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INMED PARTNERSHIPS FOR CHILDREN, INC.

Financial Statements

For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

and
Report Thereon

Raffa

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
INMED Partnerships for Children, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of INMED Partnerships for Children, Inc. (INMED), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of INMED as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Report on Summarized Comparative Information

We have previously audited the INMED's 2011 financial statements, and our report dated September 6, 2012, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffa P.C.

Raffa, P.C.

Washington, D.C.
August 5, 2013

INMED PARTNERSHIPS FOR CHILDREN, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2012
(With Summarized Financial Information as of December 31, 2011)

	2012	2011
ASSETS		
Cash and cash equivalents	$ 537,547	$ 456,193
Accounts receivable	124,450	180,316
Grants and pledges receivable	1,947,457	1,069,033
Pledged inventory goods receivable	33,264,000	-
Inventory	1,820,610	15,685,301
Prepaid expenses	8,293	7,571
Intangible asset	40,943	54,591
Deposits	10,992	13,402
TOTAL ASSETS	$ 37,754,292	$ 17,466,407
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 91,165	$ 129,445
Lines of credit	5,001	5,001
Notes payable - related parties	-	32,500
Deferred revenue	-	1,812
Deferred rent	12,635	17,124
TOTAL LIABILITIES	108,801	185,882
Net Assets		
Unrestricted (deficit)	(296,397)	(409,241)
Temporarily restricted	37,941,888	17,689,766
TOTAL NET ASSETS	37,645,491	17,280,525
TOTAL LIABILITIES AND NET ASSETS	$ 37,754,292	$ 17,466,407

The accompanying notes are an integral part of these financial statements.

INMED PARTNERSHIPS FOR CHILDREN, INC.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
REVENUE AND SUPPORT				
Contributions, grants and contracts	$ 653,213	$ 3,510,490	$ 4,163,703	$ 2,876,234
Donated goods and services	79,611	33,264,000	33,343,611	8,853,030
Other income	71,736	-	71,736	30,371
Forgiveness of debt	17,500	-	17,500	25,000
Foreign exchange transaction losses	(136,028)	-	(136,028)	(2,251)
Net assets released from restrictions:				
Satisfaction of program restrictions	16,522,368	(16,522,368)	-	-
TOTAL REVENUE AND SUPPORT	17,208,400	20,252,122	37,460,522	11,782,384
EXPENSES				
Program services:				
Overseas	16,078,896	-	16,078,896	6,176,475
Domestic	739,021	-	739,021	846,726
Total Program Services	16,817,917	-	16,817,917	7,023,201
Supporting services:				
General and administration	25,249	-	25,249	8,460
Program development	235,105	-	235,105	237,097
Fundraising	17,285	-	17,285	22,946
Total Supporting Services	277,639	-	277,639	268,503
TOTAL EXPENSES	17,095,556	-	17,095,556	7,291,704
CHANGE IN NET ASSETS	112,844	20,252,122	20,364,966	4,490,680
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(409,241)	17,689,766	17,280,525	12,789,845
NET ASSETS (DEFICIT), END OF YEAR	$ (296,397)	$ 37,941,888	$ 37,645,491	$ 17,280,525

The accompanying notes are an integral part of these financial statements.

INMED PARTNERSHIPS FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

	Program Services			Supporting Services					
	Overseas	Domestic	Total Program Services	General and Administration	Program Development	Fundraising	Total Supporting Services	2012 Total	2011 Total
Donated goods consumed	$ 13,864,691	$ -	$ 13,864,691	$ -	$ -	$ -	$ -	$ 13,864,691	$ 3,734,034
Consultants	930,537	-	930,537	-	98,605	-	98,605	1,029,142	1,284,581
Salaries	83,557	340,967	424,524	275,036	197,846	3,815	476,697	901,221	1,067,493
Project participant incentive and project materials	280,809	26,145	306,954	175	-	-	175	307,129	82,678
Fringe benefits and payroll taxes	21,739	88,711	110,450	71,557	51,475	993	124,025	234,475	254,242
Travel	184,391	14,752	199,143	4,813	4,165	-	8,978	208,121	202,351
Occupancy	57,467	59,220	116,687	78,375	6,651	-	85,026	201,713	204,347
Supplies	59,013	13,394	72,407	3,190	10,517	533	14,240	86,647	96,856
Professional fees	2,761	-	2,761	51,923	-	2,653	54,576	57,337	70,864
Computer costs	10,078	4,407	14,485	30,359	319	-	30,678	45,163	72,992
Telephone	19,062	4,679	23,741	9,929	150	-	10,079	33,820	37,982
Interest and other unallowed costs	13,661	89	13,750	10,221	105	25	10,351	24,101	30,599
Insurance	-	2,568	2,568	14,639	-	-	14,639	17,207	24,464
Dues and subscriptions	-	6,894	6,894	5,786	325	1,444	7,555	14,449	13,575
Depreciation and amortization	-	-	-	13,648	-	-	13,648	13,648	19,917
Meetings and conferences	6,239	40	6,279	6,021	1,233	-	7,254	13,533	40,115
Printing and copying	695	2,912	3,607	5,298	116	-	5,414	9,021	10,389
Utilities	2,335	6,407	8,742	-	10	-	10	8,752	10,360
Taxes and licenses	814	75	889	640	-	5,865	6,505	7,394	17,110
Training	117	5,101	5,218	1,525	-	-	1,525	6,743	2,285
Postage and delivery	1,891	669	2,560	2,562	151	55	2,768	5,328	5,841
Repairs and maintenance	1,742	985	2,727	80	-	-	80	2,807	4,164
Advertising and promotion	-	25	25	-	1,950	-	1,950	1,975	1,384
Other costs	366	6	372	767	-	-	767	1,139	3,081
Allocation of indirect costs	536,931	160,975	697,906	(561,295)	(138,513)	1,902	(697,906)	-	-
TOTAL EXPENSES	$ 16,078,896	$ 739,021	$ 16,817,917	$ 25,249	$ 235,105	$ 17,285	$ 277,639	$ 17,095,556	$ 7,291,704

The accompanying notes are an integral part of these financial statements.

INMED PARTNERSHIPS FOR CHILDREN, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)
Increase (Decrease) in Cash and Cash Equivalents

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 20,364,966	$ 4,490,680
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,648	19,917
Forgiveness of debt	(17,500)	(25,000)
Donated goods promised, but not yet received	(33,264,000)	-
Donated goods received	-	(8,751,420)
Donated goods distributed	13,864,691	3,734,034
Changes in assets and liabilities:		
Accounts receivable	55,866	5,903
Grants and pledges receivable	(878,424)	255,001
Prepaid expenses	(722)	1,377
Deposits	2,410	-
Accounts payable and accrued expenses	(38,280)	1,235
Deferred revenue	(1,812)	-
Deferred rent	(4,489)	(1,987)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	96,354	(270,260)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(15,000)	(36,000)
Borrowings on lines of credit	300,000	-
Principal payments on lines of credit	(300,000)	-
NET CASH USED IN FINANCING ACTIVITIES	(15,000)	(36,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	81,354	(306,260)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	456,193	762,453
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 537,547	$ 456,193
SUPPLEMENTAL INFORMATION		
Actual cash payments for interest	$ 4,673	$ 6,663
NONCASH FINANCING ACTIVITIES		
Forgiveness of debt	$ 17,500	$ 25,000
Donated goods promised but not yet received	$ (33,264,000)	$ -
Donated goods received	$ -	$ 8,751,420
Donated goods distributed	$ (13,864,691)	$ (3,734,034)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

1. Organization and Summary of Significant Accounting Policies

Organization

INMED Partnerships for Children, Inc. (INMED) is a nonprofit corporation organized to rescue children from the imminent and irreversible harm of disease, hunger, abuse, neglect or violence and to prepare them to shape a brighter future for themselves and the next generation. Through a broad range of health, social, education, violence prevention and community development programs, INMED creates opportunities that inspire hope, build self-reliance and encourage community collaboration to sustain positive change. INMED's principal support comes from corporate, foundation and government grants.

INMED operates in the United States and has offices in Brazil, Peru, Jamaica, and South Africa, which are registered under local laws so INMED can conduct its programs in these countries. The activities in these countries are reported as part of INMED's activities.

Basis of Accounting and Presentation

The accompanying financial statements of INMED have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

INMED considers cash in operating bank accounts, cash on hand, certificates of deposit and highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Grants and Pledges Receivable

Grants and pledges receivable include unconditional promises made by donors wherein the donor has unconditionally promised to contribute funds to INMED in future periods. An unconditional promise that is expected to be collected within one year is recorded as grant and revenue and a receivable at net realizable value. An unconditional promise that is expected to be collected in future years is recorded as grant revenue and a receivable at the present value of expected future cash flows. Discounts on the amounts due in more than one year are computed using risk-free, interest rates that are applicable to the years in which the promises are received. The amortization of discounts is recorded in contribution revenue. Discounts on receivables that are due in one to five years were not recorded, due to the immateriality of the impact on the financial statements taken as a whole.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Related Depreciation and Amortization

All acquisitions of furniture, equipment and software that are greater than $5,000 are capitalized at cost and are being depreciated and amortized using the straight-line method over the estimated useful lives of the assets (generally from three to five years) with no salvage value. Leasehold improvements are amortized using the straight-line method over the remaining term of the lease or the estimated useful lives of the improvements. Expenses for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. As of December 31, 2012, all of INMED's property and equipment had been fully depreciated.

INMED records expenses related to an internally developed intangible asset that is expected to generate revenue for INMED beyond a period of one year as an intangible asset in the accompanying statement of financial position. INMED amortizes the cost of the intangible asset over the period of time in which the intangible asset is expected to benefit INMED, which is currently estimated as 60 months.

Classification of Net Assets

The net assets of INMED are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of INMED's operations.
- Temporarily restricted net assets represent funds that are specifically restricted by donors or grantors for various programs or for use in future periods.

Revenue Recognition

Except for cost-reimbursable grants and contracts described later in this note, INMED reports gifts and grants of cash and other assets as unrestricted support and available for general operations, unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Revenue recognized for contributions, grants, and contracts that have been committed to INMED, but have not been received, is reflected as grants and pledges receivable in the accompanying statement of financial position.

Unconditional promises to give that are expected to be collected within one year are reflected as grants and pledges receivable at their net realizable value in the period in which INMED is notified by the donor of his or her commitment to make a contribution. Unconditional promises to give that are expected to be collected in future years are reflected as grants and pledges receivable and are recorded at their present value using a risk-adjusted rate that is applicable to the period in which the unconditional promise to give was received.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

INMED has cost-reimbursable grants and contracts with the U.S. government, state and local agencies, and private organizations. Revenue from these grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs at a provisional rate. Direct and indirect expenses incurred, but not reimbursed, under these grants and contracts are reported as accounts receivable in the accompanying statement of financial position.

Revenue from multiyear funding commitments is recognized in the period in which the support has been committed, while the related expenditures may occur in subsequent accounting period(s). This can result in significant variations in net asset changes from year to year, especially when large grants of donated pharmaceuticals are involved. In 2012, INMED received $33,264,000 of pharmaceuticals pledged to be distributed by INMED from May 2013 through June 2016.

Donated Goods and Services and Inventory

INMED receives a substantial amount of donated pharmaceuticals for distribution overseas, which are recorded at their estimated fair value as of the date of donation and are reflected as inventory and temporarily restricted donated goods and services revenue in the accompanying statement of activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of the donated pharmaceuticals is determined based on the prices the product sells for in the countries in which the pharmaceuticals are used. As the donated pharmaceuticals are used, they are released from inventory and reported as program expenses in the accompanying statement of activities. The corresponding amount is also released from temporarily restricted net assets and is shown as net assets released from restrictions in the accompanying statement of activities. At the end of the year, unused donated pharmaceuticals are reflected in the accompanying statement of financial position as inventory, which is reported on the first-in, first-out method of accounting. Donated pharmaceuticals which have been promised as of year-end but were not received are shown as pledged inventory goods receivable in the accompanying statement of financial position.

Contributions of services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically be purchased, if not provided by donation. These services are recorded at their estimated fair value at the date of donation and are recognized in the accompanying financial statements as donated goods and services. For the year ended December 31, 2012, INMED received donated services, goods and travel with an estimated fair value of $79,611.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. INMED allocates salaries to various programs and supporting services based upon the actual amount of time worked in each area. Fringe benefit costs are allocated to program services and supporting services based on total labor dollars. Indirect costs are allocated to program services and supporting services based on each category's share of total salaries, consultants, and project participant incentives and project material costs.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles in the United States of America (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

2. Grants and Pledges Receivable

Grants and pledges receivable consist of amounts due from foundations and are due as follows as of December 31, 2012:

Receivable due in less than one year	$ 1,089,811
Receivable due in one to five years	924,689
Total Grants and Pledges Receivable	2,014,500
Less: Allowance	(67,043)
Total Grants and Pledges Receivable	$ 1,947,457

Grants and pledges receivable due in one to five years have not been discounted to their present value, as required by GAAP, as the discount was considered immaterial to the financial statements taken as a whole.

3. Pledged Inventory Goods Receivable

During the year ended December 31, 2012, INMED received a commitment from a donor of donated pharmaceuticals to be used by INMED from May 2013 through June 2016. All donated pharmaceuticals are scheduled to be received by INMED within a year and are considered fully collectible.

Continued

4. Intangible Asset

In 2010, INMED recorded an intangible asset that represents INMED's investment in the development of a unique technology that is targeted at families and small farmers. This technology can be used to address food security and income generation in the face of climate change and diminishing water supplies worldwide. The cost of the intangible asset includes consulting expenses and materials purchased to develop and test a prototype aquaponics system; the cost of travel and tuition for various aquaponics trainings; and the cost of development of scalability plans and related training materials. The intangible asset's book value was $40,943, net of accumulated amortization of $27,296, as of December 31, 2012. Amortization expense was $13,648 for the year ended December 31, 2012, which is included in depreciation and amortization in the accompanying statement of functional expenses.

5. Lines of Credit

INMED has a $100,000 unsecured revolving line of credit available with a bank that automatically renews annually on January 1, unless it is terminated by INMED or the bank. The interest rate on the line of credit is 1.5% above *The Wall Street Journal*'s Prime Rate of 3.25%, which was determined by the bank to be 4.75% as of December 31, 2012. As of December 31, 2012, $5,001 was outstanding on this line of credit.

INMED also has a secured line of credit with another bank for $400,000 to provide short-term working capital. The interest rate on the line of credit is *The Wall Street Journal*'s Prime Rate with a floor of 4%. As of December 31, 2012, the rate on this line of credit was 4%. The line of credit is secured by all of the assets INMED currently owns or hereafter will acquire. Under the terms of the line of credit, INMED is required to fully repay the bank all amounts outstanding on the line of credit for a period of 30 consecutive days annually, prior to December 15. INMED is also required to comply with certain financial covenants. The line of credit is renewable annually on August 24. At December 31, 2012, there was no outstanding balance on this line of credit and INMED was in compliance with the financial covenants.

Interest expense under both lines of credit was $4,673 for the year ended December 31, 2012.

6. Notes Payable – Related Parties

In June 2002, INMED received a loan from two officers. The loan totaled $494,156. Interest accrued on the outstanding principal balance at 7.5% per year, until July 1, 2002, when the two officers converted the loan into a noninterest-bearing loan. During 2004, INMED received additional noninterest-bearing loans from the two officers that totaled $30,000. In December 2003, the officers agreed to a repayment schedule that required monthly principal payments of $3,000 beginning January 2004 through January 2010, at which time the entire outstanding balance was due. In December 2008, the officers amended the loans to extend the repayment terms through January 2015. However, the officers have forgiven portions of the debt in previous years and forgave $17,500 of the debt during the year ended December 31, 2012. As a result, as of December 31, 2012, there were no amounts outstanding.

Continued

7. Retirement Plan

INMED sponsors a 401(k) retirement plan for employees with at least three months of service who were employed after June 1, 2003. Under this plan, in addition to employee salary deferrals, INMED may contribute either matching contributions, profit-sharing contributions, or qualified nonelective contributions. Matching contributions will be equal to a discretionary percentage of salary, which will be determined each year. For the year ended December 31, 2012, INMED matched 50% of employee contributions up to 6% of salaries. INMED's contribution to the retirement plan was $19,675 for the year ended December 31, 2012.

8. Operating Leases

Virginia – INMED entered into a noncancelable operating lease for its headquarters location, which expires on April 30, 2015. This lease provides for fixed increases to the future minimum rental payments. Additionally, under the terms of this lease, the landlord gave INMED three months' rent abatement of monthly rent payments, which began on August 1, 2008. Under GAAP, all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. Rent abatements are amortized over the life of the lease on a straight-line basis as on offset to rent expense. The difference between the GAAP rent expense and the required lease payment is reflected as deferred rent in the accompanying statement of financial position. In addition to the basic monthly rent, INMED is responsible for its proportionate share of the building's operating expenses and real estate taxes.

The future minimum rental payments, excluding operating costs, that are required under the operating lease are as follows:

For the Year Ending December 31,	
2013	$ 88,370
2014	91,036
2015	30,645
Total Future Minimum Rental Payments	$ 210,051

California – In July 2011, INMED entered into a one-year lease agreement with the lessor at a rate of $1,992 per month with an option either to renew the lease for another year or for the lease to convert to a month to month contract. On October 1, 2012, INMED entered into a new lease agreement with another lessor that is scheduled to expire on June 30, 2013 at a monthly rate of $1,500.

Total rent expense was $201,713 for the year ended December 31, 2012.

Continued

9. Temporarily Restricted Net Assets

As of December 31, 2012, temporarily restricted net assets are available for the following programs:

Domestic:	
Family and Youth Services	$ 152,432
Overseas:	
Healthy Futures	2,704,846
Donated pharmaceuticals	35,084,610
Total Overseas	37,789,456
Total Temporarily Restricted Net Assets	$ 37,941,888

10. Risks and Contingencies

Concentration of Credit Risk

INMED maintains its cash and cash equivalents with certain commercial financial institutions which aggregate balances may exceed at times the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of December 31, 2012, INMED had approximately $48,000 of demand deposits (excluding cash held in foreign accounts, which were not covered by the FDIC rule, and noninterest-bearing transaction accounts, which were fully insured regardless of their balance as of December 31, 2012) which did not exceed the maximum limit insured by the FDIC.

On January 1, 2013, as a result of the expiration of the temporary provision of The Dodd-Frank Act for unlimited deposit insurance coverage for noninterest-bearing transaction accounts, the balances exceeded the maximum limit insured by the FDIC by approximately $193,000. INMED monitors the credit worthiness of these institutions and have not experienced any historical credit losses on its cash and cash equivalents.

Foreign Operations

INMED has field offices in Brazil, Peru, Jamaica, and South Africa. INMED maintains cash accounts in four countries (Brazil, Peru, Jamaica, and South Africa) and an account in Trinidad and Tobago. The future of the programs in these countries can be adversely affected by a number of potential factors, such as currency devaluations and political unrest. As of December 31, 2012, INMED had cash in these foreign accounts that totaled $48,669.

11. Unrestricted Net Assets (Deficit)

INMED has a deficit balance in unrestricted net assets for 2011 and 2012. The deficit is a result of the Board of Directors' and management's approval to incur deficits in order to make certain strategic investments.

11. Unrestricted Net Assets (Deficit) (continued)

INMED reduced the deficit balance in unrestricted net assets by approximately $113,000, or 28%, in 2012. Management expects further reductions to continue and the deficit to be eliminated in future years as INMED continues to build on the investments made in recent years in development, communications, fundraising, strategic partnerships and digital/social media marketing. In the meantime, INMED intends to use unrestricted donations and bank financing to meet working capital needs.

12. Related Party Transactions

In 2012, INMED made consulting payments of $33,000 to a member of INMED's Board of Directors who is also related to INMED's President and Chief Executive Officer. The consultant also donated services and materials to INMED totaling $35,800 and contributed $7,500 in debt forgiveness to INMED.

13. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, INMED is exempt from federal taxes on income other than net unrelated business income. For the year ended December 31, 2012, no provision for income taxes was required, as INMED had no net unrelated business income.

INMED follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. INMED performed an evaluation of uncertain tax positions for the year ended December 31, 2012, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2012, the statute of limitations for tax years 2009 through 2011 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which INMED files tax returns. It is INMED's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2012, INMED had no accruals for interest and/or penalties.

14. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with INMED's audited financial statements for the year ended December 31, 2011, from which the summarized information was prepared.

Continued

15. Subsequent Events

In preparing the financial statements, INMED has evaluated events and transactions for potential recognition or disclosure through August 5, 2013, the date the financial statements were available to be issued. Except as disclosed in Note 10 related to the change in the FDIC limits, there were no subsequent events that require recognition of, or disclosure in, these financial statements.