



INMED PARTNERSHIPS FOR CHILDREN, INC.

Financial Statements

For the Year Ended December 31, 2017



**and
Report Thereon**





Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

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, 2017, 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 Partnerships for Children, Inc. as of December 31, 2017, 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.

Raffa, P.C.

Raffa, P.C.

Washington, D.C.
July 18, 2018

INMED PARTNERSHIPS FOR CHILDREN, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

Cash and cash equivalents	\$ 305,408
Accounts receivable	168,156
Grants and pledges receivable, net	2,782,279
Pledged donated inventory receivable	12,188,940
Donated inventory	5,987,940
Deferred compensation assets	3,519
Deposits and other assets	33,975
Property and equipment, net	164,542

TOTAL ASSETS \$ 21,634,759

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 138,581
Lines of credit	202,341
Refundable advance	9,519
Deferred rent	193,407
Deferred compensation liability	3,519

TOTAL LIABILITIES 547,367

Net Assets

Unrestricted (deficit)	(680,715)
Temporarily restricted	21,768,107

TOTAL NET ASSETS 21,087,392

TOTAL LIABILITIES AND NET ASSETS \$ 21,634,759

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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions, grants and contracts	\$ 651,703	\$ 2,075,484	\$ 2,727,187
Other income	424,103	-	424,103
Donated services	95,321	-	95,321
Foreign exchange transaction gains	327	-	327
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>14,738,558</u>	<u>(14,738,558)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>15,910,012</u>	<u>(12,663,074)</u>	<u>3,246,938</u>
EXPENSES			
Program Services:			
Overseas	14,568,208	-	14,568,208
Domestic	<u>1,042,718</u>	<u>-</u>	<u>1,042,718</u>
Total Program Services	<u>15,610,926</u>	<u>-</u>	<u>15,610,926</u>
Supporting Services:			
General and administration	75,068	-	75,068
Program development	242,072	-	242,072
Fundraising	<u>84,317</u>	<u>-</u>	<u>84,317</u>
Total Supporting Services	<u>401,457</u>	<u>-</u>	<u>401,457</u>
TOTAL EXPENSES	<u>16,012,383</u>	<u>-</u>	<u>16,012,383</u>
CHANGE IN NET ASSETS	(102,371)	(12,663,074)	(12,765,445)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(578,344)</u>	<u>34,431,181</u>	<u>33,852,837</u>
NET ASSETS (DEFICIT), END OF YEAR	<u><u>\$ (680,715)</u></u>	<u><u>\$ 21,768,107</u></u>	<u><u>\$ 21,087,392</u></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, 2017**

	Program Services			Supporting Services				Total
	Overseas	Domestic	Total Program Services	General and Administration	Program Development	Fundraising	Total Supporting Services	
Donated goods distributed	\$ 11,381,856	\$ -	\$ 11,381,856	\$ -	\$ -	\$ -	\$ -	\$ 11,381,856
Salaries and benefits	621,925	526,809	1,148,734	220,475	271,354	55,400	547,229	1,695,963
Consultants	1,300,298	-	1,300,298	-	27,000	-	27,000	1,327,298
Project participant incentive and project materials	334,197	58,865	393,062	234	438	-	672	393,734
Professional fees	79,160	15,257	94,417	183,667	47,060	1,875	232,602	327,019
Travel	255,131	11,984	267,115	7,697	6,132	804	14,633	281,748
Occupancy	59,396	145,128	204,524	43,159	113	-	43,272	247,796
Other costs	41,991	11,608	53,599	19,055	3,820	21,384	44,259	97,858
Supplies	53,842	21,676	75,518	5,969	335	-	6,304	81,822
Computer costs	22,791	11,682	34,473	20,443	540	-	20,983	55,456
Meetings and conferences	20,046	4,397	24,443	509	1,942	-	2,451	26,894
Telephone	6,350	10,629	16,979	7,170	226	-	7,396	24,375
Insurance	-	-	-	15,948	-	-	15,948	15,948
Printing and copying	1,244	6,563	7,807	5,721	1,708	-	7,429	15,236
Depreciation and amortization	-	-	-	14,392	-	-	14,392	14,392
Taxes and licenses	5,901	-	5,901	875	-	4,854	5,729	11,630
Training	585	3,965	4,550	2,202	109	-	2,311	6,861
Utilities	4,246	-	4,246	2,251	-	-	2,251	6,497
Allocation of indirect costs	379,249	214,155	593,404	(474,699)	(118,705)	-	(593,404)	-
TOTAL EXPENSES	\$ 14,568,208	\$ 1,042,718	\$ 15,610,926	\$ 75,068	\$ 242,072	\$ 84,317	\$ 401,457	\$ 16,012,383

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, 2017
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (12,765,445)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	14,392
Donated goods distributed	11,381,856
Changes in assets and liabilities:	
Accounts receivable	(38,889)
Grants and pledges receivable	790,499
Advances to subcontractors	317,224
Deposits and other assets	(18,887)
Accounts payable and accrued expenses	20,756
Deferred rent	14,853
Deferred compensation liability	<u>(100,000)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(383,641)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Borrowings on lines of credit	1,000,000
Principal payments on lines of credit	<u>(800,317)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>199,683</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(183,958)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>489,366</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 305,408</u></u>
SUPPLEMENTAL INFORMATION	
Actual cash payments for interest	<u><u>\$ 4,168</u></u>
NONCASH FINANCING ACTIVITIES	
Donated goods received	<u><u>\$ 12,720,000</u></u>
Donated goods distributed	<u><u>\$ (11,381,856)</u></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, 2017

1. Organization and Summary of Significant Accounting Policies

Organization

INMED Partnerships for Children, Inc. (INMED) is a nonprofit corporation that has worked in more than 100 countries to create a world where all children are safe, healthy, educated and have access to opportunities to thrive. INMED works toward this mission by mobilizing, supporting and providing expertise to improve the health and well-being of vulnerable children and families. Through multisector partnerships, INMED builds effective systems that deliver innovative and sustainable approaches to break complex cycles of poverty and generate opportunities for success. Its health and nutrition, adaptive agriculture/aquaponics and youth development programs have made a sustainable impact on the lives of millions of children and their families since 1986. 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.

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

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

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

Property and Equipment and Related Depreciation and Amortization (continued)

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.

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 met), 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 or contracted 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.

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

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

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 Peru's 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 using the first-in, first-out method of accounting. As of December 31, 2017, donated inventory consisted entirely of donated pharmaceuticals that expire on October 1, 2020. Donated pharmaceuticals which had 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 if they 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 services. For the year ended December 31, 2017, INMED received donated services with an estimated fair value of \$95,321.

Transactions in Foreign Currencies

INMED conducts many of its programs through field offices in foreign countries and, accordingly, transacts in the local currencies of those countries. Translations are made using either a monthly weighted average (based on rates for U.S. dollar-local currency conversions through the bank) or the spot rate (using the exact rate obtained at the bank when a check is cashed). The resulting gain or loss is reflected in revenue and support in the accompanying statement of activities. The U.S. dollar is considered the functional and reporting currency of INMED.

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 based on each program's share of direct costs.

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

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

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 consists of amounts due from foundations and corporations, which were due as follows as of December 31, 2017:

Receivables due in less than one year	\$ 2,714,010
Receivables due in one to five years	<u>71,150</u>
Total Grants and Pledges Receivable	2,785,160
Less: Discount to Net Present Value (3.25%)	<u>(2,881)</u>
Grants and Pledges Receivable, Net	<u>\$ 2,782,279</u>

INMED has not recorded an allowance for uncollectible accounts, as management believes all amounts are fully collectible.

3. Conditional Promise to Give

During the year ended December 31, 2017, INMED received a conditional promise to give for \$970,206, which is subject to meeting the matching requirement set by the grantor. INMED records revenue and support on this conditional promise to give as the conditions are met. During the year ended December 31, 2017, INMED met a portion of the matching requirement resulting in the recognition of \$288,117 of temporarily restricted revenue.

4. Pledged Donated Inventory Receivable

In 2014, INMED received a commitment of \$38,160,000 of donated pharmaceuticals from a donor, \$25,971,060 of which had already been received as of December 31, 2017. The remaining pledged donated inventory receivable of \$12,188,940 is expected to be received in 2018 and is considered fully collectible.

As of December 31, 2017, \$19,983,120 of the donated pharmaceuticals had been distributed by INMED in overseas programs. Of that, \$11,381,856 of the donated pharmaceuticals were distributed during the year ended December 31, 2017, and is shown as part of overseas programs on the statement of functional expenses. As of December 31, 2017, donated pharmaceuticals yet to be distributed were \$5,987,940, shown as donated inventory in the accompanying statement of financial position.

Continued

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

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 was 9.5% as of December 31, 2017. As of December 31, 2017, \$2,341 was outstanding on this line of credit.

INMED also has a secured line of credit with another bank for \$750,000 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, 2017, the rate on this line of credit was 4.5%. 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 January 31st. As of December 31, 2017, there was a \$200,000 balance outstanding on this line of credit.

Interest expense under both lines of credit was \$4,168 for the year ended December 31, 2017.

6. Deferred Compensation Plan

INMED established a deferred compensation plan for its Chief Executive Officer (the CEO) under Section 457(f) of the Internal Revenue Code (the IRC). 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, distributed or forfeited, plus or minus any investment gains or losses. Amounts that have been awarded by INMED's Board of Directors but have not yet been funded, vested or distributed, plus or minus any investment gains or losses, are reflected as deferred compensation liability in the accompanying statement of financial position.

During the year ended December 31, 2017, \$40,000 of the plan assets vested and were distributed to the CEO. Also during the year ended December 31, 2017, the CEO agreed to forfeit \$160,000 of unfunded deferred compensation, and this amount is included in other income in the accompanying statement of activities.

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, 2017, INMED matched 50% of employee contributions up to 6% of salaries. INMED's contribution to the retirement plan was \$21,249 for the year ended December 31, 2017.

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

8. Operating Lease

INMED entered into a non-cancelable operating lease for office and program space in June 2014. The lease term is for a period of 15 years beginning October 1, 2014. The lease provides space for the headquarters' offices and INMED's Loudoun County Family and Youth Opportunity Center program and provides for fixed increases to the future minimum rental payments. In May 2017, INMED signed a new three-year lease for additional office space for its headquarters' offices starting June 1, 2017. 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.

INMED's foreign affiliates do not have long-term office lease commitments.

Total rent expense, including foreign affiliates' offices, was approximately \$226,107 for the year ended December 31, 2017.

The future minimum rental payments for both leases, excluding operating costs that are required under these operating leases, are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2018	\$ 158,524
2019	162,873
2020	146,366
2021	135,388
2022	139,088
Thereafter	<u>1,043,875</u>
Total	<u>\$ 1,786,114</u>

9. Temporarily Restricted Net Assets

As of December 31, 2017, temporarily restricted net assets were available for the following programs:

Overseas:	
Healthy Futures, Aquaponics and other programs	\$ 3,558,643
Donated pharmaceuticals	18,176,880
Domestic:	
Various programs	<u>32,584</u>
Total Temporarily Restricted Net Assets	<u>\$ 21,768,107</u>

Continued

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

10. 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, 2017, INMED had cash in these foreign accounts that totaled approximately \$99,700. In addition, all of INMED's donated pharmaceutical inventory was held in Peru as of December 31, 2017.

Concentration of Revenue Risk

For the year ended December 31, 2017, INMED recognized revenue of approximately \$1,306,000 from two donors, which represents 40% of INMED's total revenue and support. As of December 31, 2017, these same grantors owed INMED approximately \$1,137,000, which represents 33% of INMED's total assets net of pledged donated inventory receivable and donated inventory.

11. Unrestricted Net Assets (Deficit)

INMED had a deficit balance in unrestricted net assets for 2017. 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 the past few years resulted in \$1.1 million of new multi-year funding in 2017 and \$2.2 million in new multi-year funding in 2018 as of the date of this report.

Expansion of the adaptive agriculture project in Jamaica has positioned INMED for over \$20 million of additional multi-year funding from a large consortium of funders. This funding would allow INMED to scale its adaptive agriculture program to its three other program locations (Peru, Brazil, and South Africa). INMED was recently selected from among several thousand applicants to advance to the next round for this highly competitive funding. An expanded proposal has already been submitted, and selections for the final round will be made by September 2018. Having advanced in the competition for this highly prestigious award has positioned INMED for several other prizes for its innovative approaches and overall impact.

So far in 2018 the adaptive agriculture program in Jamaica attracted an additional \$500,000 funding from other Caribbean-based multi-laterals, and INMED is being considered for another \$250,000 of funding from a non-US government development agency for aquaponics expansion in Peru. In addition, INMED was selected as one of only nine finalists among 500 applicants for an \$800,000 USAID/CIDA-funded health project in Peru. Final awards will be announced in October 2018.

Meanwhile, INMED's South Africa and Brazil programs continue to prosper and expand. The USAID grant for aquaponics in South Africa has attracted additional local funding from multiple corporate sources. In Brazil, a \$1.8 million multi-year grant for healthy lifestyles and nutrition

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2017

11. Unrestricted Net Assets (Deficit) (continued)

programs for school-aged children was awarded to INMED in July 2018, and a commitment for the continuation of a similar program in South Africa through 2022 was confirmed verbally. In addition, investments in a local marketing and fundraising firm in Brazil in 2018 has the potential to return \$3 million in local funding (corporate and individual) in the next two years.

INMED's Family and Youth Opportunity Center in Loudoun County, Virginia, which has secured a record level of government funding for 2018-2019, is increasing its visibility in the community and has attracted the attention and interest of large technology companies in the Dulles corridor, which have committed to provide financial and material support for the Center in 2018 and thereafter. Simultaneously, investments have been made to develop individual donor support

INMED intends to continue making strategic investments to position it for growth. INMED will use unrestricted donations and bank financing to meet working capital needs. Two fundraising events are planned for 2018, and INMED has a total of \$850,000 in lines of credit from two large banks to provide working capital if/as needed.

12. Related Party Transactions

In 2017, INMED received donated services of \$64,960 provided by a member of INMED's Board of Directors who is related to INMED's President and CEO. The Director of International Programs of INMED is also related to INMED's President and CEO.

13. 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, 2017, no provision for income taxes was required, as INMED had no net unrelated business income.

INMED has adopted 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 evaluated its uncertainty in income taxes for the year ended December 31, 2017, 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, 2017, the statute of limitations for tax years 2014 through 2016 remained 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 uncertainty in income taxes, if any, in income tax expense.

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

14. Subsequent Events

In preparation of these financial statements, INMED has evaluated transactions and events for potential recognition or disclosure through July 18, 2018, the date the financial statements were available to be issued. Other than the events mentioned in Note 11, there were no other subsequent events that require recognition or disclosure in the financial statements.