

**HEALTH IN HARMONY, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2018**



**HEALTH IN HARMONY**  
SAVING FORESTS · SAVING LIVES

**KERN ▲ THOMPSON**  
CERTIFIED PUBLIC ACCOUNTANTS

**HEALTH IN HARMONY, INC.**  
**FINANCIAL STATEMENTS**  
**Year Ended December 31, 2018**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Health In Harmony, Inc.  
Portland, Oregon

We have audited the accompanying financial statements of Health In Harmony, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, 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.

***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, 2018, 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.

To the Board of Directors  
Health In Harmony, Inc.

**Other Matters**

***Report on Summarized Comparative Information***

We have previously audited Health In Harmony, Inc.'s 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated June 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Emphasis of Matter***

As discussed in Note B, the Organization adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

*Kern & Thompson, LLC*

Portland, Oregon  
May 9, 2019

HEALTH IN HARMONY, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2018

(With Comparative Totals as of December 31, 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 418,352	\$ 275,311
Grants and contributions receivable	261,000	150,500
Prepaid expenses	<u>1,250</u>	<u>2,012</u>
<b>Total assets</b>	<b><u>\$ 680,602</u></b>	<b><u>\$ 427,823</u></b>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 635	\$ 7,619
Accrued vacation	<u>23,252</u>	<u>36,473</u>
<b>Total liabilities</b>	<b><u>23,887</u></b>	<b><u>44,092</u></b>
<b>Net assets</b>		
Without donor restrictions	10,535	31,323
With donor restrictions	<u>646,180</u>	<u>352,408</u>
<b>Total net assets</b>	<b><u>656,715</u></b>	<b><u>383,731</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 680,602</u></b>	<b><u>\$ 427,823</u></b>

See notes to financial statements.

**HEALTH IN HARMONY, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2018**

(With Comparative Totals for the Year Ended December 31, 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2018</u>	<u>2017</u>
<b>Revenues and other support</b>				
Foundation support	\$ 118,000	\$ 406,606	\$ 524,606	\$ 485,053
Individual and corporate support	400,137	513,581	913,718	657,648
Government grant	-	99,865	99,865	74,232
In-kind contributions	5,862	-	5,862	12,701
Visitor fees	53,774	-	53,774	-
Other	-	-	-	3,053
	<u>577,773</u>	<u>1,020,052</u>	<u>1,597,825</u>	<u>1,232,687</u>
Net assets released from restriction	<u>726,280</u>	<u>(726,280)</u>	<u>-</u>	<u>-</u>
<b>Total revenues and other support</b>	<b><u>1,304,053</u></b>	<b><u>293,772</u></b>	<b><u>1,597,825</u></b>	<b><u>1,232,687</u></b>
<b>Expenses</b>				
Program services	957,750	-	957,750	1,076,596
Supporting services				
Management and general	161,770	-	161,770	117,534
Fundraising	205,321	-	205,321	153,758
<b>Total expenses</b>	<b><u>1,324,841</u></b>	<b><u>-</u></b>	<b><u>1,324,841</u></b>	<b><u>1,347,888</u></b>
<b>Change in net assets</b>	<b>(20,788)</b>	<b>293,772</b>	<b>272,984</b>	<b>(115,201)</b>
Net assets, beginning of year	<u>31,323</u>	<u>352,408</u>	<u>383,731</u>	<u>498,932</u>
<b>Net assets, end of year</b>	<b><u>\$ 10,535</u></b>	<b><u>\$ 646,180</u></b>	<b><u>\$ 656,715</u></b>	<b><u>\$ 383,731</u></b>

See notes to financial statements.

HEALTH IN HARMONY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	PROGRAM SERVICES				SUPPORTING SERVICES		Total	
	Implement	Teach	Learn	Total Program	Management and General	Fundraising	2018	2017
Direct grants made to ASRI	\$ 397,938	\$ 20,722	\$ -	\$ 418,660	\$ 1,500	\$ 10,485	\$ 430,645	\$ 493,391
Personnel	249,962	106,048	35,183	391,193	102,599	140,754	634,546	628,115
Professional services	21,788	19,326	21,072	62,186	28,747	22,318	113,251	76,288
Travel	17,552	6,000	1,128	24,680	1,447	3,575	29,702	39,149
Occupancy and office costs	32,416	13,453	3,966	49,835	22,654	23,678	96,167	66,690
Taxes, insurance, and fees	3,208	7,186	802	11,196	4,823	4,511	20,530	12,155
Other costs	-	-	-	-	-	-	-	32,100
	<u>\$ 722,864</u>	<u>\$ 172,735</u>	<u>\$ 62,151</u>	<u>\$ 957,750</u>	<u>\$ 161,770</u>	<u>\$ 205,321</u>	<u>\$ 1,324,841</u>	<u>\$ 1,347,888</u>

See notes to financial statements.

**HEALTH IN HARMONY, INC.**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2018**

(With Comparative Totals for the Year Ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 272,984	\$ (115,201)
Changes in assets and liabilities:		
Pledges and grants receivable, net	(110,500)	148,110
Prepaid expenses	762	(2,012)
Accounts payable	(6,984)	6,828
Accrued expenses	(13,221)	36,476
<b>Net cash provided by (used in) operating activities</b>	<u><b>143,041</b></u>	<u><b>74,201</b></u>
<b>Change in cash and cash equivalents</b>	<b>143,041</b>	<b>74,201</b>
Cash and cash equivalents, beginning of year	<u>275,311</u>	<u>201,110</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 418,352</b></u>	<u><b>\$ 275,311</b></u>

See notes to financial statements.

## HEALTH IN HARMONY, INC.

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018

#### NOTE A – DESCRIPTION OF ORGANIZATION

Health In Harmony, Inc. (the Organization) is a not-for-profit corporation committed to Planetary Health principles: partnering with communities to protect vital natural resources, improve human health, and transition to more sustainable livelihoods. Health In Harmony, Inc. currently supports an innovative program in West Kalimantan, Indonesia, that partners with local communities at two sites to integrate high quality, affordable health care with strategies to protect the threatened rain forest. Our mission is to continue to replicate this approach in new countries and ultimately scale it for a truly healthy planet with healthy people.

The Organization provides program services as follows:

- **IMPLEMENT: Supporting, with funds and capacity, direct implementation of health, conservation, and livelihood programs at two sites in Indonesia**

Our pilot project funds Alam Sehat Lestari (ASRI), an Indonesian nonprofit organization on the island of Borneo. ASRI's innovative approach is based on a methodology of 'Radical Listening' – iterative community feedback on the fulcrums of change and the resources needed to protect the environment. In ASRI's case, the local ecosystem is the roughly 267,000-acre Gunung Palung National Park, a tropical rain forest and habitat for 2,500 endangered orangutans. The communities asked ASRI for affordable health care and training in sustainable livelihoods. Today, Health In Harmony provides the majority of the operating funds, as well as technical support for ASRI to run a health care clinic with inpatient, outpatient, dentistry, midwifery, and pharmacy services. The clinic is staffed by young Indonesian physicians trained by a rotating cohort of visiting physicians and senior Indonesian physicians. It accepts non-cash payments (such as seedlings), and provides discounts for patients from villages that have reduced or eliminated logging. In addition, we support ASRI's trainings in sustainable agriculture and fostering of farmers' cooperatives, small business loans and entrepreneurship training, two reforestation sites, and other livelihood programming for men and women in the regency around the clinic.

In 2018, in partnership with ASRI, we expanded services to another national park in West Kalimantan, Bukit Baka Bukit Raya. The communities around this 514,000 acre national park face similar challenges to living in harmony with their environment as the communities around Gunung Palung, including significant maternal mortality. These health emergencies and resulting high medical bills forced communities to log to pay for basic needs as a way of life, destroying their natural resources and habitat for a growing rehabilitated orangutan population. We have stationed two midwives in these communities and conducted more than 400 patient visits in 2018.

We are further exploring replication of our model at sites outside of Indonesia as well as mechanisms to rapidly scale our approach in order to protect as many ecosystems alongside as many communities as possible.

**HEALTH IN HARMONY, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2018**

**NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)**

- **TEACH: Running a planetary health education program**

For the provision of high-quality health care, we have always facilitated the rotation of experienced physicians visiting the ASRI clinic in a training capacity, while they also learn about our innovative approach to medicine. As our program has grown, and particularly as global interest in Planetary Health and new approaches to international development have grown, we have expanded our program to allow for medical students and residents, conservation professionals, and anyone interested in the model to participate in an educational exchange – bringing various levels and types of expertise and, in exchange, learning about tropical medicine and reforestation, low-resource medicine, Radical Listening methodology, and the ASRI pilot. In addition to individual students of all ages, we partner with universities around the world to host field courses at ASRI for university students and also offer training in Radical Listening methodology for non-profits, corporations, and individuals who can apply these effective principles to their work.

- **LEARN: Conducting research, monitoring, and evaluation in order to better understand, communicate and grow our impact**

The Radical Listening approach has always been iterative. We continue to ask questions and listen to communities to improve our program services. In addition, we strategically partner with outside organizations and individuals to analyze the necessary fulcrums of change in this work, so that we can better replicate them in new environments. We have conducted baseline surveys at our two sites, plus follow up surveys to measure change at our first site; comparisons of Radical Listening methodology; and quantitative and qualitative assessments of impact at all levels of programming.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Adoption of New Accounting Pronouncement**

During the fiscal year ended December 31, 2018, the Organization implemented *Accounting Standards Update No. 2016-14, Not-for-Profit Entities Topic 958* (“ASU 2016-14”). This standard revised the net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. As a result of the implementation of ASU 2016-14, net assets and transactions are now presented in two categories (with donor restrictions and without donor restrictions) instead of three (unrestricted, temporary, and permanent). Additionally, disclosures regarding liquidity have been added and the expansion of disclosures regarding the nature of donor restrictions and endowment funds have been made. The implementation of ASU 2016-14 had no impact on total beginning net assets.

HEALTH IN HARMONY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Basis of Accounting**

The Organization prepares its financial statements on the accrual basis of accounting; consequently, certain revenues are reflected in the accounts in the period in which they are considered earned, rather than received, and expenses are recorded when incurred, rather than when paid. Assets and liabilities are presented on the basis of historical cost rather than estimated current values and amounts.

**Financial Statement Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (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.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**Functional Allocation of Expenses**

The costs of providing the programs and supporting services have been summarized in the statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort.

**HEALTH IN HARMONY, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2018**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Organization classifies as cash and cash equivalents all checking, savings, money market accounts and all investments maturing within 90 days from the date of purchase.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property and Equipment**

Property and equipment is recorded at cost when purchased or fair market value when donated. Depreciation is computed on the estimated useful lives of the assets using the straight-line method over an estimated useful life ranging from three to seven years. Expenditures exceeding \$500 for additions, major renewals, and betterments are capitalized. Expenditures for repairs and maintenance are expensed as incurred.

**Grants and contributions**

Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenue when they are received or unconditionally pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, the type of contribution, and the nature of the fund-raising activity. Management does not believe an allowance is necessary given history of collection.

**Income Taxes**

The Organization has been approved as a tax-exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements.

**NOTE C – GRANTS AND CONTRIBUTIONS RECEIVABLE**

Grants and contributions receivable, which are unconditional promises to give, consist of the following at December 31, 2018:

Less than one year	\$ 161,000
One to five years	<u>100,000</u>
	<u>\$ 261,000</u>

HEALTH IN HARMONY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

**NOTE D – IN-KIND CONTRIBUTIONS**

During the year ended December 31, 2018, the Organization received in-kind contributions totaling \$5,862 as follows:

Travel costs	\$	4,992
ASRI Health Care		<u>870</u>
	\$	<u>5,862</u>

In addition, volunteers provide many of the Organization's daily personnel needs for routine operations. No amounts have been recognized in the accompanying statement of activities because they did not meet the criteria for recognition.

**NOTE E – OPERATING LEASE COMMITMENT**

The Organization leases its office in Portland, Oregon for \$1,250 per month on a lease expiring January 31, 2019, at which point the lease is month-to-month.

**NOTE F – RESTRICTIONS ON NET ASSETS**

The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions as of December 31, 2018:

<b>Subject to expenditure for specified purpose:</b>		
Replication General	\$	149,500
Bukit Baka Bukit Raya National Park		65,950
Gunung Palung National Park		149,771
Brazil		35,000
Storytelling		<u>95,959</u>
		<u>496,180</u>
<b>Subject to passage of time:</b>		
		<u>150,000</u>
Total net assets with donor restrictions	\$	<u>646,180</u>

**NOTE G – RETIREMENT PLAN**

Beginning in October 2018, the Organization has a Simple IRA plan which covers substantially all employees with a matching contribution of 2% of compensation. The expense for the period ended December 31, 2018 was \$8,929.

**HEALTH IN HARMONY, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2018**

**NOTE H – GRANTS TO OTHERS**

Health In Harmony deploys a portion of its funds to a Indonesian based nonprofit organization Alam Sehat Lestari (ASRI) to fulfill many of its projects. ASRI submits requests for funding to Health In Harmony for funded projects, and provides ongoing reporting on use of funds and meeting of milestones. Health In Harmony typically distributes grants on a quarterly basis, with exceptions for urgent needs, specific projects (i.e. hospital construction), or emergency funding requests. Funding for hospital construction was based on ASRI's contract with an Indonesian construction company. Health In Harmony considers these facilities, including the furniture and equipment contained therein, the property of ASRI, and thus associated construction, renovation, and equipment costs are expensed as incurred.

**NOTE I – LIQUIDITY**

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018:

Financial assets at year-end*	
Cash and cash equivalents	\$ 418,352
Grants and contributions receivable	261,000
Total financial assets	<u>679,352</u>
Less those financial assets unavailable for general expenditure within one year:	<u>(100,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>579,352</u>

\* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

As part of its liquidity management, the Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

**NOTE J – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 9, 2019, which is the date the financial statements were available to be issued.