

HEROIC HEARTS PROJECT, INC.

FINANCIAL STATEMENTS

for the year ended December 31, 2023

HEROIC HEARTS PROJECT, INC.

INDEX TO FINANCIAL STATEMENTS

	<u>Page(s)</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



Langdon & Company ^{LLP}
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Heroic Hearts Project, Inc.

Opinion

We have audited the accompanying financial statements of Heroic Hearts Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 Heroic Hearts Project, Inc. as of December 31, 2023, and the changes in 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 Heroic Hearts Project, 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 Heroic Hearts Project, 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 control. Misstatements 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.

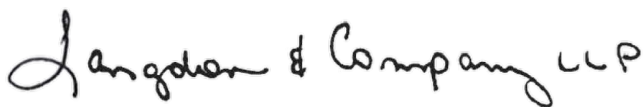
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Heroic Hearts Project, 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 Heroic Hearts Project, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Garner, North Carolina
November 8, 2024

HEROIC HEARTS PROJECT, INC.

STATEMENT OF FINANCIAL POSITION

as of December 31, 2023
with comparative totals as of December 31, 2022

	ASSETS	
	2023	2022
Current assets:		
Cash and cash equivalents	\$ 280,955	\$ 303,253
Promises to give, net	133,000	320,457
Prepaid expenses	3,545	4,595
Total current assets	417,500	628,305
 Total assets	 \$ 417,500	 \$ 628,305
	LIABILITIES AND NET ASSETS	
Current liabilities:		
Accounts payable	\$ 87,362	\$ 99,103
Accrued payroll liabilities	-	12,060
Accrued expenses	99,325	-
Current installments on short-term debt	17,086	-
Current installments on the Paycheck Protection Program (PPP) loan	-	9,567
Total current liabilities	203,773	120,730
 Net assets:		
Without donor restrictions	87,236	447,575
With donor restrictions	126,491	60,000
Total net assets	213,727	507,575
 Total liabilities and net assets	 \$ 417,500	 \$ 628,305

*The accompanying notes are an
integral part of the financial statements.*

HEROIC HEARTS PROJECT, INC.

STATEMENT OF ACTIVITIES

for the year ended December 31, 2023
with comparative totals for 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Contributions and gifts	\$ 505,852	\$ 151,500	\$ 657,352	\$ 2,750,886
In-kind contributions	19,980	-	19,980	9,450
Private grants	405,697	961,000	1,366,697	888,909
Special event revenue, net of special event expenses of \$157,838	114,500	-	114,500	-
Gain on extinguishment of debt (Paycheck Protection Program)	-	-	-	15,580
	<u>1,046,029</u>	<u>1,112,500</u>	<u>2,158,529</u>	<u>3,664,825</u>
Net assets released from restrictions	<u>1,046,009</u>	<u>(1,046,009)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,092,038</u>	<u>66,491</u>	<u>2,158,529</u>	<u>3,664,825</u>
Expenses:				
Program services	2,126,427	-	2,126,427	2,904,165
Supporting services:				
Management & general	103,169	-	103,169	88,667
Fundraising	222,781	-	222,781	201,388
Total supporting services	<u>325,950</u>	<u>-</u>	<u>325,950</u>	<u>290,055</u>
Total expenses	<u>2,452,377</u>	<u>-</u>	<u>2,452,377</u>	<u>3,194,220</u>
Change in net assets	(360,339)	66,491	(293,848)	470,605
Net assets at beginning of year	447,575	60,000	507,575	36,970
Net assets at end of year	<u>\$ 87,236</u>	<u>\$ 126,491</u>	<u>\$ 213,727</u>	<u>\$ 507,575</u>

The accompanying notes are an integral part of the financial statements.

HEROIC HEARTS PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2023
with comparative totals for 2022

	2023						2022
	Program Services			Supporting Services			
	Treatment and Coaching	Research, Education, and Advocacy	Total Program Services	Management and General	Fundraising	Total Supporting Services	Grand Total
Salaries, benefits, & taxes	\$ 50,069	\$ 11,370	\$ 61,439	18,124	71,669	89,793	\$ 151,232
Contractors	242,094	54,974	297,068	4,061	39,768	43,829	340,897
In-kind professional fees	-	-	-	19,980	-	19,980	19,980
Professional fees	6,524	1,481	8,005	34,106	5,042	39,148	47,153
Retreats	1,103,449	-	1,103,449	-	-	-	1,103,449
Coaching	273,894	-	273,894	-	-	-	273,894
Digital and media publications and educational outreach	-	303,692	303,692	-	-	-	303,692
Sponsorships	-	-	-	-	-	-	-
Marketing & promotion	1,118	254	1,372	473	63,653	64,126	65,498
Travel & meetings	52,438	11,908	64,346	295	14,545	14,840	79,186
Services fees	-	12	12	1,552	12,141	13,693	13,705
Insurance	-	-	-	1,508	-	1,508	1,508
Office supplies & expense	-	-	-	297	372	669	669
Technology & website	3,332	757	4,089	11,220	15,591	26,811	30,900
Charitable donations	-	9,061	9,061	-	-	-	9,061
Interest expense	-	-	-	11,553	-	11,553	11,553
Total expenses	\$ 1,732,918	\$ 393,509	\$ 2,126,427	103,169	222,781	325,950	\$ 2,452,377

The accompanying notes are an
integral part of the financial statements.

HEROIC HEARTS PROJECT, INC.

STATEMENT OF CASH FLOWS

for the year ended December 31, 2023
with comparative totals for 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from contributions, grants, and gifts	\$ 2,326,006	\$ 3,314,338
Cash paid to employees, contractors and suppliers	(2,344,270)	(3,081,284)
Interest paid	(11,553)	(619)
Net cash (used in) provided by operating activities	<u>(29,817)</u>	<u>232,435</u>
 Cash flows from financing activities:		
Proceeds from issuance of short-term loans	57,100	-
Repayment of short-term loans	(40,014)	-
Repayment of PPP loan	(9,567)	(12,933)
Net cash provided by (used in) operating activities	<u>7,519</u>	<u>(12,933)</u>
 Net (decrease) increase in cash	(22,298)	219,502
 Cash at beginning of year	<u>303,253</u>	<u>83,751</u>
Cash at end of year	<u>\$ 280,955</u>	<u>\$ 303,253</u>
 Non-cash financing activities, PPP forgiveness	<u>\$ -</u>	<u>\$ 15,580</u>

*The accompanying notes are an
integral part of the financial statements.*

HEROIC HEARTS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Heroic Hearts Project, Inc. (the "Organization"), a not-for-profit organization, was incorporated in the state of Florida on May 26, 2017 and operates nationwide. The Organization's mission is to build a healing community that helps veterans suffering from military trauma recover and thrive by providing them with safe, supervised access to psychedelic treatments, professional coaching, and ongoing peer support. The Organization's major programs include the following:

Treatment and Coaching – defined as providing support and professional counseling to veterans and veteran spouses seeking alternative medical health treatment options and connecting them with therapy centers where they can safely and legally pursue the treatment options they desire.

Research, Education and Advocacy – defined as activities related to developing and contributing to the growing base of psychedelic research; development of research-based products and programs to inform and educate people on the therapeutic potential of psychedelics and using the research, data, and testimonials to counter the stigma associated with psychedelics and to help change the laws limiting access to psychedelics as therapeutics.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash accounts with one financial institution which, at times, may exceed federally insured limits. The Organization has not experienced any losses in this account.

Paycheck Protection Program ("PPP")

Funds were received pursuant to PPP under Division A, Title I of the CARES Act, enacted March 27, 2020. The Organization received two PPP loans and under the terms of the PPP, the Organization initially recognized these funds as debt. In February 2022, the Organization received forgiveness and was legally released from the debt of one PPP loan. The Organization recognized a gain on extinguishment of debt in the amount of \$15,580 in the statement of activities for the year ended December 31, 2022.

The remaining PPP loan, in the amount of \$22,500, had an outstanding balance of \$9,567 and was recorded as short-term debt on the statement of financial position at December 31, 2022. Under the terms of the PPP agreement, interest will be accrued at a rate of 1% and the repayment period was 30 months from the date of funding. The remaining loan balance was paid in full in January 2023.

Advertising

Advertising costs, which consist primarily of promotional videos and digital marketing, are expensed as incurred. Advertising costs amounted to \$55,620 and \$71,264 for the years ended December 31, 2023 and 2022, respectively.

HEROIC HEARTS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by 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.

Estimates

The presentation 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, the 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 estimates.

Revenue Recognition

Contributions, gifts, and private grants received are recorded as revenue with donor restrictions or revenue without donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and right of return - are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value using a risk adjusted discount rate. When a restriction expires, such as a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Promises to give consist of unconditional promises to give and are stated at unpaid balances, less an allowance for doubtful accounts. All are expected to be collected; thus, no allowance for doubtful accounts is necessary. Approximately 75% and 62% of promises to give, as of December 31, 2023 and 2022, respectively, was due from one contributor.

HEROIC HEARTS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) required specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

All contributed nonfinancial assets were utilized by the Organization in supporting services. There are no restrictions for contributed nonfinancial assets. The value of all in-kind donations are determined by the donor based on fair market value of the service provided.

Donations of marketable securities are monetized promptly upon receipt.

Volunteers and members of the community perform various services for the Organization and these services are significant and form an integral part of the efforts of the Organization. The Organization does not control the activities of the volunteers as it would paid employees and there is no clearly measurable basis for an amount of contributed services to be recorded. Therefore, the Organization does not record the amount of volunteer services rendered as contributions and a corresponding amount as expense.

The Organization received the following donated services for the years ending:

	<u>2023</u>	<u>2022</u>
Professional fees	<u>\$ 19,980</u>	<u>\$ 9,450</u>

Functional Allocation of Expenses

The costs of program and supporting services 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. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

The Organization directly codes certain expenses that are identifiable with a specific function. Other expenses are allocated to functions on the basis of estimates of time and effort and include the following: salaries, benefits, and taxes, contractors, marketing and promotion, travel and meetings, and technology and website.

HEROIC HEARTS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

The Organization evaluates any uncertain tax positions. Accordingly, the Organization's policy is to record a liability for any tax positions taken that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management does not believe any significant income tax uncertainties existed as of December 31, 2023 or 2022.

2. LIQUIDITY AND AVAILABILITY

The Organization is primarily funded through contributions, private grants, and gifts, some of which are donor- restricted. Because a donor's restrictions require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, within one year of the statement of financial position date.

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 280,955	\$ 303,253
Promises to give, net	<u>133,000</u>	<u>320,457</u>
	<u>413,955</u>	<u>623,710</u>
Less amounts not available to be used within one year, due to:		
Donor-restricted for purpose	<u>126,491</u>	<u>60,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 287,464</u>	<u>\$ 563,710</u>

HEROIC HEARTS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

3. SHORT-TERM DEBT

During the year ended December 31, 2023, the Organization entered into two American Express Business Lines of Credit Loan Agreements and Personal Guarantees as follows:

- May 24, 2023 - 6-month loan in the amount of \$28,300 with an annual interest rate of 15.13%. This loan was payable in monthly payments, with the full balance repaid November 26, 2023
- July 10, 2023 - 12-month loan in the amount of \$28,800 with an annual interest rate of 15.14%. This loan is payable in monthly payments of \$2,616, with the full balance due July 10, 2024. Subsequent to year-end, the remaining loan balance was paid in full.

4. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2023 and 2022, net assets with donor restrictions were available for the following purposes:

Restricted for purpose:	2023	2022
Research	\$ 10,025	\$ 60,000
Education	116,466	-
	<u>\$ 126,491</u>	<u>\$ 60,000</u>

Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2023 and 2022:

Subject to expenditure for specific purpose:	2023	2022
Veteran Retreats	\$ 612,500	\$ 516,350
Colorado Education Program	-	2,019,447
Oregon Education Program	100,000	-
Education	233,534	-
Research	59,975	-
Legal Healing Colorado & Oregon	40,000	-
SWC Women's Retreat	-	15,000
The Hope Project	-	110,000
Mission Within Clinic	-	50,000
	<u>\$ 1,046,009</u>	<u>\$ 2,710,797</u>

5. CONCENTRATIONS

Psychedelic-assisted therapy is still illegal in most of the United States, leaving the Organization with a limited number of facilities that can provide these treatments. Approximately 48% and 52% of the Organization's retreat expense was paid to one vendor for the years ended December 31, 2023 and 2022, respectively.

HEROIC HEARTS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

6. RELATED PARTY TRANSACTIONS

For the period of April 15, 2022 through December 31, 2022, the Organization had a fiscal sponsorship agreement with The Hope Project (THP), a private foundation. Under the terms of the agreement, the Organization provided infrastructure support and fiscal administration, to include receiving and administering funds on behalf of THP. During the period of fiscal sponsorship, total funds collected for the benefit of THP were \$110,000; these funds were recorded as restricted donations upon receipt. Total disbursements paid to THP under this sponsorship agreement were \$110,600. The sponsorship agreement was not formally extended after December 31, 2022. During the year ending December 31, 2023, management and staff of THP joined the Heroic Hearts Project, Inc, becoming a program of the Organization. While The Hope Project has not been dissolved, it is considered inactive.

In March 2022, the Organization entered into a Trademark License Agreement with affiliate Heroic Hearts Project Canada (HHPC) that allows HHPC to use the Organization's trademark for a period of five years for nominal fee of \$100.

For the year ended December 31, 2023 and 2022, the Organization had legal expenses of approximately \$6,600 and \$40,000, respectively, paid on behalf of affiliate organization, Heroic Hearts Project UK (HHPUK), to support HHPUK's corporate registration, policy framework development and charity commission application.

In May of 2021, the Organization entered into a subscription agreement with Homecoming Health (the Company), a for profit company started by a past board chair. The Company is an innovator and proponent of therapeutic uses of psychedelic drugs for treatment of mental health. The subscription agreement offered a 10% initial equity interest in the Company for a nominal purchase price of \$10. To date, no money has been received from Homecoming Health and the value of the equity interest is not readily available.

7. SUBSEQUENT EVENTS

Subsequent to year-end, the Organization entered into a short-term loan through Celtic Bank. The loan was for \$12,285, had a 0% interest rate and was payable in monthly payments of \$2,047 with the full amount due July 2024. Amount was paid in full in July 2024.

The Organization has evaluated subsequent events through November 8, 2024, the date which the financial statements were available for issue.