Heartland Resources, Inc.

Financial Statements

June 30, 2023

Heartland Resources, Inc.
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June 30, 2023

Wade Stables P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Trustees of
Heartland Resources, Inc.
Ewing, Missouri

Opinion

We have audited the accompanying financial statements of Heartland Resources, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 Heartland Resources, Inc. as of June 30, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Heartland Resources, 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 opinions.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 9 to the financial statements, the Organization has experienced continuing operating losses and declining grant revenues which indicates substantial doubt about the Organization's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Responsibilities of Management 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, 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 Heartland Resources, 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 and *Government 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 and *Government 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 Heartland Resources, 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 Heartland Resources, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2024, on our consideration of Heartland Resources, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Heartland Resources, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Heartland Resources, Inc.'s internal control over financial reporting and compliance.

Wade Stables P.C.

Wade Stables P.C.
Certified Public Accountants

August 29, 2024
Hannibal, Missouri

Financial Statements

Heartland Resources, Inc.

Statement of Financial Position

June 30, 2023

	2023
Assets	
Current Assets	
Cash	$ 7,497
Receivables:	
Federal grants	32,561
Employee receivable	16,322
Other	29,430
Prepaid insurance	1,785
Inventory	3,043
Total Current Assets	$ 90,638
Capital Assets (Net)	20,459
Total Assets	$ 111,097
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	$ 11,933
Accrued payroll liabilities	58,525
Other accrued liability	16,307
Accrued interest	429
Line of credit	32,771
Total Current Liabilities	$ 119,965
Net Assets	
Without donor restrictions	$ (8,868)
Total Net Assets	$ (8,868)
Total Liabilities and Net Assets	$ 111,097

The accompanying notes are an integral part of this financial statement.

Heartland Resources, Inc.

Statement of Activities

For the Year Ended June 30, 2023

		2023
Net assets without donor restrictions		
Government grants	$	229,212
Direct public support		59,154
Veterans Hospital		27,946
Fundraising		975
Interest income		76
In-Kind income		42,070
Total Revenue and Support Without Donor Restrictions	$	359,433
Expenses		
Program Services:		
Lewis County Nutrition Center	$	170,466
In-Home Service		168,724
Total Program Services	$	339,190
Support Services		34,988
Total Expenses	$	374,178
Change in net assets	$	(14,745)
Net Assets, Beginning of Year		5,877
Net Assets, End of Year	$	(8,868)

Heartland Resources, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program Services		Support Services	
	Lewis County Nutrition Center	In Home Service	Management and General	Total Expenses
Salaries	$ 50,032	$ 122,502	$ -	$ 172,534
Payroll taxes & workers compensation	5,071	15,407	-	20,478
Total Salaries and Related Expenses	$ 55,103	$ 137,909	$ -	$ 193,012
Loss on assets	600	-	-	600
Depreciation	3,392	183	1,762	5,337
Travel and transportation	918	2,176	-	3,094
Food	55,291	-	-	55,291
Accounting fees	-	-	15,139	15,139
Utilities	8,414	2,759	-	11,173
Telephone expense	1,322	261	2,781	4,364
Equipment maintenance	951	1,426	190	2,567
Van expenses	1,640	-	-	1,640
Printing, supplies & postage	14,727	856	201	15,784
Insurance/bond	364	1,474	12,434	14,272
Health compliances	-	245	-	245
Information technology	933	1,399	-	2,332
In-kind	24,217	16,145	-	40,362
Miscellaneous	2,594	3,891	414	6,899
Interest	-	-	2,067	2,067
Total Expenses	$ 170,466	$ 168,724	$ 34,988	$ 374,178

The accompanying notes are an integral part of this financial statement.

Heartland Resources, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2023

		2023
Cash Flows Used For Operating Activities		
Change in Net Assets	$	(14,745)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		5,337
(Gain) Loss on disposal of capital assets		600
(Increase) Decrease in accounts receivable		(19,729)
(Increase) Decrease in prepaid insurance		2,568
(Increase) Decrease in inventory		(807)
Increase (Decrease) in accounts payable		3,074
Increase (Decrease) in accounts payroll liabilities		1,697
Increase (Decrease) in other liabilities		9,054
Increase (Decrease) in accrued interest		119
Net Cash Provided (Used) By Operating Activities	$	(12,832)
Cash Flows From Investing Activities		
Proceeds from sale of capital assets	$	200
Net Cash Provided (Used) By Investing Activities	$	200
Cash Flows From Financing Activities		
Proceeds from line of credit	$	200
Principal payments on line of credit		(3,671)
Net Cash Provided (Used) By Financing Activities	$	(3,471)
Net Increase (Decrease) in Cash	$	(16,103)
Cash, Beginning of Year		23,600
Cash, End of Year	$	7,497

Supplemental Data		
Interest paid	$	1,948
Income tax paid		None
Non Cash Activities		
None		None

The accompanying notes are an integral part of this financial statement.

1. Summary of Significant Accounting Policies

Nature of Activities

Heartland Resources, Inc., (the "Organization") was incorporated in the State of Missouri as a not-for-profit corporation. The Organization's purposes are (a) to provide a nutritional site for the elderly and persons of limited physical and/or mental ability and (b) to provide meal delivery for homebound elderly persons, through its centers located in Ewing and LaGrange, Missouri. The Organization is supported through volunteer services provided by local communities, contributions, and fundraising activities primarily from sources within the geographic area in which it is located. Therefore, the economic condition of Heartland Resources, Inc. is closely linked to the economic condition of Missouri and Lewis County.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the Not-for-Profit Entities topics of the FASB Accounting Standards Codification. Under these topics, the Organization is required to report information regarding its financial position and activities according to two classes of net position: net assets without donor restrictions and net assets with donor restrictions.

Contributions

The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a 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 statements of activities as net assets released from restriction.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

The Organization records accounts receivable for contract and grant amounts due from various state and local government agencies and guardians for services provided. As of June 30, 2023, the Organization considered all accounts receivable to be fully collectible. The direct write-off method of accounting is used when an account is deemed to be uncollectible.

Employee Receivable

As of June 30, 2023, the Organization had an employee receivable of $16,322, resulting from unsubstantiated credit card charges made by the former executive director. These charges are believed to be fraudulent, and an investigation by the local sheriff's department was pending as of June 30, 2023. The Organization canceled the credit card upon discovery of the alleged fraud, and no longer utilizes credit cards within the Organization.

During the year ended June 30, 2024, the Organization received $6,546 of the $16,322 employee receivable recorded as of June 30, 2023. The remaining amount was unable to be proven as fraudulent and was written off in fiscal year 2024.

1. Summary of Significant Accounting Policies (Continued)

Inventory

Inventory consists of expendable supplies held for consumption of Nutrition Programs. Pricing is done on a cost basis.

Property and Equipment

Acquisitions of capital assets are recorded at cost. The Organization has no written capitalization policy. Depreciation is reflected on a straight-line basis over the estimated useful lives of the assets. The Organization has no policy for planned major maintenance programs. Property, plant, and equipment donated to the Organization are recorded at fair market value when received.

Donated Services (In-Kind Revenue and Expenses)

Governments, agencies, volunteers, and others contribute substantial amounts of food, materials and services toward the fulfillment of projects initiated by the Organization. To the extent that contributions are made under the control of the Organization, are objectively measurable and represent program or support expenditures which would otherwise be incurred by Organization personnel, they are reflected in both public support and program expense in the accompanying financial statements.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and/or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated on a statistical basis.

Programs

The Organization's principal programs comprise:

Nutrition Services

The Organization provides meals in both congregate and home settings. The Organization contracts with the Northeast Missouri Area Agency on Aging to provide services to seniors aged 60 and over and handicapped individuals who are 18-59 years old. The meals are provided to the individuals without charge; however, contributions are recommended and encouraged. A ten percent local match is required.

The Organization also provides meals to Medicaid eligible individuals in a home setting at no cost to the individual. The Organization contracts with the Northeast Missouri Area Agency on Aging to provide these services.

In-Home Services

The In-Home Service Program provides assistance to the elderly, handicapped, and children in maintaining independence, minimizing the need for institutional care and safeguarding against potential abuse or neglect. In-Home Services include personal care, homemaker chore and respite services. Heartland contracts with Northeast Missouri Area Agency on Aging, Missouri Department of Health and Senior Services, Medicaid Services, Department of Mental Health and other funding sources to provide these services.

1. Summary of Significant Accounting Policies (Concluded)

Tax-Exempt Status

Heartland Resources, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2020.

Liquidity Management and Availability of Resources

The Organization has $85,810 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of $7,497 and accounts receivable of $78,313. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Organization does not currently have a policy structuring its financial assets to be available as general expenditures, liabilities, and other obligations become due.

2. Property, Plant and Equipment

Property, plant and equipment at June 30, 2023, consisted of the following:

	June 30, 2023		
	Cost	Accumulated Depreciation	Book Value
Building & improvements	$ 65,787	$ 53,855	$ 11,932
Equipment	120,923	112,396	8,527
Total	$ 186,710	$ 166,251	$ 20,459

Depreciation expense for the year ended June 30, 2023, amounted to $5,337.

3. Contingent Liability - Grant Awards

As previously noted, the Organization receives financial assistance from the Federal Government that is subject to annual review and audit. These reviews and audits could lead to requests for reimbursement or to withholding of future funding for expenditures disallowed under or other noncompliance with the terms of the grants. The Organization is not aware of any noncompliance with Federal provisions that might require the Organization to provide reimbursement.

4. Related Party

There are no related party transactions to report.

5. Compensated Absences

Unpaid vacation and personal hours accrued, up to the maximum of 40 hours, are paid upon termination at the employee’s current rate of pay. Unpaid sick leave is not paid upon termination.

6. Concentration of Credit Risk

The Organization is dependent on various federal and state agencies for funding. As such, the continuance of the Organization operations is dependent on budgets of these agencies and their continuance of support for these programs.

7. Line of Credit

The Organization has a $40,000 bank line of credit which matures May 15, 2024. Amounts borrowed under this agreement bear interest at the rate of 8.25%. At June 30, 2023, the principal amount outstanding on the line of credit was $32,771 and accrued interest was $429. The line is secured by the building owned by the Organization. The unused portion at June 30, 2023 was $7,229.

8. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

9. Going Concern Consideration

Due to the continuing operating losses and declining grant revenues the Organization has experienced over the last several years, substantial doubt has been raised on the ability of the Organization to continue as a going concern within one year after the date that the financial statements are available to be issued. The Board of Directors and management has evaluated the significance of these conditions and the Organization’s ability to meet its obligations. Management and the Board have prepared and adopted a business plan dated October 10, 2023 to address these concerns. The following illustrates the plan that management has implemented or will implement to mitigate these conditions:

- The Organization will limit spending, including limiting staff hours where possible.
- The Organization has considered selling the office building.
- An effort has been made to develop additional funding, including applying for ARPA and Community Foundation grants, as well as applying for United Way funding.
- The Organization has committed to a capital campaign beginning in fiscal year ending 2024.
- The Organization has requested abatement for tax penalties owed to the Internal Revenue Service.

10. Subsequent Events

During the year ended June 30, 2024, the Organization received $6,546 of the $16,322 employee receivable recorded as of June 30, 2023. The remaining amount was unable to be proven as fraudulent and was written off in fiscal year 2024.

Subsequent events have been evaluated through August 29, 2024, which is the date the financial statements were available to be issued.

Compliance Section

Wade Stables P.C.
CERTIFIED PUBLIC ACCOUNTANTS

100 North Sixth Street • P.O. Box 796 • Hannibal, Missouri 63401-0796 • Phone (573) 221-5998 • Fax (573) 221-2044

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
Heartland Resources, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Heartland Resources, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Heartland Resources, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Heartland Resources, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Heartland Resources, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heartland Resources, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Concluded)

Heartland Recourses, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Heartland Resources, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Heartland Resources, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wade Stables P.C.

Wade Stables P.C.
Certified Public Accountants

August 29, 2024
Hannibal, Missouri

Findings – Financial Statement Audit

Significant Deficiency

Finding 2023-001 Segregation of Duties

Criteria:
Segregation of duties is a fundamental element of internal control. Segregation of duties is the principle that no one individual or group of individuals should be in a position to both perpetrate and conceal errors or fraud during the normal course of their duties.

Condition:
A lack of segregation of duties over cash receipts and disbursements was noted during the engagement.

Cause of Condition:
Segregation of duties is normally difficult to accomplish within a small organization; however, management should be ever mindful of areas that can easily be improved.

Effect:
Management or employees, in the normal course of performing their assigned functions, may fail to prevent or detect misstatements on a timely basis.

Recommendation:
The Organization should segregate duties the best they can. Individuals who perform certain procedures should be limited in their ability to perform other functions. Bank reconciliations should be prepared by someone without other cash responsibilities and reviewed by a second party. Checks should be signed by someone other than the employee who prepares them. Check signers should be given all the appropriate supporting documentation. The signers should verify the check is actually for the invoices presented and the appropriate approvals are in place.

Response:
Due to the limited number of staff members, complete segregation of duties is not feasible. The Organization utilizes an outside accounting firm to help mitigate risks related to segregation of duties.

Noncompliance

Finding 2023-002 In-Kind Revenue

Criteria:
The Organization is required to maintain detailed and complete accounting records with respect to all funds received from Northeast Missouri Area Agency on Aging, Inc. (NEMO AAA). Therefore, maintaining an adequate record of volunteer hours and in-kind donations is essential in order to adhere to these requirements.

***Condition*:**
During the course of our audit, we reviewed documentation maintained by the Organization in order to verify the volunteer hours and in-kind donations used for the in-kind match on the Organization's reporting to NEMO AAA. The documentation we obtained was limited and we were unable to verify the in-kind revenue amount of $42,070 with detailed records or logs.

Cause of Condition:
The Organization does not have an effective process in place for tracking and maintaining in-kind documentation.

Effect:
Inaccurate information could be reported to NEMO AAA and therefore, cause funding to be disallowed or require repayment.

Noncompliance (Concluded)

Recommendation:
We recommend that a log sheet be used to track all volunteer and other professional service hours, as well as a spreadsheet to track other in-kind donations. These logs should also be regularly reviewed for accuracy by a second party.

Response:
Heartland Resources will develop a tracking sheet to be used so in-kind hours and donations will be accurately accounted for in-kind services.

Finding 2023-003: Audit Report Submission

Criteria:
The program services contract between the Organization and the NEMO AAA, states that if an audit is performed, the Organization is required to submit a copy of the audit report package to NEMO AAA within 30 days of receiving the audit report or nine months after the Organization’s year end, whichever occurs earlier.

Condition:
The Organization’s audit for the year ended June 30, 2023, was not submitted within nine months of the Organization’s year end.

Cause:
Proper supporting documentation for the financial statement audit was not able to be located and provided to the auditor within the nine-month time frame.

***Effect*:**
Noncompliance could lead to the Organization’s funding being withheld until the audit report is filed.

***Recommendation*:**
We recommend a process be put in place to ensure proper documentation is maintained and made available in a timely manner after the Organization’s year end.

***Response*:**
It is management’s view that this was an isolated incident caused by staff turnover. However, processes will be implemented to ensure documentation is available and future audit reports are timely submitted.