HEALTH IN HARMONY

SAVING FORESTS · SAVING LIVES

Financial Statements
For the Year Ended December 31, 2011
With Independent Auditors' Report

PERKINS & CO

HEALTH IN HARMONY, INC.
YEAR ENDED DECEMBER 31, 2011
CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9

PERKINS & CO

+ 1211 SW Fifth Avenue, Suite 1000
+ Portland, Oregon 97204-3710
+ Telephone: 503.221.0336
+ Fax: 503.294.4378
+ www.perkinsaccounting.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Health in Harmony, Inc.
Portland, Oregon

We have audited the accompanying statement of financial position of Health in Harmony, Inc. as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Health in Harmony Inc.'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 Health in Harmony's 2010 financial statements which were audited by other auditors and whose report dated August 29, 2011, 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 the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes 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 Health in Harmony, Inc. as of December 31, 2011, 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.

Perkins & Company PC

September 17, 2012

HEALTH IN HARMONY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011
(with comparative totals for 2010)

	2011	2010
ASSETS		
Cash	$ 314,847	$ 229,856
Investments	6,149	20,080
Pledges and grants receivable	86,262	287,192
Other assets	-	1,093
Total assets	$ 407,258	$ 538,221
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 9,444	$ 16,056
Accrued liabilities	-	2,012
Total liabilities	9,444	18,068
NET ASSETS:		
Unrestricted	83,746	222,924
Temporarily restricted	314,068	297,229
Total net assets	397,814	520,153
	$ 407,258	$ 538,221

See notes to financial statements.

HEALTH IN HARMONY, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011
(with comparative totals for 2010)

	Unrestricted	Temporarily Restricted	Total 2011	Total 2010
SUPPORT AND REVENUES:				
Grants and contributions	$ 136,816	$ 290,548	$ 427,364	$ 815,580
In-kind contributions	14,138	-	14,138	31,210
Other revenue	-	-	-	2,545
Net assets released from restrictions	273,709	(273,709)	-	-
Total support and revenues	424,663	16,839	441,502	849,335
EXPENSES:				
Program services	358,966	-	358,966	389,610
Management and general	142,236	-	142,236	47,829
Fund-raising	62,611	-	62,611	35,498
Total expenses	563,813	-	563,813	472,937
NON-OPERATING ITEMS:				
Realized and unrealized gain (loss) on investments	(28)	-	(28)	1,484
Total non-operating items	(28)	-	(28)	1,484
INCREASE (DECREASE) IN NET ASSETS	(139,178)	16,839	(122,339)	377,882
NET ASSETS AT BEGINNING OF YEAR	222,924	297,229	520,153	142,271
NET ASSETS AT END OF YEAR	$ 83,746	$ 314,068	$ 397,814	$ 520,153

See notes to financial statements.

HEALTH IN HARMONY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011
(with comparative totals for 2010)

	Program Services	Management and General	Fund-raising	Total 2011	Total 2010
EXPENSES:					
Direct grants made to ASRI	$ 269,499	$ -	$ -	$ 269,499	$ 319,709
Personnel	55,094	73,694	42,412	171,200	47,937
Professional services	3,281	30,707	3,570	37,558	47,827
Supplies & small equipment	2,977	2,222	1,143	6,342	14,762
Postage & shipping	1,547	338	442	2,327	1,315
Travel	18,095	2,386	3,979	24,460	8,937
Marketing & publicity	-	-	1,102	1,102	19,046
Printing & copying	4,782	1,762	3,088	9,632	7,588
Dues & subscriptions	60	724	784	1,568	-
Insurance	471	2,539	235	3,245	-
Bad debt	-	11,764	-	11,764	-
In-kind expense-material and services	1,302	8,500	4,336	14,138	-
Telephone & communications	688	901	501	2,090	999
Meetings	288	1,015	578	1,881	980
Office rent	882	882	441	2,205	366
Other expenses	-	4,802	-	4,802	3,471
Total expenses	$ 358,966	$ 142,236	$ 62,611	$ 563,813	$ 472,937

See notes to financial statements.

HEALTH IN HARMONY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011
(with comparative totals for 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (122,339)	$ 377,882
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	28	(1,484)
Contributed investments	(5,149)	(5,645)
Net changes in:		
Pledges and grants receivable	200,928	(257,204)
Other assets	1,093	834
Accounts payable	(6,612)	10,696
Accrued liabilities	(2,012)	2,012
Net cash provided by operating activities	65,937	127,091
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,000)	(7,229)
Proceeds from sale of investments	20,054	-
Net cash provided by (used in) investing activities	19,054	(7,229)
NET INCREASE IN CASH	84,991	119,862
CASH AT BEGINNING OF YEAR	229,856	109,994
CASH AT END OF YEAR	$ 314,847	$ 229,856

See notes to financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Health in Harmony, Inc. (the "Organization") is a not-for-profit corporation committed to using healthcare as a powerful tool to incentivize communities across the globe to protect vital, natural resources. Health in Harmony, Inc. currently supports through grants an innovative program in West Kalimantan, Indonesia that partners with local communities to integrate high quality, affordable health care with strategies to protect the threatened rain forest.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

> *Unrestricted net assets*: are net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include net assets for which the Board of Directors has imposed various internal stipulations as to usage.
>
> *Temporarily restricted net assets*: are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization or the passage of time.
>
> *Permanently restricted net assets*: are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Health in Harmony, Inc. has no permanently restricted net assets for the year ended December 31, 2011.

Expenses are reported as decreases in unrestricted net assets. Gain and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Grants and Contributions - Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the commitment is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Grants and contributions that are received with donor stipulations that limit their use for specific purposes or future use are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Donated Goods and Services - Donations of services, supplies, and equipment purchased by others are recorded as contributions at their estimated fair value at the date of donation. Such donations are recorded as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. In-kind contributions of services of $8,500 and goods and supplies of $5,638 were recorded in the year ended December 31, 2011.

A substantial number of volunteers have donated significant amounts of time to the Organization's program services and fund raising campaigns. However, no objective basis is available to measure the value of such services, and no amount has been reflected in the financial statements.

Cash and Cash Equivalents - For purposes of the financial statements, the Organization considers all cash and other liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk - The Organization maintains cash balances and other liquid investments at accredited financial institutions. All of its non-interest bearing cash balances were fully insured at December 31, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to $250,000 per depositor at each financial institution, and the Organization's non-interest bearing cash balances may, again exceed federally insured limits. Cash and cash equivalents other than non-interest bearing cash balances may not be insured.

As of December 31, 2011, three donors accounted for 99% of the total pledges and grants receivable balance.

Investments - Investments are accounted for in accordance with Accounting Standards Codification (ASC) 958-320, *Not-For-Profit Entities: Investments – Debt and Equity Securities*. Marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position.

Net appreciation (depreciation) in fair value of investments, which consists of both the realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the statement of activities. Interest income is accrued as earned and reported net of investment advisory and transaction fees.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible the changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statement of financial position.

Property and Equipment - Office equipment, furniture and leasehold improvements are carried at cost, and at market value when acquired by gift. Depreciation on equipment and furniture is provided on the straight line basis over the estimated useful lives of the respective assets, which is from three to 5 years. Amortization of leasehold improvements is included in depreciation expense and is provided on the straight-line basis over the lease term, which is 5 years. Health in Harmony, Inc. follows the practice of capitalizing all expenditures for property and equipment in excess of $1,500. There were no property and equipment recorded as of December 31, 2011.

Income Taxes - The Organization has been granted not-for-profit status in accordance with Section 501(c)(3) of the Internal Revenue Code and are therefore generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been provided in the accompanying combined financial statements.

With few exceptions, the Organization is no longer subject to U.S. federal, state, or local income tax examinations by authorities for years before 2008. To the extent that the Organization was assessed interest or penalties associated with income tax positions, such expense would be recognized as interest expense. As of December 31, 2011, the Organization had no unrecognized tax benefits.

Marketing and Publicity - The Organization expenses all non-direct advertising costs as they are incurred. Advertising expense for the years ended December 31, 2011 and 2010 was $1,012 and $19,046, respectively

Functional Allocation of Expenses - The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited in accordance with the Organization's cost allocation plan.

Expenses by natural classification are presented in the statement of functional expenses.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information for 2010 - The accompanying financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Reclassifications - Certain reclassifications have been made to 2010 comparative information to conform to the 2011 presentation.

NOTE 2 – FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities (level 1 measurements), and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 – Observable inputs other than those included in Level 1. For example, quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3 - Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include investments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs

The Organization's assets that are measured at fair value on a recurring basis are as follows at December 31, 2011:

	Fair Value	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Large Cap Equity	$ 6,149	$ 6,149	$ -	$ -

NOTE 3 – PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable at December 31, 2011 total $86,262, and are expected to be received as follows for the years ended December 3l:

2012	$ 30,850
2013	55,412
Total pledges and grants receivable	$ 86,262

Based on knowledge of the donor, management has determined that no allowance for uncollectible pledges and grants receivable is necessary.

NOTE 4 – RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Temporarily restricted net assets as of December 31, 2011 amount to $314,068, and consist of unexpended grants and contributions received with donor stipulations on their time and manner of use.

NOTE 5 – NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended December 31, 2011, net assets amounting to $273,709 were released from restrictions by incurring expenses which satisfied the specific programmatic and time restrictions imposed on the Organization by donors.

NOTE 6 – SUBSEQUENT EVENTS

A new operating lease was entered into on February 9, 2012, between Olympic Mills Commerce Center and Organization, with a commencement date of March 1, 2012.

The Organization has performed an evaluation of subsequent events in accordance with ASC Topic 855, *Subsequent Events*, through September 17, 2012, which is the date these financial statements were available to be issued.