

The Mended Hearts, Inc.
Financial Statements
For the Year Ended December 31, 2019

The Mended Hearts, Inc.
Table of Contents
For the Year Ended December 31, 2019

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements	7-14

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Mended Hearts, Inc.
Albany, Georgia

We have audited the accompanying financial statements of The Mended Hearts, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, cash flows, and functional expenses 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 consolidated financial statements are free from material misstatement.

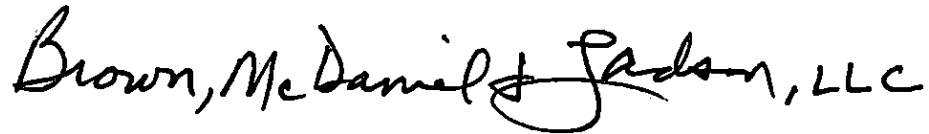
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Mended Hearts, Inc. as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Brown, McDaniel & Ladson, LLC". The signature is written in a cursive, flowing style.

Brown, McDaniel & Ladson, LLC
November 12, 2020

THE MENDED HEARTS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 221,368
Investments	34,884
Support receivables, net	525,022
Inventory	<u>93,127</u>
Total Current Assets	<u>874,401</u>

PROPERTY, PLANT & EQUIPMENT:

Property, plant and equipment, net	<u>26,147</u>
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TOTAL ASSETS	<u><u>\$ 900,548</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accrued expense	\$ 12,636
Payroll and employee benefits	17,287
Due to chapters	<u>61,302</u>
Total Current Liabilities	<u>91,225</u>

NET ASSETS:

Net assets without donor restrictions	780,323
Net assets with donor restrictions	<u>29,000</u>

Total Net Assets	<u>809,323</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 900,548</u></u>
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The accompanying notes are an integral part of these financial statements

THE MENDED HEARTS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

REVENUES AND OTHER SUPPORT:

Grants	\$ 1,760,010
Membership dues	61,626
Conference dues	3,887
Promotional materials	29,317
Contributions	227,105
Miscellaneous income	26,271
Investment income	<u>3,125</u>
 Total Revenues and Other Support	 2,111,341
 Net assets released from restrictions	 <u>1,112,700</u>
 Total Unrestricted Revenues, Support and Reclassification	 <u>3,224,041</u>

EXPENSES:

Program services	1,184,697
Conventions	125,473
Management and general	143,994
Fundraising	<u>76,061</u>
 Total Expenses	 <u>1,530,225</u>
 Change in Unrestricted Net Assets	 1,693,816
 Net assets with donor restrictions	 -
Net assets released from restrictions	<u>(1,112,700)</u>
 Change in Net Assets with Donor Restrictions	 (1,112,700)
 Change in Net Assets	 581,116
 NET ASSETS - Beginning of the Year (restated - see note)	 <u>228,207</u>
 NET ASSETS - End of the Year	 <u><u>\$ 809,323</u></u>

The accompanying notes are an integral part of these financial statements

THE MENDED HEARTS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets \$ 581,116

Adjustments to reconcile change in net assets to
cash used in operating activities:

Depreciation/ amortization expense 56,293

(Increase)/decrease in operating assets and liabilities:

Receivables (305,845)

Inventory 36,735

Prepaid assets 16,313

Accounts payable and accrued expenses (157,281)

Due to chapters 13,853

Deferred revenue - restated see note (244,951)

Grants payable to others (20,000)

Net cash used in operating activities (23,767)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments (1,789)

Purchase of equipment (12,679)

Net cash used in investing activities (14,468)

Net decrease in cash and cash equivalents (38,235)

CASH AND CASH EQUIVALENTS - Beginning of Year 259,603

CASH AND CASH EQUIVALENTS - End of Year \$ 221,368

No interest or income taxes were paid during the year ended December 31, 2019

The accompanying notes are an integral part of these financial statements

THE MENDED HEARTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Programs		Management and	Fundraising	Totals
	Education	Conferences	General		
Salaries and wages	\$ 329,084	\$ 12,432	\$ 17,488	\$ 55,407	\$ 414,411
Payroll taxes	25,351	860	4,893	4,432	35,536
Employee benefits	70,773	2,542	16,502	13,517	103,334
Legal	14,771	-	636	-	15,407
Accounting	-	-	12,266	-	12,266
Other Professional Services	89,519	-	40,019	-	129,538
Office expenses	26,443	1	19,583	-	46,027
Telephone	1,275	-	11,583	-	12,858
Printing	120,563	-	-	-	120,563
Postage and shipping	13,227	29	389	-	13,645
Occupancy	102,143	6,226	13,752	1,659	123,780
Database and software maintenance	93,102	-	3,879	-	96,981
Travel, conferences and meetings	192,165	103,383	-	-	295,548
Other	21,692	-	-	-	21,692
Depreciation and amortization	54,288	-	-	-	54,288
Insurance	13,315	-	3,004	1,046	17,365
State registrations	16,986	-	-	-	16,986
Total expenses	\$ 1,184,697	\$ 125,473	\$ 143,994	\$ 76,061	\$ 1,530,225

The accompanying notes are an integral part of these financial statements

The Mended Hearts, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Mended Hearts, Inc. (MHI), is a not-for-profit organization founded to aid, inform, and encourage heart disease patients and their families, and to assist professional organizations and physicians in their services to heart patients throughout the United States of America. The Organization's primary sources of revenues are grants, dues and contributions. The organization was founded in 1951 and incorporated in 1955.

Basis of Presentation

The organization reports information regarding its financial position and activities according to two classes of net assets: Net Assets without Donor Restrictions and Net Assets with Donor Restrictions. Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor or grantor restrictions.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Estimates

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

Contributed Services and Equipment

MHI is a direct service nonprofit organization with the objectives and services provided by unpaid volunteers, who make the mission possible. Without the volunteers, MHI would require additional financial resources to hire staff to provide these services. Volunteers conduct over 200,000 visits annually to heart patients, families, and caregivers. The value of the volunteers' time for these visits is not reflected in these statements.

The Mended Hearts, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Contributions are recognized when the donor makes a promise to give to MHI that are, in substance, unconditional. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

MHI uses the allowance method to determine uncollectable support receivable. The allowance is based on prior years' experience and management analysis of specific accounts receivable. Management has determined that no allowance was required as of December 31, 2019.

Cash and Cash Equivalents

For purposes of the statement of cash flows, MHI considers all currency on hand, demand deposits with banks or financial institutions, and highly liquid short-term investments with a maturity of three months or less to be cash and cash equivalents.

Investments

Investments, consisting primarily of stocks, bonds, and short-term reserves with readily determinable fair values, are reported at their fair values in the statement of financial position. Fair market value is based upon quoted market prices. Unrealized gains and losses are included in the change in net assets.

Inventory

Inventory, consisting primarily of medical brochures, pamphlets, and supplies, is carried at cost. Inventory is valued based on the first-in-first-out method.

Intangibles

Purchased intangibles are capitalized at cost. Amortization is computed on the straight-line basis over the estimated useful lives of assets, which range from three to seven years.

The Mended Hearts, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Purchased property and equipment costing \$5,000 or greater is capitalized at cost. Donated property and equipment is recorded at its fair-market value at the date of gift. Depreciation is computed on the straight-line basis over the estimated useful lives of assets, which range from three to seven years for furniture and equipment and leasehold improvements, and thirty years for buildings.

Recent Accounting Pronouncements

The Organization adopted Accounting Standards Update 2016-14 Presentation of Financial Statements of Not-for-Profit Entities. These standards were updated to improve the current net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows.

Functional Expenses

Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, interest, and insurance, which are allocated on a departmental basis, as well as salaries, wages, and employee benefits, which are allocated based on estimates of time and effort.

Gifts In-Kind

A substantial number of individuals have volunteered significant amounts of their time to program and supporting functions; however, these services do not meet the criteria for recognition in accordance with U.S. generally accepted accounting principles and therefore, are not recorded in the financial statements.

Functional Expenses

MHI allocates expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are reported accordingly. Other expenses that are common to several functions are allocated by various statistical bases which attribute the cost to functional categories.

The Mended Hearts, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization qualifies as a 501(c)(3) non-profit organization exempt from federal and state income taxation. U.S. GAAP requires Management to evaluate tax positions taken by the Company and recognize a tax liability if the Company has taken an uncertain position that more than likely would not be sustained upon examination by the IRS. Management believes the Company is operating in accordance with the applicable requirements of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. Further, Management does not expect there to be any uncertain tax positions that would require reorganization of a liability or disclosure in the financial statements.

The Company files annual information returns (Form 990) with the Internal Revenue Service. The Company's Forms 990 for the years ending in 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they are filed. No audits for any tax periods are in progress.

Note 2 - INTANGIBLE ASSETS

The Intangible assets consisted primarily of capitalized Online Support, Website Rebuild, and various modules and videos. At the balance sheet date, management was unable to determine the valuation of these assets and accordingly wrote the remaining asset amount off to amortization expense. The amortization expense for the year ended December 31, 2019 was \$54,288.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment together with their depreciable lives consists of the following at December 31, 2019:

Office furniture and equipment	\$ 17,206
Computers and printers	<u>13,136</u>
	30,342
Less accumulated depreciaton	<u>(4,195)</u>
	<u><u>\$ 26,147</u></u>

Depreciation expense was \$2,005 for the year ended December 31, 2019.

The Mended Hearts, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 4 - INVESTMENTS

MHI's investments are stated at fair value and consist of stocks, bonds, and short-term reserves as of December 31, 2019 as follows:

Stocks	\$ 16,258
Bonds	7,025
Short - term reserves	11,505
Other	96
	<u>\$ 34,884</u>

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors during the year ended December 31, 2019 are as follows:

Amgen USA	\$ 40,000
Astellias Pharma US	75,000
Astra Zeneca Pharmaceuticals	100,000
Bristol - Myers Squibb	75,000
Edwards Lifesciences	235,000
Edwards Lifesciences Foundation	50,000
Novartis FSC	100,000
Pfizer	235,000
Sanofi Pasteur	40,000
Other	162,700
	<u>\$ 1,112,700</u>

The Mended Hearts, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 6 - DUE TO CHAPTERS

Chapters that terminate or are closed by MHI management are required to turn their funds over to the national organization. The funds are held for two years and are returned to the Chapter if it reorganizes or becomes compliant with national policies. After two years, if the Chapter remains closed or non-compliant, the funds are transferred to the general funds of Mended Hearts.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has approximately \$690,049 of financial assets available within one year of the statement of financial position date to meet case needs for general expenditures consisting of \$221,368 in cash, \$34,884 in short-term investments, and \$525,022 in support receivables. At December 31, 2019, the Organization owed \$29,923 of accrued expenses and \$61,302 of money that might have to be returned to disbanded chapters.

NOTE 8 - ECONOMIC DEPENDENCY AND MAJOR SUPPORTERS

During the year ended December 31, 2019, MHI's support and revenues included major grants from two companies, in the medical field, with an associated foundation, representing approximately 27% of total support and revenues. These and other grants have represented significant sources of support to fund the activities and programs of MHI, and there are no assurances that such funding will continue to be available.

NOTE 9 - RETIREMENT PLAN

MHI provides contributions for eligible employees to a defined contribution retirement plan. Employees are eligible to enroll benefits at the time of their employment. Contributions will be made on an employee's base salary. In addition, employees presently can accumulate additional tax deferred retirement savings by participating in Tax-Deferred Annuities (TDA) under Section 403 (b) of the Internal Revenue Service Code. After one year of service, MHI will match employee contributions up to 4%. Total MHI contributions to the plan amounted to \$12,088 for the year ended December 31, 2019.

The Mended Hearts, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 10 - PAID TIME OFF

MHI has a Paid Time Off (PTO) benefit which allows employees to accumulate unused vacation hours. These hours can be used for vacation or sick time. The amount of PTO hours employees are allowed to accumulate annually vary according to years of service. The maximum number of hours a full-time employee can accumulate annually range from 120 to 240 hours based on years of service. As of December 31, 2019, MHI has an accumulated liability for future PTO payments of \$11,946.

NOTE 11 - OPERATING LEASE OBLIGATIONS

MHI has a terminating lease for office building space and office equipment in Texas under a non-cancelable operating lease expiring July 2020. Future minimum lease payments under this lease for the year ending December 31, 2020 are \$33,161. MHI has entered a month to month lease with a monthly obligation of \$2,650 in Georgia. Future minimum lease payments under this lease for the year ending December 31, 2020 are \$31,800. Rent expense charged to operations totaled \$96,045 for the year ended December 31, 2019.

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, receivables, investments, and accounts payable approximate their respective fair values as of December 31, 2019 due to the short maturities of these instruments.

Investments, consisting primarily of stocks, bonds, and short-term reserves, with readily determinable fair values, are reported at their fair market values in the statement of financial position. Fair market value is based upon quoted market prices. Unrealized gains and losses are included in the change in net assets.

NOTE 13 - RESTATED NET ASSETS, at beginning of the year

Prior financial statements showed the 2018 end of year net assets in the amount of \$286,929. Subsequent to those financial statements, MHI has determined that some valuations used were incorrect. Since those valuations related to the prior year an adjustment of \$58,722 was made to the beginning balance of net assets.

The Mended Hearts, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 14 - SUBSEQUENT EVENTS

As a result of the Covid-19 crisis, MHI, in 2020, entered into a U.S. Small Business Administration Payroll Protection Plan loan in the amount of \$111,215 with a direct lender. Based on the understanding of the loan agreement, the organization expects the loan to be forgiven in full.

MHI has evaluated subsequent events through November 12, 2020, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued. Management continues to evaluate the potential for negative economic impacts related to the COVID-19 pandemic. Given the uncertainty of these circumstances, the related impact of MHI's operations cannot be reasonably estimated at this time.