INMED PARTNERSHIPS FOR CHILDREN, INC.

Financial Statements

For the Year Ended December 31, 2010
(With Summarized Financial Information for the Year Ended December 31, 2009)

and
Report Thereon

INMED PARTNERSHIPS FOR CHILDREN, INC.

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For the Year Ended December 31, 2010

RAFFA

CONSULTING
ACCOUNTING
TECHNOLOGY

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of INMED Partnerships for Children, Inc. (INMED) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of INMED's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from INMED's December 31, 2009 financial statements and, in our report dated July 22, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of INMED's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Raffa P.C.

RAFFA, P.C.

Washington, DC
July 28, 2011

INMED PARTNERSHIPS FOR CHILDREN, INC.

STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31, 2010
(With Summarized Financial Information as of December 31, 2009)

	2010	2009
ASSETS		
Cash and cash equivalents	$ 762,453	$ 350,001
Accounts receivable	186,219	200,899
Grants and pledges receivable	1,324,034	2,952,216
Pledged inventory goods receivable	-	9,846,000
Inventory	10,667,915	2,271,807
Prepaid expenses	8,948	20,667
Intangible asset	68,239	-
Property and equipment, net	6,269	18,810
Deposits	13,402	13,402
TOTAL ASSETS	$ 13,037,479	$ 15,673,802
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 128,210	$ 170,781
Lines of credit	5,001	90,001
Notes payable - related party	93,500	149,500
Deferred revenue	1,812	1,812
Deferred rent	19,111	18,671
TOTAL LIABILITIES	247,634	430,765
Net Assets		
Unrestricted (Deficit)	(447,662)	(456,489)
Temporarily restricted	13,237,507	15,699,526
TOTAL NET ASSETS	12,789,845	15,243,037
TOTAL LIABILITIES AND NET ASSETS	$ 13,037,479	$ 15,673,802

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, 2010
(With Summarized Financial Information for the Year Ended December 31, 2009)

	Unrestricted	Temporarily Restricted	2010 Total	2009 Total
REVENUE AND SUPPORT				
Contributions, grants and contracts	$ 702,624	$ 1,674,556	$ 2,377,180	$ 4,778,560
Donated goods and services	149,569	-	149,569	13,377,260
Program service fees	145,504	-	145,504	277,675
Other income	9,094	-	9,094	32,914
Forgiveness of debt	20,000	-	20,000	30,000
Foreign exchange transaction gain	12,358	-	12,358	26,206
Net assets released from restrictions:				
Satisfaction of program restrictions	4,136,575	(4,136,575)	-	-
TOTAL REVENUE AND SUPPORT	5,175,724	(2,462,019)	2,713,705	18,522,615
EXPENSES				
Program services:				
Overseas	3,629,618	-	3,629,618	4,793,133
Domestic	1,277,670	-	1,277,670	1,404,884
Total Program Services	4,907,288	-	4,907,288	6,198,017
Supporting services:				
General and administration	15,321	-	15,321	27,354
Program development	226,290	-	226,290	113,007
Fundraising	17,998	-	17,998	5,172
Total Supporting Services	259,609	-	259,609	145,533
TOTAL EXPENSES	5,166,897	-	5,166,897	6,343,550
CHANGE IN NET ASSETS	8,827	(2,462,019)	(2,453,192)	12,179,065
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(456,489)	15,699,526	15,243,037	3,063,972
NET ASSETS (DEFICIT), END OF YEAR	$ (447,662)	$ 13,237,507	$ 12,789,845	$ 15,243,037

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, 2010

(With Summarized Financial Information for the Year Ended December 31, 2009)

	Program Services			Supporting Services					
	Overseas	Domestic	Total Program Services	General and Administration	Program Development	Fundraising	Total Supporting Services	2010 Total	2009 Total
Donated goods consumed	$ 1,449,893	$ -	$ 1,449,893	$ -	$ -	$ -	$ -	$ 1,449,893	$ 2,909,185
Salaries	64,096	539,635	603,731	294,454	204,701	8,762	507,917	1,111,648	1,032,340
Consultants	1,011,882	58,631	1,070,513	-	30,254	-	30,254	1,100,767	1,061,406
Fringe benefits and payroll taxes	17,303	210,153	227,456	161,923	75,621	2,170	239,714	467,170	437,011
Travel	209,381	27,209	236,590	7,016	28,737	-	35,753	272,343	186,053
Occupancy	51,199	63,372	114,571	81,222	3,320	-	84,542	199,113	182,591
Project participant incentive and project materials	120,934	5,097	126,031	3,451	2,313	-	5,764	131,795	117,212
Supplies	65,554	22,302	87,856	12,415	6,237	-	18,652	106,508	78,952
Computer cost	11,160	9,919	21,079	37,278	250	-	37,528	58,607	64,128
Professional fees	23,823	3,414	27,237	27,686	3,574	-	31,260	58,497	59,760
Telephone	30,885	19,074	49,959	7,459	884	-	8,343	58,302	37,115
Meetings and conferences	1,995	4,839	6,834	13,403	3,063	-	16,466	23,300	16,576
Interest and other unallowed costs	13,834	74	13,908	8,940	281	-	9,221	23,129	25,757
Insurance	-	10,748	10,748	7,918	-	-	7,918	18,666	21,478
Printing and copying	6,678	6,433	13,111	2,881	1,462	-	4,343	17,454	24,996
Depreciation and amortization	-	-	-	12,541	-	-	12,541	12,541	12,541
Dues and subscriptions	608	5,759	6,367	3,310	1,274	-	4,584	10,951	9,781
Utilities	1,509	7,740	9,249	-	216	-	216	9,465	8,696
Postage and delivery	2,380	2,441	4,821	2,733	767	-	3,500	8,321	7,643
Training	1,195	2,158	3,353	2,248	2,160	-	4,408	7,761	3,071
Repairs and maintenance	1,421	3,884	5,305	664	1,032	-	1,696	7,001	1,448
Other costs	3,342	1,619	4,961	1,849	-	-	1,849	6,810	14,076
Taxes and licenses	830	750	1,580	810	-	3,110	3,920	5,500	12,626
Advertising and promotion	442	25	467	(129)	1,017	-	888	1,355	19,108
Allocation of indirect costs	539,274	272,394	811,668	(674,751)	(140,873)	3,956	(811,668)	-	-
TOTAL EXPENSES	$ 3,629,618	$ 1,277,670	$ 4,907,288	$ 15,321	$ 226,290	$ 17,998	$ 259,609	$ 5,166,897	$ 6,343,550

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, 2010
(With Summarized Financial Information for the Year Ended December 31, 2009)
Increase (Decrease) in Cash and Cash Equivalents

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,453,192)	$ 12,179,065
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	12,541	12,541
Forgiveness of debt	(20,000)	(30,000)
Donated goods promised but not yet received	9,846,000	(9,846,000)
Donated goods received	(9,846,000)	(3,369,066)
Donated goods distributed	1,449,892	2,909,185
Donated intangible asset	(68,239)	-
Changes in assets and liabilities:		
Accounts receivable	14,680	(104,908)
Grants and pledges receivable	1,628,182	(1,549,123)
Prepaid expenses	11,719	(6,655)
Accounts payable and accrued expenses	(42,571)	(18,278)
Deferred rent	440	2,813
NET CASH PROVIDED BY OPERATING ACTIVITIES	533,452	179,574
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on lines of credit	200,000	100,000
Principal payments on lines of credit	(285,000)	(208,910)
Principal payments on notes payable	(36,000)	(34,500)
Principal payments on capital lease obligations	-	(83)
NET CASH USED IN FINANCING ACTIVITIES	(121,000)	(143,493)
NET INCREASE IN CASH AND CASH EQUIVALENTS	412,452	36,081
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	350,001	313,920
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 762,453	$ 350,001
SUPPLEMENTAL INFORMATION		
Actual cash payments for interest	$ 1,413	$ 10,956
NONCASH FINANCING ACTIVITIES		
Forgiveness of debt	$ 20,000	$ 30,000
Donated goods promised but not yet received	$ -	$ 9,846,000
Donated goods received	$ 9,846,000	$ 3,369,066
Donated goods distributed	$ (1,449,892)	$ (2,909,185)

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

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 offices in Brazil, Peru, Trinidad and Tobago, Jamaica, and South Africa, which are registered under local law so INMED can conduct its programs in these countries. The activities in these countries are reported as part of INMED's activities.

Basis of Accounting and Presentation

The accompanying financial statements of INMED have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

INMED considers cash in operating bank accounts, cash on hand, certificates of deposit and highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Property and Equipment and Related Depreciation and Amortization

All acquisitions of furniture, equipment and software 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. Expenses for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

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.

Continued

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

Classification of Net Assets

The net assets of INMED are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of INMED's operations.
- Temporarily restricted net assets represent funds that are specifically restricted by donors or grantors for various programs or for use in future periods.

Revenue Recognition

Except for cost-reimbursable grants and contracts described later in this note, INMED reports gifts and grants of cash and other assets as unrestricted support and available for general operations, unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Revenue recognized for contributions, grants, and contracts that have been committed to INMED but have not been received is reflected as grants and pledges receivable in the accompanying statement of financial position.

Unconditional promises to give that are expected to be collected within one year are reflected as grants and pledges receivable at their net realizable value in the period in which INMED is notified by the donor of his or her commitment to make a contribution. Unconditional promises to give that are expected to be collected in future years are reflected as grants and pledges receivable and are recorded at their present value using a risk-adjusted rate applicable to the period in which the unconditional promise to give was received.

INMED has cost-reimbursable grants and contracts with the U.S. government, state and local agencies, and private organizations. Revenue from these grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs at a provisional rate. Direct and indirect expenses incurred, but not reimbursed, under these grants and contracts are reported as accounts receivable in the accompanying statement of financial position.

Revenue from multiyear funding commitments is recognized in the period the support has been committed, while the related expenditures may occur in subsequent accounting period(s). This can result in significant variations in net asset changes from year to year, especially when large grants of donated pharmaceuticals are involved. This phenomenon must be considered when comparing trends and changes in net assets from one year to the next. At the end of 2009,

Continued

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

Revenue Recognition (continued)

INMED received a pledge of approximately $13,000,000 of pharmaceuticals to be distributed during 2010 and 2011. This resulted in a large positive total change in net assets for 2009, but a negative total change in net assets in 2010.

Donated Goods and Services and Inventory

INMED receives a substantial amount of donated pharmaceuticals for distribution overseas, which are recorded at their estimated fair value as of the date of donation and are reflected as inventory and temporarily restricted donated goods and services revenue in the accompanying statement of activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value of the donated pharmaceuticals is determined based on the price the product sells for in the countries in which the pharmaceuticals are used. As the donated pharmaceuticals are used, they are released from inventory and reported as program expenses in the accompanying statement of activities. In addition, 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. Unused donated pharmaceuticals at the end of the year are reflected in the accompanying statement of financial position as inventory, which is reported on the first-in, first-out method of accounting (FIFO).

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, 2010, INMED received donated services and travel with an estimated fair value of $149,569.

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 incentive and project materials costs.

Continued

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

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. 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 are due as follows as of December 31, 2010:

Receivable in less than one year	$ 1,133,490
Receivable in one to five years	190,544
Total Grants and Pledges Receivable	$ 1,324,034

All amounts are considered fully collectible. The grants and pledges receivable due in one to five years have not been discounted to their present value as required by generally accepted accounting principles (GAAP), as the discount was considered immaterial to the financial statements taken as a whole.

3. Property and Equipment

Property and equipment consists of the following as of December 31, 2010:

Computer equipment and furniture	$ 108,745
Software	31,339
Total Property and Equipment	140,084
Less: Accumulated Depreciation and Amortization	(133,815)
Property and Equipment, Net	$ 6,269

Depreciation and amortization expense was $12,541 for the year ended December 31, 2010.

Continued

4. Intangible Asset

In 2010, INMED recorded an intangible asset representing INMED's investment in the development of a unique technology targeted at families and small farmers that can be used to address food security and income generation in the face of climate change and diminishing water supplies worldwide. The cost of the intangible asset includes consulting expenses and materials purchased to develop and test a prototype aquaponics system, the cost of travel and tuition for various aquaponics trainings, and the cost of development of scalability plans and related training materials. The intangible asset was $68,239 as of December 31, 2010. The amortization will start in 2011 after the asset was completed.

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 terminated by INMED or the bank. The interest rate on the line of credit is 1.5% above *The Wall Street Journal*'s Prime Rate of 3.25%, which was determined by the bank to be 4.75% as of December 31, 2010. As of December 31, 2010, $5,001 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, 2010, the rate on this line of credit was 4%. The line of credit is secured by all of INMED's assets currently owned or hereafter acquired. Under the terms of the line of credit, INMED is required to fully repay the bank all amounts outstanding on the line of credit for a period of 30 consecutive days annually, prior to December 15. INMED is also required to comply with certain financial covenants. The line of credit is renewable annually on August 24. At December 31, 2010, there was no outstanding balance on this line of credit and INMED was in compliance with certain financial covenants.

Interest expense under the lines of credit was $1,413 for the year ended December 31, 2010.

6. Notes Payable – Related Party

In June 2002, INMED received a loan from two officers totaling $494,156. Interest accrues on the outstanding principal balance at 7.5% per year. Effective July 1, 2002, the two officers converted the loan into a noninterest-bearing loan. In addition, during 2004, INMED received additional noninterest-bearing loans from the two officers totaling $30,000.

Continued

6. Notes Payable – Related Party (continued)

In December 2003, the officers agreed to a repayment schedule that required monthly principal payments of $3,000 beginning January 2004 through January 2010, at which time the entire outstanding balance was due. In December 2008, the officers amended the loans to extend the repayment term by an additional five years, through January 2015. All other terms of the loans remain the same. The officers have forgiven portions of the debt in previous years and forgave $20,000 of the debt during the year ended December 31, 2010. As of December 31, 2010, $93,500 was outstanding related to these notes payable.

Future payments of the loans are as follows:

For the Year Ending December 31,	
2011	$ 36,000
2012	36,000
2013	21,500
Total Future Principal Payments	$ 93,500

7. Retirement Plan

INMED sponsors a 401(k) retirement plan for employees with at least three months of service and 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 nonelective contributions. Matching contributions will be equal to a discretionary percentage of salary, which will be determined each year. For the year ended December 31, 2010, INMED matched 50% of employee contributions up to 6% of salaries. INMED's contribution to the retirement plan was $19,411 for the year ended December 31, 2010.

8. Operating Leases

Virginia – In March 2008, INMED entered into a noncancelable, seven-year operating lease for a new headquarters location, commencing on May 1, 2008. The lease provides for fixed increases to the future minimum rental payments. Additionally, under the terms of this lease, the landlord gave INMED three months of rent abatement of monthly rent payments, which began on August 1, 2008. Under GAAP, all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. Rent abatements are amortized over the life of the lease on a straight-line basis as on offset to rent expense. The difference between the GAAP rent expense and the required lease payment is reflected as

Continued

8. Operating Leases (continued)

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, required under the operating lease are as follows:

For the Year Ending December 31,		
2011	$	83,292
2012		85,788
2013		88,370
2014		91,036
2015		30,645
Total Future Minimum Rental Payments	$	379,131

California – In January 2009, INMED entered into an operating lease agreement for its California office space. The agreement provides for a base monthly rent of $1,735. In addition, INMED has also entered into a separate month-to-month lease agreement for additional space in the same building at a rate of $600 per month, beginning February 1, 2009. These leases ended on December 31, 2010. On January 1, 2011, INMED entered into a month-to-month agreement with the lessor at a rate of $1,811 per month. In July 2011, INMED signed a one-year lease with monthly payments of $1,992.

Total rent expense was $199,113 for the year ended December 31, 2010.

Continued

9. Temporarily Restricted Net Assets

As of December 31, 2010, temporarily restricted net assets are available for the following programs:

Domestic:	
California programs	$ 15,441
Virginia programs	128,666
	144,107
Overseas:	
Healthy Futures	2,359,097
Center for Excellence in Teacher Training	66,377
Donated pharmaceuticals	10,667,926
	13,093,400
Total Temporarily Restricted Net Assets	$ 13,237,507

10. Risks and Contingencies

Office of Management and Budget Circular A-133

INMED has instructed its independent auditors to audit its applicable federal programs for the year ended December 31, 2010, in compliance with Circular A-133 issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal agencies of the independent auditor's reports for fiscal year 2010 will not have a material effect on INMED's financial position as of December 31, 2010, or its results of operations for the year then ended.

Provisional Indirect Cost Rates

Billings under cost-reimbursable government grants and contracts are calculated using provisional rates that permit recovery of indirect costs. These rates are subject to audit by the United States Agency for International Development (USAID), INMED's cognizant agency. The audit results in the negotiation and determination of the final indirect cost rates, which may create a liability for indirect cost recovery for amounts billed in excess of the actual rates, or may allow for additional billings for unbilled indirect costs.

Continued

10. Risks and Contingencies (continued)

Provisional Indirect Cost Rates (continued)

USAID audits the costs related to U.S. government contracts and grants, in accordance with Circular A-122 issued by OMB. USAID has yet to audit the costs and indirect cost rates for the year ended December 31, 2010. Management believes that cost disallowances, if any, arising from USAID's audits will not have a material effect on INMED's financial position as of December 31, 2010, or the results of operations for the year then ended.

Foreign Operations

INMED has field offices in Brazil, Peru, Jamaica, and South Africa. INMED maintains cash accounts in all four countries and an account in Trinidad and Tobago. The future of the programs in these countries can be adversely affected by a number of potential factors, such as currency devaluations and political unrest. As of December 31, 2010, INMED had cash in these foreign accounts totaling approximately $101,000.

11. Unrestricted Net Assets

INMED has been carrying a deficit balance in unrestricted net assets for the last several years. The deficit is a result of the Board and management's approval to incur deficits in order to make an investment in its programs.

INMED reduced the deficit balance in unrestricted net assets by approximately $8,800, or 2%, in 2010 and by $519,210, or 54%, over the past five years. Management expects this trend to continue and the deficit to be eliminated in the next few years. In order to continue to reduce the deficit, INMED made significant and strategic investments in development, communications and fundraising during 2010. These include holding community outreach and fundraising events, entering into a strategic alliance with an organization with national fundraising capabilities, a redesign of INMED's Web site, and the addition of new Internet fundraising initiatives.

12. Related Party Transactions

As discussed in Note 6, the notes payable of $93,500 are from two of INMED's officers.

Continued

12. Related Party Transactions (continued)

In 2010, INMED made consulting payments of $30,460 to a member of INMED's Board of Directors who is also related to INMED's President and Chief Executive Officer. The consultant also donated services and materials to INMED totaling $107,799 and contributed $10,000 in debt forgiveness to INMED.

13. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, INMED is exempt from federal taxes on income other than net unrelated business income. For the year ended December 31, 2010, 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 FASB Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. INMED performed an evaluation of uncertain tax positions for the year ended December 31, 2010, 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, 2010, the statute of limitations for tax years 2007 through 2009 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, 2010, INMED had no accruals for interest and/or penalties.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with INMED's audited financial statements for the year ended December 31, 2009, from which the summarized information was prepared.

15. Reclassification

Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

Continued

16. Subsequent Events

In preparing the financial statements, INMED has evaluated events and transactions for potential recognition or disclosure through July 28, 2011, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.