



INTERNATIONAL MEDICAL CORPS
(A California Nonprofit Corporation)

Financial Statements

June 30, 2023

(With Comparative Financial Information as of June 30, 2022)

(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 Audit of the Financial Statements

Opinion

We have audited the financial statements of International Medical Corps (Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023 on our consideration of the Organization's 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 the Organization's 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 the Organization's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
November 21, 2023

INTERNATIONAL MEDICAL CORPS
(A California Nonprofit Corporation)

Statement of Financial Position

June 30, 2023

(With comparative financial information as of June 30, 2022)

Assets	2023	2022
Cash and cash equivalents	\$ 108,950,867	103,487,578
Grants receivable	11,442,343	5,841,436
Other receivables	2,396,304	14,771,586
Investments	5,665,238	4,829,201
Prepaid expenses	5,628,022	5,827,122
Deposits	432,752	341,890
Inventory of supplies and commodities	979,161	443,692
Right-of-use lease assets, net	2,253,537	—
Equipment, net	1,940,950	2,276,289
Total assets	\$ 139,689,174	137,818,794
Liabilities and Net Assets		
Accounts payable	\$ 15,834,362	11,865,927
Accrued liabilities	29,790,894	27,678,027
Lease liability	2,213,280	—
Refundable advances	5,060,752	3,950,878
Funds on deposit from affiliates	1,935,189	3,483,188
Deferred rent	—	62,274
Total liabilities	54,834,477	47,040,294
Without donor restrictions	26,673,563	22,489,021
With donor restrictions	58,181,134	68,289,479
Total net assets	84,854,697	90,778,500
Total liabilities and net assets	\$ 139,689,174	137,818,794

See accompanying notes to financial statements.

INTERNATIONAL MEDICAL CORPS
(A California Nonprofit Corporation)

Statement of Activities

Year ended June 30, 2023

(With summarized information for the year ended June 30, 2022)

	2023			2022 Total
	Without donor restrictions	With donor restrictions	Total	
Operating support and revenue:				
Public support:				
Contract and grant support	\$ 167,842,115	—	167,842,115	123,521,991
Contributions	9,572,561	37,707,630	47,280,191	87,507,725
Donated medical supplies	3,377,908	(139,226)	3,238,682	7,727,165
Donated medical services	4,811,683	352,556	5,164,239	1,887,017
Total public support	185,604,267	37,920,960	223,525,227	220,643,898
Other revenue	427,122	—	427,122	80,654
Total operating support and revenue	186,031,389	37,920,960	223,952,349	220,724,552
Net assets released from restrictions	48,056,187	(48,056,187)	—	—
Total operating support and revenue and net assets released from restrictions	234,087,576	(10,135,227)	223,952,349	220,724,552
Operating expenses:				
Program services	204,895,827	—	204,895,827	149,197,927
Supporting services:				
Management and general	22,356,165	—	22,356,165	17,409,750
Fund-raising	5,018,045	—	5,018,045	3,722,523
Total supporting services	27,374,210	—	27,374,210	21,132,273
Total operating expenses	232,270,037	—	232,270,037	170,330,200
Change in net assets from operations	1,817,539	(10,135,227)	(8,317,688)	50,394,352
Nonoperating activities:				
Investment income (loss)	2,367,003	26,882	2,393,885	(193,533)
Change in net assets	4,184,542	(10,108,345)	(5,923,803)	50,200,819
Net assets at beginning of the year	22,489,021	68,289,479	90,778,500	40,577,681
Net assets at end of the year	\$ 26,673,563	58,181,134	84,854,697	90,778,500

See accompanying notes to financial statements.

INTERNATIONAL MEDICAL CORPS

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Statement of Functional Expenses

Year ended June 30, 2023

(With summarized financial information for the year ended June 30, 2022)

	<u>Supporting services</u>					
	<u>Program services</u>	<u>Management and general</u>	<u>Fund-raising</u>	<u>Total supporting services</u>	<u>2023 Total</u>	<u>2022 Total</u>
Salaries and employee benefits	\$ 83,186,623	17,461,971	2,620,095	20,082,066	103,268,689	85,294,389
Allowances	2,065,338	97,243	—	97,243	2,162,581	1,647,819
Professional fees	4,612,192	2,351,064	721,256	3,072,320	7,684,512	7,580,194
Transportation and shipping	10,290,858	19,094	35,044	54,138	10,344,996	6,859,058
Capital expenditures	15,113,014	—	—	—	15,113,014	4,555,624
Depreciation	39,338	707,495	—	707,495	746,833	625,438
Travel	7,016,654	341,236	116,836	458,072	7,474,726	4,734,796
Conferences and meetings	1,152,948	78,136	19,936	98,072	1,251,020	263,298
Supplies, materials, and services	45,865,956	1,097,758	40,680	1,138,438	47,004,394	27,691,687
Communication	1,288,786	288,724	25,007	313,731	1,602,517	1,731,474
Insurance	1,497,697	232,006	33,624	265,630	1,763,327	1,426,654
Occupancy	7,012,271	684,963	50,685	735,648	7,747,919	6,268,680
Other costs	5,554,515	(1,003,525)	1,354,882	351,357	5,905,872	2,588,737
Subrecipients	11,623,392	—	—	—	11,623,392	8,969,465
Donated supplies and food commodities	3,597,699	—	—	—	3,597,699	8,205,870
Donated services	4,978,546	—	—	—	4,978,546	1,887,017
Total expenses	\$ <u>204,895,827</u>	<u>22,356,165</u>	<u>5,018,045</u>	<u>27,374,210</u>	<u>232,270,037</u>	<u>170,330,200</u>

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended June 30, 2023

(With comparative financial information for the year ended June 30, 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (5,923,803)	50,200,819
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributed investments	(449,962)	(2,722,585)
Depreciation	746,834	625,438
Amortization	1,277,952	—
Realized and unrealized loss (gain) on investments	(670,081)	283,877
Change in operating assets and liabilities:		
Grants receivable	(5,600,907)	427,445
Other receivables	12,375,282	(9,277,425)
Prepaid expenses	199,100	(1,150,598)
Deposits	(90,862)	(92,987)
Inventory of supplies and commodities	(535,469)	786,390
Right-of-use assets and lease liability	(1,318,209)	—
Accounts payable and accrued liabilities	6,081,302	4,437,655
Refundable advances	1,109,874	(2,276,661)
Funds on deposit from affiliates	(1,547,999)	2,922,640
Deferred rent	(62,274)	62,274
Net cash provided by operating activities	5,590,778	44,226,282
Cash flows from investing activities:		
Purchases of equipment	(411,495)	(596,166)
Proceeds from sale of contributed investments	284,006	2,669,426
Net cash provided by investing activities	(127,489)	2,073,260
Net increase in cash and cash equivalents	5,463,289	46,299,542
Cash and cash equivalents, beginning of year	103,487,578	57,188,036
Cash and cash equivalents, end of year	\$ 108,950,867	103,487,578
Supplemental disclosure of cash flows:		
Contributed investments	\$ 449,962	2,722,585
Cash paid for interest expense	10	—

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2023

(With comparative information as of and for the year ended June 30, 2022)

(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 Bureau for Humanitarian Assistance (BHA), 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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(With comparative information as of and for the year ended June 30, 2022)

(b) Cash and Cash Equivalents

For the purposes of the statement 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, 2023 consisted of \$43,083,321 of cash and \$65,867,546 of government money market funds. Cash and cash equivalents as of June 30, 2022 consisted of \$99,379,358 of cash and \$4,108,220 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 \$98,370,004 and \$94,688,101 at June 30, 2023 and 2022, 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 statement 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

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awarded by federal and other sponsors, which are generally considered nonreciprocal transactions 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. Estimated conditional contributions of \$129,268,446 and \$132,760,678 have been obligated to the Organization from U.S. Government donors for utilization in future years as of June 30, 2023 and 2022, respectively.

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 SaaS (software as a service licensing and maintenance) and 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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(With comparative information as of and for the year ended June 30, 2022)

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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(With comparative information as of and for the year ended June 30, 2022)

(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) Reclassifications

Certain reclassifications have been made to prior year's amounts to conform to the current year's presentation.

(p) Comparative Financial Information

The accompanying financial statements include certain prior year summarized information. With respect to the financial statement of functional expenses, information from the prior year is presented in the aggregate, is not presented by function, and the financial statement of activities does not include balances for net assets without donor restrictions and net assets with donor restrictions. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

(q) 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 as of July 1, 2022. The Organization adopted this standard in fiscal year 2023 and recorded a right-of-use asset and a lease liability in the statement of financial position. See Note 7 for additional information.

(3) Grants Receivable

Grants receivable as of June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
U.S. Agency for International Development	\$ 7,614,994	2,863,737
U.S. Department of State	2,849,353	2,550,495
U.S. Department of Health and Human Services	238,440	88,528
Others	<u>739,556</u>	<u>338,676</u>
Total grants receivable	<u>\$ 11,442,343</u>	<u>5,841,436</u>

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(With comparative information as of and for the year ended June 30, 2022)

(4) Equipment, Net

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

	2023	2022
Machinery, computer hardware, and equipment	\$ 1,737,665	2,207,826
Leasehold improvements	366,891	366,891
Automobiles	13,502	13,502
Computer software	9,005,485	8,883,882
Furniture and fixtures	186,470	195,406
Total	11,310,013	11,667,507
Less accumulated depreciation and amortization	(9,369,063)	(9,391,218)
Total equipment, net	\$ 1,940,950	2,276,289

Depreciation and amortization expense totaled \$746,833 and \$625,438 for the years ended June 30, 2023 and 2022, 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 \$2,030,699 and \$1,772,869 for the years ended June 30, 2023 and 2022, 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 \$2,151,189 and \$1,961,919 for the years ended June 30, 2023 and 2022, respectively.

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(With comparative information as of and for the year ended June 30, 2022)

(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. The Organization had a payable balance to IMC UK of \$426,475 and \$3,483,188, recorded as funds on deposit from affiliates in the statement of financial position for the years ended June 30, 2023 and 2022, respectively.

Amounts contributed to IMC UK during FY 2023 and FY 2022 totaled \$324,849 and \$2,290,916, respectively.

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, 2023, the Organization had a payable balance to IMC Croatia of \$1,508,714, recorded as funds on deposit from affiliates in the statement of financial position. As of June 30, 2022, the Organization had a receivable balance from IMC Croatia of \$8,891,557 recorded as other receivables in the statement of financial position.

Amounts contributed to IMC Croatia during 2023 and 2022 totaled \$3,144,955 and \$55,219, respectively.

(7) Lease Liability

The Organization has commitments related to operating leases for office and storage space. All operating leases are noncancelable and expire on various dates through 2028. Future minimum annual lease payments under these leases are as follows:

Year ending June 30:	
2024	\$ 1,111,204
2025	598,773
2026	204,859
2027	457,423
2028	<u>399,893</u>
Total minimum payments	<u>\$ 2,772,152</u>

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June 30, 2023

(With comparative information as of and for the year ended June 30, 2022)

Total rent expense for all leases for the years ended June 30, 2023 and 2022 totaled \$5,057,538 and \$3,805,747, respectively.

The Organization recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date. Lease assets and liabilities are recognized based on the present value of the lease payments over the lease term. Operating leases with a term of 12 months or less are not recorded in the statements of financial position. The Organization recorded \$2,253,537 ROU asset and a \$2,213,280 operating lease liability in the statements of financial position as of June 30, 2023. Any prepaid and accrued lease payments, as well as any lease incentives have been accounted for in these amounts.

The Organization uses its incremental borrowing rate as the discount rate for its leases as this is the most practical expedient option. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because the Organization does not generally borrow on a collateralized basis, it uses the interest rate it pays on its noncollateralized borrowings as an input to deriving an appropriate incremental borrowing rate, adjusted for the amount of lease payments, the lease term, and the effect on that rate of designating specific collateral with a value equal to unpaid lease payments for that lease.

(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, 2023 and 2022 as the probable and reasonably estimable amount for contingent liabilities.

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 \$150,458,758 and \$15,641,184 were received from the U.S. Agency for International Development and the U.S. Department of State, respectively, for the year ended June 30, 2023, which represents 67% and 7%, respectively, of total public support and revenue. Grants and contracts totaling \$107,524,071 and \$14,867,228 were received from the U.S. Agency for International Development and the U.S. Department of State, respectively, for the year ended June 30, 2022, which represents 49% and 7%, respectively, of total public support and revenue. Should these contribution levels decrease, the Organization may be adversely affected.

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(10) Net Assets with Donor Restrictions

Net assets totaling \$58,181,134 and \$68,289,479 at June 30, 2023 and 2022 are restricted for relief programs in future periods, respectively.

	<u>2023</u>	<u>2022</u>
Africa	\$ 460,925	3,503,424
Asia	1,085,854	888,139
Europe	38,763,838	51,720,600
Global	3,885,643	5,124,178
Middle East	8,164,251	1,284,898
North/Central America and the Caribbean	1,950,412	2,184,041
Other (for example, emergency response and health)	<u>3,870,211</u>	<u>3,584,199</u>
Total net assets with donor restrictions	<u>\$ 58,181,134</u>	<u>68,289,479</u>

Net assets totaling \$750,000 at June 30, 2023 and 2022 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, 2023 and 2022.

(12) Investments

Investments as of June 30, 2023 and 2022 consist of the following:

	<u>Fair value</u>	
	<u>2023</u>	<u>2022</u>
Domestic equities	\$ 5,568,409	4,737,359
Foreign equities	<u>96,829</u>	<u>91,842</u>
Total investments	<u>\$ 5,665,238</u>	<u>4,829,201</u>

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

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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, 2023 and 2022, 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.

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 as of June 30, 2023 and 2022, 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, 2023 and 2022, 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.

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(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, 2023 and 2022. 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.

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 108,950,867	103,487,578
Grants receivable	11,442,343	5,841,436
Other receivables	2,396,304	14,771,586
Investments	5,665,238	4,829,201
Total financial assets	128,454,752	128,929,801
Less refundable advances	5,060,752	3,950,878
Less net assets with donor restrictions	58,181,134	68,289,479
Total financial assets available for general expenditures	65,212,866	56,689,444
Line of credit	10,000,000	10,000,000
Total financial assets and other resources available for general expenditures within one year	\$ 75,212,866	66,689,444

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(15) Program Services

Following a crisis, or in communities in need of health services, the Organization's goal is to meet community needs, strengthen local capacity, and promote resilience and overall wellbeing. The sectors in which we work include the following:

	<u>2023</u>	<u>2022</u>
Building health capacity	\$ 42,536,885	55,574,533
Emergency response and preparedness	123,038,833	68,491,773
Mental health and psychosocial activities	2,971,345	9,814,662
Water, sanitation and nutrition	10,002,565	8,730,526
Women and children's health	26,346,199	6,586,433
Total program services	<u>\$ 204,895,827</u>	<u>149,197,927</u>

(16) Subsequent Events

The Organization has performed an evaluation of subsequent events through November 21, 2023, which is the date the financial statements were available to be issued.