The Mended Hearts, Inc.

Financial Statements

For the Year Ended December 31, 2021
## The Mended Hearts, Inc.
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For the Year Ended December 31, 2021

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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, 2021 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, 2021, 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.

Ladson & Associates, LLC
October 17, 2022
# THE MENDED HEARTS, INC.
## STATEMENT OF FINANCIAL POSITION
### December 31, 2021

## ASSETS

### CURRENT ASSETS:
- Cash and cash equivalents $1,215,778
- Chapter funds 321,572
- Investments 47,414
- Support receivables, net 173,823
- Inventory 146,051

**Total Current Assets** 1,904,638

### PROPERTY, PLANT & EQUIPMENT:
- Property, plant and equipment, net 162,867

**TOTAL ASSETS** $2,067,505

## LIABILITIES AND NET ASSETS

### CURRENT LIABILITIES:
- Accrued expense -
- Payroll and employee benefits 25,882
- Due to chapters 231,509
- Other Liabilities / Escrows 29,101

**Total Current Liabilities** 286,492

### NET ASSETS:
- Net assets without donor restrictions 1,752,013
- Net assets with donor restrictions 29,000

**Total Net Assets** 1,781,013

**TOTAL LIABILITIES AND NET ASSETS** $2,067,505

The accompanying notes are an integral part of these financial statements.
THE MENDED HEARTS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

REVENUES AND OTHER SUPPORT:

Grants $1,709,751
Membership dues 30,540
Conference registration 3,800
Promotional materials (55,344)
Contributions 264,694
Miscellaneous income 123,828
Investment income 5,407

Total Revenues and Other Support 2,082,676

Net assets released from restrictions 966,571

Total Unrestricted Revenues, Support and Reclassification 3,049,247

EXPENSES:

Program services 1,205,949
Travel, conferences & meetings 116,808
Management and general 244,880
Fundraising 76,881

Total Expenses 1,644,518

Change in Unrestricted Net Assets 1,404,729

Net assets with donor restrictions
Net assets released from restrictions (966,571)

Change in Net Assets with Donor Restrictions (966,571)

Change in Net Assets 438,158

NET ASSETS - Beginning of the Year 1,342,855

NET ASSETS - End of the Year $1,781,013

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets $ 438,158

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

Depreciation 25,247

(Increase)/decrease in operating assets and liabilities:

Receivables 285,390
Inventory 26,087
Prepaid assets -
Accounts payable and accrued expenses (2,485)
Due to chapters (90,063)
Other liabilities / escrow 30
Forgiveness of PPP Loan (111,215)

Net cash used in operating activities 571,149

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments (5,343)
Purchase of property and equipment (56,848)

Net cash used in investing activities (62,191)

Net decrease in cash and cash equivalents 508,958

CASH AND CASH EQUIVALENTS - Beginning of Year 706,820

CASH AND CASH EQUIVALENTS - End of Year $ 1,215,778

No interest or income taxes were paid during the year ended December 31, 2021

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, 2021

<table>
<thead>
<tr>
<th>Programs</th>
<th>Management and Fundraising</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Education</td>
<td>Conferences</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>$274,493</td>
<td>$11,598</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>22,334</td>
<td>944</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>70,855</td>
<td>2,994</td>
</tr>
<tr>
<td>Advocacy</td>
<td>90,000</td>
<td>-</td>
</tr>
<tr>
<td>Legal</td>
<td>88,356</td>
<td>-</td>
</tr>
<tr>
<td>Accounting</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Advertising</td>
<td>42,598</td>
<td>-</td>
</tr>
<tr>
<td>Other Professional Services</td>
<td>19,035</td>
<td>-</td>
</tr>
<tr>
<td>Office expenses</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Telephone</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Printing</td>
<td>216,887</td>
<td>-</td>
</tr>
<tr>
<td>Postage and shipping</td>
<td>27,315</td>
<td>-</td>
</tr>
<tr>
<td>Occupancy</td>
<td>71,174</td>
<td>10,025</td>
</tr>
<tr>
<td>Database and software</td>
<td>144,752</td>
<td>-</td>
</tr>
<tr>
<td>Travel, conferences and</td>
<td>30,416</td>
<td>91,247</td>
</tr>
<tr>
<td>meetings</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>40,658</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>25,247</td>
<td>-</td>
</tr>
<tr>
<td>Insurance</td>
<td>8,622</td>
<td>-</td>
</tr>
<tr>
<td>State registrations</td>
<td>33,207</td>
<td>-</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$1,205,949</td>
<td>$116,808</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
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 an average of over 212,000 visits annually to heart patients, families, and caregivers in addition to 4.2 million social media connections. The value of the volunteers’ time for these visits is not reflected in these statements.
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, 2021.

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.
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 ASU 2014-09, Revenue from Contracts with Customers primarily in FASB ASC 606. The objective of the disclosure requirement is for an entity to disclose sufficient information to enable users of the financial statements to understand the nature, amount, timing and uncertainty of and cash flows arising from contracts with customers.

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.

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.

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.
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 2019, 2020, and 2021 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

MHI has entered into a software development agreement with a developer to obtain web applications for scheduling visits with heart patients and their advocates and to develop a call center. Although parts of the expenditures may qualify for capitalization / amortization MHI has deducted these expenses in the current year. Total expenditures in 2021 amounted to $70,619 for IT services and $10,651 for the call center. The call center build out was mostly completed in 2020 and fully competed in 2021.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment together with their depreciable lives consists of the following at December 31, 2021:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture and equipment</td>
<td>$ 98,707</td>
</tr>
<tr>
<td>Computers and printers</td>
<td>$ 64,808</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>$ 39,426</td>
</tr>
<tr>
<td></td>
<td>$ 202,941</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(40,074)</td>
</tr>
<tr>
<td></td>
<td>$ 162,867</td>
</tr>
</tbody>
</table>

Depreciation expense was $25,248 for the year ended December 31, 2021.
NOTE 4 - INVESTMENTS

MHI’s investments are stated at fair value and consist of stocks, bonds, and short-term reserves as of December 31, 2021, as follows:

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks</td>
<td>$26,428</td>
</tr>
<tr>
<td>Bonds</td>
<td>10,554</td>
</tr>
<tr>
<td>Short-term reserves</td>
<td>10,432</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$47,414</strong></td>
</tr>
</tbody>
</table>

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, 2021, are as follows:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abbott Laboratories</td>
<td>$40,000</td>
</tr>
<tr>
<td>Abiomed, Incorporated</td>
<td>32,500</td>
</tr>
<tr>
<td>American Heart Association</td>
<td>25,000</td>
</tr>
<tr>
<td>Astra Zeneca Pharmaceuticals</td>
<td>200,000</td>
</tr>
<tr>
<td>Boehringer Ingelheim Pharmaceuticals</td>
<td>25,000</td>
</tr>
<tr>
<td>Bristol - Myers Squibb</td>
<td>150,000</td>
</tr>
<tr>
<td>Foundation of National Lipid Assoc</td>
<td>55,000</td>
</tr>
<tr>
<td>Medtronic, Inc.</td>
<td>50,000</td>
</tr>
<tr>
<td>Merck Sharp &amp; Dohme LLC</td>
<td>55,000</td>
</tr>
<tr>
<td>Mezzion Pharmaceuticals</td>
<td>28,000</td>
</tr>
<tr>
<td>Novartis Pharmaceuticals</td>
<td>50,000</td>
</tr>
<tr>
<td>Phillips</td>
<td>75,000</td>
</tr>
<tr>
<td>Sanofi Pasteur</td>
<td>30,000</td>
</tr>
<tr>
<td>Other</td>
<td>151,071</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$966,571</strong></td>
</tr>
</tbody>
</table>
NOTE 6 - DUE TO CHAPTERS

Chapters that terminate, become inactive 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.

Chapters may not carry over from one fiscal year to the next total funds in excess of $10,000 without a written waiver from the MHI Board of Directors. The chapter may apply to the MH Board for such a waiver no more than once every three years.

These funds and related obligations are included in the statements of financial position; however, additions to / distributions from these funds are not considered part of MHI’s operations.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has approximately $1,437,015 of financial assets available within one year of the statement of financial position date to meet needs for general expenditures consisting of $1,215,778 in cash, $47,414 in short-term investments, and $173,823 in support receivables. At December 31, 2021, the Organization owed $25,544 of accrued expenses. Chapter bank accounts balances and escrows are not considered capital for MHI and not included in the above financial asset discussion.

As part of its liquidity management plan, MHI structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 8 - ECONOMIC DEPENDENCY AND MAJOR SUPPORTERS

During the year ended December 31, 2021, MHI’s support and revenues included major grants from three companies, in the medical field, representing approximately 36% 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 in benefits after the completion of one year of 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% with 100% vesting. Total MHI contributions to the plan amounted to $14,954 for the year ended December 31, 2021.

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, 2021, MHI has an accumulated liability for future PTO payments of $11,533.

NOTE 11 - OPERATING LEASE OBLIGATIONS

MHI has currently a month-to-month lease with a monthly obligation of $4,200 in Albany Georgia. Future minimum lease payments under this lease for the year ending December 31, 2022, are $50,400.

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, receivables, investments, and accounts payable approximate their respective fair values as of December 31, 2021, 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.
The Mended Hearts, Inc.  
Notes to the Financial Statements  
December 31, 2021

NOTE 13 - SUBSEQUENT EVENTS

MHI is evaluating opening and operating a European based organization headquartered in Geneva Switzerland. No formal structure has been established but if MHI moves forward, operations would commence in 2023. The purpose of the expansion would be to serve, support and educate heart patients in the European geographical area.

NOTE 14 – REVENUE WITH CONTRACTS WITH CUSTOMERS (FASB AOC 606)

MHI has three significant sources of revenue: donations / fundraisers / memberships from the public, memberships from corporate sponsors and grants income from corporate sponsors. Of these MHI has performance obligations on the corporate memberships and grants.

The membership has a Program Support Agreement obligation which represents that the funds provided will be used by MHI for educational, professional, Medical and/or scientific organizations. MHI also is to recognize the contributing corporation as a Sponsor. MHI continually accomplishes these requirements by providing its primary services such as peer to peer patient support, outreach to heart patients via trained accredited visitors and a national network to support its mission as well as printed materials offering vital healthcare information.

With respect to the grant revenue some grants are unrestricted and are available to be used to support any of the activities of MHI. The restricted grants have a program objective which must be met by MHI before the grant income is released. Generally, it is the policy of MHI not to invoice for the restrictive grants until the terms and conditions of the grant award are completed. Management believes that all restrictive grant objectives have been met.

The goods and services provided by MHI are educational (both peer to peer and through printed and electronic means), targeted outreach to hospitals and clinics. MHI also provides training and support for volunteers which interact with patients to provide direct support.

At the balance sheet date two grants, with provisions subject to grantor audit were recognized in income. The grant amounts of $250,000 subject to grantor review are segregated from the operational cash of the company. Management believes all grant conditions are met and no conditions exist that would cause MHI to repay the grants.

MHI invoices are due upon presentation.