

**HEART FAILURE SOCIETY
OF AMERICA, INC.**

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

HEART FAILURE SOCIETY OF AMERICA, INC.
AUDITED FINANCIAL STATEMENTS
December 31, 2022

TABLE OF CONTENTS

	Page(s)
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Financial Position	3-4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-16



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Heart Failure Society of America, Inc.

Opinion

We have audited the accompanying financial statements of **Heart Failure Society of America, Inc.** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 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 Heart Failure Society of America, Inc. as of December 31, 2022, 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 Heart Failure Society of America, 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 Heart Failure Society of America, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT (Continued)

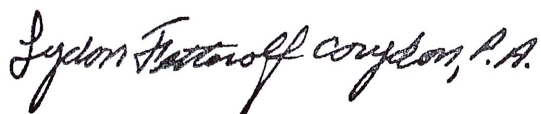
Auditor's Responsibilities for the Audit of the Financial Statements

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 control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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 Heart Failure Society of America, 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 Heart Failure Society of America, 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.



Rockville, Maryland
June 16, 2023

HEART FAILURE SOCIETY OF AMERICA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

CURRENT ASSETS

	<u>2022</u>
Cash and cash equivalents - NOTES A, B and E	\$ 2,120,365
Accounts receivable - NOTE A	419,620
Prepaid expenses	<u>50,341</u>
TOTAL CURRENT ASSETS	2,590,326

PROPERTY AND EQUIPMENT - NOTES A and D

Computers	41,666
Software	55,000
Website	<u>83,025</u>
	179,691
Less: accumulated depreciation	<u>(147,870)</u>
TOTAL PROPERTY AND EQUIPMENT	31,821

INVESTMENTS AND OTHER ASSETS

Investments - NOTES A, C, E and F	6,139,435
Deposits - (lease) - NOTE E	4,586
Right of use asset - NOTES A and E	<u>135,477</u>
TOTAL INVESTMENTS AND OTHER ASSETS	<u>6,279,498</u>

TOTAL ASSETS	\$ <u><u>8,901,645</u></u>
---------------------	-----------------------------------

HEART FAILURE SOCIETY OF AMERICA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2022

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	<u>2022</u>
Accounts payable and accrued expenses	\$ 1,007,912
Deferred revenue - NOTE A	<u>752,297</u>
TOTAL CURRENT LIABILITIES	1,760,209
OTHER LIABILITIES	
Lease liability - NOTES A and E	<u>156,644</u>
TOTAL LONG-TERM LIABILITIES	<u>156,644</u>
TOTAL LIABILITIES	<u>1,916,853</u>
COMMITMENTS AND CONTINGENCIES - NOTES A, E, G and H	
NET ASSETS - NOTE A	
Net assets without donor restrictions	<u>6,984,792</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	6,984,792
Net assets with donor restrictions - NOTE B	<u>-</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>-</u>
TOTAL NET ASSETS	<u>6,984,792</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,901,645</u></u>

HEART FAILURE SOCIETY OF AMERICA, INC.
STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

December 31, 2022				
	Without Donor Restrictions	With Donor Restrictions	Total	%
REVENUES - NOTE A				
Annual meeting	\$ 4,580,779	\$ 0	\$ 4,580,779	63.5
Individual membership dues	479,062	0	479,062	6.6
Corporate membership dues	1,017,869	0	1,017,869	14.1
Publications	389,364	0	389,364	5.4
Grants & Contributions	275,000	0	275,000	3.8
Education and programs	134,100	0	134,100	1.9
HFRN Trial Site Identification Fees	193,211	0	193,211	2.7
Workshops	15,000	0	15,000	0.2
Other income	134,937	0	134,937	1.9
Net assets released from restrictions	10,385	(10,385)	0	0.0
TOTAL REVENUES	7,229,707	(10,385)	7,219,322	100.0
EXPENSES - NOTE A				
PROGRAM SERVICE EXPENDITURES				
Annual meeting	3,579,433	0	3,579,433	49.6
Journals	489,567	0	489,567	6.8
Review course	225,642	0	225,642	3.1
Research grants	350,793	0	350,793	4.9
Education and programs	946,242	0	946,242	13.1
Governance	100,189	0	100,189	1.4
International Initiative	16,039	0	16,039	0.2
HF Research Foundation	19,927	0	19,927	0.3
TOTAL PROGRAM EXPENSES	5,727,832	0	5,727,832	79.4
SUPPORTING SERVICES EXPENDITURES				
Management and general	890,450	0	890,450	12.3
Fundraising	66,553	0	66,553	0.9
TOTAL SUPPORTING SERVICES	957,003	0	957,003	13.3
TOTAL PROGRAM AND SUPPORTING SERVICES EXPENDITURES	6,684,835	0	6,684,835	92.6
INCREASE/(DECREASE) IN NET ASSETS BEFORE INVESTMENT RETURNS	544,872	(10,385)	534,487	7.4
Net investment return/(loss) - NOTE C	(841,555)	0	(841,555)	(11.7)
INCREASE/(DECREASE) IN NET ASSETS	(296,683)	(10,385)	(307,068)	(4.3)
NET ASSETS AT BEGINNING OF YEAR	7,281,475	10,385	7,291,860	
NET ASSETS AT END OF YEAR	\$ 6,984,792	\$ -	\$ 6,984,792	

See Notes to Financial Statements

HEART FAILURE SOCIETY OF AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services								Supporting Services				Total Expenses	%
	Annual Meeting	Journals	Review Course	Research Grants	Education and Programs	Governance	International Initiative	HF Research Foundation	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 943,128	\$ 152,555	\$ 109,716	\$ 156,842	\$ 507,110	\$ 55,907	\$ 6,895	\$ 0	\$ 1,932,153	\$ 281,606	\$ 39,950	\$ 321,556	\$ 2,253,709	33.7%
Fringe benefits	136,127	22,078	16,225	22,968	77,014	7,967	972	0	283,351	34,923	5,559	40,482	323,833	4.8%
Total Compensation	1,079,255	174,633	125,941	179,810	584,124	63,874	7,867	0	2,215,504	316,529	45,509	362,038	2,577,542	38.6%
Audit and accounting	0	0	0	0	0	0	0	0	0	121,667	0	121,667	121,667	1.8%
Bank fees	41,592	0	8,541	0	1,482	0	0	0	51,615	22,569	0	22,569	74,184	1.1%
Contract services	32,990	42,417	281	152,873	249,796	0	0	9,938	488,295	96,871	0	96,871	585,166	8.8%
Database expense	0	0	0	0	0	0	0	0	0	90,881	0	90,881	90,881	1.4%
Depreciation expense - NOTE D	0	0	0	0	0	0	0	0	0	51,111	0	51,111	51,111	0.8%
Dues and subscriptions	5,038	0	0	0	338	0	0	9,989	15,365	13,843	0	13,843	29,208	0.4%
Insurance	0	0	0	0	0	0	0	0	0	13,676	0	13,676	13,676	0.2%
Journal and publications	0	208,993	0	0	0	0	0	0	208,993	0	0	0	208,993	3.1%
Legal fees	0	1,890	0	7,110	3,302	0	0	0	12,302	9,415	0	9,415	21,717	0.3%
Meeting expenses	2,001,382	45,500	79,900	0	14,083	1,200	0	0	2,142,065	21,582	2,356	23,938	2,166,003	32.3%
Miscellaneous expense	10,931	16,134	10,486	11,000	55,968	87	0	0	104,606	14,994	2,630	17,624	122,230	1.9%
Office supplies	1,231	0	218	0	348	0	0	0	1,797	17,787	504	18,291	20,088	0.3%
Postage	2,020	0	0	0	4,405	0	0	0	6,425	295	44	339	6,764	0.1%
Printing	3,360	0	108	0	1,669	0	0	0	5,137	522	0	522	5,659	0.1%
Rent - NOTE E	0	0	0	0	0	0	0	0	0	68,333	0	68,333	68,333	1.0%
Storage	89	0	0	0	0	0	0	0	89	445	0	445	534	0.0%
Taxes and licenses	0	0	0	0	29,375	0	0	0	29,375	62	0	62	29,437	0.4%
Travel	401,545	0	167	0	1,352	35,028	8,172	0	446,264	29,868	15,510	45,378	491,642	7.4%
Total	\$ 3,579,433	\$ 489,567	\$ 225,642	\$ 350,793	\$ 946,242	\$ 100,189	\$ 16,039	\$ 19,927	\$ 5,727,832	\$ 890,450	\$ 66,553	\$ 957,003	\$ 6,684,835	100.0%
	53.5%	7.3%	3.4%	5.2%	14.2%	1.5%	0.2%	0.3%	85.7%	13.3%	1.0%	14.3%	100.0%	

HEART FAILURE SOCIETY OF AMERICA, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2022</u>
Increase in total net assets	\$ (307,068)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:	
Restricted cash provided for programs	10,385
Depreciation expense - NOTE D	51,111
Net unrealized loss on investments - NOTE C	1,036,316
(Increase) decrease in operating assets	
Accounts receivable	54,239
Prepaid expenses	(24,793)
Right of use asset	(135,477)
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	650,033
Deferred revenue	229,248
Deferred rent	(26,577)
Lease liability	<u>156,644</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,694,061
CASH FLOW FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(18,211)
(Purchases) of investments	<u>(678,579)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(696,790)</u>
CASH FLOWS FROM FINANCING ACTIVITIES - NONE	<u>0</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	997,271
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,123,094</u>
CASH AND CASH EQUIVALENTS - END OF YEAR - NOTES A and B	<u><u>\$ 2,120,365</u></u>

HEART FAILURE SOCIETY OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Heart Failure Society of America, Inc. (the “Society”) is presented to assist in understanding the Society’s financial statements. The financial statements and notes are representations of the Society’s management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America, and have been consistently applied in the preparation of the financial statements.

Purpose of the Society:

Heart Failure Society of America, Inc. (the “Society”) was incorporated in Connecticut in 1995 as a not-for-profit organization. The mission of the Society is to promote research related to all aspects of heart failure and to provide a forum for presentation of basic, clinical, and population-based research, educating health care professionals through programs, publications, and other media in the areas of basic science, clinical medicine, patient management, and social, ethical and economic issues. This enables stakeholders to diagnose and treat heart failure and concomitant medical conditions more effectively, encourage primary and secondary preventive measures to reduce the incidence of heart failure; to serve as a resource for government, private industry, and health care providers to facilitate the establishment of programs and policies that will better serve the patient, enhance quality and duration of life in those with heart failure and to promote and facilitate the formal training of physicians, scientists, and allied health care providers in the field of heart failure.

The Society’s significant accounting policies are as follows:

Basis of Accounting:

The financial statements of the Society have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Basis of Presentation:

The Society reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

HEART FAILURE SOCIETY OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued):

Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Society has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Investments:

The Society has adopted Accounting Standards Codification (ASC) 958 Not-for-Profit Entities (formerly Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*). Under FASB ASC 958-320, investments in marketable equity securities with readily determinable fair values and all investments in marketable debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets.

Income Tax Status:

The Society is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Income from nonexempt functions is subject to unrelated business income taxes to the extent that the revenue exceeds related costs. The Society incurred \$0 of unrelated business income taxes for the year ended December 31, 2022. In addition, the Society qualifies for the charitable contribution deduction under Section 170 and has been classified as an organization other than a private foundation under Section 509(c)(2).

The Society follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Society may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management evaluated the Society's tax positions and concluded that the Society had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Currently, the tax years open and subject to examination by the Internal Revenue Service are 2019, 2020 and 2021 tax years.

HEART FAILURE SOCIETY OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Society considers all non-donor restricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash reserved for a particular purpose or time restriction is classified as donor restricted cash on the statement of financial position (**NOTE B**).

Donor Restricted and Non-Donor Restricted Revenue and Support:

Donor restricted and non-donor restricted contributions and grants are recorded as revenue in the year the notification is received from the donor. Donor restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. There were no donor restricted net assets at December 31, 2022.

Property, Equipment and Depreciation:

The Society capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Employees' salaries and fringe benefits are allocated to programs and supporting services based on time incurred. Management and general expenses include those expenses that are not directly identifiable with any other specific function but that provide for the overall support of the Society.

Accounts Receivable:

Member dues and other accounts receivable from members are stated at the amount management expects to collect from balances outstanding at year-end. Management closely monitors outstanding balances throughout the year, and writes off any balances it deems will not be collected. If amounts become uncollectible, they will be charged against net assets when that determination is made. Management deems all balances will be collected therefore the allowance for doubtful accounts as of December 31, 2022 is \$0.

HEART FAILURE SOCIETY OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services:

The Society recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended December 31, 2022, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Revenue Recognition and Deferred Revenue:

Membership Dues:

Membership Dues Revenue are from contracts with members for annual dues that is reported at the amount that reflects the consideration to which the Society expects to be entitled in exchange for providing membership to its members. Membership dues are nonrefundable. The Society's annual membership dues are paid on a calendar year basis. Member companies are billed annually, approximately three months in advance of the upcoming membership year. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term. Dues collected in advance are reflected as deferred revenue on the Statement of Financial Position.

Annual Meeting Revenue:

Annual meeting revenue is recognized when the performance obligation is met which is typically when the events are held.

Grants and Contributions:

Gifts of cash and other assets received are reported as revenue increasing net assets without donor restrictions if donors do not specify purposes for which or periods in which the gifts must be used. Gifts received with a donor stipulation that limits their use are reported as revenue increasing net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Adoption of FASB ASU 2020-07:

In September 2021, the FASB issued ASU 2020-07, (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements in presentation and disclosure requirements. Nonprofit entities will be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. Nonprofit entities will also be required to disclose various information related to contributed nonfinancial assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. HFSA has implemented ASU 2020-07 during the year ended December 31, 2022, and the implementation did not have a material effect on the Society's results of operations, financial position, and cash flows.

HEART FAILURE SOCIETY OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Adoption of FASB ASC 842 – Operating Lease Standard:**

Effective January 1, 2022, the Society adopted FASB ASC 842, new lease standard. Under the standard, the Society must determine if an arrangement contains a lease at inception based on whether the Society has the right to control the asset during the contract period and other facts and circumstances. The Society elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use-assets, net of lease incentives, of \$135,477 and operating lease liabilities of \$156,644 as of December 31, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with our historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Society's results of operations, cash flows or debt covenants (see **NOTE E**).

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents (1) without donor restrictions and (2) with donor restrictions) at December 31, 2022, consist of the following:

(1) Non-Donor Restricted

Demand deposits	\$ 1,770,000
Money market funds	<u>350,365</u>
Total non-donor restricted cash and cash equivalents	<u>\$ 2,120,365</u>

(2) Donor Restricted

Money market funds	<u>\$ 0</u>
Total donor restricted cash and cash equivalents	<u>\$ 0</u>

NOTE C – INVESTMENTS

The Society invests in mutual funds, equity stocks and other investments. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

HEART FAILURE SOCIETY OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE C – INVESTMENTS (Continued)

Investments at December 31, 2022 consisted of the following:

	Cost	Fair Value
Mutual funds – equities	\$ 2,415,002	\$ 2,651,778
Mutual funds – bond funds	2,199,944	1,939,680
Equity ETFs	643,784	776,383
Common stock	35,278	280,589
Government bonds	491,610	491,005
Total investments	<u>\$ 5,785,619</u>	<u>\$ 6,139,435</u>

Investment income (loss) and change in market value for the year ended December 31, 2022 is comprised of the following:

	2022
Interest and dividend income	\$ 154,157
Realized gain	61,177
Unrealized loss	(1,036,316)
Investment fees	<u>(20,573)</u>
Net investment return/(loss)	<u>\$ (841,555)</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2022, consist of the following:

	Cost	Depreciation Expense	Accumulated Depreciation	Net Book Value	Estimated Useful Life (Years)
Computers	\$ 41,666	\$ 6,586	\$ 16,808	\$ 24,858	5
Software	55,000	16,850	54,956	44	3
Website	83,025	27,675	76,106	6,919	3
	<u>\$ 179,691</u>	<u>\$ 51,111</u>	<u>\$ 147,870</u>	<u>\$ 31,821</u>	

HEART FAILURE SOCIETY OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE E – COMMITMENTS AND CONTINGENCIES**Concentrations of Credit Risk:**

The Society maintains its cash, cash equivalents and investments with two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). The FDIC insures up to \$250,000 and the SIPC insures up to \$500,000 (including up to \$250,000 for cash). At December 31, 2022, the Society's uninsured cash and investment balances were \$1,796,778 and \$5,713,022, respectively.

Retirement Plan:

The Society has a 403(b) retirement plan (the Plan) for the benefit of all employees within the Organization. Participants may elect to defer a portion of their salary and contribute it to the retirement plan. Additionally, the Society matches employee's dollar-for-dollar up to a total of 4% of the employee's salary. All employee deferrals and employer matching contributions are 100% vested immediately with the participant. Contribution expense related to the Plan was \$52,330 for the year ended December 31, 2022.

Operating Lease – Office Space:

The Society entered into a 91-month office lease agreement which commenced on December 1, 2017 and is set to expire on June 30, 2025. The lease agreement calls for annual "base" rent payable in monthly installments which is scheduled to increase approximately 2.7% each year. The provisions of the lease include a rent abatement period, also known as "free rent allowance" for the first seven (7) full calendar months of "base" rent payments. The lease also calls for "additional" rent which includes the Society's pro rata share of building operating expenses. Both the base and additional rent are to be paid in monthly installments by the first of each month. The total rent expense for this office space for the year ended December 31, 2022 was \$68,333. The following sets forth the annual base rental payments required under the office leases:

<u>For the Year Ending December 31,</u>	<u>Operating Leases</u>
2023	63,024
2024	64,764
2025	38,815
Total lease payment:	<u>\$ 166,603</u>
Less: Interest	<u>(9,959)</u>
Present value of lease liability	<u>\$ 156,644</u>

The lease is reflected on the balance sheet as a right of use asset and lease liability under the new FASB ASC 842 (see **NOTE A**). As of December 31, 2022, total lease right of use asset was \$135,477, and total lease liability was \$156,644.

HEART FAILURE SOCIETY OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE E – COMMITMENTS AND CONTINGENCIES (Continued)

The weighted-average remaining lease term related to the Society's lease liabilities as of December 31, 2022 was 2.5 years.

The discount rate related to the Company's lease liabilities as of December 31, 2022 was 2.28%. The discount rates are generally based on estimates of the Society's incremental borrowing rate, as the discount rates implicit in the Society's lease cannot be readily determined.

Annual Meeting Operations:

The Society entered into several agreements with convention center, event vendor as well as hotels for room accommodations for its meetings through 2023. These agreements indicate the Association is liable for partial cost of the fees incurred with pre-event planning as well as liquidated damages that would result from unsold rooms and convention space, in the event of cancellation.

NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – These inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Society has the ability to access.

Level 2 – These are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, default rates and other similar data.

Level 3 – These are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Society's own data.

HEART FAILURE SOCIETY OF AMERICA, INC.**NOTES TO FINANCIAL STATEMENTS**

December 31, 2022

NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The Society estimates that the fair value of all financial instruments at December 31, 2022 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

**Fair Value Measurements on a Recurring Basis
As of December 31, 2022**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 6,139,435	\$ 0	\$ 0	\$ 6,139,435
Total	<u>\$ 6,139,435</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,139,435</u>

NOTE G – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Society has \$8,679,420 of financial assets available within 1 year of the December 31, 2022 statement of financial position date to meet cash needs for general expenditure. This consists of cash and cash equivalents of \$2,120,365, investments of \$6,139,435, and accounts receivable of \$419,620.

The Society considers all expenditures related to its ongoing programs, as well as the services undertaken to support these programs to be general expenditures. As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Society maintains its policy regarding liquid assets to have available at least 9 months of routine operating expenditures. The Society periodically reviews the liquid asset needs and adjusts reserves as needed.

NOTE H– SUBSEQUENT EVENTS

In preparing the financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through June 16, 2023, the date the audit report was available to be issued.

COVID-19 Uncertainty:

The extent of the impact of the recovery from the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the impact on our donors, employees, and vendors all which are uncertain and cannot be predicted. The extent to which COVID-19 may impact our future condition or results of operation is uncertain.