

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

HEARTLAND FOR CHILDREN, INC.

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Heartland for Children, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Heartland for Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Heartland for Children, 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 for Children, 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 Heartland for Children, 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 the Heartland for Children, 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 for Children, 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 Heartland for Children, Inc.'s 2022 financial statements, and our report dated December 14, 2022, expressed an unmodified opinion on these audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

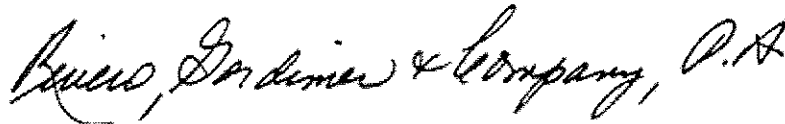
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and Chapter 10.650, *Rules of the Auditor General* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2024, on our consideration of Heartland for Children, 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 for Children, 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 for Children, Inc.'s internal control over financial reporting and compliance.

Tampa, Florida
February 28, 2024

A handwritten signature in cursive script that reads "Bruce, Gardner & Company, P.A." The signature is written in black ink and is positioned to the right of the typed text.

Heartland for Children, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2023
(With comparative total for 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents (notes A5 and A6)	\$ 10,375,487	\$ 9,602,677
Grants receivable	122,514	160,552
Prepaid expenses	<u>70,040</u>	<u>61,899</u>
Total current assets	10,568,041	9,825,128
Property and equipment, net of accumulated depreciation (notes A8 and B)	11,067	15,477
Funds held in trust (note C)	423,415	447,651
Other asset (notes D and H)	<u>65,000</u>	<u>65,000</u>
Total assets	<u>\$ 11,067,523</u>	<u>\$ 10,353,256</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 5,691,165	\$ 4,010,308
Refundable advances (note A7)	1,568,981	2,729,145
Deferred revenue	<u>371,592</u>	<u>291,904</u>
Total current liabilities	7,631,738	7,031,357
Funds held in trust (note C)	<u>423,415</u>	<u>447,651</u>
Commitments and contingencies (note E)	<u>-</u>	<u>-</u>
Total liabilities	8,055,153	7,479,008
Net assets - without donor restrictions (note A2)	<u>3,012,370</u>	<u>2,874,248</u>
Total liabilities and net assets	<u>\$ 11,067,523</u>	<u>\$ 10,353,256</u>

The accompanying notes are an integral part of this statement.

Heartland for Children, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2023
(With comparative total for 2022)

	<u>2023</u>	<u>2022</u>
Revenues		
Grants (notes A7 and F)		
Governmental	\$ 66,033,513	\$ 50,984,291
Other grants	638,403	699,982
Contributions - other (note G)	112,260	82,186
In-kind revenue (note G)	<u>269,449</u>	<u>246,401</u>
Total revenues	<u>67,053,625</u>	<u>52,012,860</u>
Expenses		
Program		
Case management	20,918,145	17,581,996
Out of home care	18,640,181	11,335,924
Adoption	11,585,102	10,692,370
Independent living	2,418,327	1,656,769
Other client services	6,668,018	4,219,613
Preservation services	1,778,176	1,564,202
Prevention services	1,124,280	835,838
Training	718,225	570,252
Other family services	<u>1,167,597</u>	<u>1,413,638</u>
Total program expenses	65,018,051	49,870,602
Management and general	<u>1,897,452</u>	<u>1,872,160</u>
Total expenses	<u>66,915,503</u>	<u>51,742,762</u>
Change in net assets	138,122	270,098
Net assets at beginning of year	<u>2,874,248</u>	<u>2,604,150</u>
Net assets at end of year	<u>\$ 3,012,370</u>	<u>\$ 2,874,248</u>

The accompanying notes are an integral part of this statement.

Heartland for Children, Inc.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2023
(With comparative total for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 138,122	\$ 270,098
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	4,410	4,411
Decrease (increase) in grant receivables	38,038	(110,552)
(Increase) decrease in prepaid expenses	(8,141)	250,432
Increase in accounts payable and accrued expenses	1,680,857	258,377
(Decrease) increase in refundable advances and deferred revenue	(1,080,476)	477,382
Total adjustments	<u>634,688</u>	<u>880,050</u>
Net cash provided by operating activities	<u>772,810</u>	<u>1,150,148</u>
Net increase in cash and cash equivalents	772,810	1,150,148
Cash and cash equivalents at beginning of year	<u>9,602,677</u>	<u>8,452,529</u>
Cash and cash equivalents at end of year	<u>\$ 10,375,487</u>	<u>\$ 9,602,677</u>
Supplemental disclosures of cash flow information		
Cash paid during the year		
Interest	<u>\$ -</u>	<u>\$ -</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Heartland for Children, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2023

	Program Expenses									Management and General	Total	
	Case Management	Out of Home Care	Adoption	Independent Living	Other Client Services	Preservation Services	Prevention Services	Training	Other Family Services			Subtotal
Salaries, benefits, and taxes	\$ 5,710,739	\$ -	\$ 403,228	\$ 78,145	\$ 588,647	\$ -	\$ 359,549	\$ 602,519	\$ 380,723	\$ 8,123,550	\$ 943,677	\$ 9,067,227
Out of home care payments	-	18,640,181	9,385,484	1,641,202	-	-	-	-	-	29,666,867	-	29,666,867
Subcontracts	14,254,801	-	1,547,777	698,980	2,242,274	1,778,176	694,275	-	-	21,216,283	-	21,216,283
Contracted services	309,234	-	202,173	-	3,837,097	-	26,009	14,730	208,989	4,598,232	551,023	5,149,255
In-kind expenditures	-	-	-	-	-	-	-	-	269,449	269,449	-	269,449
Insurance	287,304	-	19,896	-	-	-	16,600	15,600	-	338,400	89,400	427,800
Media	55,394	-	-	-	-	-	-	-	-	55,394	-	55,394
Occupancy	220,117	-	23,106	-	-	-	27,459	50,077	174,784	495,543	190,266	685,809
Other expense	45,221	-	2,590	-	-	-	1,388	30,795	133,210	213,204	116,230	329,434
Travel	35,335	-	848	-	-	-	-	4,504	442	41,129	2,446	43,575
Total expenses before depreciation and amortization	20,918,145	18,640,181	11,585,102	2,418,327	6,668,018	1,778,176	1,124,280	718,225	1,167,597	65,018,051	1,893,042	66,911,093
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	4,410	4,410
Total expenses	<u>\$ 20,918,145</u>	<u>\$ 18,640,181</u>	<u>\$ 11,585,102</u>	<u>\$ 2,418,327</u>	<u>\$ 6,668,018</u>	<u>\$ 1,778,176</u>	<u>\$ 1,124,280</u>	<u>\$ 718,225</u>	<u>\$ 1,167,597</u>	<u>\$ 65,018,051</u>	<u>\$ 1,897,452</u>	<u>\$ 66,915,503</u>

The accompanying notes are an integral part of this statement.

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A brief description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Organization

Heartland for Children, Inc. ("HFC"), formerly known as Devereux Families, Inc., was incorporated in June 2002 and changed its name in June 2007. HFC serves as the lead agency for the State of Florida Department of Children and Families ("DCF") Community Based Care Project (the "CBCP") in Polk, Highlands and Hardee Counties of Florida (the "Tri-County") by performing administrative services, financial management, data communication services, training, family preservation services and quality assurance for child protection services. DCF, who previously performed these activities, still provides child protection investigations and legal services through the State of Florida within the Tri-County for the CBCP. Under the authority of DCF, HFC was contracted to perform the lead agency services for the CBCP in January of 2004.

HFC accomplishes its purpose as the lead agency for the CBCP by utilizing a system of care that includes independent agencies (the "Stakeholders") that are subcontracted through HFC to provide services to the abused and neglected children and their families within the Tri-County. The Stakeholders consist of the following agencies that operate within the Tri-County: The Children's Home Society of Florida, Inc., One Hope United, Inc., and The Devereux Foundation. The Stakeholders operate and work together in four independent, but related care centers established throughout the Tri-County. The four care centers collectively serve approximately 3,000 children. The purpose of the care centers is to serve as a central point of operations and administration for the CBCP in different geographical areas of the Tri-County.

HFC receives the majority of their funding and support from DCF. Included in the funding from DCF are federal funds, primarily from the U.S. Department of Health and Human Services. As the lead agency in the CBCP, HFC acts as a pass-through entity for a significant portion of the DCF funding. As a pass-through entity, HFC is responsible for administration of the pass-through funds to the sub-recipient organizations, which is accomplished through their role as the lead agency as described in the DCF contracts.

2. Basis of Accounting

HFC follows the provisions of the Financial Accounting Standards Boards *Accounting Standards Codification* ("FASB ASC").

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on HFC as a whole and to present revenue, expenses, and net assets based on the existence or absence of donor-imposed restrictions.

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accordingly, net assets of HFC and changes therein are classified and reported as follows:

- With Donor Restrictions – Net assets with donor restrictions are net assets subject to donor-imposed stipulations that may be fulfilled by the actions of HFC, that may become undesignated by the passage of time, or that require net assets to be permanently maintained, thereby restricting the use of principal.
- Without Donor Restrictions – Net assets without donor restrictions are net assets not subject to donor-imposed restrictions or the donor-imposed restrictions have expired. These net assets are available for use at the discretion of the Board and/or management for general operating purposes.

3. Use of Estimates

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

4. Liquidity

Assets are presented in the accompanying Statement of Financial Position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid short-term money market instruments with a maturity of three months or less when purchased or acquired. At June 30, 2023, there were no cash equivalents.

6. Concentrations of Credit Risk

Financial instruments, which potentially subject HFC to concentrations of credit risk, consist principally of cash. The total of these balances that exceeded federal deposit insurance limits is approximately \$9,995,000 as of June 30, 2023.

HFC receives a substantial amount of its support from the State of Florida Department of Children and Families (98% of total revenues for the year ended June 30, 2023). Any significant reduction in the level of this support could have an effect on HFC's programs.

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Grant Revenues and Refundable Advances

Revenues from governmental grants are recorded based upon terms of the grantor allotment which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred. Support received from governmental agencies in advance of related allowable costs is recorded as refundable advances. Unexpended advances may have to be returned to the awarding agency at the end of the contract term. Revenues are subject to audit by the grantor and, if the examination results in a disallowance of any expenditure, repayment could be required.

8. Property and Equipment

Property and equipment are stated at cost on the date of acquisition. Depreciation is provided for using the straight-line method over the estimated useful lives of each asset, approximately three to five years. HFC follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000.

9. Income Tax Status

HFC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively. Accordingly, no income tax liability has been recorded in the financial statements. HFC has not reported any unrelated business income; however, such status is subject to final determination upon examination, if any, of the related income tax returns by appropriate taxing authorities.

HFC is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after 2019 remain subject to examination by federal and state taxing authorities.

10. Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs benefited.

The major activities of HFC include protective services, foster care, adoptions, independent living, prevention, family preservation, family support services and other related services. These individual aspects of program services focus on permanency of children through adoption finalization or reunification.

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Comparative Information

The financial statements include certain prior period summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the HFC's financial statements for the year ended June 30, 2022, from where it was derived.

12. Accounting Pronouncements Adopted

Effective July 1, 2022, HFC adopted the provisions of FASB ASC Topic 842 (ASU 2016-02), *Leases*. ASC 842 requires that a lease liability and related right-of-use asset representing the lessee's right-of-use asset (ROU) or control the asset be recorded on the statement of financial position upon the commencement of all leases, except for those with a lease term of twelve months or less. Leases are classified as either finance leases or operating leases. The accounting for finance (formerly capital) leases remained substantially unchanged. HFC did not have any leases that were required to be recorded as right-to-use assets and liabilities at the adoption date as any existing leases were determined to be short-term leases under the package of practical expedients available to HFC.

Effective July 1, 2022, HFC adopted the provisions of FASB ASU 2020-07, *Not-for-Profit Entities (Topic 956) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

NOTE B - PROPERTY AND EQUIPMENT

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

Vehicles	\$ 114,107
Equipment	1,748,708
Total property and equipment	<u>1,862,815</u>
Less accumulated depreciation and amortization	<u>(1,851,748)</u>
	<u>\$ 11,067</u>

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

NOTE B - PROPERTY AND EQUIPMENT - Continued

Property and equipment acquired with State funds from DCF are considered to be controlled by HFC while being used for general operations. However, ownership of this property shall be vested in DCF. The cost basis of such property approximated \$1,863,000 (net book value of approximately \$11,000) at June 30, 2023.

NOTE C - FUNDS HELD IN TRUST

HFC acts as a representative payee for individuals who receive Social Security and/or Supplemental Security Income (SSI) benefits. Funds held in trust represent Social Security and/or SSI funds received by individuals within HFC's system of care. These funds are maintained in an interest-bearing collective checking account which is used to deposit beneficiaries' Social Security and SSI benefits, and also to make disbursements for beneficiaries' cost of care charges. Interest earnings on this account are allocated to the beneficiaries based on their individual ending ledger balance for the month.

HFC records the value of the collective checking account as an asset and records a liability for the total value of the individual participant accounts on the Statement of Financial Position. These amounts offset each other at June 30, 2023.

NOTE D - OTHER ASSETS

HFC invested in a captive insurance arrangement with the acquisition of one share of CBC Casualty Insurance Limited, an exempted company organized with limited liability under the laws of the Cayman Islands, for \$65,000 in June 2019.

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Pension Plans

Through the Service Agreement with Devereux Foundation, Inc. ("Devereux"), HFC participates in the employee benefits offered to Devereux employees. Retirement plans offered by HFC are through TIAA.

The plan covers all employees who are at least 21 years of age and meet certain service requirements. HFC's contributions to the plan are equal to 7% of the employee's annual salary; plus 100% match of employee elective deferrals, up to, but not exceeding 3% of employee compensation. HFC's contributions to the plan approximated \$506,000 for the year ended June 30, 2023.

2. Short-term Leases

HFC conducts its operations in leased facilities and also leases certain equipment. All leases are classified as operating leases and are being paid on a month-to-month basis. Rent expense for HFC was approximately \$213,000 for the year ended June 30, 2023.

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

NOTE E - COMMITMENTS AND CONTINGENCIES - Continued

3. Contingencies

From time to time HFC may be party to legal disputes. No litigation exists which, in management's opinion, would have a material effect on HFC's financial position at June 30, 2023.

NOTE F - GOVERNMENTAL GRANT REVENUES

Governmental grant revenues consisted of funds from the following tiers of government for the year ended June 30, 2023:

Federal	\$ 26,957,691
State	15,546,322
State funds used to match federal funds	<u>23,529,500</u>
	<u>\$ 66,033,513</u>

NOTE G - CONTRIBUTIONS

Contributions consisted of cash and in-kind contributions, from individuals and non-related agencies, to support HFC with funding for operations. All donated items are considered without donor restrictions and were utilized during the year ended June 30, 2023.

In-kind contributions consist primarily of donated toys, services and warehouse space and are reflected in the accompanying financial statements at their fair value when an objective basis is available to measure such items. In-kind contributions totaled \$269,449 for the year ended June 30, 2023.

NOTE H - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that HFC has the ability to access.

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

NOTE H - FAIR VALUE MEASUREMENTS - Continued

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for that asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- If the asset or liability has a specified (contractual) term, the input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2023:

Investment in insurance company private offering: This investment does not trade on an active market nor do any similar organizations. With no meaningful basis to value the investment, management has recorded it at historic cost and considers this to be a Level 3 measurement of value.

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while HFC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Heartland for Children, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023

NOTE H - FAIR VALUE MEASUREMENTS - Continued

The estimated fair values of HFC's financial instruments are as follows at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment in insurance company private offering	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 65,000</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 65,000</u></u>	<u><u>\$ 65,000</u></u>

NOTE I - LIQUIDITY AND AVAILABILITY

At June 30, 2023, HFC had \$10,498,001 of financial assets available to meet needs for general expenditures consisting of cash and cash equivalents as well as grants receivable. Amounts included that were received from the Florida Department of Children and Families are subject to contractual provisions that would require repayment of unexpended funds at the end of the contract term. Accordingly, all such funds are available to meet the cash needs of HFC in the next 12 months.

HFC manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due.

NOTE J - SUBSEQUENT EVENTS

HFC has evaluated events and transactions occurring subsequent to June 30, 2023 as of February 28, 2024 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

HEARTLAND FOR CHILDREN, INC.

For the year ended June 30, 2023

Heartland for Children, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

For the year ended June 30, 2023

Federal/State Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number or State CSFA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal/State Expenditures
Federal				
U.S. Department of Health and Human Services				
Indirect Programs				
Passed-through the Florida Department of Children and Families				
Guardianship Assistance	93.090	TJ501	\$ -	\$ 547,230
Promoting Safe and Stable Families	93.556	TJ501	1,682,716	2,145,659
Temporary Assistance for Needy Families (TANF) Grants to States for Access and Visitation Programs	93.558	TJ501	2,872,879	4,587,485
Adoption Incentive and Legal Guardian Payments	93.597	TJ501	39,938	39,938
Stephanie Tubbs Jones Child Welfare Services Program	93.603	TJ501	-	12,178
Foster Care - Title IV-E	93.645	TJ501	467,184	623,169
Adoption Assistance - Title IV-E	93.658	TJ501	4,977,438	10,454,102
Social Services Block Grant	93.659	TJ501	983,857	6,679,116
Child Abuse and Neglect State Grants	93.667	TJ501	110,316	802,963
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.669	TJ501	12,443	48,858
Medical Assistance Program (Medicaid; Title XIX)	93.674	TJ501	280,057	946,860
	93.778	TJ501	-	70,133
Total U.S. Department of Health and Human Services - Indirect Programs			<u>11,426,828</u>	<u>26,957,691</u>
Total expenditures of federal awards			<u>11,426,828</u>	<u>26,957,691</u>
State				
Florida Department of Children and Families				
Direct Projects				
Out of Home Supports	60.074	TJ501	465,609	11,811,211
CBC - Adoption Services	60.076	TJ501	-	72,251
The Independent Living and Road-to-Independence Program	60.112	TJ501	-	153,170
CBC - Sexually Exploited Children	60.138	TJ501	267,540	371,536
Extended Foster Care Program	60.141	TJ501	-	315,000
CBC - Purchase of Therapeutic Services for Children	60.183	TJ501	-	246,337
Family Finders Program	60.206	TJ501	-	66,620
Kinship Navigator Program	60.207	TJ501	-	695,751
Guardianship Assistance Program	60.210	TJ501	-	164,041
CBC - Fatherhood Engagement Specialist	60.211	TJ501	28,781	28,781
Early Childhood Court Case Management & Prevention Services	60.225	TJ501	80,259	80,259
State Funded Child Care Subsidy	60.244	TJ501	-	1,266,401
Total Florida Department of Children and Families - Direct Projects			<u>842,189</u>	<u>15,271,358</u>
Florida Department of Education and Commissioner of Education				
Indirect Projects				
Passed through University of Central Florida				
School and Instructional Enhancement Programs	48.040	18117A01-02	51,035	274,964
Total Florida Department of Education and Commissioner of Education			<u>51,035</u>	<u>274,964</u>
Total expenditures of state financial assistance			<u>893,224</u>	<u>15,546,322</u>
Total expenditures of federal awards and state financial assistance			<u>\$ 12,320,052</u>	<u>\$ 42,504,013</u>

The accompanying notes are an integral part of this schedule.

Heartland for Children, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

June 30, 2023

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the federal and state award activity of Heartland for Children, Inc. under programs of the federal government and State of Florida for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650 *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of Heartland for Children, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Heartland for Children, Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.650 *Rules of the Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Heartland for Children, Inc. has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - STATE MATCHING FUNDS FOR FEDERAL PROGRAMS

State funds awarded to HFC as matching funds for federal programs consisted of the following:

Federal Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
To Be Tested Pursuant to OCA Activity	90.XXX	TJ501	\$ 9,273,869
Guardianship Assistance	93.090	TJ501	278,778
Promoting Safe and Stable Families	93.556	TJ501	17,417
Temporary Assistance for Needy Families (TANF)	93.558	TJ501	1,132,849
Stephanie Tubbs Jones Child Welfare Services Program	93.645	TJ501	207,723
Foster Care - Title IV-E	93.658	TJ501	8,164,338
Adoption Assistance - Title IV-E	93.659	TJ501	4,276,024
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	TJ501	108,370
Medical Assistance Program (Medicaid; Title XIX)	93.778	TJ501	70,132
Total state funds awarded for matching on contract TJ501			\$ 23,529,500

Heartland for Children, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE - CONTINUED

June 30, 2023

NOTE D - RECONCILIATION OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
TO THE FINANCIAL STATEMENTS

Following is a reconciliation of the Schedule of Expenditures of Federal Awards and State Financial Assistance to the total funding reported to HFC by the Department of Children and Families in the Fiscal Year 2022-23 Post Award Notice of Federal Awards and State Financial Assistance:

Total federal awards and state financial assistance per the Florida Department of Children and Families Post Award Notice for contract TJ501	<u>\$ 65,132,069</u>
Add:	
Expenditures of state awards received in prior fiscal years and expended in fiscal year 2023	1,273,047
Expenditures of federal and state financial assistance received from other contracts	274,964
Less:	
State financial assistance received in fiscal year 2023 and revenue recognition deferred until future periods	<u>646,567</u>
Total governmental grant revenues per the financial statements	<u><u>\$ 66,033,513</u></u>

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*

HEARTLAND FOR CHILDREN, INC.

June 30, 2023



RIVERO, GORDIMER & COMPANY, P.A.

Member
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Herman V. Lazzara	Michael E. Helton
Sam A. Lazzara	James K. O'Connor
Kevin R. Bass	David M. Bohnsack
Jonathan E. Stein	Julie A. Davis
Stephen G. Douglas	
Marc D. Sasser, of Counsel	
Cesar J. Rivero, in Memoriam (1942-2017)	

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

Board of Directors
Heartland for Children, 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 for Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Heartland for Children, 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 for Children, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Heartland for Children 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.



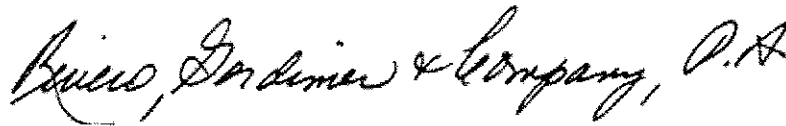
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heartland for Children, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Tampa, Florida
February 28, 2024

A handwritten signature in cursive script that reads "Bivins, Gardner & Company, P.A." The signature is written in black ink and is positioned to the right of the typed text.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE AND CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*

HEARTLAND FOR CHILDREN, INC.

June 30, 2023



RIVERO, GORDIMER & COMPANY, P.A.

Member
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

Board of Directors
 Heartland for Children, Inc.

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited Heartland for Children, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of Heartland for Children, Inc.'s major federal programs and state projects for the year ended June 30, 2023. Heartland for Children, Inc.'s major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Heartland for Children, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Our responsibilities under those standards, the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Heartland for Children, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of Heartland for Children, Inc.'s compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Heartland for Children, Inc.'s federal programs and state projects.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Heartland for Children, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Heartland for Children, Inc.'s compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Heartland for Children, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Heartland for Children, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of Heartland for Children, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

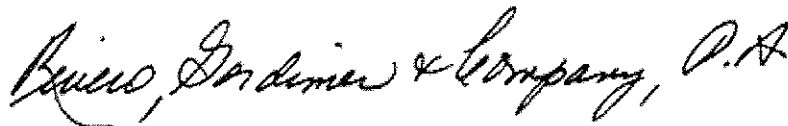
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Tampa, Florida
February 28, 2024



SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS

HEARTLAND FOR CHILDREN, INC.

June 30, 2023

Heartland for Children, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS

For the year ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 yes X no

Significant deficiency(ies) identified?

 yes X none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards and State Projects

Internal control over major Federal Programs and State Projects:

Material weakness(es) identified?

 yes X no

Significant deficiency(ies) identified?

 yes X none reported

Type of auditors' report issued on compliance for major Federal Programs and State Projects:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a) or Chapter 10.656, Rules of the Auditor General?

 yes X no

Identification of major Programs and State Projects:

Federal Program or Cluster

Assistance Listing Number

Name of Federal Program

93.659

Adoption Assistance Title IV-E

93.674

John H. Chafee Foster Care Program

for Successful Transition to Adulthood

State Project

CSFA Number

Name of State Project

60.074

Out of Home Supports

60.141

Extended Foster Care Program

60.244

State Funded Child Care Subsidy

Heartland for Children, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS - CONTINUED

For the year ended June 30, 2023

Section I - Summary of Auditors' Results - Continued

Dollar threshold used to distinguish between

Type A and Type B programs - Federal programs: \$ 808,731

Dollar threshold used to distinguish between

Type A and Type B programs - State programs: \$ 750,000

Auditee qualified as low-risk auditee pursuant to the

Uniform Guidance (not applicable for State projects)? X yes ___ no

Section II - Financial Statement Findings

No matters were reported for the year ended June 30, 2023.

Section III - Federal Award and State Financial Assistance Findings and Questioned Costs

No matters were reported for the year ended June 30, 2023.

Other Issues

- a) A management letter is not required because there were no findings required to be reported in the management letter (see AG Rule Section 10.656(3)(e)).
- b) A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to Federal programs or State projects (see AG Rules 10.557(3)(e)5. and 10.656(3)(d)5.).