



INMED PARTNERSHIPS FOR CHILDREN, INC.

Financial Statements

For the Year Ended December 31, 2019



**and
Report Thereon**



INMED PARTNERSHIPS FOR CHILDREN, INC.

TABLE OF CONTENTS
For the Year Ended December 31, 2019

	<i>Page</i>
Independent Auditors' Report.....	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-15

INDEPENDENT AUDITORS' 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, 2019, 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.

Auditors' 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 auditors' 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.

Continued

- 1 -

Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of INMED Partnerships for Children, Inc. as of December 31, 2019, 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.

Marcum LLP

Washington, DC
June 26, 2020

INMED PARTNERSHIPS FOR CHILDREN, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

Cash and cash equivalents	\$ 395,938
Accounts receivable	77,750
Grants and pledges receivable, net	2,422,379
Deposits and other assets	42,016
Property and equipment, net	<u>135,756</u>

TOTAL ASSETS \$ 3,073,839

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 144,782
Lines of credit	451,459
Other liabilities	9,519
Deferred rent	193,352
Deferred compensation liability	<u>3,823</u>

TOTAL LIABILITIES 802,935

Net Assets

Without donor restrictions (deficit)	(581,002)
With donor restrictions	<u>2,851,906</u>

TOTAL NET ASSETS 2,270,904

TOTAL LIABILITIES AND NET ASSETS \$ 3,073,839

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants	\$ 92,594	\$ 3,391,352	\$ 3,483,946
Contract revenue	369,500	-	369,500
Donated goods and services	547,734	14,400,000	14,947,734
Other income	47,586	-	47,586
Foreign exchange transaction losses	4,065	-	4,065
Net assets released from restrictions:			
Satisfaction of program restrictions	18,259,344	(18,259,344)	-
TOTAL REVENUE AND SUPPORT	<u>19,320,823</u>	<u>(467,992)</u>	<u>18,852,831</u>
EXPENSES			
Program Services:			
Overseas	17,844,278	-	17,844,278
Domestic	798,861	-	798,861
Total Program Services	<u>18,643,139</u>	<u>-</u>	<u>18,643,139</u>
Supporting Services:			
General and administration	129,682	-	129,682
Program development	271,930	-	271,930
Fundraising	60,004	-	60,004
Total Supporting Services	<u>461,616</u>	<u>-</u>	<u>461,616</u>
TOTAL EXPENSES	<u>19,104,755</u>	<u>-</u>	<u>19,104,755</u>
CHANGE IN NET ASSETS	216,068	(467,992)	(251,924)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(797,070)</u>	<u>3,319,898</u>	<u>2,522,828</u>
NET ASSETS (DEFICIT), END OF YEAR	<u><u>\$ (581,002)</u></u>	<u><u>\$ 2,851,906</u></u>	<u><u>\$ 2,270,904</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, 2019

	Program Services			Supporting Services				Total
	Overseas	Domestic	Total Program Services	General and Administration	Program Development	Fundraising	Total Supporting Services	
Donated goods distributed	\$ 14,400,000	\$ -	\$ 14,400,000	\$ -	\$ -	\$ -	\$ -	\$ 14,400,000
Salaries and benefits	842,593	512,936	1,355,529	72,478	237,217	28,128	337,823	1,693,352
Consultants	1,536,329	350	1,536,679	-	6,171	-	6,171	1,542,850
Project participant incentive and project materials	322,478	5,150	327,628	-	-	-	-	327,628
Occupancy	77,937	190,807	268,744	5,768	18,605	2,206	26,579	295,323
Travel	197,548	7,947	205,495	7,520	6,300	6,504	20,324	225,819
Other costs	153,742	32,581	186,323	14,943	1,683	20,977	37,603	223,926
Professional fees	181,996	19,011	201,007	22,582	-	-	22,582	223,589
Supplies	57,533	10,548	68,081	4,714	410	-	5,124	73,205
Computer costs	37,923	18,815	56,738	836	852	67	1,755	58,493
Meetings and conferences	21,806	716	22,522	841	692	2,122	3,655	26,177
Depreciation and amortization	14,393	-	14,393	-	-	-	-	14,393
TOTAL EXPENSES	\$ 17,844,278	\$ 798,861	\$ 18,643,139	\$ 129,682	\$ 271,930	\$ 60,004	\$ 461,616	\$ 19,104,755

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (251,924)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	14,393
Change in the present value discount for grants and pledges	(72,808)
Donated goods recorded as revenue	(14,400,000)
Donated goods distributed	14,400,000
Changes in assets and liabilities:	
Accounts receivable	23,500
Grants and pledges receivable	(316,778)
Deposits and other assets	2,613
Accounts payable and accrued expenses	24,284
Deferred rent	(2,524)
Deferred compensation liability	135
NET CASH USED IN OPERATING ACTIVITIES	<u>(579,109)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Borrowings on lines of credit	900,000
Principal payments on lines of credit	<u>(450,505)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>449,495</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(129,614)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>525,552</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 395,938</u>
SUPPLEMENTAL INFORMATION	
Actual cash payments for interest	<u>\$ 4,211</u>
NONCASH OPERATING ACTIVITIES	
Donated goods received	<u>\$ 14,400,000</u>
Donated goods distributed	<u>\$ (14,400,000)</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, 2019

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

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 (US 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 with useful lives of more than one year and acquisition cost 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

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

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

Property and Equipment and Related Depreciation and Amortization (continued)

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

INMED's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available to support the operations of INMED.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes or time periods. These donor restrictions can be temporary in nature in that they will be met by actions of INMED or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2019, INMED had no net assets with donor restrictions that are required to be maintained in perpetuity.

Revenue Recognition

INMED reports gifts and grants of cash and other assets as support without donor restrictions and available for general operations, unless specifically restricted by the donor. Support that is restricted by the donor is reported as having donor restrictions if it is received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the 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. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome.

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, 2019

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

Revenue Recognition (continued)

INMED has cost-reimbursable grants with the U.S. government, state and local agencies. Revenue from these grants are conditional upon certain performance requirements and revenue from U.S. government, state and local agencies is recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on these grants for which billings have not been presented to or collected from the grantors is included in grants and pledges receivable in the accompanying statement of financial position. Any amounts received from the grantors in excess of amounts earned are recorded as refundable advances.

INMED also has other contracts with private organizations to support international aquaponics and vaccination programs. Revenue under these contracts are recognized when the performance obligation is satisfied. The performance obligation is satisfied when the service is performed and deliverables are submitted. Revenue recognized on the contracts for which payments have not been received is reflected as accounts receivable in the accompanying statement of financial position.

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 donated goods and services revenue with donor restrictions 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 restrictions 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. Donated inventory was fully disbursed as of December 31, 2019.

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, 2019, INMED received donated services with an estimated fair value of \$547,734.

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

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

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

Transactions in Foreign Currencies (continued)

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. Expenses directly attributed to specific functional areas of INMED are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. 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. Shared costs are allocated to program services based on each program's share of direct costs.

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.

New Accounting Pronouncements

In May 2014, Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. INMED adopted ASU 2014-09 and related amendments on January 1, 2019, using the modified retrospective method and elected to apply the standard only to program service contracts that were not completed as of that date. The adoption of the standard did not impact INMED's results of operations or change in net assets.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, subject to other guidance, and determining whether a contribution is conditional. INMED adopted ASU 2018-08 on January 1, 2019, using the modified prospective basis and the adoption of the standard did not result in a material change to the financial statements or the timing of revenue recognition for INMED's grants and pledges.

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

2. Grants and Pledges Receivable

Grants and pledges receivable consist of amounts due from foundations, corporations and government agencies, which were due as follows as of December 31, 2019:

Receivables due in less than one year	\$ 1,860,434
Receivables due in one to five years	<u>589,968</u>
Total Grants and Pledges Receivable	2,450,402
Less: Discount to Net Present Value (4.75%)	<u>(28,023)</u>
Grants and Pledges Receivable, Net	<u>\$ 2,422,379</u>

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

3. Conditional Grants

INMED has received various conditional grants totaling \$3,607,508 as of December 31, 2019. INMED records revenue and support on these conditional grants as the conditions are met. During the year ended December 31, 2019, INMED recognized \$989,779 of revenue with donor restrictions from these conditional grants. As of December 31, 2019, INMED has yet to recognize revenue of approximately \$1,391,800 related to these conditional grants as qualifying expenditures have not been incurred. In addition, as of December 31, 2019, approximately \$289,800 of the conditional grants have not been recognized as they depend on meeting certain matching requirements set by the grantor.

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 was 9.75% as of December 31, 2019. As of December 31, 2019, \$1,459 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, 2019, the rate on this line of credit was 4.75%. 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 by both parties on January 31. As of December 31, 2019, \$450,000 was outstanding on this line of credit. In January 2020, the bank renewed INMED's line of credit through June 30, 2020, and is currently in the process of renewing the line of credit through December 31, 2020.

Interest expense under both lines of credit was \$4,211 for the year ended December 31, 2019.

Continued

INMED PARTNERSHIPS FOR CHILDREN, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

5. Retirement Plan

INMED sponsors a 401(k) retirement plan for employees with at least three months of service who were employed after June 1, 2003. Under this plan, in addition to employee salary deferrals, INMED may contribute either matching contributions, profit-sharing contributions or qualified non-elective contributions. Matching contributions will be equal to a discretionary percentage of salary, which will be determined each year. For the year ended December 31, 2019, INMED matched 50% of employee contributions up to 6% of salaries. INMED's contribution to the retirement plan was \$26,465 for the year ended December 31, 2019.

6. 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 expiring on May 31, 2020. This lease was not renewed. 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 \$211,000 for the year ended December 31, 2019.

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 December 31, _____</u>	
2020	\$ 146,366
2021	135,388
2022	139,088
2023	142,919
2024	146,826
Thereafter	<u>754,130</u>
Total	<u>\$ 1,464,717</u>

7. Net Assets With Donor Restrictions

As of December 31, 2019, net assets with donor restrictions totaled \$2,851,906 and were restricted for the overseas healthy futures, aquaponics and other programs.

Continued

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

8. 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, 2019, INMED had cash in these foreign accounts that totaled approximately \$258,000.

Concentration of Revenue Risk

For the year ended December 31, 2019, INMED recognized revenue of approximately \$2,217,000 from two donors, which represents 57% of INMED's total revenue and support, excluding donated goods and services. As of December 31, 2019, the amount due from the same grantors totaled approximately \$1,777,000, which represents 58% of INMED's total assets.

9. Availability and Liquidity

INMED regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. INMED's financial assets available within one year of the statement of financial position date for general expenditures at December 31, 2019, were as follows:

Cash and cash equivalents	\$ 395,938
Accounts receivable	77,750
Grants and pledges receivable, net	<u>2,422,379</u>
Total Financial Assets	2,896,067
Less:	
Amounts unavailable for general expenditures within one year:	
Long-term grants and pledges receivable	(561,945)
Amounts restricted by donors with purpose restriction	<u>(367,860)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 1,966,262</u>

INMED has various sources of liquidity at its disposal, including cash and cash equivalents, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of INMED throughout the year. This is done through monitoring and reviewing INMED's cash flow needs on a regular basis. As a result, management is aware of the cyclical nature of INMED's cash flow related to INMED's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, INMED has two committed lines of credit totaling \$850,000, of which approximately \$198,000 was unused as of our report date. INMED has only excluded net assets with donor restrictions that are not expected to be spent during the year ending December 31, 2020.

Continued

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

10. Net Assets Without Donor Restrictions (Deficit)

The deficit balance in INMED's net assets without donor restrictions for 2019 is a result of the Board of Directors' and management's decision to make strategic investments designed to expand and diversify INMED's funding base and position it for long term growth. Investments made in recent years resulted in \$17.2 million of new multi-year funding in 2019, of which \$14.4 million was donated pharmaceuticals and approximately \$50 million in new multi-year funding in 2020 (donated pharmaceuticals) as of the date of this report. These same investments contributed to an overall improvement in the net assets without donor restrictions deficit by more than 25% in 2019.

Two factors contributed to the improvement in the net assets without donor restrictions deficit in 2019. The first is INMED's earning a 4-star Charity Navigator rating. In 2019, Charity Navigator ranked INMED in the top 1% of all charities after INMED achieved a perfect score across all categories. Charity Navigator promotes nonprofits who achieve this elite status on its website and in public forums, which increases their visibility, name recognition, and public trust. Additionally, INMED engaged in heavy social media marketing to promote its 4-star Charity Navigator rating. As a result, INMED began to see growth in individual donations without donor restrictions in 2019. At the same time, INMED continued its strategy of replacing traditional grant funding with "fee for service" contracts, which provides INMED with more flexible funding that can be used to reduce the net asset without donor restrictions deficit.

INMED's adaptive agriculture program also continues to attract both public and private sector interest and funding. Contract negotiations with a major funder currently are underway for a large investment in a sustainable aquaponics venture in South Africa starting in mid-2020. This "impact investment" is designed to become self-sustaining within 3-years and generate profits to scale aquaponics into Brazil and other areas starting in 2021.

Meanwhile, INMED will continue to use donations that are without donor restrictions and bank financing to meet working capital needs. As of June 26, 2020, several fundraising events planned for 2020 have been put on hold due to the coronavirus pandemic. However, these will be resumed later in 2020 if circumstances permit. In the meantime, INMED is benefiting from additional COVID-19 emergency funding offered by government and private sources. INMED has a total of \$850,000 in lines of credit from two financial institutions to provide working capital if/as needed, of which, approximately \$848,000 was available for use as of our report date.

11. Related Party Transactions

In fiscal year 2019, INMED received donated services of \$44,497 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.

INMED PARTNERSHIPS FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

12. 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, 2019, 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 FASB 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, 2019, 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, 2019, there are no audits for any tax periods in progress. It is INMED's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. There are currently no examinations pending or in progress regarding INMED's tax returns.

13. Subsequent Events

In preparation of these financial statements, INMED has evaluated transactions and events for potential recognition or disclosure through June 26, 2020, the date the financial statements were available to be issued. Except as disclosed in Note 4 with respect to the line of credit, Note 6 related to one of INMED's operating leases and below, there were no subsequent events that require recognition or disclosure in these financial statements.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. INMED has been able to continue most of its operations in a remote environment; however, at this point, the extent to which COVID-19 may impact INMED's financial condition or results of operations is uncertain.

On April 20, 2020, INMED's Paycheck Protection Program (PPP) loan application in the amount of \$250,787 was approved by the U.S. Small Business Administration (SBA) and executed through INMED's primary banking institution. The PPP loan carries a fixed interest rate of 1% per annum and will mature on April 20, 2022. Payments of principal and interest are deferred during the first six months of the loan. Commencing on November 20, 2020, the loan will be paid in equal monthly installments through the maturity date. The loan may be eligible for forgiveness pursuant to the SBA guidance issued in May 2020, which established minimum amounts of the loan to be used to cover payroll costs and the remainder can be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained.