

HEARTSUPPORT INC.
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
HeartSupport Inc.
Austin, Texas

Opinion

We have audited the accompanying financial statements of HeartSupport Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HeartSupport Inc. as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HeartSupport Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HeartSupport Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 HeartSupport Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HeartSupport Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Allman & Associates, Inc.

Austin, Texas
November 29, 2022

HEARTSUPPORT INC.
(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

December 31, 2021

Assets

Cash and cash equivalents	\$	71,893
Fixed assets, net of \$7,999 accumulated depreciation		<u>59,861</u>
Total Assets	\$	<u><u>131,754</u></u>

Liabilities and Net Assets

Accounts payable	\$	14,602
Loan payable		<u>156,520</u>
Total Liabilities		<u>171,122</u>
Net Assets:		
Without donor restrictions		(39,368)
With donor restrictions		<u>-</u>
Total Net Assets		<u>(39,368)</u>
Total Liabilities and Net Assets	\$	<u><u>131,754</u></u>

See accompanying independent auditors' report and notes to financial statements.

HEARTSUPPORT INC.
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>
Revenue and support:	
Contributions and grants	\$ 419,937
Counseling referral	45,850
Mental health courses	40,479
Community events	8,759
Outreach events	9,214
Other revenue	17,868
	<u>542,107</u>
Released from restrictions	<u>-</u>
Total revenue and support	<u>542,107</u>
Expenses:	
Program services	
Recovery, Content and Programs	134,363
Online Community and Technology	108,234
Events, Outreach and Awareness	229,819
Total program services	<u>472,416</u>
Management and general	63,955
Fundraising	79,515
	<u>615,886</u>
Total expenses	<u>615,886</u>
Change in net assets	(73,779)
Net assets, beginning of the year	<u>34,411</u>
Net assets, end of year	<u><u>\$ (39,368)</u></u>

See accompanying independent auditors' report and notes to financial statements.

HEARTSUPPORT INC.
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STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

Expense Category	Program Services			Management and General	Fundraising	Total
	Recovery, Content and Programs	Online Community and Technology	Events, Outreach and Awareness			
Personnel costs	\$ 71,634	\$ 72,094	\$ 124,685	\$ 48,300	\$ 47,113	\$ 363,826
Professional fees	38,100	11,906	32,660	-	974	83,640
Advertising & promotion	20,482	2,076	10,909	-	3,452	36,919
Office expense	671	3,333	13,098	771	16,632	34,505
Information technology	3,424	9,769	871	1,720	3,867	19,651
Occupancy	-	-	-	841	-	841
Travel	52	507	36,144	2,863	7,220	46,786
Conferences, meetings, events	-	2,150	11,452	-	257	13,859
Interest	-	-	-	7,515	-	7,515
Depreciation	-	6,399	-	-	-	6,399
Insurance	-	-	-	1,945	-	1,945
Total Expenses	\$ 134,363	\$ 108,234	\$ 229,819	\$ 63,955	\$ 79,515	\$ 615,886

See accompanying independent auditors' report and notes to financial statements.

HEARTSUPPORT INC.
(A Nonprofit Corporation)

STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

Cash flows from operating activities:	
Change in net assets	\$ (73,779)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,399
Changes in assets and liabilities	
Notes receivable	75,217
Accounts payable	14,402
Accrued interest payable on loan payable	6,620
	<hr/>
Net cash provided by operating activities	28,859
	<hr/>
Cash flows from investing activities:	
Net cash provided by investing activities	-
	<hr/>
Cash flows from financing activities:	
Net cash provided by financing activities	-
	<hr/>
Net change in cash and cash equivalents	28,859
Cash and cash equivalents, beginning of the year	43,034
	<hr/>
Cash and cash equivalents, end of the year	\$ 71,893
	<hr/> <hr/>
Supplemental information:	
Income taxes paid	\$ -
	<hr/>
Interest paid	\$ -
	<hr/> <hr/>

See accompanying independent auditors' report and notes to financial statements.

HEARTSUPPORT INC.
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

1. General Information

HeartSupport Inc. (the Corporation or HeartSupport) is a nonprofit organization that specializes in community support for mental health, including help for depression, anxiety, self-harm, addictions and more. HeartSupport programs include the following –

Recovery, Content, and Programs – We produce resources that help people think differently about and take action to better their mental health.

Online Community and Technology – We develop technology and leverage online channels to deliver mental health peer support.

Events, Outreach, and Awareness – We reach out to people who otherwise might not have sought help for their mental health.

HeartSupport is primarily funded through contributions, grants and program fees.

2. Summary of Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized in the accounting period when earned and become measurable. Expenses are recorded in the accounting period incurred, regardless of when paid.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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 revenues and expenses during the reporting period. Significant estimates include those used in the allocation of expenses and depreciation. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Corporation considers cash and highly liquid investments with maturities of three months or less when purchased to be cash equivalents, unless designated for investment purposes.

HEARTSUPPORT INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2021

2. Summary of Significant Accounting Policies, continued

Fixed Assets

Fixed assets, including significant improvements or renovations, costing greater than \$1,000 and with one or more years of useful service life are capitalized at cost, or if donated, at estimated fair value at the time of donation. Costs of routine repairs and maintenance are charged to expense as incurred. Depreciation is calculated using the straight-line method over estimated lives of seven years.

Financial Statement Presentation

Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Financial statement presentation follows the Financial Accounting Standards Board ASC 958-205, Not-for-Profit Entities Presentation of Financial Statements:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. These net assets may be used for any purpose or designated for a specific purpose by action of the Board of Directors. There are no board designated net assets as of December 31, 2021.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that require the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor-restricted contributions are reported as revenue without donor restrictions if the restrictions are met in the same reporting period as the contribution.

In-Kind Contributions

Volunteers contribute significant amounts of time to the Corporation's program services, administration and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP. Contributed goods and donated professional services are recorded at the estimated fair value at the date of donation.

Functional Accounting

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated on the basis of time and effort among the programs and supporting services benefited. Expenses that can be identified with a specific program or that relate to a specific source of revenue are allocated directly to that program.

HEARTSUPPORT INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2021

2. Summary of Significant Accounting Policies, continued

Revenue Recognition

Contributions - Contributions, including unconditional pledges receivable and grants, are recorded when received. In accordance with FASB Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities Revenue Recognition*, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional pledge receivables are recognized when the conditions on which they depend are substantially met. Donor-restricted contributions are reported as revenue without donor restrictions if the restrictions are met in the same reporting period as the contribution.

Contracts with Customers - Revenue from contracts with customers are recorded when the underlying performance obligations are met, in accordance with FASB, Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). When the Organization receives payment in advance, a contract liability is recorded as deferred revenue and then reduced when the revenue is recognized.

Federal Income Taxes

The Corporation is exempt from federal income taxes, except on unrelated business income, pursuant to the provisions of Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Therefore, no provision for federal income taxes has been reflected in the financial statements.

The Corporation has adopted the recognition requirements for uncertain income tax positions as required by GAAP, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Corporation has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Corporation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Corporation's financial position, changes in net assets or cash flows. Accordingly, the Corporation has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2021. The Corporation is subject to income tax audits for the previous three years which are open. There are currently no income tax audits for any tax periods in progress.

HEARTSUPPORT INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2021

2. Summary of Significant Accounting Policies, continued

Credit Risk

Financial instruments which potentially subject the Corporation to credit risk consist of cash and cash equivalents and certificates of deposit. The Corporation's bank accounts did not exceed the federal depository insurance limits as of December 31, 2021.

Changes in Not-for-Profit Accounting Standards

In September 2020, the FASB issued ASU 2020-07, *Not-for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 is effective for annual period beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Corporation is currently considering the impact of ASU 2020-07.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*. This guidance impacts the presentation of an entity's leasing activities and will require the recognition of lease (right-of-use) assets and related lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements. ASU 2016-02 was scheduled to become effective for fiscal years beginning after December 15, 2019, but has been delayed until annual periods beginning after December 15, 2021. The Corporation is currently evaluating the impact the adoption of this guidance will have on its financial statements.

Risks and Uncertainties

As a result of the spread of Covid-19 coronavirus, economic uncertainties have arisen which may negatively impact future activities of HeartSupport Inc., including the possibility that some in-person events may be postponed or cancelled. However, the related financial impact of these and other disruptions cannot be reasonably estimated at this time.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021

3. Fair Value Measurement and Disclosures

The requirements of Fair Value Measurements and Disclosures of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price). Fair Value Measurements and Disclosures also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

The following table represents assets and liabilities reported on the statement of financial position at their fair value as of December 31, 2021 by level within the fair value measurement hierarchy.

<u>Description</u>	<u>Amount</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Items (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Loan payable	\$ 156,520	\$ -	\$ -	\$ 156,520
Total	<u>\$ 156,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,520</u>

The fair value of the Corporation's remaining assets and liabilities approximate the carrying amounts of such instruments due to their short maturity.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021

4. Fixed Assets

Major classes of fixed assets at December 31, 2021 consisted of the following:

Furniture and fixtures	\$ 67,860
Less accumulated depreciation	<u>(7,999)</u>
Fixed assets, net of accumulated depreciation	<u>\$ 59,861</u>

Depreciation expense for the year ended December 31, 2021 was \$6,399.

5. Loan Payable

During June 2020, the U.S. Small Business Administration (SBA) authorized an Economic Injury Disaster Loan (EIDL) loan to HeartSupport Inc. in the amount of \$150,000, with an interest rate of 2.75%. The loan is payable over 30 years with monthly payments of \$641. No payments were made during 2021. Payments began during 2022 when the SBA's payment portal opened. Interest recorded and accrued on the loan payable was \$6,620 during 2021.

Principal payments required for the next five years and thereafter:

<u>Year</u>	<u>Amount</u>
2022	\$ 3,431
2023	3,526
2024	3,624
2025	3,725
2026	3,829
2027 and thereafter	<u>138,385</u>
Total principal payments due	<u>\$ 156,520</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021

6. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	<u>\$ 71,893</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 71,893</u>

The Corporation manages day-to-day cash needs through a continually-refined system of tracking the cadence of contributions, as well as on-hand cash management.

7. Related Parties

HeartSupport's founder operates a gym where the Organization's fixed assets are located. In addition, two mental health workshop programs operate out of that location. HeartSupport pays for the rental of a separate room adjacent to the gym where the workshops are performed. HeartSupport also pays the contractor expenses of the individuals providing service for the workshop programs. These workshops are included in the core differentiating value of the gym and are a part of their income model and are used to generate advertising and attractional press around the gym. The workshops were initially the primary reason the gym was able to claim that it is a "mental health gym". YourLife Gym originally obtained a fixed-term grant for HeartSupport from T-Mobile which paid for the operation of the workshops for the first six months of operations. YourLife Gym paid HeartSupport for a portion of the first month's membership fees the gym collected. HeartSupport has provided free copies of their mental health workbooks to the gym that the gym can then sell or give to members. HeartSupport also paid for the renovation of one of the rooms within the gym while being built in 2020.

8. Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management evaluated subsequent events through the date the audit report was available for issuance, November 29, 2022, and there were no events that qualified for disclosure.