

**HEART OF APPALACHIA
TOURISM AUTHORITY
AUDIT REPORT
JUNE 30, 2023**

**HEART OF APPALACHIA TOURISM AUTHORITY
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YEAR ENDED JUNE 30, 2023**

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HEART OF APPALACHIA TOURISM AUTHORITY

AUTHORITY OFFICIALS

BOARD MEMBERS (through fiscal year ended June 30, 2023)

Austin Bradley, Chair

Keith Wilson, Vice Chair

Karen Maggard, Treasurer

Rita Surratt, Secretary

AJ Robinson

Brooke Boyd

Elizabeth Walker

Ginger Branton

Katie Dunn

Lonzo Lester

Matthew Fields

Michael Hatfield

Michelle Davalos

Pam Cox

Richard Johnson

Ked Meade

Sharon Buchanan (Ewing)

Shiloh Lyttle

Maddie Gordon

Katie Dunn

LARRY D. STURGILL, P. C.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Heart of Appalachia Tourism Authority
St. Paul, Virginia 24283

Opinion

We have audited the accompanying financial statements of Heart of Appalachia Tourism Authority (a non-profit 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 Heart of Appalachia Tourism Authority 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 of 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 Heart of Appalachia Tourism Authority 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.

Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

To the Board of Directors
Heart of Appalachia Tourism Authority
St. Paul, Virginia 24283

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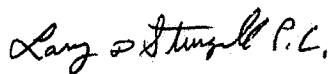
Auditors' Responsibility for the Audit of the Financial Statements

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 in error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Heart of Appalachia Tourism Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Heart of Appalachia Tourism Authority'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.



Larry D. Sturgill, P.C.
October 06, 2023
Wise, Virginia

LARRY D. STURGILL, P. C.

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INDEPENDENT AUDITORS' 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

The Board of Directors
Heart of Appalachia Tourism Authority
St. Paul, Virginia 24283

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, and with the *Specifications for Audits of Boards, Commissions and Authorities* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Heart of Appalachia Tourism Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Heart of Appalachia Tourism Authority's basic financial statements, and have issued our report thereon dated October 06, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 weakness may exist that have not been identified.

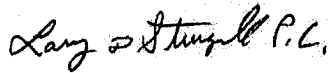
The Board of Directors
Heart of Appalachia Tourism Authority
St. Paul, Virginia 24283
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Heart of Appalachia Tourism Authority's 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Larry D. Sturgill, P.C.
Wise, Virginia
October 06, 2023

**HEART OF APPALACHIA TOURISM AUTHORITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 413,207	
Grants Receivable	40,174	
Other Receivables	30,232	
Prepaid Expenses	<u>3,150</u>	
TOTAL CURRENT ASSETS		\$ 486,763

CAPITAL ASSETS

Capital Assets, Net	\$ <u>10,191</u>	
TOTAL CAPITAL ASSETS		<u>10,191</u>

TOTAL ASSETS		<u><u>\$ 496,954</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 14,460	
Accrued Compensated Absences	10,179	
Credit Card Payable	695	
Payroll Tax Liabilities Payable	<u>2,785</u>	
TOTAL CURRENT LIABILITIES		\$ 28,119

NET ASSETS

Without Donor Restrictions	\$ 468,835	
With Donor Restrictions	<u>-0-</u>	
TOTAL NET ASSETS		<u>468,835</u>

TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 496,954</u></u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**HEART OF APPALACHIA TOURISM AUTHORITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Advertising Revenue	20,875	-	20,875
Grant Revenue	96,221	-	96,221
Interest Income	441	-	441
Other Revenue	591,812	-	591,812
Gain on Sale of Asset	23,650	-	23,650
	<u>732,999</u>	<u>-0-</u>	<u>732,999</u>
Expenses			
Program Services	606,138	-	606,138
Supporting Services:			
Management and General	40,603	-	40,603
	<u>40,603</u>	<u>-</u>	<u>40,603</u>
	<u>646,741</u>	<u>-</u>	<u>646,741</u>
Change in Net Assets	86,258	-0-	86,258
Net Assets at Beginning of Year	382,577	-0-	382,577
NET ASSETS AT END OF YEAR	<u><u>468,835</u></u>	<u><u>-0-</u></u>	<u><u>468,835</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**HEART OF APPALACHIA TOURISM AUTHORITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Services		Supporting Services		Total Expenses
	Program Expense	Total Program Expenses	Management and General	Total Supporting Expenses	
Automobile Expense	\$ 5,353	\$ 5,353	\$ -	\$ -	\$ 5,353
Auditing – Professional	-	-	6,500	6,500	6,500
Computer/Copier Expense	-	-	5,767	5,767	5,767
Depreciation	9,199	9,199	2,128	2,128	11,327
Dues	-	-	2,963	2,963	2,963
Employee Benefits	24,835	24,835	-	-	24,835
Insurance	5,031	5,031	-	-	5,031
Interest	-	-	782	782	782
Maintenance	13,251	13,251	-	-	13,251
Marketing and Promotions	192,179	192,179	-	-	192,179
Miscellaneous	1,530	1,530	-	-	1,530
Office Expense	-	-	7,560	7,560	7,560
Payroll Taxes	31,682	31,682	-	-	31,682
Professional Services	56,235	56,235	-	-	56,235
Salaries	247,328	247,328	-	-	247,328
Telephone	-	-	13,312	13,312	13,312
Travel	12,352	12,352	-	-	12,352
Utilities	-	-	1,591	1,591	1,591
Website Expense	7,163	7,163	-	-	7,163
	<u>\$ 606,138</u>	<u>\$ 606,138</u>	<u>\$ 40,603</u>	<u>\$ 40,603</u>	<u>\$ 646,741</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**HEART OF APPALACHIA TOURISM AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

Cash Flows From Operating Activities

Cash Received From Grants	\$ 72,443
Fees and Other Revenue Collected	671,740
Cash Paid to Suppliers	(458,795)
Cash Paid to Employees	<u>(284,467)</u>

Net Cash Flow Provided (Used) By Operating Activities \$ 921

Cash Flow From Capital and Related Financing Activities:

Proceeds From Sale of Assets	\$ <u>28,575</u>
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Net Cash Flow Provided (Used) By Investing Activities: 28,575

Net Increase (Decrease) In Cash and Cash Equivalents 29,496

Cash and Cash Equivalents, Beginning of Year 383,711

Cash and Cash Equivalents, Ending of Year \$ 413,207

**Reconciliation of Operating Income to Net Cash Provided
By Operating Activities:**

Operating Income (Loss) \$ 86,258

Adjustments to Reconcile Operating Income to Net
Cash Provided Operating Activities:

Gain on Sale of Assets	\$ (23,650)
Depreciation and Amortization	11,327
(Increase) Decrease in Grants Receivable	(23,778)
(Increase) Decrease in Other Receivables	16,191
(Increase) Decrease in Prepaid Expenses	74
Increase (Decrease) in Accounts Payable	8,978
Increase (Decrease) in Accrued Wages	(14,578)
Increase (Decrease) in Credit Card Payable	(1,574)
Increase (Decrease) in Accrued Compensated Absences	(22,561)
Increase (Decrease) in Deferred Revenue	(29,000)
Increase (Decrease) in Payroll Tax Liability	<u>(6,766)</u>

Net Adjustments (85,337)

Net Cash Provided (Used) by Operating Activities \$ 921

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**HEART OF APPALACHIA TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1: ORGANIZATION AND NATURE OF ACTIVITIES

The Heart of Appalachia Tourism Authority: DBA Heart of Appalachian Tourism Authority (“The Authority”) was created by the Virginia General Assembly in 1993. The mission of the organization is to market, promote, expand, and develop tourism opportunities in the coalfield counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, Wise and the City of Norton.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Authority utilizes the accrual basis of accounting in which revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which they are incurred.

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Grants Receivable

Grants receivable includes amounts for reimbursable expenditures in excess of revenue at year-end, and receivables from the Virginia Department of Mines, Minerals and Energy required under statutes of the State of Virginia. At June 30, 2023, management believes all grant receivables are fully collectible; therefore, there was no allowance for doubtful accounts.

Property, Plant, and Equipment

Property, plant, and equipment is recorded at cost. Any donated property that may be received will be recorded at market value as of the date of donation. Depreciation for the property, plant, and equipment has been provided over the following estimated useful lives using the straight-line method.

Buildings	40 years
Building Improvements	10 – 25 years
Equipment	5 – 7 years

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions, or support depending on the existence or nature of any donor restrictions.

Budgets and Budgetary Accounting

Management drafts and submits to its board an annual budget. Monthly comparisons are made between budget and actual cost. If adjustments to the budget are needed, approval of board members is solicited.

HEART OF APPALACHIA TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Heart of Appalachia Tourism Authority is organized under Section 501 C (3) of the Internal Revenue Code as a non-profit organization exempt from income taxes. Accordingly, no provision for income taxes is required. The Organization files a Form 990, Return of Organization Exempt From Income Tax, with the Internal Revenue Service each year.

Advertising

The Heart of Appalachia Tourism Authority uses advertising to increase the awareness of the public of the services offered by the organization to those who meet the eligibility requirements of the various programs. The production costs of this advertising are expensed as incurred.

Use of Estimates

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

Adoption of FASB Accounting Standards Update 2016-14

As of July 01, 2021, we adopted the provisions of FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, because we believe the standard improves the usefulness and understandability of the Organization's financial statement reporting. Accordingly, the accompanying financial statements and related notes follow the net asset classification, presentation, and disclosure requirements prescribed by the ASU

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 for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which source was restricted has been fulfilled, or both.

**HEART OF APPALACHIA TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Non-Profit Organization, Inc.'s ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

NOTE 3: CASH AND INVESTMENT

As of June 30, 2023, cash consisted of the following:

<u>Account</u>	<u>Financial Institution</u>	<u>Amount</u>
Checking – Petty Cash	First Bank & Trust	\$ 981
Checking – Operating	First Bank & Trust	56,460
Savings Account	First Bank & Trust	250,351
Savings Account	TruPoint Bank	105,115
Petty Cash	Onsite	<u>300</u>
TOTAL WITHOUT DONOR RESTRICTIONS		<u>\$ 413,207</u>

NOTE 4: LIQUIDITY AND AVAILABILITY

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

	<u>Amount</u>
Cash and Cash Equivalents	\$ 413,207
Accounts Receivable	30,232
Grant Receivables	<u>40,174</u>
Total	<u>\$ 483,613</u>

NOTE 5: GRANTS RECEIVABLE

At June 30, 2023, grants receivable consist of amounts due from the following Virginia State agencies:

	<u>Amount</u>
Virginia Tourism Corporation	\$ 850
Tobacco Commission	<u>39,324</u>
Total	<u>\$ 40,174</u>

**HEART OF APPALACHIA TOURISM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6: CAPITAL ASSETS

The following is a summary of property, plant, and equipment at June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital Assets	\$ 128,572	\$ -0-	\$ (40,868)	\$ 87,704
Accumulated Depreciation	<u>(102,128)</u>	<u>(11,327)</u>	<u>35,942</u>	<u>(77,513)</u>
	<u>\$ 26,444</u>	<u>\$ (11,327)</u>	<u>\$ (4,926)</u>	<u>\$ 10,191</u>

NOTE 7: DONATED OFFICE SPACE

The Authority entered into a lease agreement with the St. Paul Industrial Development Authority for office space. The space is donated to the Authority in exchange for the Authority conducting the business of tourism for the Town of St. Paul. No estimate for the value of the donation is included in these financial statements. The lease renews each July 1.

NOTE 8: SUBSEQUENT EVENTS

Subsequent events have been evaluated as of October 06, 2023, which is the date the financial statements were available to be issued.