

HEALTH IN HARMONY, INC.

FINANCIAL STATEMENTS

December 31, 2019



HEALTH IN HARMONY
SAVING FORESTS · SAVING LIVES

KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

HEALTH IN HARMONY, INC.
FINANCIAL STATEMENTS
Year Ended December 31, 2019

TABLE OF CONTENTS

	<u>Page</u>
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	6-11

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, 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.

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, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited Health In Harmony, Inc.'s 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC

Portland, Oregon
April 17, 2020

HEALTH IN HARMONY, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2019

(With Comparative Totals as of December 31, 2018)

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 969,873	\$ 418,352
Grants and contributions receivable	473,432	261,000
Prepaid expenses	<u>1,250</u>	<u>1,250</u>
Total assets	<u>\$ 1,444,555</u>	<u>\$ 680,602</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 36,513	\$ 635
Accrued vacation	<u>14,488</u>	<u>23,252</u>
Total liabilities	<u>51,001</u>	<u>23,887</u>
Net assets		
Without donor restrictions	470,909	10,535
With donor restrictions	<u>922,645</u>	<u>646,180</u>
Total net assets	<u>1,393,554</u>	<u>656,715</u>
Total liabilities and net assets	<u>\$ 1,444,555</u>	<u>\$ 680,602</u>

See notes to financial statements.

HEALTH IN HARMONY, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

(With Comparative Totals for the Year Ended December 31, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2019</u>	<u>2018</u>
Revenues and other support				
Foundation support	\$ 341,115	\$ 717,700	\$ 1,058,815	\$ 524,606
Individual and corporate support	793,339	207,189	1,000,528	913,718
Government grant	-	177,502	177,502	99,865
In-kind contributions	21,841	-	21,841	5,862
Visitor fees	106,145	-	106,145	53,774
Other	1,598	-	1,598	-
	<u>1,264,038</u>	<u>1,102,391</u>	<u>2,366,429</u>	<u>1,597,825</u>
Net assets released from restriction	<u>825,926</u>	<u>(825,926)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>2,089,964</u>	<u>276,465</u>	<u>2,366,429</u>	<u>1,597,825</u>
Expenses				
Program services	1,187,013	-	1,187,013	957,750
Supporting services				
Management and general	191,733	-	191,733	161,770
Fundraising	250,844	-	250,844	205,321
Total expenses	<u>1,629,590</u>	<u>-</u>	<u>1,629,590</u>	<u>1,324,841</u>
Change in net assets	<u>460,374</u>	<u>276,465</u>	<u>736,839</u>	<u>272,984</u>
Net assets, beginning of year	<u>10,535</u>	<u>646,180</u>	<u>656,715</u>	<u>383,731</u>
Net assets, end of year	<u>\$ 470,909</u>	<u>\$ 922,645</u>	<u>\$ 1,393,554</u>	<u>\$ 656,715</u>

See notes to financial statements.

HEALTH IN HARMONY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

(With Comparative Totals for the Year Ended December 31, 2018)

	PROGRAM SERVICES						SUPPORTING SERVICES			Total	
	Borneo	Madagascar	Brazil	Teaching	Scaling	Total Program	Management and General	Fundraising	2019	2018	
Grants to in-country partners	\$ 437,580	\$ 47,821	\$ -	\$ 56,959	\$ 15,000	\$ 557,360	\$ -	\$ -	\$ 557,360	\$ 430,645	
Personnel	111,052	42,316	37,471	45,393	101,758	337,990	121,535	164,266	623,791	634,546	
Professional services	20,521	29,382	17,090	90,024	27,271	184,288	32,184	56,907	273,379	113,251	
Travel	2,958	11,147	17,714	11,490	5,630	48,939	100	3,105	52,144	29,702	
Occupancy and office costs	11,266	4,482	4,699	9,808	8,381	38,636	22,556	16,940	78,132	96,167	
Taxes, insurance, and fees	6,714	1,892	1,893	4,093	3,413	18,005	4,441	9,581	32,027	20,530	
Other costs	-	-	-	1,222	573	1,795	10,917	45	12,757	-	
	\$ 590,091	\$ 137,040	\$ 78,867	\$ 218,989	\$ 162,026	\$ 1,187,013	\$ 191,733	\$ 250,844	\$ 1,629,590	\$ 1,324,841	

See notes to financial statements.

HEALTH IN HARMONY, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2019

(With Comparative Totals for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 736,839	\$ 272,984
Changes in assets and liabilities:		
Grants and contributions receivable	(212,432)	(110,500)
Prepaid expenses	-	762
Accounts payable	35,878	(6,984)
Accrued expenses	(8,764)	(13,221)
Net cash provided by (used in) operating activities	<u>551,521</u>	<u>143,041</u>
Change in cash and cash equivalents	551,521	143,041
Cash and cash equivalents, beginning of year	<u>418,352</u>	<u>275,311</u>
Cash and cash equivalents, end of year	<u>\$ 969,873</u>	<u>\$ 418,352</u>

See notes to financial statements.

HEALTH IN HARMONY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – DESCRIPTION OF ORGANIZATION

We are a climate solution: Health In Harmony is an international nonprofit organization dedicated to reversing global heating, promoting the understanding that rainforests are essential for the survival of humanity. Using the innovative process of Radical Listening, we collaborate with the experts - rainforest communities in Borneo and Madagascar - to create the change the planet needs. We do not wait for others to act but hold ourselves accountable for the planet's future. Humanity must halve atmospheric carbon by 2030, and we are committed to making a significant impact on this drawdown. In order to scale, our work is deeply rooted in monitoring, data, and evaluation.

The organization provides program services as follows:

- **Indonesia:** Since 2007, Health In Harmony has collaborated with ASRI, an Indonesian-run organization, and communities around Gunung Palung National Park, to create and implement programs that support human health, economic development, and environmental conservation.

In 2018, Health In Harmony and ASRI launched a second site in Bukit Baka Bukit Raya National Park. This park is a critical site for our partner, International Animal Rescue, to translocate orangutans back into the wild. It is nearly twice the size of Gunung Palung National Park and faces similar threats such as “slash-and-burn” agriculture, hunting, and logging.

- **Madagascar:** In Fall 2019, with rainforest communities, local nonprofits, and renowned conservation organizations, we launched a program in Manombo Special Reserve, a 14,300-acre protected area in southeast Madagascar. The reserve is home to nine lemur species, all of which are endemic to Madagascar and threatened with extinction.
- **Brazil:** Health In Harmony is assessing the possibility of expanding to a fourth site in the Xingu Basin of the Amazon rainforest, where lack of healthcare access drives deforestation. This ecosystem is key to the global climate. Without a holistic solution, it is on the verge of collapse.
- **Teaching:** As a leader of planetary health in action, Health In Harmony works with academic institutions, medical professionals, businesses, and NGOs to explore innovative solutions to health and environmental challenges via Planetary Health educational opportunities. Participants both learn planetary health principles and share their skills to participate in an equal exchange with our healthcare and conservation programs.

We also train organizations in our unique Radical Listening approach to community engagement that generates win-win solutions. Radical Listening offers a simple but effective approach to problems like poverty and environmental degradation and is applicable across non-profit, corporate, academic, and other contexts. We aim to build a movement of people living conscious of planetary health and using Radical Listening approaches for problem solving.

HEALTH IN HARMONY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

- **Scaling:** Our end game is to protect 50 million acres of high value rainforest to support the necessary drawdown of carbon by 2030. As we test our model in new contexts, we are conducting a comparative analysis across these four sites to inform our efficacy and scale. Concurrent with this replication, we are developing a dynamic website to connect users around the world with rainforest community solutions and vet their impact on carbon storage. Our goal is to link community-determined solutions around the world with global citizens who can help meet identified needs through donations of skills (i.e. training healthcare providers), funding, or market-based solutions (i.e. water filters), ultimately mitigating deforestation and promoting reforestation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncements

During the fiscal year ended December 31, 2019, two new accounting pronouncements became effective for the Organization: *Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”) and *Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”).

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle resulting from ASU 2018-08 was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of December 31, 2018.

ASU 2014-09 outlines a single, comprehensive model for accounting for revenue from contracts with customers. Revenue streams applicable to the Organization that may qualify as exchange transactions include visitor travel.

Management of the Organization has analyzed the provisions of ASC Topic 606, *Revenue from Contracts with Customers*, and has concluded that no changes are necessary to conform with the new standard. Prepayments received from customers that are subject to fulfillment of requirements, such as payments for visitor travel, are recorded as deferred revenue until such performance obligations are satisfied.

HEALTH IN HARMONY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

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.

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.

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.

HEALTH IN HARMONY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019:

Less than one year	\$ 353,432
One to five years	<u>120,000</u>
	<u>\$ 473,432</u>

NOTE D – IN-KIND CONTRIBUTIONS

During the year ended December 31, 2019, the Organization received in-kind contributions totaling \$21,841 as follows:

Food and travel costs	\$ 4,926
Software and equipment	14,681
Patent work	<u>2,234</u>
	<u>\$ 21,841</u>

HEALTH IN HARMONY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE D – IN-KIND CONTRIBUTIONS (CONTINUED)

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 under a month-to-month agreement.

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, 2019:

Subject to expenditure for specified purpose:	
Replication General	\$ 66,685
Bukit Baka Bukit Raya National Park	188,301
Gunung Palung National Park	336,438
Brazil	99,000
Madagascar	149,153
	<u>839,577</u>
Subject to passage of time:	<u>83,068</u>
Total net assets with donor restrictions	<u>\$ 922,645</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, 2019 was \$9,850.

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.

HEALTH IN HARMONY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

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, 2019:

Financial assets at year-end	
Cash and cash equivalents	\$ 969,873
Grants and contributions receivable	473,432
Total financial assets	<u>1,443,305</u>
Less amounts unavailable for use within one year:	
Contractual or donor-imposed restrictions:	
Timing restrictions and receivables due beyond one year	<u>(120,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,323,305</u>

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 April 17, 2020, which is the date the financial statements were available to be issued.

Beginning in January 2020, an outbreak of a coronavirus necessitated that many employees work from home and provide for social distancing measures. The effects of these events may continue for some time, including disruptions to or restrictions on employees' ability to work and on the ability of donors, sponsors, and members to fully participate in programs and continue their current level of financial support to the Organization. At the present time, the ultimate future effects of these issues are unknown.