

INTERNATIONAL MEDICAL CORPS –GAZA (IMC)

Financial Statements and Independent Auditor's Report

For the Year Ended on December 31st, 2021

May 2022

Contents

Independent Auditors' Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8

Independent Auditors' Report

To the Management of International Medical Corps- Gaza (IMC)

Our opinion

We have audited the accompanying financial statements of International Medical Corps- Gaza (IMC) which comprise of the statement of financial position as of December 31, 2021, and the statement of activities and changes in net assets and the statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of IMC as it is on December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in note (2).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibility under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of IMC in accordance with the International Ethics Standards Board for Accountants' code of ethics for professional accountants (IESBA code), and we have fulfilled our ethical responsibilities in accordance with IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Head Office for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in note (2), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing IMC ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management wither intends to liquidate IMC or to cease operations, or has no realistic alternative but to do so.

The head office is responsible for overseeing IMC financial reporting process.

Auditor's Responsibility for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the International Standards of Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements

can arise from fraud or error, and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these financial statements.

As part of the audit process in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may include collusion, forgery, intentional omission, misrepresentation, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IMC internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on IMC ability to continue as a going concern. If we conclude that a material certainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause IMC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

BDO Accounting, Audit & Tax Services

Nabeel Zeidan

Signature & Stamp

License No. 110/2005

Ramallah, on 11 May 2022

BDO
Accounting Audit & Tax Services
Nabeel Zeidan

Statement of Financial Position

	<u>Notes</u>	<u>2021</u> <u>U.S. \$</u>	<u>2020</u> <u>U.S. \$</u>
<u>Assets</u>			
Current Assets			
Prepayments and other debt balances	3	44,071	26,434
Cash and bank balances	4	1,459	1,859
Total current assets		<u>45,530</u>	<u>28,293</u>
Total Assets		<u>45,530</u>	<u>28,293</u>
<u>Head office and liabilities</u>			
Head office			
Head office account	5	<u>(476,453)</u>	<u>(31,998)</u>
liabilities			
Provision for severance	6	64,797	8,458
Account payables and other credit balances	7	457,186	51,833
Total Liabilities		<u>521,983</u>	<u>60,291</u>
Total head office and liabilities		<u>45,530</u>	<u>28,293</u>

Statement of Activities and Changes in Net Assets

	<u>Notes</u>	<u>2021</u> <u>U.S. \$</u>	<u>2020</u> <u>U.S. \$</u>
<u>Revenues</u>			
Transfers from Head Office		1,977,585	12,254
		<u>1,977,585</u>	<u>12,254</u>
<u>Expenses</u>			
Salaries and related expenses	8	781,454	38,983
Offices and guest house buildings cost	9	76,323	2,219
Travel and transportation		21,644	-
Vehicle costs		19,981	-
Program Activities		1,377,842	22,306
Professional fees		12,640	4,305
Communications and Related costs		11,827	420
Other operating expenses	10	23,458	45
Capital expenditures	11	96,871	5,522
		<u>2,422,040</u>	<u>73,800</u>
Deficit of revenues over expenses for the year		<u>(444,455)</u>	<u>(61,546)</u>

Statement of Cash Flows

	<u>2021</u>	<u>2020</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Operating activities:</u>		
Deficit of revenues over expenses for the year	(444,455)	(61,546)
Adjustments:		
Provision for severance	58,839	8,458
	<u>(385,616)</u>	<u>(53,088)</u>
Changes in working capital:		
Prepayments and other debt balances	(17,637)	2,000
Payable and other credit balances	405,353	43,013
Employees benefits paid	(2,500)	-
Net cash used in operating activities	<u>(400)</u>	<u>(8,075)</u>
Decrease in cash and bank balances	(400)	(8,075)
Cash and bank balances, beginning of the year	1,859	9,934
Cash and bank balances, end of the year	<u>1,459</u>	<u>1,859</u>

Notes to the Financial Statements

Note (1) General

International Medical Corps (IMC) was established in 1984 in the USA. IMC is a private voluntary, non-political, non-sectarian organization. IMC established a branch in Gaza on October 21, 2007, and was registered as a not-for-profit entity with the Palestinian Ministry of Interior under registration number QR-0072-F in accordance with the Law of non-governmental organization Law No (1) of the year 2000. The main objectives of IMC are helping and supporting the Palestinian medical needs and health of the Gaza strip and the West Bank, and to other vulnerable communities in the region.

Note (2) Accounting Policies

Basis of preparation

Revenues are recognized when received and expenses are recognized when incurred.

The financial statements have been prepared on a historical cost basis.

The financial statements have been presented in United States Dollar (U.S. \$)

Capital expenditures

Capital expenditures consist of fixed assets procured and recorded as expenses on the date of purchase.

Account payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received whether billed by the supplier or not.

Provision for local employees 'end of service benefits

Provision for local employees 'end of service benefits is calculated in accordance with the labor law prevailing in Palestine, and IMC'S internal policies, based on one-month salary for each year of employment.

Income taxes

IMC- Gaza is not-for-profit organization; accordingly, it's not subject to income tax.

Foreign currencies

IMC'S functional currency in the Unites States Dollar (U.S. \$). IMC uses the weighted average exchange rate during the month to record transactions denominated in other currencies.

Net currency differences from currency fluctuation are recorded in the statement of revenues and expense as addition or reduction of expenses.

Note (3) Prepayments and other debit balances

	2021	2020
	U.S. \$	U.S. \$
Prepaid expenses	15,501	64
Other debit balances	2,736	2,736
Due from employees	25,834	23,634
	44,071	26,434

Note (4) Cash and bank balances

	2021	2020
	U.S. \$	U.S. \$
Cash on hand ILS	18	504
Cash on hand U.S.\$	120	-
Cash at banks ILS	1,053	1,069
Cash at banks U.S.\$	268	286
	1,459	1,859

Note (5) Head office account

	2021	2020
	U.S. \$	U.S. \$
Balance, beginning of the year	(31,998)	29,548
Expenditures incurred	(2,422,040)	(73,800)
Cash transferred from head office	1,977,585	12,254
Balance, end of year	(476,453)	(31,998)

Note (6) Provision for severance

	2021	2020
	U.S. \$	U.S. \$
Balance, beginning of the year	8,458	-
Additions	58,839	8,458
Payments	(2,500)	-
Balance, end of the year	64,797	8,458

Note (7) Account Payables and other credit balances

	2021	2020
	U.S. \$	U.S. \$
Accrued salaries	93,797	-
Accrued expenses	169,751	28,459
Sub-recipient payables	181,086	-
Other credit balances	12,552	23,374
	457,186	51,833

Note (8) Salaries and related expenses

	2021	2020
	U.S. \$	U.S. \$
Salaries- local staff	662,930	28,970
Temporary employees	26,191	-
Local staff benefits	92,333	10,013
	781,454	38,983

Note (9) Offices and guest house building costs

	2021	2020
	U.S. \$	U.S. \$
Offices and guest house building costs	52,727	1,200
Maintenance, accessories, and other facilities	20,703	1,019
Security Services	2,893	-
	76,323	2,219

Note (10) Other operating expenses

	2021	2020
	U.S. \$	U.S. \$
Stationery and printing	8,033	39
Bank charges and currency exchange differences	13,820	6
Others	1,605	-
	23,458	45

Note (11) Capital expenditures

	2021	2020
	U.S. \$	U.S. \$
Furniture and fixtures	22,961	4,624
Computers and printers	73,910	898
	96,871	5,522

Note (12) Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties on an arm's length basis. The organization's financial assets consist of other current assets, its financial liabilities of account payables. The fair of financial instruments is not materially different from their carrying value.

Note (13) Risk management

Risks affecting the operations of IMC are liquidity risk and foreign currency risk. Management of IMC sets policies and procedures to manage these risks as follows:

- **Liquidity Risk**

IMC limited its liquidity risk by ensuring that bank facilities are available. Accounts payables are normally settled within 30days of the date of services/goods received.

- **Currency Risk**

IMC is subject to fluctuations in foreign exchange rate in the normal course of its business. The organization did not undertake significant transactions in currencies other than USD during the year.

- **Interest Rate Risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due changes in the market interest rates. IMC is subject to fluctuations in interest rated on its interest-bearing liabilities, including bank overdrafts and term loans (if any).

- **Credit Risk**

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. IMC seeks to manage its credit risk with respect to customers by setting credit limit for individual customers, tour operators and by monitoring outstanding receivable. At the balance sheet, no significant concentrations of credit risk were identified by management.

- **Other Risk Factors**

IMC is located in Gaza, Palestine and operates in high risk political and economic area, which may increase the operational risk of the IMC and consequently, impact IMC operation in negative manner.