



INMED PARTNERSHIPS FOR CHILDREN, INC.

Financial Statements

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)



**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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, 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.
October 14, 2016

INMED PARTNERSHIPS FOR CHILDREN, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2015

(With Summarized Financial Information as of December 31, 2014)

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 169,539	\$ 989,090
Certificate of deposits	52,896	-
Accounts receivable	132,558	91,525
Grants and pledges receivable, net	3,298,011	2,159,877
Pledged donated inventory receivable	24,908,940	24,908,940
Donated inventory	12,118,980	16,806,300
Prepaid expenses	6,868	71,409
Intangible asset	-	13,648
Deferred compensation assets	60,519	100,000
Deposits	42,652	42,652
Property and equipment, net	193,327	-
	\$ 40,984,290	\$ 45,183,441
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 99,159	\$ 111,545
Lines of credit	203,214	2,602
Refundable advance	38,075	38,075
Deferred rent	167,626	6,218
Deferred compensation liability	160,519	100,000
	668,593	258,440
TOTAL LIABILITIES		
NET ASSETS		
Unrestricted (deficit)	(570,303)	(528,523)
Temporarily restricted	40,886,000	45,453,524
	40,315,697	44,925,001
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS		
	\$ 40,984,290	\$ 45,183,441

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, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
REVENUE AND SUPPORT				
Contributions, grants and contracts	\$ 547,203	\$ 3,677,291	\$ 4,224,494	\$ 2,240,814
Donated goods and services	76,038		76,038	38,202,800
Other income	11,838	-	11,838	8,195
Foreign exchange transaction losses	(150,547)	-	(150,547)	(8,496)
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>7,768,259</u>	<u>(7,768,259)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>8,252,791</u>	<u>(4,090,968)</u>	<u>4,161,823</u>	<u>40,443,313</u>
EXPENSES AND LOSSES				
Program services:				
Overseas	7,192,314	-	7,192,314	10,236,699
Domestic	<u>876,255</u>	<u>-</u>	<u>876,255</u>	<u>819,923</u>
Total Program Services	<u>8,068,569</u>	<u>-</u>	<u>8,068,569</u>	<u>11,056,622</u>
Supporting services:				
General and administration	24,814	-	24,814	16,727
Program development	185,814	-	185,814	197,918
Fundraising	<u>15,374</u>	<u>-</u>	<u>15,374</u>	<u>20,297</u>
Total Supporting Services	<u>226,002</u>	<u>-</u>	<u>226,002</u>	<u>234,942</u>
TOTAL EXPENSES	<u>8,294,571</u>	<u>-</u>	<u>8,294,571</u>	<u>11,291,564</u>
Loss on uncollectible pledge	<u>-</u>	<u>476,556</u>	<u>476,556</u>	<u>473,308</u>
TOTAL EXPENSES AND LOSSES	<u>8,294,571</u>	<u>476,556</u>	<u>8,771,127</u>	<u>11,764,872</u>
Change in net assets before change in accounting estimate	(41,780)	(4,567,524)	(4,609,304)	28,678,441
Change in accounting estimate	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,008,440)</u>
CHANGE IN NET ASSETS	(41,780)	(4,567,524)	(4,609,304)	5,670,001
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(528,523)</u>	<u>45,453,524</u>	<u>44,925,001</u>	<u>39,255,000</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (570,303)</u>	<u>\$ 40,886,000</u>	<u>\$ 40,315,697</u>	<u>\$ 44,925,001</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, 2015
(With Summarized Financial Information for the Year Ended December 31, 2014)

	Program Services		Total Program Services	Supporting Services			Total Supporting Services	2015 Total	2014 Total
	Overseas	Domestic		General and Administration	Program Development	Fundraising			
Donated goods consumed	\$ 4,687,320	\$ -	\$ 4,687,320	\$ -	\$ -	\$ -	\$ -	\$ 4,687,320	\$ 7,925,229
Salaries	290,120	307,339	597,459	171,500	206,971	1,017	379,488	976,947	901,035
Consultants	790,842	16,880	807,722	-	85,972	2,660	88,632	896,354	815,404
Fringe benefits and payroll taxes	176,897	152,231	329,128	32,585	38,341	430	71,356	400,484	437,916
Travel	224,603	17,605	242,208	25,616	28,079	-	53,695	295,903	305,622
Project participant incentive and project materials	187,009	34,702	221,711	-	637	-	637	222,348	123,749
Occupancy	61,644	131,367	193,011	26,630	-	-	26,630	219,641	225,241
Professional fees	6,089	-	6,089	135,280	-	5,457	140,737	146,826	132,551
Supplies	109,830	11,409	121,239	543	1,947	-	2,490	123,729	139,468
Meetings and conferences	11,988	136	12,124	7,784	38,213	-	45,997	58,121	50,978
Taxes and licenses	40,318	2,093	42,411	1,411	-	4,145	5,556	47,967	10,271
Computer costs	4,412	10,488	14,900	20,525	11,624	-	32,149	47,049	47,680
Insurance	717	-	717	28,255	-	-	28,255	28,972	13,711
Depreciation and amortization	-	-	-	27,591	-	-	27,591	27,591	13,647
Interest and other unallowed costs	6,589	69	6,658	14,727	610	-	15,337	21,995	41,570
Dues and subscriptions	-	8,081	8,081	11,687	49	-	11,736	19,817	13,305
Utilities	7,659	8,640	16,299	2,304	119	-	2,423	18,722	6,677
Advertising and promotion	-	75	75	-	17,852	-	17,852	17,927	2,844
Telephone	3,035	5,804	8,839	5,768	470	-	6,238	15,077	26,748
Postage and delivery	2,125	2,087	4,212	3,709	12	-	3,721	7,933	6,107
Other costs	2,800	-	2,800	961	-	-	961	3,761	79
Printing and copying	-	3,019	3,019	475	222	-	697	3,716	13,122
Training	418	1,680	2,098	-	620	-	620	2,718	16,867
Repairs and maintenance	2,095	-	2,095	-	-	-	-	2,095	8,769
Bad debt	1,558	-	1,558	-	-	-	-	1,558	12,974
Allocation of indirect costs	574,246	162,550	736,796	(492,537)	(245,924)	1,665	(736,796)	-	-
TOTAL EXPENSES	\$ 7,192,314	\$ 876,255	\$ 8,068,569	\$ 24,814	\$ 185,814	\$ 15,374	\$ 226,002	\$ 8,294,571	\$ 11,291,564

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, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,609,304)	\$ 5,670,001
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in accounting estimate	-	23,008,440
Depreciation and amortization	27,591	13,647
Unrealized gains on certificates of deposit	(1,740)	-
Change in donated inventory receivable	-	(24,908,940)
Donated goods received in inventory	-	(13,251,060)
Donated goods distributed	4,687,320	7,925,229
Changes in assets and liabilities:		
Accounts receivable	(41,033)	13,078
Grants and pledges receivable	(1,138,134)	2,486,192
Prepaid expenses	64,541	(53,613)
Deferred compensation assets	39,481	(100,000)
Deposits	-	(31,660)
Accounts payable and accrued expenses	(12,386)	(52,387)
Refundable advance	-	38,075
Deferred rent	161,408	658
Deferred compensation liability	<u>60,519</u>	<u>100,000</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(761,737)</u>	<u>857,660</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	(51,156)	
Additions to property and equipment	<u>(207,270)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(258,426)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on lines of credit	495,612	890,601
Principal payments on lines of credit	<u>(295,000)</u>	<u>(893,000)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>200,612</u>	<u>(2,399)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(819,551)	855,261
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>989,090</u>	<u>133,829</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 169,539</u>	<u>\$ 989,090</u>
SUPPLEMENTAL INFORMATION		
Actual cash payments for interest	<u>\$ 7,912</u>	<u>\$ 6,110</u>
NONCASH FINANCING ACTIVITIES		
Donated goods promised but not yet received	<u>\$ 24,908,940</u>	<u>\$ 24,908,940</u>
Donated goods received	<u>\$ -</u>	<u>\$ 13,251,060</u>
Donated goods distributed	<u>\$ (4,687,320)</u>	<u>\$ (7,925,229)</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, 2015

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. Expenses for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

Continued

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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

Property and Equipment and Related Depreciation and Amortization (continued)

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 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.

Continued

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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 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 smaller decrease in net assets in 2015.

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, 2015, 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, 2015, INMED received donated services, goods and travel with an estimated fair value of \$76,038.

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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, 2015:

Receivables due in less than one year	\$ 2,043,934
Receivables due in one to five years	<u>1,317,607</u>
Total Grants and Pledges Receivable	\$ 3,361,541
Less: Discount to Net Present Value (3.25%)	<u>(63,530)</u>
Grants and Pledges Receivable, Net	<u>\$ 3,298,011</u>

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 in 2016 and 2017 and is considered fully collectible.

Continued

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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 8.5% as of December 31, 2015. As of December 31, 2015, \$3,214 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, 2015, 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. As of December 31, 2015, \$200,000 was outstanding on this line of credit.

Interest expense under both lines of credit was \$7,912 for the year ended December 31, 2015.

5. 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 (the 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. During the year ended December 31, 2015, the CEO vested in \$40,119 of the 457(f) plan's assets, which were paid out to the CEO upon vesting. 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 and represent the amount that has been funded by INMED but not vested or distributed. The deferred compensation liability represents the amounts obligated by the Board over time that have not vested or been paid out. During the year ended December 31, 2015, the Board approved funding of \$100,000 to the 457(f) plan to vest in specified amounts over the period March 31, 2016 through March 31, 2018. Cash was not transferred to the corresponding deferred compensation assets account until February 2016. Deferred compensation assets are entirely invested in money market funds and therefore reflect the estimated fair value.

6. 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

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

6. Retirement Plan (continued)

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, 2015, INMED matched 50% of employee contributions up to 6% of salaries. INMED's contribution to the retirement plan was \$14,918 for the year ended December 31, 2015.

7. 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 location for a period of 15 years beginning October 1, 2014. The new lease provides space for the headquarters and INMED's Loudoun County Family & Youth Opportunity Center program. 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,	
2016	\$ 118,181
2017	121,463
2018	124,825
2019	128,266
2020	131,787
Thereafter	<u>1,318,351</u>
Total Future Minimum Rental Payments	<u>\$ 1,942,873</u>

Total rent expense was \$146,159 for the year ended December 31, 2015.

8. Temporarily Restricted Net Assets

As of December 31, 2015, temporarily restricted net assets are available for the following programs:

Overseas:	
Healthy Futures	\$ 3,858,080
Donated pharmaceuticals	<u>37,027,920</u>
Total Temporarily Restricted Net Assets	<u>\$40,886,000</u>

Continued

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

9. Risks and Contingencies

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, 2015, INMED had cash and certificates of deposit in these foreign accounts that totaled approximately \$243,000. In addition, all of INMED's donated pharmaceutical inventory is held in Peru as of December 31, 2015.

Concentration of Revenue Risk

For the year ended December 31, 2015, INMED recognized revenue of approximately \$2,732,000 from one donor. The grant was not all designated for the year ended December 31, 2015. This same donor owed INMED approximately \$3,105,000 as of December 31, 2015.

10. Unrestricted Net Assets (Deficit)

INMED had a deficit balance in unrestricted net assets for 2014 and 2015. The deficit is a result of the Board of Directors' and management's approval to continue making strategic investments designed to increase and diversify INMED's funding base and position it for long-term growth. Strategic investments made in 2015 included (1) hiring additional development staff, (2) sponsoring an international aquaponics conference in Jamaica to educate the global development community and private enterprises about innovative adaptive agriculture solutions (including aquaponics) designed to address the global challenges of climate change and food/income insecurity, and (3) expanding services, funding and volunteer opportunities in INMED's Loudoun County, Virginia, Family & Youth Opportunity Center, which opened in late 2014.

INMED also continues to take actions to strengthen its financial condition by reducing costs and increasing effectiveness. At the end of 2015, INMED outsourced its human resources function, reducing employee benefits costs substantially while transferring HR administration and employment related insurance coverage and risk to a professional employee organization (PEO), allowing INMED staff to focus on INMED's core business activities.

Finally, INMED is pursuing innovative new sources of non-profit funding. Management currently is in discussions with a number of social investment and impact funding organizations, and is preparing to develop a prospectus to be offered to interested funders/investors.

Fundraising and development efforts are paying off. INMED was awarded a new multi-year grant of approximately \$2.7 million in 2015 and another grant of similar size in 2016.

With these efforts and activities, INMED expects the unrestricted net assets deficit to reverse in the coming years. In the meantime, INMED intends to use unrestricted donations and bank financing to meet working capital needs.

Continued

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

11. Related Party Transactions

In 2015, INMED made consulting payments of \$10,790 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 \$43,875.

12. Income Taxes

Under Section 501(c)(3) of the IRC, INMED is exempt from federal taxes on income other than net unrelated business income. For the year ended December 31, 2015, 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 740, *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, 2015, 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, 2015, the statute of limitations for tax years ended December 31, 2012, through December 31, 2014, 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, 2015, INMED had no accruals for interest and/or penalties.

13. Reclassifications

Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

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 GAAP. Accordingly, such information should be read in conjunction with INMED's audited financial statements for the year ended December 31, 2014, from which the summarized information was prepared.

15. Subsequent Events

In preparation of these financial statements, INMED has evaluated transactions and events for potential recognition or disclosure through October 14, 2016, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.