'262	885'354
International Security Sector Advisory Team (ISSAT)		
Core	1'773'627	2'029'342
Projects	1'064'223	459'297
	2'837'850	2'488'639
Research Division		
Core	130'465	157'239
Projects	394'898	845'648
	525'363	1'002'887
DCAF Projects		
Projects	1'794'959	1'456'557
	1'794'959	1'456'557
DCAF Brussels		
DCAF Ljubljana	10'236	11'924
	82'689	80'919
Total Divisions and Offices	13'657'682	13'812'979
Total Core expenses	2'759'415	3'157'055
Total Project expenses	10'898'267	10'655'924
Total Project expenses less Project Salaries + Director's Indemnity up to 30.06.16	8'898'032	8'291'398

	2016 CHF	2015 CHF
Administration Expenses		
Total Project expenses less Project Salaries + Director's Indemnity up to 30.06.16	8'898'032	8'291'398
4.3 Personnel		
Project Salaries		
Salaries	4'066'610	4'766'670
Social charges	602'123	653'013
Other staff expenses	114'677	149'419
Total Personnel	4'783'410	5'569'102
Core Salaries		
Salaries	7'337'887	6'745'619
Social charges	1'218'327	1'142'294
Other staff expenses	74'990	87'999
Total Personnel	8'631'204	7'975'912
Total Salaries	13'414'614	13'545'014
The average number of full time employees isn't over 250.		
4.4 Facilities		
Facilities	1'872'393	2'030'556
Total Facilities	1'872'393	2'030'556
4.5 Administration / Maintenance & Acquisitions		
Maintenance & acquisition of assets	139'766	347'032
Administration	303'677	349'542
Total Administration / Maintenance & Acquisitions	443'443	696'574
4.6 Governance / Director's Office		
Statutory bodies	28'216	72'975
Director's Indemnity up to 30.06.2016	23'760	47'520
Director's office General Expenses	77'504	68'632
Total Governance / Director's Office	129'480	189'127
Total Administration Expenses less project salaries	11'076'520	10'892'169
Total Operating Expenses	24'734'202	24'705'149

Note 5 - Additional note disclosures in accordance with article 663b CO and 69 CC

Lease commitments not recorded in the balance sheet
As of 31 December, DCAF had the following future aggregate minimum lease payments under non-cancellable operating lease for office equipment and office rent, which are not required to be reflected in the balance sheet:

	2016	2015
	CHF	CHF
Payments to be made within one year:	1'413'517	1'413'517
Payments to be made after one year:	12'571'669	13'985'186
	13'985'186	15'398'703

Amounts due to pension funds

	2016	2015
	CHF	CHF
Pension liabilities	4'704	18'516
	4'704	18'516

Note 6 - Other note disclosures

Compensation and expense reimbursements to Council members and directors

	2016	2015
	CHF	CHF
Annual salary of the director	218'959	325'000