



INTERNATIONAL MEDICAL CORPS –GAZA (IMC)

**Financial Statements and
Independent Auditor's Report**

For the Year Ended on December 31st, 2019

May 2022

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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, 2019, 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, 2019, 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 is 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's 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's 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's 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's 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>2019</u> <u>U.S. \$</u>	<u>2018 Audited</u> <u>by Ernst and</u> <u>Young</u> <u>U.S. \$</u>
<u>Assets</u>			
Current Assets			
Prepayments and other debt balances	3	28,434	28,469
Cash and bank balances	4	9,934	55,276
Total current assets		<u>38,368</u>	<u>83,745</u>
Total Assets		<u>38,368</u>	<u>83,745</u>
<u>Head office and liabilities</u>			
Head office			
Head office account	5	<u>29,548</u>	<u>7,349</u>
liabilities			
Provision for severance	6	-	71,109
Account payables and other credit balances	7	<u>8,820</u>	<u>5,287</u>
Total Liabilities		<u>8,820</u>	<u>76,396</u>
Total head office and liabilities		<u>38,368</u>	<u>83,745</u>

Statement of Activities and Changes in Net Assets

	<u>Notes</u>	<u>2019</u> <u>U.S. \$</u>	<u>2018</u> <u>U.S. \$</u>
<u>Revenues</u>			
Transfers from Head Office		139,390	1,372,758
		<u>139,390</u>	<u>1,372,758</u>
<u>Expenses</u>			
Salaries and related expenses	8	64,456	904,842
Offices and guest house buildings cost	9	7,037	203,436
Travel and transportation		10,656	42,364
Vehicle costs		-	35,481
Program Activities		3,084	41,562
Professional fees		29,780	21,779
Communications and Related costs		1,755	18,408
Other operating expenses	10	423	8,530
Capital expenditures		-	7,842
		<u>117,191</u>	<u>1,284,244</u>
Excess of revenues over expenses for the year		<u>22,199</u>	<u>88,514</u>

Statement of Cash Flows

	<u>2019</u>	<u>2018</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Operating activities:</u>		
Excess of revenues over expenses for the year	22,199	88,514
Adjustments:		
Provision for severance	-	70,491
	<u>22,199</u>	<u>159,005</u>
Changes in working capital:		
Prepayments and other debt balances	35	4,836
Payable and other credit balances	3,533	(9,070)
Employees benefits paid	(71,109)	(133,295)
Net cash (used in) from operating activities	<u>(45,342)</u>	<u>21,476</u>
(Decrease) increase in cash and bank balances	(45,342)	21,476
Cash and bank balances, beginning of the year	55,276	33,800
Cash and bank balances, end of the year	<u><u>9,934</u></u>	<u><u>55,276</u></u>

Notes to the Financial Statements

Note (1) General

International Medical Corps (IMC) was established in 1984 in the USA. It 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 in the Gaza strip and the West Bank, and 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 labour law prevailing in Palestine, and IMC'S internal policies, based on one-month salary for each year of employment.

Income taxes

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

Foreign currencies

IMC'S functional currency is the United 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 expenses as an addition or reduction of expenses

Note (3) Prepayments and other debit balances

	<u>2019</u>	<u>2018</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Prepaid expenses	64	98
Other debit balances	2,736	2,737
Due from employees	25,634	25,634
	<u>28,434</u>	<u>28,469</u>

Note (4) Cash and bank balances

	<u>2019</u>	<u>2018</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Cash at banks ILS	1,072	3,249
Cash at banks U.S.\$	8,862	52,027
	<u>9,934</u>	<u>55,276</u>

Note (5) Head office account

	<u>2019</u>	<u>2018</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of the year	7,349	(81,165)
Expenditures incurred	(117,191)	(1,284,244)
Cash transferred from head office	139,390	1,372,758
Balance, end of year	<u>29,548</u>	<u>7,349</u>

Note (6) Provision for severance

	<u>2019</u>	<u>2018</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of the year	71,109	133,913
Additions	-	70,491
Payments	(71,109)	(133,295)
Balance, end of the year	<u>-</u>	<u>71,109</u>

Note (7) Account payables and other credit balances

	2019	2018
	U.S. \$	U.S. \$
Accrued salaries	-	3,457
Insurance	8,820	1,830
	8,820	5,287

Note (8) Salaries and related expenses

	2019	2018
	U.S. \$	U.S. \$
Salaries- local staff	48,430	624,064
Salaries- international staff allowances	-	346
Temporary Employees	6,659	14,800
Local staff benefits	9,367	256,003
Insurance	-	9,629
	64,456	904,842

Note (9) Offices and guest house building costs

	2019	2018
	U.S. \$	U.S. \$
Offices and guest house building costs	6,120	187,266
Maintenance, accessories, and other facilities	917	16,170
	7,037	203,436

Note (10) Other operating expenses

	2019	2018
	U.S.\$	U.S.\$
Stationery and printing	-	4,559
Bank charges and currency exchange differences	273	1,779
Utilities	-	1,595
Insurance	130	344
Others	20	253
	423	8,530

Note (11) 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 (12) 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.