



INMED PARTNERSHIPS FOR CHILDREN, INC.

Financial Statements

For the Year Ended December 31, 2013

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



**and
Report Thereon**





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, 2013, 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, 2013, 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 INMED's 2012 financial statements, and our report dated August 5, 2013, 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, 2012, 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 6, 2014

INMED PARTNERSHIPS FOR CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2013
(With Summarized Financial Information as of December 31, 2012)

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 133,829	\$ 537,547
Accounts receivable	104,603	124,450
Grants and pledges receivable	4,646,069	1,947,457
Pledged inventory goods receivable	-	33,264,000
Inventory	34,488,909	1,820,610
Prepaid expenses	17,796	8,293
Intangible asset	27,295	40,943
Deposits	10,992	10,992
	\$ 39,429,493	\$ 37,754,292
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 163,932	\$ 91,165
Lines of credit	5,001	5,001
Deferred rent	5,560	12,635
	174,493	108,801
Net Assets		
Unrestricted (deficit)	(320,513)	(296,397)
Temporarily restricted	39,575,513	37,941,888
	39,255,000	37,645,491
TOTAL NET ASSETS	39,255,000	37,645,491
TOTAL LIABILITIES AND NET ASSETS	\$ 39,429,493	\$ 37,754,292

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, 2013

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
REVENUE AND SUPPORT				
Contributions, grants and contracts	\$ 726,374	\$ 4,945,154	\$ 5,671,528	\$ 4,163,703
Donated goods and services	76,425	-	76,425	33,343,611
Other income	37,321	-	37,321	71,736
Forgiveness of debt	-	-	-	17,500
Foreign exchange transaction losses	(39,624)	-	(39,624)	(136,028)
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>3,311,529</u>	<u>(3,311,529)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>4,112,025</u>	<u>1,633,625</u>	<u>5,745,650</u>	<u>37,460,522</u>
EXPENSES				
Program services:				
Overseas	3,090,040	-	3,090,040	16,078,896
Domestic	<u>820,892</u>	<u>-</u>	<u>820,892</u>	<u>739,021</u>
Total Program Services	<u>3,910,932</u>	<u>-</u>	<u>3,910,932</u>	<u>16,817,917</u>
Supporting services:				
General and administration	7,531	-	7,531	25,249
Program development	201,858	-	201,858	235,105
Fundraising	<u>15,820</u>	<u>-</u>	<u>15,820</u>	<u>17,285</u>
Total Supporting Services	<u>225,209</u>	<u>-</u>	<u>225,209</u>	<u>277,639</u>
TOTAL EXPENSES	<u>4,136,141</u>	<u>-</u>	<u>4,136,141</u>	<u>17,095,556</u>
CHANGE IN NET ASSETS	(24,116)	1,633,625	1,609,509	20,364,966
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(296,397)</u>	<u>37,941,888</u>	<u>37,645,491</u>	<u>17,280,525</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (320,513)</u>	<u>\$ 39,575,513</u>	<u>\$ 39,255,000</u>	<u>\$ 37,645,491</u>

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, 2013
(With Summarized Financial Information for the Year Ended December 31, 2012)

	Program Services		Total Program Services	Supporting Services			Total Supporting Services	2013 Total	2012 Total
	Overseas	Domestic		General and Administration	Program Development	Fundraising			
Donated goods consumed	\$ 595,701	\$ -	\$ 595,701	\$ -	\$ -	\$ -	\$ -	\$ 595,701	\$ 13,864,691
Consultants	1,014,771	-	1,014,771	-	59,361	-	59,361	1,074,132	1,029,142
Salaries	129,142	375,056	504,198	259,879	205,072	1,637	466,588	970,786	901,221
Project participant incentive and project materials	299,346	38,171	337,517	200	825	-	1,025	338,542	307,129
Fringe benefits and payroll taxes	41,566	120,809	162,375	85,418	63,967	527	149,912	312,287	234,475
Travel	181,188	21,838	203,026	3,923	12,464	-	16,387	219,413	208,121
Occupancy	66,121	54,797	120,918	79,052	3,404	-	82,456	203,374	201,713
Supplies	114,653	8,908	123,561	10,181	3,784	-	13,965	137,526	86,647
Professional fees	1,136	-	1,136	49,553	1,000	7,466	58,019	59,155	57,337
Computer costs	14,874	1,633	16,507	28,008	13,360	150	41,518	58,025	45,163
Telephone	21,111	3,657	24,768	11,446	1,210	-	12,656	37,424	33,820
Interest and other unallowed costs	7,620	80	7,700	9,852	685	-	10,537	18,237	24,101
Insurance	-	911	911	19,510	-	-	19,510	20,421	17,207
Dues and subscriptions	395	5,350	5,745	5,217	95	-	5,312	11,057	14,449
Amortization	-	-	-	13,648	-	-	13,648	13,648	13,648
Meetings and conferences	6,558	796	7,354	6,303	6,669	-	12,972	20,326	13,533
Printing and copying	351	2,193	2,544	8,173	617	-	8,790	11,334	9,021
Utilities	2,618	2,908	5,526	-	97	-	97	5,623	8,752
Taxes and licenses	5,128	-	5,128	1,998	54	5,245	7,297	12,425	7,394
Training	191	1,876	2,067	1,300	28	-	1,328	3,395	6,743
Postage and delivery	3,609	437	4,046	3,416	221	-	3,637	7,683	5,328
Repairs and maintenance	1,725	275	2,000	109	600	-	709	2,709	2,807
Advertising and promotion	-	100	100	675	2,053	-	2,728	2,828	1,975
Other costs	-	-	-	68	22	-	90	90	1,139
Allocation of indirect costs	582,236	181,097	763,333	(590,398)	(173,730)	795	(763,333)	-	-
TOTAL EXPENSES	\$ 3,090,040	\$ 820,892	\$ 3,910,932	\$ 7,531	\$ 201,858	\$ 15,820	\$ 225,209	\$ 4,136,141	\$ 17,095,556

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, 2013

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

Increase (Decrease) in Cash and Cash Equivalents

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,609,509	\$ 20,364,966
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization of intangible asset	13,648	13,648
Forgiveness of debt	-	(17,500)
Change in donated goods receivable	33,264,000	(33,264,000)
Donated goods added to inventory	(33,264,000)	-
Donated goods distributed	595,701	13,864,691
Changes in assets and liabilities:		
Accounts receivable	19,847	55,866
Grants and pledges receivable	(2,698,612)	(878,424)
Prepaid expenses	(9,503)	(722)
Deposits	-	2,410
Accounts payable and accrued expenses	72,767	(38,280)
Deferred revenue	-	(1,812)
Deferred rent	(7,075)	(4,489)
	<u>(403,718)</u>	<u>96,354</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	-	(15,000)
Borrowings on lines of credit	300,000	300,000
Principal payments on lines of credit	(300,000)	(300,000)
	<u>-</u>	<u>(15,000)</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(403,718)	81,354
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>537,547</u>	<u>456,193</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 133,829</u>	<u>\$ 537,547</u>
SUPPLEMENTAL INFORMATION		
Actual cash payments for interest	<u>\$ 3,973</u>	<u>\$ 4,673</u>
NONCASH FINANCING ACTIVITIES		
Forgiveness of debt	<u>\$ -</u>	<u>\$ 17,500</u>
Donated goods promised but not yet received	<u>\$ -</u>	<u>\$ (33,264,000)</u>
Donated goods received	<u>\$ 33,264,000</u>	<u>\$ -</u>
Donated goods distributed	<u>\$ (595,701)</u>	<u>\$ (13,864,691)</u>

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

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

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 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.

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.

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

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

Property and Equipment and Related Depreciation and Amortization (continued)

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. There were no new additions in 2013.

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.

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 yet reimbursed, under these grants and contracts are reported as accounts receivable in the accompanying statement of financial position.

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

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

Revenue Recognition (continued)

Revenue from multi-year funding commitments is recognized in the period in which the support has been committed, while the related expenditures may occur in subsequent accounting periods. This can result in significant variations in net asset changes from year to year, especially when large grants of donated pharmaceuticals are involved. This must be considered when comparing trends and changes in net assets from one year to the next. In 2012, INMED received \$33,264,000 of pharmaceuticals pledged to be distributed by INMED from May 2013 through June 2016. This resulted in a large positive total change in net assets for 2012 compared with a small positive total change in net assets in 2013.

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.

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, 2013, INMED received donated services, goods and travel with an estimated fair value of \$76,425.

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

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

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

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. Accounts, Grants and Pledges Receivable

Accounts, grants and pledges receivable consist of amounts due from foundations and are due as follows as of December 31, 2013:

Receivable due in less than one year	\$ 2,231,205
Receivable due in one to five years	<u>2,519,467</u>
Total Grants and Pledges Receivable	<u>\$ 4,750,672</u>

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. 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 \$27,295, net of accumulated amortization of \$40,944, as of December 31, 2013. Amortization expense was \$13,648 for the year ended December 31, 2013, which is included in amortization expense in the accompanying statement of functional expenses.

4. 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, 2013. As of December 31, 2013, \$5,001 was outstanding on this line of credit

Continued

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

4. Lines of Credit (continued)

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, 2013, 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 October 25. At December 31, 2013, 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 \$3,973 for the year ended December 31, 2013.

5. 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 non-elective contributions. Matching contributions will be equal to a discretionary percentage of salary, which will be determined each year. For the year ended December 31, 2013, INMED matched 50% of employee contributions up to 6% of salaries. INMED's contribution to the retirement plan was \$20,809 for the year ended December 31, 2013.

6. 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 an 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.

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

6. Operating Leases (continued)

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

For the Year Ending December 31,	
2014	\$ 91,036
2015	<u>30,645</u>
Total Future Minimum Rental Payments	<u>\$ 121,681</u>

California – On October 1, 2012, INMED entered into a new lease agreement that expired on June 30, 2013 at a monthly rate of \$1,500. This lease was not renewed after the expiration date.

Total rent expense was \$203,374 for the year ended December 31, 2013.

7. Temporarily Restricted Net Assets

As of December 31, 2013, temporarily restricted net assets are available for the following programs:

Domestic:	
Family and Youth Services	<u>\$ 343,868</u>
Overseas:	
Healthy Futures	4,742,736
Donated pharmaceuticals	<u>34,488,909</u>
Total Overseas	<u>39,231,645</u>
Total Temporarily Restricted Net Assets	<u>\$39,575,513</u>

8. 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, 2013, INMED had approximately \$132,000 of demand deposits (excluding cash held in foreign accounts not covered by the FDIC), which did not exceed the maximum limit insured by the FDIC. INMED monitors the credit worthiness of these institutions and have not experienced any historical credit losses on its cash and cash equivalents.

Continued

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

8. Risks and Contingencies (continued)

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, 2013, INMED had cash in these foreign accounts that totaled \$4,500.

9. Unrestricted Net Assets (Deficit)

INMED has a deficit balance in unrestricted net assets for 2012 and 2013. The deficit is a result of the Board of Directors' and management's approval to incur deficits in order to make certain strategic investments. Management is committed to significantly reduce its deficit in unrestricted funds over the next three years. INMED's strategies to achieve this critical goal are: (a) increasing the base of restricted funding to increase the gross value of indirect/core operating costs associated with each of these grants; (b) investing in marketing and communications to expand its connections and reach into audiences that have a vested interest in INMED's work; (c) investing in capacity building, specifically through a grant opportunity that will enable INMED to engage a fundraising consultant in 2014-2016; (d) working on new strategic initiatives. Most notably, INMED will launch a family resource center near its headquarters in Loudoun County, Virginia to maximize the exceptional opportunity for broad-based fundraising, volunteerism and community engagement that a brick-and-mortar center located in the heart of INMED's community represents; and (e) holding special program-related events, including an international conference in September 2014 on INMED's currently largest global program focus, aquaponics. In recent years, INMED has made a significant improvement in its unrestricted net asset deficit, while also managing to make key strategic investments that have translated into substantial growth in both restricted and unrestricted revenue. The results of INMED's efforts are reflected in a 54% improvement for the past six years (from approximately \$704,000 in deficit to \$321,000 in deficit in 2013). In the meantime, INMED intends to use unrestricted donations and bank financing to meet working capital needs. In addition, INMED received a \$275,000 contribution from a foundation dedicated to opening the family resource center.

10. Related Party Transactions

In 2013, INMED made consulting payments of \$36,400 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 \$47,580.

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

11. 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, 2013, 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, 2013, 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, 2013, the statute of limitations for tax years ending December 31, 2010 through December 31, 2012 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, 2013, INMED had no accruals for interest and/or penalties.

12. 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, 2012, from which the summarized information was prepared.

13. Subsequent Events

In preparing the financial statements, INMED has evaluated events and transactions for potential recognition or disclosure through August 6, 2014, the date the financial statements were available to be issued.

Subsequent to year end, INMED entered into an agreement for new office space for a period of 15 years beginning October 1, 2014. This lease provides for fixed increases to the future minimum rental payments. On July 1, 2014, INMED paid a security deposit in the amount of \$38,000 as required by the new lease agreement. There were no other subsequent events identified through August 6, 2014, required to be disclosed in these financial statements.