



# **INMED PARTNERSHIPS FOR CHILDREN, INC.**

## **Financial Statements**

*For the Year Ended December 31, 2014*

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



**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, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 6, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, 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.  
September 30, 2015

**INMED PARTNERSHIPS FOR CHILDREN, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2014**  
**(With Summarized Financial Information as of December 31, 2013)**

	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents	\$ 989,090	\$ 133,829
Accounts receivable	91,525	104,603
Grants and pledges receivable	2,159,877	4,646,069
Pledged donated inventory receivable	24,908,940	-
Donated inventory	16,806,300	34,488,909
Prepaid expenses	71,409	17,796
Intangible asset	13,648	27,295
Deferred compensation assets	100,000	-
Deposits	42,652	10,992
	<b>\$ 45,183,441</b>	<b>\$ 39,429,493</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 111,545	\$ 163,932
Lines of credit	2,602	5,001
Refundable advance	38,075	-
Deferred rent	6,218	5,560
Deferred compensation liability	100,000	-
	<b>258,440</b>	<b>174,493</b>
<b>NET ASSETS</b>		
Unrestricted (deficit)	(528,523)	(320,513)
Temporarily restricted	45,453,524	39,575,513
	<b>44,925,001</b>	<b>39,255,000</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 45,183,441</b>	<b>\$ 39,429,493</b>

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, 2014**

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions, grants and contracts	\$ 563,265	\$ 1,677,549	\$ 2,240,814	\$ 5,671,528
Donated goods and services	42,800	38,160,000	38,202,800	76,425
Other income	8,195	-	8,195	37,321
Foreign exchange transaction losses	(8,496)	-	(8,496)	(39,624)
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>10,951,098</u>	<u>(10,951,098)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>11,556,862</u>	<u>28,886,451</u>	<u>40,443,313</u>	<u>5,745,650</u>
<b>EXPENSES</b>				
Program services:				
Overseas	10,710,007	-	10,710,007	3,090,040
Domestic	<u>819,923</u>	<u>-</u>	<u>819,923</u>	<u>820,892</u>
Total Program Services	<u>11,529,930</u>	<u>-</u>	<u>11,529,930</u>	<u>3,910,932</u>
Supporting services:				
General and administration	16,727	-	16,727	7,531
Program development	197,918	-	197,918	201,858
Fundraising	<u>20,297</u>	<u>-</u>	<u>20,297</u>	<u>15,820</u>
Total Supporting Services	<u>234,942</u>	<u>-</u>	<u>234,942</u>	<u>225,209</u>
<b>TOTAL EXPENSES</b>	<u>11,764,872</u>	<u>-</u>	<u>11,764,872</u>	<u>4,136,141</u>
Change in net assets before change in accounting estimate	(208,010)	28,886,451	28,678,441	1,609,509
Change in accounting estimate	<u>-</u>	<u>(23,008,440)</u>	<u>(23,008,440)</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(208,010)	5,878,011	5,670,001	1,609,509
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<u>(320,513)</u>	<u>39,575,513</u>	<u>39,255,000</u>	<u>37,645,491</u>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$ (528,523)</u>	<u>\$ 45,453,524</u>	<u>\$ 44,925,001</u>	<u>\$ 39,255,000</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, 2014**  
**(With Summarized Financial Information for the Year Ended December 31, 2013)**

	Program Services		Total Program Services	Supporting Services			Total Supporting Services	2014 Total	2013 Total
	Overseas	Domestic		General and Administration	Program Development	Fundraising			
Donated goods consumed	\$ 7,925,229	\$ -	\$ 7,925,229	\$ -	\$ -	\$ -	\$ -	\$ 7,925,229	\$ 595,701
Salaries	149,570	331,016	480,586	232,104	183,786	4,559	420,449	901,035	970,786
Consultants	821,004	8,000	829,004	6,000	17,400	-	23,400	852,404	1,074,132
Bad debt	473,308	5,091	478,399	7,883	-	-	7,883	486,282	-
Fringe benefits and payroll taxes	76,834	127,123	203,957	114,189	55,820	1,950	171,959	375,916	312,287
Travel	276,706	13,827	290,533	-	15,089	-	15,089	305,622	219,413
Occupancy	81,092	52,638	133,730	91,511	-	-	91,511	225,241	203,374
Supplies	120,193	10,000	130,193	9,264	11	-	9,275	139,468	137,526
Project participant incentive and project materials	71,090	50,544	121,634	2,115	-	-	2,115	123,749	338,542
Professional fees	46,535	845	47,380	79,357	-	5,814	85,171	132,551	59,155
Computer costs	5,022	2,570	7,592	41,296	23,792	-	65,088	72,680	58,025
Meetings and conferences	16,943	-	16,943	34,035	-	-	34,035	50,978	20,326
Interest and other unallowed costs	26,975	50	27,025	14,525	20	-	14,545	41,570	18,237
Telephone	15,955	3,427	19,382	7,355	11	-	7,366	26,748	37,424
Training	-	7,642	7,642	8,847	378	-	9,225	16,867	3,395
Insurance	-	296	296	13,415	-	-	13,415	13,711	20,421
Amortization	-	-	-	13,647	-	-	13,647	13,647	13,648
Dues and subscriptions	280	2,743	3,023	10,097	35	150	10,282	13,305	11,057
Printing and copying	152	71	223	12,899	-	-	12,899	13,122	11,334
Taxes and licenses	4,612	-	4,612	404	-	5,255	5,659	10,271	12,425
Repairs and maintenance	4,219	4,550	8,769	-	-	-	-	8,769	2,709
Utilities	5,385	980	6,365	312	-	-	312	6,677	5,623
Postage and delivery	2,228	84	2,312	3,795	-	-	3,795	6,107	7,683
Advertising and promotion	-	100	100	1,154	1,590	-	2,744	2,844	2,828
Other costs	79	-	79	-	-	-	-	79	90
Allocation of indirect costs	586,596	198,326	784,922	(687,477)	(100,014)	2,569	(784,922)	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 10,710,007</b>	<b>\$ 819,923</b>	<b>\$ 11,529,930</b>	<b>\$ 16,727</b>	<b>\$ 197,918</b>	<b>\$ 20,297</b>	<b>\$ 234,942</b>	<b>\$ 11,764,872</b>	<b>\$ 4,136,141</b>

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, 2014**

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

**Increase (Decrease) in Cash and Cash Equivalents**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,670,001	\$ 1,609,509
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in accounting estimate	23,008,440	-
Amortization of intangible asset	13,647	13,648
Change in donated inventory receivable	(24,908,940)	33,264,000
Donated goods added to inventory	(13,251,060)	(33,264,000)
Donated goods distributed	7,925,229	595,701
Changes in assets and liabilities:		
Accounts receivable	13,078	19,847
Grants and pledges receivable	2,486,192	(2,698,612)
Prepaid expenses	(53,613)	(9,503)
Deferred compensation assets	(100,000)	-
Deposits	(31,660)	-
Accounts payable and accrued expenses	(52,387)	72,767
Refundable advance	38,075	-
Deferred rent	658	(7,075)
Deferred compensation liability	<u>100,000</u>	<u>-</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>857,660</u>	<u>(403,718)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on lines of credit	890,601	300,000
Principal payments on lines of credit	<u>(893,000)</u>	<u>(300,000)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(2,399)</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	855,261	(403,718)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>133,829</u>	<u>537,547</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 989,090</u>	<u>\$ 133,829</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Actual cash payments for interest	<u>\$ 6,110</u>	<u>\$ 3,973</u>
<b>NONCASH FINANCING ACTIVITIES</b>		
Donated goods promised but not yet received	<u>\$ 24,908,940</u>	<u>\$ -</u>
Donated goods received	<u>\$ 13,251,060</u>	<u>\$ 33,264,000</u>
Donated goods distributed	<u>\$ (7,925,229)</u>	<u>\$ (595,701)</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, 2014

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### 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 (GAAP). 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 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 the discount 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, 2014

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### 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. All of INMED's property and equipment have been fully depreciated, and there were no new additions in 2014.

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**

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. Conditional promises to give are not included as grants and contributions until the conditions are substantially met.

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

# INMED PARTNERSHIPS FOR CHILDREN, INC.

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2014

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

#### **Revenue Recognition (continued)**

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.

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 2014, INMED received \$38,160,000 of pharmaceuticals pledged to be distributed by INMED from 2015 through 2017. This resulted in a large positive total change in net assets for 2014 compared with a much smaller 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 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 based on the average price that the generic pharmaceuticals sells for in Peru, the country where the pharmaceuticals will be distributed, based on information published by the Ministry of Health and compared to other market research obtained by INMED. 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 donated inventory, which is reported on the first-in, first-out method of accounting. As of December 31, 2014, donated inventory consists entirely of donated pharmaceuticals. Donated pharmaceuticals which have been promised as of year-end but were not received are shown as pledged donated inventory 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, 2014, INMED received donated services, goods and travel with an estimated fair value of \$42,800.

**INMED PARTNERSHIPS FOR CHILDREN, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

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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. Program development represents the cost of improving and developing programs through research, designing outcomes and evaluation measurements and tools, and providing community education about INMED and its programs.

**Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with 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 corporations, which are due as follows as of December 31, 2014:

Receivables due in less than one year	\$ 2,315,381
Receivables due in one to five years	<u>320,265</u>
Total	\$ 2,635,646
Less: Allowance for Bad Debt	<u>(475,769)</u>
Grants and Pledges Receivable, Net	<u>\$ 2,159,877</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. Pledged Inventory Goods Receivable

During the year ended December 31, 2014, INMED received a commitment from a donor of donated pharmaceuticals to be used by INMED from 2015 through 2017. INMED received the first shipment of pharmaceuticals with an estimated value of \$13,251,060 in 2014, and the remaining amount of \$24,908,940 is expected to be received at various times between 2015 and 2017 and is considered fully collectible.

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## INMED PARTNERSHIPS FOR CHILDREN, INC.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2014

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#### 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 the development of scalability plans and related training materials. The intangible asset's book value was \$13,648, net of accumulated amortization of \$54,591 as of December 31, 2014. Amortization expense was \$13,647 for the year ended December 31, 2014, which is included in amortization expense 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, 2014. As of December 31, 2014, \$2,602 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, 2014, 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. The line of credit is renewable annually on October 25. At December 31, 2014, there was no outstanding balance on this line of credit.

Interest expense under both lines of credit was \$6,110 for the year ended December 31, 2014.

#### 6. Deferred Compensation Plan

During the year ended December 31, 2014, INMED established a deferred compensation plan on behalf of its Chief Executive Officer (CEO) in accordance with Section 457(f) of the Internal Revenue Code (IRC). The Board of Directors approved funding 100% of the 457(f) plan in 2014, however, the CEO vests in specified amounts over the period March 31, 2015 through March 31, 2017. Until paid or made available to the participant or beneficiary, all deferred amounts, investment earnings related to deferred amounts and property and rights purchased with these amounts, are solely the property and rights of INMED. Deferred compensation plan investments are reflected as deferred compensation assets in the accompanying statement of financial position with a corresponding amount recognized as a deferred compensation liability. Deferred compensation assets are entirely invested in money market funds and therefore reflect the estimated fair value.

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

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 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, 2014, INMED matched 50% of employee contributions up to 6% of salaries. INMED's contribution to the retirement plan was \$19,100 for the year ended December 31, 2014.

8. Operating Lease

INMED had a non-cancelable operating lease for its headquarters location, which expired on April 30, 2015. With approval from the landlord, INMED terminated this lease as of September 30, 2014, and entered into a non-cancelable operating lease at a new headquarters location for a period of 15 years beginning October 1, 2014. This lease provides for fixed increases to the future minimum rental payments. Under GAAP, all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. 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 new operating lease are as follows:

For the Year Ending December 31,	
2015	\$ 115,009
2016	118,181
2017	121,463
2018	124,825
2019	128,266
Thereafter	<u>1,450,138</u>
Total Future Minimum Rental Payments	<u>\$ 2,057,882</u>

Total rent expense was \$225,241 for the year ended December 31, 2014.

**INMED PARTNERSHIPS FOR CHILDREN, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

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9. Temporarily Restricted Net Assets

As of December 31, 2014, temporarily restricted net assets are available for the following programs:

Overseas:	
Healthy Futures	\$ 3,738,273
Donated pharmaceuticals	<u>41,715,251</u>
Total Temporarily Restricted Net Assets	<u>\$45,453,524</u>

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, 2014, INMED had approximately \$798,000 of demand deposits (excluding cash held in foreign accounts not covered by the FDIC), which exceeded the maximum limit insured by the FDIC by approximately \$48,000. INMED monitors the creditworthiness of these institutions and has 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 and maintains cash accounts in these countries. INMED also maintains a cash 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, 2014, INMED had cash in these foreign accounts that totaled \$209,692. In addition, all of INMED's donated pharmaceutical inventory is held in Peru as of December 31, 2014.

11. Unrestricted Net Assets (Deficit)

INMED had a deficit balance in unrestricted net assets for 2013 and 2014. The deficit is a result of the Board of Directors' and management's approval to make strategic investments designed to increase and diversify INMED's funding base and position it for long-term growth. Strategic investments made in 2014 include the opening of a family resource center (the Center) in Loudoun County, Virginia, in order to maximize the potential for broad-based fundraising, volunteerism and community engagement; continuing research and development into innovative adaptive agriculture solutions (including aquaponics) designed to address the global challenges of climate change and food/income insecurity; and expanding INMED's health and child nutrition programs. INMED's administrative offices are located in the Center. This also has made it easier to show grantors the impact INMED's programs have on the

## INMED PARTNERSHIPS FOR CHILDREN, INC.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2014

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#### 11. Unrestricted Net Assets (Deficit) (continued)

children and families in Loudon County and allows them to focus some of the fundraising efforts locally by showing the impact INMED's programs have on the community. These efforts have begun to yield additional funding, and INMED expects the deficit to reverse in the coming two to three years.

INMED also took a number of actions to improve its financial condition, including outsourcing some accounting functions in an attempt to reduce costs and increase effectiveness, savings from lower benefit premiums, curtailing staff expenses and increasing the use of local volunteers for some Center-based programs. Through the capacity building fund that INMED received, INMED intends to focus on developing and implementing individual and local business fundraising strategies to generate unrestricted funds to support its overall mission. Additionally, INMED secured several grants subsequent to year-end including a grant of approximately \$2,732,000 which will be paid through July 31, 2018. In the meantime, INMED intends to use unrestricted donations and bank financing to meet working capital needs.

#### 12. Related Party Transactions

In 2014, INMED made consulting payments of \$48,880 to a member of INMED's Board of Directors who is also related to INMED's President and CEO. The consultant also donated services and materials to INMED totaling \$12,870.

#### 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, 2014, 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, 2014, 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, 2014, the statute of limitations for tax years ended December 31, 2011, through December 31, 2013, 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, 2014, INMED had no accruals for interest and/or penalties.

**INMED PARTNERSHIPS FOR CHILDREN, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

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14. Change In Estimate

During the year ended December 31, 2014, INMED changed its methodology for determining the estimate of the fair value of the donated pharmaceuticals which INMED receives from a name brand company. Prior to the year ended December 31, 2014, INMED performed market research to determine the price that the name brand pharmaceutical was selling for in the country in which INMED is distributing the pharmaceutical. During the year ended December 31, 2014, INMED changed its estimate for fair value to be the average of the highest and lowest generic price per the Ministry of Health of Peru. As a result, during the year ended December 31, 2014, INMED recorded a change in estimate of \$23,008,440 to reduce the inventory on hand as of year-end to the new estimate for valuing the inventory.

15. 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 GAAP. Accordingly, such information should be read in conjunction with INMED's audited financial statements for the year ended December 31, 2013, from which the summarized information was prepared.

16. Subsequent Events

In preparation of these financial statements, INMED has evaluated transactions and events for potential recognition or disclosure through September 30, 2015, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.