

ANNUAL ACCOUNTS

2017

ASOCIACIÓN MEDCITIES Y/O MEDCITES

Barcelona, April 30, 2018

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General Secretariat

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BALANCE SHEET AS OF DECEMBER 31, 2017

ACTIVE	Notes	2017 FINANCIAL YEAR	PASSIVE	Notes	2017 FINANCIAL YEAR
B) FIXED ASSETS		247.49	A) OWN FUNDS		90,640.48
IV. OTHER TANGIBLE FIXED ASSETS		247.49	III. SURPLUS FROM PREVIOUS YEARS		46,195.80
6. Other fixed assets		250.00	1. Surplus		46,195.80
8. Amortisations		-2.51	V. FINANCIAL YEAR SURPLUS (POSITIVE/NEGATIVE)		44,444.68
D) FLOATING ASSETS		200,203.63	E) SHORT-TERM CREDITORS		109,810.64
IV. OTHER DEBTORS		146,481.19	IV. PROVIDERS AND OTHER CREDITORS		109,810.64
2. Sundry debtors		146,473.47	2. Debt from purchases or service provisions		76,247.34
4. Public administrations		7.72	4. Public administrations		33,563.30
VI. TREASURY		53,722.44	OVERALL TOTAL (A+B+C+D+E)		200,451.12
OVERALL TOTAL (A+B+C+D)		200,451.12			

The President
Tétouan City Council
Mr. Mohamed Idaomar

The Vice President and Secretary
Barcelona Metropolitan Area
Mr. Alfred Bosch i Pascual

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PROFIT & LOSS ACCOUNT 2017

C R E D I T	Notes	2017 FINANCIAL YEAR
B) REVENUE		565,817.66
1. Entity revenue from own activity		565,777.02
a) Membership and affiliation fees		53,200.00
c) Subsidies, donations and legacies charged to the Result		512.57 7.02
I. NEGATIVE OPERATING RESULTS (A1+A2+A3+A4+A5+A6+A7-B1-B2-B3-B4-B5)		
8. Other interest and similar revenue		40.64
c) Other interest		40.64
II. NEGATIVE FINANCIAL RESULTS (A8+A9+A10-B6-B7-B8-B9)		912.83
III. NEGATIVE ORDINARY ACTIVITIES RESULT (BI+BII-AI-AII)		
V. NEGATIVE GROSS RESULTS (BIII+BIV-AIII-AIV)		
VI. FINANCIAL YEAR DEFICIT (BV+A16+A17)		

D E B I T	Notes	2017 FINANCIAL YEAR
A) EXPENSES		521,372.98
2. Procurements		177,927.41
4. Staff expenses		183,704.22
a) Wages, salaries and similar		140,249.47
b) Social charges		43,454.75
5. Fixed asset amortisation resources		2.51
6. Other expenses		158,785.37
a) External services		127,759.46
b) Tax		18.74
c) Other everyday management expenses		31,007.17
I. POSITIVE OPERATING RESULTS (B1+B2+B3+B4+B5-A1-A2-A3-A4-A5-A6-A7)		45,357.51
10. Negative exchange rate difference		953.47
II. POSITIVE FINANCIAL RESULTS (B6+B7+B8+B9-A8-A9-A10)		
III. POSITIVE ORDINARY ACTIVITIES RESULT (AI+AII-BI-BII)		44,444.68
V. POSITIVE GROSS RESULTS (AIII+AIV-BIII-BIV)		44,444.68
VI. FINANCIAL YEAR SURPLUS (AV-A16-A17)		44,444.68

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General Secretariat

ABRIDGED FINANCIAL REPORT - 2017 FINANCIAL YEAR (JANUARY 1, 2017— DECEMBER 31, 2017)

1. Entity activity

a) Activity overview:

- Tax on Economic Activities (IAE) Section 8499: Other Independent Services
- Increasing the awareness of interdependence and common responsibility related to sustainable development policies, environmental preservation and social cohesion in the Mediterranean region.
- Reinforcing the role, competences and means (institutional, financial and technical) of local administrations in the adoption and implementation of sustainable local development policies.
- Increasing citizen awareness and commitment among citizens in the sustainable development of their cities.
- Launching and developing direct cooperation and partnership policies between members and with other entities.
- Carrying out studies, rulings, working days, specialised training, specialised congresses, cooperation projects and support programmes from member to member.
- Fostering participation in specific programmes of the European Union, European and international cooperation agencies as well as of international financial institutions among others.
- Representing member cities in the evaluation of policies developed by higher organisations and taking part in formulating policies related to the geographic scope and network topics.

b) Specific description of subsidies granted:

No subsidies were granted during this financial year.

c) Identification of the collaboration agreements signed with other entities:

- Agreement with the Barcelona Metropolitan Area (AMB). Amount: 265,000.00€. Objective: Guarantee ordinary functioning of the General Secretariat of the MedCities Association, thus developing the commitments derived from articles 5 and 30 of the MedCities Association statutes, approved by AMB. The amount of this agreement includes the annual MedCities membership fee from AMB.
- Agreement with the Catalan Agency for Development Cooperation (ACCD). Amount: 30,000€. Objective: Co-fund the support project for the territorial antenna of the MedCities network in Al Fayhaa.
- Agreement with the United Nations Development Program (UNDP). Total amount: US\$29,900.00. Justified amount in 2017: US\$14,307.88 (12,896.03€). Objective: Co-fund the project "Strengthening and dissemination of strategic urban-planning initiatives in Tunisia, especially in inland cities". From the full subsidy amount, only the justified amount has been recorded as revenue.

d) Information on individual users or beneficiaries of the aforementioned activities:

The beneficiaries of MedCities are the municipalities and therefore the individual beneficiaries are the whole collective who lives in each of them. No subsidies were granted directly to actual people.

e) Actions carried out to foster equal treatment and opportunity conditions between genders during the year.

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Fostering gender equality is included in the MedCités Plan of Action for 2017 as a transversal line of work. This line is introduced in the formulation of the projects, taking into account gender equality as a structuring element of the Association's interventions.

2. Annual accounts presentation basis

02.01 True picture

02.01.01 Legal provisions

The annual accounts have been prepared based on the entity's accounting registers, having applied the current legal provisions on accounting in order to show a true picture of the entity's assets, financial situation and results.

02.02 Non-compulsory accounting principles applied

It has not been necessary nor deemed convenient by the entity's administration to apply optional accounting principles other than those compulsory, stated in Article 38 of the Commercial Code and Part I of the Spanish General Accounting Plan.

02.03 Information comparison

02.03.01 Structural modification of the accounting statements

There has been no exceptional reason which justifies the structural modification of the balance sheet and the profit-and-loss accounts from the previous financial year, as stated in Article 35.8 of the Commercial Code and Part IV of the Spanish General Accounting Plan.

02.04 Elements stated in different line items

There are no active or passive asset elements stated in more than one item of the balance sheet.

02.05 Changes in accounting criteria

No changes were made to accounting criteria during this financial year.

02.06 Correction of errors

Modifications must be made to the profit-and-loss accounts from previous financial years, adding membership fees collected from corresponding members during the 2015 and 2016 financial years.

More specifically, the following amounts were added:

- 2015 → 4,800€
- 2016 → 7,500€

With this adjustment, the positive results account (120 remaining balance) from previous financial years is of 33,895.80€ in 2016, carrying over a final balance to 2017 of 46,195.80€.

The positive result obtained during the financial year (general ledger account 129) amounting to 44,444.68€ is pending application until the approval of the accounts by the Board of Directors.

3. Results allocation

Information on the surplus allocation proposal, especially on the figure that the government body has agreed to allocate to increase the balance of the endowment or social fund and to subject it to the compliance with applicable legal provisions in accordance with the following table:

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Distribution basis	Amount
Financial year surplus	44,444.68€
Total distribution basis = Total allocation	44,444.68€
Allocation to	Amount
Endowment fund or social fund	9,378.90€
Special funds	35,065.78€
Surplus	
Surplus pending allocation to statutory activities	
Deficits compensation from previous financial years	
Total allocation = Total distribution basis	44,444.68€

Given that the association has operated at full capacity during its first financial year and that this implies the hiring of staff and basic services, such as banking and consultancy services, which are necessary for the association's normal functioning, it has been deemed prudent and timely to create a contingency fund to support the costs derived from a contract cancellation or a potential situation of closure.

This measure has been proposed with the single objective of continuing with an efficient management and deeming it necessary to provide the association with enough resources to be self-sufficient and ready for any eventuality which may arise, anticipating all scenarios. The contingency total has been calculated and, as of December 31, 2017, amounts to a total of 70,131.74€. Since we are only in the first year of operations, we propose to provide only 50% of the contingency amount and leave the remaining amount at the disposal of the association's daily operations. For this reason, we propose to allocate 35,065.87€ to the Special Contingency Fund.

4. Registration and evaluation regulations

04.01 Intangible fixed assets

04.01.02 Research and development expenses

No research and development expenses were capitalised during this financial year and, therefore, there was no amortisation or adjustments due to impairment.

No impairment loss was registered during the research and development expenses exercise.

04.01.03 Industrial property

No industrial property was capitalised during this financial year and, therefore, there was no amortisation or adjustments due to impairment.

Having carried out the appropriate verifications, there were no value adjustments due to impairment on the industrial property.

04.01.04 Goodwill

The goodwill line item was not capitalised during this financial year and, for this reason, no value adjustments were made.

The review carried out at the close of the financial year to analyse potential losses due to value impairment determined that no value adjustments were required.

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04.01.05 Transfer rights

No transfer rights were capitalised during this financial year and, therefore, no amortisation or value adjustments were made.

Having carried out the appropriate verifications, there were no value adjustments due to impairment in the transfer rights.

04.01.06 Computer applications

No computer applications were capitalised during this financial year and, therefore, there was no depreciation or value adjustments due to impairment.

Having carried out the appropriate verifications, there was no value adjustments due to impairment on computer applications.

04.01.07 Administrative concessions

No administrative concessions were capitalised during this financial year and, therefore, no amortisation or value adjustments due to impairment were registered.

Having carried out the appropriate verifications, there were no value adjustments due to impairment on administrative concessions.

04.02 Tangible fixed assets

04.02.01 Capitalisation

The goods comprised in the tangible fixed assets are valued according to their cost, whether it is the acquisition price or the production cost.

04.02.02 Depreciation

The depreciation of these assets begins when they are ready to be used for their intended purpose.

Depreciation is calculated, applying the straight-line method, by subtracting the assets' residual value from their acquisition cost; understanding that the land on which buildings and other constructions are built have an indefinite useful life and that, therefore, do not suffer from depreciation.

The annual amounts for tangible assets depreciation are made with a balancing entry in the profits and losses account and, basically, are equivalent to the depreciation percentages determined according to their estimated years of useful life of the different elements which, on average, is:

In the event of value adjustments due to impairment, the depreciation of future exercises of impaired fixed assets is adjusted, taking into account the new accounting value. The same process applies in the event of their reversal.

04.02.03 Value adjustments due to impairment and reversal

No value adjustments of tangible fixed assets were made.

During the financial year, no reversals in value adjustments due to impairment took place, since the circumstances which motivated them remained intact.

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04.03 Property investment

04.03.01 Capitalisation

During the financial year, no assets considered as property investments were considered.

04.03.02 Amortisation

The property investment line item did not register amortisation during the financial year.

04.03.03 Value adjustments due to impairment and reversal

There was no impairment loss in property-investment elements.

During the financial year, there were no reversals in value adjustments due to impairment since the circumstances which motivated them remained intact.

04.04 Inventory

04.04.01 Valuation criteria

No inventory was account for during the financial year.

04.04.02 Value adjustments due to impairment

The entity carried out an evaluation on the inventory net realisable value at the end of the financial year and considered that no impairment loss was necessary.

04.05 Profit tax

04.05.01 Registration criteria

MedCités is a partially-exempt entity due to the application of Article 9.3 of the Spanish Corporation Tax Act (TRLIS) since it is a non-profit entity and/or institution to which the special tax regime on non-profit entities does not apply, contained in Section II of Law 49/2002, of December 23, on the tax regime of non-profit organisations and of tax incentives for patronage.

Applying the aforementioned regulation, when calculating the profit tax, the corresponding adjustments between revenue and expenses are made, resulting in a negative tax base.

See Note 14.03 of this report.

04.06 Subsidies, donations and legacies

04.06.01 Non-refundable subsidies

Non-refundable subsidies were registered in the accounts throughout the financial year. The transactions for this line item were as follow:

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Granting entity	Year granted	Allocation period	Amount granted	Allocated to results until end of financial year	Allocated to financial year result	Total amount allocated to results	Pending allocation to results
BARCELONA METROPOLITAN AREA	2017	2017	263,300.00€		263,300.00	263,300.00	
BARCELONA CITY COUNCIL	2017	2017	48,570.00€		48,570.00	48,570.00	
UNITED NATIONS DEVELOPMENT PROGRAM	2017	2017	12,896.03€		12,896.03	12,896.03	
EUROPEAN COMMISSION	2017	2017	157,810.99€		157,810.99	157,810.99	
CATALAN AGENCY FOR DEVELOPMENT COOPERATION	2017	2017	30,000.00€		30,000.00	30,000.00	
Total			512,577.02€		512,577.02€	512,577.02€	

Account denomination	Opening balance	Inflow	Outflow	Final balance
Capital grant				
Donations and capital legacy				
Other subsidies and donations		512,577.02€		512,577.02€
Total		512,577.02€		512,577.02€

Entity	Amount
BARCELONA METROPOLITAN AREA	263,300.00€
BARCELONA CITY COUNCIL	48,570.00€
UNITED NATIONS DEVELOPMENT PROGRAM	12,896.03€
EUROPEAN COMMISSION	157,810.99€
CATALAN AGENCY FOR DEVELOPMENT COOPERATION	30,000.00€
Total...	512,577.02€

04.07 Related transactions

No transactions which may be classed as related took place.

5. Tangible fixed assets

05.01 Analysis of tangible fixed assets activity

05.01.01 Analysis of tangible fixed assets gross activity

The activity of the tangible fixed assets line item is as follows:

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TANGIBLE FIXED ASSETS ACTIVITY	2017 AMOUNT	2016 AMOUNT
GROSS OPENING BALANCE		
(+) Inflow	250.00€	
(+) Value adjustments for restatement		
(-) Outflow		
FINAL GROSS BALANCE	250.00€	

05.01.02 Analysis of tangible fixed assets depreciation

Detailed below is the activity of the tangible fixed assets depreciation:

TANGIBLE FIXED ASSETS DEPRECIATION ACTIVITY	2017 AMOUNT	2016 AMOUNT
GROSS OPENING BALANCE		
(+) Increase by donations	2.51€	
(+) Increase of accumulated depreciation by restatement		
(+) Increase by acquisitions or transfers		
(-) Decrease by disposals, retirements and transfers		
FINAL GROSS BALANCE	2.51€	

05.01.03 Analysis of value adjustments due to impairment

There were no value adjustments due to impairment during the financial year.

05.02 Analysis of Intangible fixed assets activity

05.02.01 Intangible fixed assets gross activity analysis

There was no activity in the line item of intangible fixed assets during this financial year.

05.02.02 Analysis of intangible fixed assets amortisation

There was no amortisation of intangible fixed assets during this financial year.

05.02.03 Analysis of value adjustments due to impairment

There were no value adjustments due to impairment during this financial year.

05.02.04 Intangible fixed assets with indefinite useful life

All intangible assets have a limited useful life.

05.03 Analysis of property investment activity

05.03.01 Analysis of property investment gross activity

There was no property investment activity during this financial year.

05.03.02 Analysis of property investment depreciation

There was no depreciation of property investment during this financial year.

05.03.03 Analysis of value adjustments due to impairment

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There were no value adjustments due to impairment during this financial year.

05.04 Finance leases and similar operations

There were no finance leases or similar operations on non-current assets.

6. Property investment

There were no line items on property investment during this financial year.

7. Cultural heritage assets

There were no line items of cultural heritage assets during this financial year.

8. Intangible fixed assets

There were no line items of intangible fixed assets during this financial year.

9. Leases and other operations of a similar nature

There were no leasing operations or any of a similar nature during this financial year.

10. Financial assets

10.01 Value adjustments due to impairment caused by credit risk

10.01.01 Debt securities

There were no value adjustments due to impairment caused by risk credit in debt securities.

10.01.02 Credits, derivatives and others

There were no value adjustments due to impairment caused by risk credit in credits, derivatives and others.

10.02 Financial assets valued at fair value

10.02.02 Value variations registered in the profit-and-loss account and/or assets.

There were no variations in the value of the financial assets valued at fair value during this financial year.

10.03 Group, multigroup and associated companies

10.03.01 Group companies

The ASSOC MedCities entity does not have any stocks or shares in entities which may be considered as group companies.

10.03.02 Multigroup companies, associated companies and others.

The entity does not have any stocks or shares in multigroup companies, associated companies or others.

10.03.03 Amount of value adjustment due to impairment

There were no value adjustments due to impairment in the different shares.

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11. Financial liabilities

11.01 Information on:

11.01.01 Debt which expires in the next 5 years

There are no long-term debts registered as liabilities on the balance sheet.

11.01.02 Debt with collateral

There are no debts with collateral.

Note: The entity has a credit facility of 200,000€ arranged with BBVA since November 24, 2017. As of December 31, 2017, it has not been used.

12. Own funds

At the end of the implementation of the financial year, there was a positive balance of 44,444.68€ in favour of the association's net worth. This balance, together with the results from previous financial years, have consolidated the association's net worth totalling 90,640.48€.

Given that the association has operated at full capacity during its first financial year and that this implies the hiring of staff and basic services, such as banking and consultancy services, which are necessary for the association's normal functioning, it has been deemed prudent and timely to create a contingency fund to support the costs derived from a contract cancellation or a potential situation of closure.

This measure has been proposed with the single objective of continuing with an efficient management and deeming it necessary to provide the association with enough resources to be self-sufficient and ready for any eventuality which may arise, anticipating all scenarios. The contingency total has been calculated and, as of December 31, 2017, amounts to a total of 70,131.74€. Since we are only in the first year of operations, we propose to provide only 50% of the contingency amount and leave the remaining amount at the disposal of the association's daily operations. For this reason, we propose to allocate 35,065.87€ to the Special Contingency Fund.

13. Subsidies, donations and legacy

13.01 Revenue and expenses of exceptional amount or incidence

13.01.01 Subsidies, donations and legacies received

Below is a table which details the subsidies, donations and legacies which appear in the balance as well as the amounts allocated in the profit-and-loss account:

SUBSIDIES, ETC. GRANTED BY THIRD PARTIES	2017 AMOUNT	2016 AMOUNT
Appear on the balance's net worth		
Allocated to the profit-and-loss account	565,777.02€	
Long-term debt transformable into subsidies		

See detailed subsidies activity in Note 04.06 of this report.

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14. Fiscal situation

14.01 Current tax expense

During this financial year, the current tax expense was 0.00 euros (0.00 euros in 2016).

14.02 Other fiscal situation aspects

14.02.01 Reinvestment of extraordinary income

During this financial year, the entity has not made any reinvestments of extraordinary income and there is no income to add to the tax base from other financial years.

14.02.03 Special reserves

The special reserves account has not experienced any activity during this financial year, with its balance remaining at 0.00 euros (0.00 euros in 2016) throughout it.

14.02.04 Tax rate adjustment

The entity has not reflected the changes to the tax effect in its accounts as it has not deemed that there would be any variation to the tax rate which would affect assets with deductible temporary differences, taxable temporary liabilities and tax credits derived from negative tax bases.

14.03 Tax incentives

MedCités is a partially-exempt entity due to the application of Article 9.3 of the Spanish Corporation Tax Act (TRLIS) since it is a non-profit entity and/or institution to which the special tax regime on non-profit entities does not apply, contained in Section II of Law 49/2002, of December 23, on the tax regime of non-profit organisations and of tax incentives for patronage.

Applying the aforementioned regulation, when calculating the profit tax, the corresponding adjustments between revenue and expenses are made, resulting in a negative tax base. Therefore, in accordance with this regulation, there is no requirement to record profit tax expenses.

The adjustments applied in the profit tax calculation are as follow:

Accounting result	44,444.68€-
Positive adjustment. Special Partially-Exempt Entities Status (Chapter XIV, Section VII of the Corporate Tax Act)	521,372.98€-
Negative adjustment.	
Negative adjustment. Special Partially-Exempt Entities Status (Chapter XIV, Section VII of the Corporate Tax Act)	-565,817.66€-
Tax base	0.00€.-

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15. Revenue and expenses

Breakdown of expenses and revenue items:

Item	Expenses
Provisions for fixed asset depreciation	2.51€
Negative exchange rate difference	953.47€
Procurements	177,927.41€
Work carried out by other companies	177,927.41€
Consumption of goods allocated to the activity	
Consumption of raw materials	
Other consumable material	
Staff expenses	183,704.22€
Wages	140,249.47€
Social expenses	43,454.75€
Other operating expenses	158,785.37€
External services	127,759.49€
Taxes	18.74€
Other current management expenses	31,007.17€
Total	521,372.98€

Item	Revenue
Membership fees	53,200.00€
Membership fees	53,200.00€
Subsidies, donations and legacies	512,577.02€
Subsidies	512,577.02€
Sales and other ordinary revenue from commercial activity	
Sale of goods	
Service provision	
Extraordinary revenue from provision reversal	
Other operating expenses	40.64€
Supplementary and current management revenue	40.64€
Total	565,817.66€

See detailed activity of the subsidies, donations and legacy item in Note 04.06 of this report.

16. Provisions and contingency

During this financial year, there was no activity in the item of expenses allocated to provisions and contingency.

17. Application of capital elements and revenue to statutory purposes

During this financial year, there was no fixed asset alienation and, therefore, there is no line item of revenue or losses produced by this contingency.

18. Events subsequent to closing

According to the entity's administration, no significant events occurred after the closing of the financial year which are not already stated in the financial statements.

19. Operations with related parties

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There were no operations with related parties during this financial year.

20. Other information

1. The average amount of people employed during this financial year was 5 (3 men and 2 women)
2. During the 2017 financial year, there was no change to the Board of Directors.
3. There were no payments, monetary or in kind, made to any member of the Board of Directors.
4. The entity is not part of a corporate group.

In Barcelona, on April 30, 2018, this financial report was formulated and approved by signature:

The President
Tétouan City Council
Mr. Mohamed Idaomar

The Vice President and Secretary
Barcelona Metropolitan Area
Mr. Alfred Bosch i Pascual

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