



INTERNATIONAL MEDICAL CORPS
(A California Nonprofit Corporation)

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Directors
International Medical Corps:

Report on the Financial Statements

We have audited the accompanying financial statements of International Medical Corps, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 internal control 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Medical Corps as of June 30, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021 on our consideration of International Medical Corps' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of International Medical Corps' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering International Medical Corps' internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
November 1, 2021

INTERNATIONAL MEDICAL CORPS
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Statements of Financial Position

June 30, 2021 and 2020

Assets	2021	2020
Cash and cash equivalents	\$ 57,188,036	65,121,994
Grants receivable	6,268,881	9,006,902
Other receivables	5,494,161	5,124,419
Investments in equity securities	5,059,919	3,424,646
Prepaid expenses	4,676,524	5,197,841
Deposits	248,903	230,920
Inventory of supplies and commodities	1,230,082	1,268,654
Equipment, net	2,305,561	1,376,181
Total assets	\$ 82,472,067	90,751,557
Liabilities and Net Assets		
Accounts payable	\$ 9,189,957	8,590,604
Accrued liabilities	25,916,342	15,093,879
Refundable advances	6,227,539	4,461,763
Funds on deposit from affiliates	560,548	16,841,273
Deferred rent	—	69,872
Obligation under capital leases	—	16,545
Total liabilities	41,894,386	45,073,936
Without donor restrictions	18,605,956	12,917,451
With donor restrictions	21,971,725	32,760,170
Total net assets	40,577,681	45,677,621
Total liabilities and net assets	\$ 82,472,067	90,751,557

See accompanying notes to financial statements.

INTERNATIONAL MEDICAL CORPS
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Statement of Activities

Year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Operating support and revenue:			
Public support:			
Contract and grant support	\$ 129,728,679	—	129,728,679
Contributions	7,859,584	26,941,918	34,801,502
Donated medical supplies	8,823,836	1,684,204	10,508,040
Donated medical services	895,127	—	895,127
Total public support	147,307,226	28,626,122	175,933,348
Other revenue	61,634	—	61,634
Total operating support and revenue	147,368,860	28,626,122	175,994,982
Net assets released from restrictions	39,414,687	(39,414,687)	—
Total operating support and revenue and net assets released from restrictions	186,783,547	(10,788,565)	175,994,982
Operating expenses:			
Program services	162,429,262	—	162,429,262
Supporting services:			
Management and general	17,720,167	—	17,720,167
Fund-raising	2,671,170	—	2,671,170
Total supporting services	20,391,337	—	20,391,337
Total operating expenses	182,820,599	—	182,820,599
Change in net assets from operations	3,962,948	(10,788,565)	(6,825,617)
Nonoperating activities:			
Interest and dividend income	106,706	—	106,706
Realized and unrealized gain on investments, net	1,618,851	120	1,618,971
Total nonoperating activities	1,725,557	120	1,725,677
Change in net assets	5,688,505	(10,788,445)	(5,099,940)
Net assets at beginning of the year	12,917,451	32,760,170	45,677,621
Net assets at end of the year	\$ 18,605,956	21,971,725	40,577,681

See accompanying notes to financial statements.

INTERNATIONAL MEDICAL CORPS
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Statement of Activities

Year ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Operating support and revenue:			
Public support:			
Contract and grant support	\$ 128,101,861	—	128,101,861
Contributions	7,419,100	51,430,210	58,849,310
Donated medical supplies	3,773,308	251,910	4,025,218
Donated medical services	831,479	—	831,479
Total public support	140,125,748	51,682,120	191,807,868
Other revenue	94,248	63,532	157,780
Total operating support and revenue	140,219,996	51,745,652	191,965,648
Net assets released from restrictions	23,610,140	(23,610,140)	—
Total operating support and revenue and net assets released from restrictions	163,830,136	28,135,512	191,965,648
Operating expenses:			
Program services	142,099,955	—	142,099,955
Supporting services:			
Management and general	16,314,260	—	16,314,260
Fund-raising	2,405,878	—	2,405,878
Total supporting services	18,720,138	—	18,720,138
Total operating expenses	160,820,093	—	160,820,093
Change in net assets from operations	3,010,043	28,135,512	31,145,555
Nonoperating activities:			
Interest and dividend income	187,515	—	187,515
Realized and unrealized gain on investments, net	361,261	—	361,261
Foreign currency exchange loss, net	(5,626)	—	(5,626)
Total nonoperating activities	543,150	—	543,150
Change in net assets	3,553,193	28,135,512	31,688,705
Net assets at beginning of the year	9,364,258	4,624,658	13,988,916
Net assets at end of the year	\$ 12,917,451	32,760,170	45,677,621

See accompanying notes to financial statements.

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Statement of Functional Expenses

Years ended June 30, 2021 and 2020

	Supporting services				2021
	Program services	Management and general	Fund-raising	Total supporting services	
Salaries and employee benefits	\$ 66,809,343	15,452,524	1,359,023	16,811,547	83,620,890
Allowances	1,826,874	73,682	—	73,682	1,900,556
Professional fees	7,059,820	2,301,681	655,121	2,956,802	10,016,622
Transportation and shipping	8,030,524	46,176	94,110	140,286	8,170,810
Capital expenditures	12,802,951	—	—	—	12,802,951
Depreciation	1,903	347,464	—	347,464	349,367
Travel	3,554,726	25,374	94	25,468	3,580,194
Conferences and meetings	361,593	50,597	2,642	53,239	414,832
Supplies, materials, and services	34,362,735	425,828	141	425,969	34,788,704
Communication	1,603,131	305,533	9,635	315,168	1,918,299
Insurance	1,107,249	245,705	19,933	265,638	1,372,887
Occupancy	6,033,813	555,931	—	555,931	6,589,744
Other costs	2,969,290	(2,110,328)	530,471	(1,579,857)	1,389,433
Subrecipients	4,449,463	—	—	—	4,449,463
Donated supplies and food commodities	10,560,720	—	—	—	10,560,720
Donated services	895,127	—	—	—	895,127
Total expenses	\$ 162,429,262	17,720,167	2,671,170	20,391,337	182,820,599

	Supporting services				2020
	Program services	Management and general	Fund-raising	Total supporting services	
Salaries and employee benefits	\$ 62,430,552	13,600,480	1,203,272	14,803,752	77,234,304
Allowances	2,333,072	100,057	—	100,057	2,433,129
Professional fees	6,919,081	2,380,321	524,048	2,904,369	9,823,450
Transportation and shipping	8,283,399	29,702	76,078	105,780	8,389,179
Capital expenditures	4,634,431	—	—	—	4,634,431
Depreciation	2,077	656,204	—	656,204	658,281
Travel	5,016,332	194,575	35,515	230,090	5,246,422
Conferences and meetings	533,193	35,628	2,858	38,486	571,679
Supplies, materials, and services	31,502,263	675,783	291	676,074	32,178,337
Communication	1,528,055	323,950	1,387	325,337	1,853,392
Insurance	1,050,261	195,476	15,714	211,190	1,261,451
Occupancy	6,528,329	657,179	—	657,179	7,185,508
Other costs	2,794,615	(2,535,095)	546,715	(1,988,380)	806,235
Subrecipients	3,367,550	—	—	—	3,367,550
Donated supplies and food commodities	4,345,266	—	—	—	4,345,266
Donated services	831,479	—	—	—	831,479
Total expenses	\$ 142,099,955	16,314,260	2,405,878	18,720,138	160,820,093

See accompanying notes to financial statements.

INTERNATIONAL MEDICAL CORPS
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Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (5,099,940)	31,688,705
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributed investments	(183,288)	(81,425)
Depreciation and amortization	349,367	658,281
Realized and unrealized gain on investments	(1,618,971)	(361,261)
Loss on disposal of capital assets	3,764	51,232
Change in operating assets and liabilities:		
Grants receivable	2,738,021	3,172,328
Other receivables	(369,742)	(3,991,679)
Prepaid expenses	521,317	(2,973,928)
Deposits	(17,983)	(11,712)
Inventory of supplies and commodities	38,572	(1,041,725)
Accounts payable and accrued liabilities	11,421,816	5,498,875
Refundable advances	1,765,776	(596,209)
Funds on deposit from affiliates	(16,280,725)	16,841,273
Deferred rent	(69,872)	(53,994)
Net cash (used in) provided by operating activities	(6,801,888)	48,798,761
Cash flows from investing activities:		
Purchases of equipment	(1,282,511)	(932,728)
Proceeds from sale of contributed investments	166,986	56,760
Purchases of investments	—	(16,045)
Net cash used in investing activities	(1,115,525)	(892,013)
Cash flows from financing activities:		
Principal payments under capital leases	(16,545)	(21,904)
Net cash used in financing activities	(16,545)	(21,904)
Net (decrease) increase in cash and cash equivalents	(7,933,958)	47,884,844
Cash and cash equivalents, beginning of year	65,121,994	17,237,150
Cash and cash equivalents, end of year	\$ 57,188,036	65,121,994
Supplemental disclosure of cash flows:		
Contributed investments	\$ 183,288	81,425
Cash paid for interest expense	137	1,193

See accompanying notes to financial statements.

INTERNATIONAL MEDICAL CORPS
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Notes to Financial Statements

June 30, 2021 and 2020

(1) Nature of Organization

International Medical Corps (the Organization), incorporated under the General Nonprofit Corporation Law of the State of California, is a global, nonpolitical, and nonprofit humanitarian organization. Its mission is to improve the quality of life through health interventions and related activities that build local capacity in underserved communities worldwide. By offering training and healthcare to local populations and medical assistance to people at highest risk, and with the flexibility to respond rapidly to emergency situations, International Medical Corps rehabilitates devastated healthcare systems and helps bring them back to self-reliance.

To fulfill its purpose, International Medical Corps receives grants from individuals, foundations and corporations, including the AbbVie Foundation, AIG, Amgen Foundation, Bill & Melinda Gates Foundation, Bloomberg Philanthropies, California Community Foundation, FedEx, Gilead, JPMorgan Chase Foundation, Medtronic Foundation, Pfizer, P&G, Riot Games and Sony.

In addition, the Organization receives funds under federal grants, cooperative agreements, and contracts from the U.S. Agency for International Development (USAID) and its Office of the U.S. Foreign Disaster Assistance (OFDA), the U.S. Department of State and its Bureau of Population, Refugees, and Migration (PRM), and the Department of Health and Human Services (DHHS) and its Centers for Disease Control and Prevention (CDC).

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

The Organization classifies revenue, gains, expenses, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations or law and that may be expendable for any purpose in performing the Organization's primary objective.
- *With donor restrictions* – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Organization or the passage of time. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions until the assets are placed in service. Other donor restrictions may be perpetual in nature and must be maintained permanently by the Organization.

As the restrictions are satisfied, net assets are reclassified to net assets without donor restrictions and reported in the accompanying financial statements as net assets released from restrictions.

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(b) Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash equivalents consist of short-term, highly liquid invested funds with original maturities of less than three months. Cash and cash equivalents as of June 30, 2021 consisted of \$55,803,281 of cash and \$1,384,755 of government money market funds. Cash and cash equivalents as of June 30, 2020 consisted of \$63,849,884 of cash and \$1,272,110 of government money market funds.

For cash held in the United States, the Organization places its cash in high-credit quality institutions and generally limits the amount of credit exposure not to exceed the Federal Deposit Insurance Company (FDIC) insurance coverage limit of \$250,000. The balances in excess of FDIC limits were \$46,733,341 and \$59,554,787 at June 30, 2021 and 2020, respectively. Management believes that the risk with respect to the balances in excess of FDIC limits is minimal.

Additionally, under various grant agreements, the Organization is also required to maintain cash balances inside foreign countries and in the local currencies.

(c) Investments in Equity Securities

Investments in equity securities are carried at fair value. Fair value is determined in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement* (ASC Topic 820), as further described in note 12.

Investment transactions are recorded on the trade-date basis. Realized and unrealized gains and losses are recognized in the statements of activities.

(d) Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received or pledged at estimated net realizable value.

(e) Measure of Operations

The statement of activities reports all changes in net assets, including changes from operating and nonoperating activities. Operating activities consist of items attributable to the Organization's program services and supporting services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

(f) Grant Revenue Recognition

Grant or contract funds received for which no corresponding expenditure has yet been made are accounted for as refundable advances. Expenditures made in advance of funds received are recorded as grants receivables. Interest earned on federal funds is the property of the federal government and, if earned, is remitted to the federal government on a regular basis. Accordingly, such interest is not reflected as revenue in the accompanying financial statements.

In accordance with ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, grants and contracts awarded by federal and other sponsors, which are generally considered nonreciprocal transactions

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restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. Contributions are conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met. The conditional contributions are related to funding for the establishment of new programs or continuation of current programs with the Organization's overall mission, subject to the terms of each agreement. At June 30, 2021, the Organization had \$73,015,122 of conditional promises to give in the form of measurable performance related or other barriers and right of return that have not been reflected on the accompanying financial statements.

As a result of the involvement of multiple parties in delivering services to customers, the Organization applies the framework within ASC 606-10-55-36 to determine which party is the principal vs. agent to the customer.

(g) Inventory of Supplies and Commodities

Inventory consists of pharmaceuticals, medical supplies, and other commodities received from outside donors. Inventory is recorded at estimated fair value at the date of contribution and is based on the first-in, first-out method. Inventory sent by the donor directly to the field office is recorded as unrestricted revenue. Inventory sent by the Organization headquarters is released from restriction upon receipt at destination, typically the field office.

(h) Prepaid Expenses

Prepaid expenses consist mainly of the unexpired portion of insurance premiums paid and advance rental payments.

(i) Equipment

Equipment acquired is recorded at cost at the time of purchase or, if contributed, at the fair value at the date of contribution. Depreciation is calculated using the straight-line method over the estimated useful lives as shown below:

Machinery and equipment	3–5 years
Leasehold improvements	3–5 years
Automobiles	3–5 years
Computer hardware and software	3–5 years

Equipment purchased under the specific terms of certain grants remain generally within the control of the grantor and are subject to transfer to other projects or organizations under the terms of the agreement. Such equipment is not capitalized by the Organization, but is expensed against the specific grant in the period purchased.

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When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss arising from such disposition is recorded. Expenditures for repairs and maintenance are charged to expense as incurred.

(j) *Accrued Liabilities*

Accrued liabilities consist mainly of unpaid earned payroll and fringe benefits.

(k) *Income Taxes*

The Organization has received tax-exempt status as a publicly supported organization as provided in the Internal Revenue Code under Section 501(c)(3) and the California Revenue and Taxation Code Section 23701d. However, the Organization remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

FASB ASC Subtopic 740, *Income Taxes*, related to accounting for uncertainty in income taxes, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Standard requires that the entity account for and disclose in the financial statements the impact of a tax position if that position will more likely than not be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Organization has evaluated the financial statement impact of tax positions taken or expected to be taken and determined it has no uncertain tax positions that would require tax assets or liabilities to be recorded in accordance with accounting guidance.

(l) *Donated Medical Supplies and Services*

The estimated fair value of donated medical supplies and services are reflected as public support in the accompanying statement of activities.

Donated medical services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. The Organization receives contributed medical services provided by doctors and nurses. The estimated fair value of these services has been recorded in the accompanying statement of activities.

(m) *Functional Expenses*

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on allocation factors determined by the management, primarily time and effort expended.

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Notes to Financial Statements

June 30, 2021 and 2020

(n) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(o) New Accounting Pronouncements

The Financials Statement Accounting Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance is designated to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing agreements. The ASU is effective for the Organization's year ending June 30, 2023.

(3) Grants Receivable

Grants receivable as of June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
U.S. Agency for International Development	\$ 3,025,314	6,141,942
U.S. Department of State	2,408,027	2,306,329
U.S. Department of Health and Human Services	316,941	249,830
Others	518,599	308,801
	<u>\$ 6,268,881</u>	<u>9,006,902</u>

(4) Equipment, Net

A summary of the Organization's equipment as of June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Machinery, computer hardware, and equipment	\$ 1,916,612	1,859,945
Leasehold improvements	366,891	480,325
Automobiles	13,502	13,502
Computer software	8,603,195	7,744,999
Furniture and fixtures	195,406	286,292
Total	11,095,606	10,385,063
Less accumulated depreciation and amortization	<u>(8,790,045)</u>	<u>(9,008,882)</u>
	<u>\$ 2,305,561</u>	<u>1,376,181</u>

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Depreciation and amortization expense totaled \$349,367 and \$658,281 for the years ended June 30, 2021 and 2020, respectively.

(5) Employee Benefit Plan

The organization sponsors a retirement plan under Internal Revenue Code Section 401(a) for employees who meet the eligibility conditions. This is referred to as the Employee Benefits Plan (the Plan).

All employees upon reaching 21 years of age are eligible to participate in the Plan after two years of eligible service. Pursuant to an eligibility requirement amendment, effective January 1, 2006, an employee's service in the nonprofit health and social services field within the three-year period immediately preceding the Organization employment is counted toward the two years of service requirement, provided the 1,000 hours of service requirement with such organization for each year of prior service has been met.

The Organization contributes 10.5% of eligible employee compensation, as defined in the plan document. Employees are immediately fully vested in contributions made on their behalf. Voluntary employee contributions are not permitted under the Plan. Contributions made by the Organization to the Plan totaled \$2,386,061 and \$3,636,878 for the years ended June 30, 2021 and 2020, respectively.

During FY 2021 the Organization established a nonqualified employee benefit plan for certain third-country nationals who are ineligible to participate in the Plan under Internal Revenue Code 401(a). This is referred to as the International Retirement Plan.

The International Retirement Plan design and eligibility requirements are the same as the Employee Benefits Plan. Contributions made by the Organization to the International Retirement Plan totaled \$1,544,424 for the year ended June 30, 2021.

(6) Related-Party Transactions

International Medical Corps is an independent affiliate organization of International Medical Corps UK (IMC UK), a registered charity in England and Wales. IMC UK shares the same charitable objectives and mission to relieve suffering, sickness, and poverty throughout the world by providing medical aid, healthcare training, and healthcare programs. On November 1, 2002, the Organization entered into an Administrative Services Agreement with IMC UK, to assist IMC UK in the achievement of its charitable objectives. The related-party transactions mainly pertain to service fees, recorded as a credit to other expense, cash advances, and other related charges. As of June 30, 2021, the Organization had a payable balance to IMC UK of \$560,548, recorded as funds on deposit from affiliates in the statement of financial position. As of June 30, 2020, the Organization had a receivable balance from IMC UK of \$4,537,928, recorded as other receivables in the statement of financial position.

Amounts contributed to IMC UK during FY 2021 and FY 2020 totaled \$954,068 and \$872,281, respectively.

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Notes to Financial Statements

June 30, 2021 and 2020

International Medical Corps is an independent affiliate organization of International Medical Corps Croatia (IMC Croatia), a registered association in the Republic of Croatia. IMC Croatia shares the same charitable objectives and mission to relieve suffering, sickness, and poverty throughout the world by providing medical aid, healthcare training, and healthcare programs. On July 1, 2019, the Organization entered into an Administrative Services Agreement with IMC Croatia to assist IMC Croatia in the achievement of its charitable objectives. The related-party transactions mainly pertain to service fees, recorded as a credit to other expense, cash advances, and other related charges. As of June 30, 2021, the Organization had a receivable balance from IMC Croatia of \$2,826,194, recorded as other receivables in the statement of financial position. As of June 30, 2020, the Organization had a payable balance to IMC Croatia of \$16,841,273, recorded as funds on deposit from affiliates in the statement of financial position.

Amounts contributed to IMC Croatia during 2021 and 2020 totaled \$0 and \$226,131, respectively.

The Organization previously accounted for assets and liabilities within the statement of financial position incurred on behalf of IMC UK and IMC Croatia on a net basis. Following a change in the affiliate arrangements during FY2021, the Organization is accounting for assets and liabilities due to/from IMC UK and IMC Croatia on a gross basis as of June 30, 2021. FY 2020 numbers within these financial statements have not been adjusted or reclassified to reflect this change.

(7) Obligations under Operating Leases

The Organization has commitments related to operating leases for office space. All operating leases are noncancelable and expire on various dates in 2021. Future minimum annual lease payments under these leases are as follows:

Year ending June 30:	
2022	\$ 474,574
2023	542,804
2024	<u>561,802</u>
	\$ <u><u>1,579,180</u></u>

Total rent expense for all operating leases for the years ended June 30, 2021 and 2020 totaled \$4,119,858 and \$4,599,893, respectively.

(8) Commitments and Contingencies

Grants require the fulfillment of certain conditions as set forth in the grant instruments. Federal grant programs are subject to review by the grantor agencies, which could result in requests for reimbursements to grantor agencies for disallowed expenditures. Additionally, the Organization is involved in legal proceedings and claims arising in the normal course of business. The Organization has established an accrual of \$1,600,000 as of June 30, 2021 and 2020 as the probable and reasonably estimable amount for contingent liabilities.

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While it is not possible to determine the ultimate liability in these matters at this time, in the opinion of management, such matters will not have a material adverse effect on the financial condition of the Organization in excess of the recorded contingent liability.

(9) Concentrations of Risk

Grants and contracts totaling \$109,055,072 and \$17,502,547 were received from the U.S. Agency for International Development and the U.S. Department of State, respectively, for the year ended June 30, 2021, which represents 62% and 10%, respectively, of total public support and revenue. Grants and contracts totaling \$99,885,769 and \$26,069,769 were received from the U.S. Agency for International Development and the U.S. Department of State, respectively, for the year ended June 30, 2020, which represents 52% and 14%, respectively, of total public support and revenue. Should these contribution levels decrease, the Organization may be adversely affected.

(10) Net Assets with Donor Restrictions

Net assets totaling \$21,221,726 and \$32,110,170 at June 30, 2021 and 2020 are restricted for relief programs in future periods, respectively.

	<u>2021</u>	<u>2020</u>
Africa	\$ 2,299,807	1,817,585
Asia	2,369,564	435,344
Global	8,545,527	6,851,407
Middle East	3,112,170	445,763
North/Central America and the Caribbean	2,147,538	21,240,595
South America	—	377,713
Other (for example, emergency response and health)	2,747,119	941,763
	<u>\$ 21,221,725</u>	<u>32,110,170</u>

Net assets totaling \$750,000 and \$650,000 at June 30, 2021 and 2020 are restricted in perpetuity to be used as revolving loan funds for emergency disaster relief intervention.

(11) Line of Credit

The Organization executed a bank revolving credit agreement (the Agreement) in September 2005, as amended, which allows borrowings of up to \$10,000,000, including a \$3,000,000 commercial letter of credit sublimit. Borrowings under the Agreement are based on SOFR (Secured Overnight Financing Rate) rates. The Agreement currently expires on July 1, 2024. There were no borrowings against the line of credit at June 30, 2021 and 2020.

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(12) Investments in Equity Securities

Investments as of June 30, 2021 and 2020 consist of the following:

	Fair value	
	2021	2020
Domestic equity	\$ 4,960,616	3,350,861
Foreign equity	99,303	73,785
	\$ 5,059,919	3,424,646

Fair value is defined as the amount that would be exchanged for an asset or to transfer a liability between market participants in an orderly transaction.

A three-tier hierarchy, based upon observable and unobservable inputs, is used for fair value measurements. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three levels of the fair value hierarchy are as follows:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the whole term of the assets or liabilities
- Level 3 Prices or valuations that require inputs that are supported by little or no market activity and that are both significant to the fair value measurement and unobservable

At June 30, 2021 and 2020, all of the Organization's investments in equity securities are classified as Level 1 investments.

(13) Endowment

The Organization's endowment consists of one individual fund established for disaster relief.

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The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The total permanently restricted net assets of \$750,000 and \$650,000 as of June 30, 2021 and 2020, respectively, are donor-restricted endowments to be used as revolving loan funds.

Due to the nature of the endowment and the donor requirement, the endowments are invested in cash and cash equivalents throughout the year. During the years ended June 30, 2021 and 2020, the fair value of the assets associated with individual donor-restricted endowment funds did not fall below the level that the donor or UPMIFA requires the Organization to retain as funds of perpetual duration.

(14) Availability and Liquidity

The Organization regularly monitors liquidity required to meet its operating needs and other financial commitments. As part of its liquidity plan, excess cash is invested in short-term investments, primarily in interest bearing accounts and money market funds. The Organization has no outstanding debt as of June 30, 2021, and 2020. A \$10,000,000 line of credit is available to bridge temporary funding gaps and other unexpected obligations that may arise. It has not been necessary to use the line of credit in the past two years.

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 57,188,036	65,121,994
Grants receivable	6,268,881	9,006,902
Other receivables	5,494,161	5,124,419
Investments in equity securities	5,059,919	3,424,646
Total financial assets	74,010,997	82,677,961
Less refundable advances	6,227,539	4,461,763
Less net assets with donor restrictions	21,971,725	32,760,170
Total financial assets available for general expenditures	45,811,733	45,456,028
Line of credit	10,000,000	10,000,000
Total financial assets and other resources available for general expenditures within one year	\$ 55,811,733	55,456,028

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(15) Subsequent Events

The Organization has performed an evaluation of subsequent events through November 1, 2021, which is the date the financial statements were available to be issued.