HEARTLAND, INC.
Form 10-Q
May 16, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

HEARTLAND, INC.
(Exact name of registrant as specified in its charter)

Maryland	000-27045	36-4286069
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

1005 N. 19th Street
Middlesboro, KY 40965
(Address of principal executive offices) (Zip Code)

606-248-7323
(Registrant's telephone no., including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o

Non accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes oNo x

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of May 10, 2010, there were 36,353,648 shares of common stock, $0.001 par value per share, outstanding.

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HEARTLAND, INC.

FORM 10-Q
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HEARTLAND, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 2011 (Unaudited)	December 31, 2010
CURRENT ASSETS		
Cash	$1,425,125	$1,089,035
Accounts receivable, net	5,068,771	6,612,134
Accounts receivable - related parties	358,808	373,412
Inventory	4,132,590	4,008,178
Prepaid expenses and other current assets	1,308,896	788,793
Total current assets	12,294,190	12,871,552
PROPERTY, PLANT AND EQUIPMENT, net	12,152,055	12,426,502
OTHER ASSETS	1,313,614	1,006,493
Total assets	$25,759,859	$26,304,547

HEARTLAND, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS - continued

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2011 (Unaudited)	December 31, 2010
CURRENT LIABILITIES		
Accounts payable	$4,040,259	$4,460,294
Line of credit	1,188,359	1,175,000
Current portion of notes payable	3,377,210	3,426,368
Current portion of notes payable to related parties	678,911	671,558
Other current liabilities	906,930	647,458
Total current liabilities	10,191,669	10,380,678
Notes payable, less current portion	2,529,462	2,441,845
Notes payable to related parties, less current portion	6,113,579	6,229,516
Other long-term liabilities	498,923	542,921
Total liabilities	19,333,633	19,594,960
STOCKHOLDERS' EQUITY		
Common stock, $0.001 par value 100,000,000 shares authorized; 36,353,648 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively	36,354	36,354
Additional paid-in capital – common stock	20,556,233	20,536,976
Accumulated deficit	(14,166,361)	(13,863,743)
Net stockholders' equity	6,426,226	6,709,587
Total Liabilities and Stockholders' Equity	$25,759,859	$26,304,547

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

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HEARTLAND, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

UNAUDITED

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
SALES	$25,738,619	$21,682,397
Sales - related parties	378,964	227,073
Cost of goods sold	(23,823,842)	(19,492,115)
Gross profit	2,293,741	2,417,355
OPERATING EXPENSES	2,635,243	2,657,187
NET OPERATING LOSS	(341,502)	(239,832)
Other expenses	(28,625)	(11,445)
Interest expense - related parties	(109,950)	(144,240)
LOSS BEFORE INCOME TAXES	(480,077)	(395,517)
Federal and state income taxes		
Income taxes, current period	(44,777)	(4,613)
Income tax benefit, deferred	222,236	153,569
NET LOSS	(302,618)	(246,561)
LESS: Preferred Dividends	-	(13,742)
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	$(302,618)	$(260,303)
Net loss per share:		
Basic:	$(0.01)	$(0.01)
Diluted:	(0.01)	$(0.01)
Weighted average shares outstanding		
Basic:	36,353,648	22,034,312
Diluted:	36,353,648	22,034,312

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

HEARTLAND, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED

	Three Months Ended March 31, 2011	2010
NET CASH PROVIDED BY OPERATING ACTIVITIES	$461,757	$1,236,268
CASH FLOWS FROM INVESTING ACTIVITIES		
Net payments for property, plant and equipment	(78,151)	(147,466)
NET CASH USED IN INVESTING ACTIVITIES	(78,151)	(147,466)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from notes payable	51,818	126,101
Net payments on notes payable to related parties	(99,334)	(37,545)
NET CASH (USED IN) PROVIDED BY FINANING ACTIVITIES	(47,516)	88,556
INCREASE IN CASH	336,090	1,177,358
CASH, BEGINNING OF PERIOD	1,089,035	2,404,910
CASH, END OF PERIOD	$1,425,125	$3,582,268
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$128,484	$104,249
Interest paid - related parties	$109,950	$144,240
Income taxes paid	$-	$4,613
NON CASH INVESTING AND FINANCING ACTIVITIES		
Amortization of deferred compensation as share based compensation	$19,257	$25,076
Issuance of common stock for services and settlement	$-	$25,000

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

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HEARTLAND, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

MARCH 31, 2011

NOTE A BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Regulation S-K promulgated by the Securities and Exchange Commission (“SEC”) and do not include all of the information and notes required by generally accepted accounting principles in the United States for complete financial statements. In the opinion of management, these interim financial statements include all adjustments, which include only normal recurring adjustments, necessary in order to make the financial statements not misleading. The results of operations for such interim periods are not necessarily indicative of results of operations for a full year. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company and management’s discussion and analysis of financial condition and results of operations included in the Company’s Annual Report for the year ended December 31, 2010 as filed with the Securities and Exchange Commission on Form 10-K.

The balance sheet at December 31, 2010 has been derived from the audited consolidated financial statement of that date, but does not include all of the information and notes required by accounting principles generally accepted in United States of America for complete financial statements.

NOTE B EARNINGS PER SHARE

Basic earnings per share assumes no dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during each period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the effect of common shares issuable upon the exercise of stock options and warrants, using the treasury stock method of computing such effects.

NOTE C BUSINESS SEGMENTS

The consolidated financial statements include the accounts of Heartland, Inc. (“Heartland”) and its wholly owned subsidiaries, Mound Technologies, Inc. (“Mound”), Lee Oil Company, Inc. (“Lee Oil”), and Heartland Steel, Inc. (“HS”).All significant intercompany accounts and transactions have been eliminated.

The following tables reflect the Company’s segments at March 31, 2011 and 2010:

Company segments as of and for the period ended March 31, 2011:

	Holding Company (Heartland)	Oil Distributor (Lee Oil)	Steel Fabricator (Mound)	Steel Distributor (HS)	Total
Revenues	$-	$22,931,189	$2,816,243	$370,151	$26,117,583

Intersegment Revenues	211,499	-	-	242,978	454,477
Income (Loss)					
Before Income Taxes	(306,815)	(114,325)	156,052	(214,989)	(480,077)
Total Assets	$3,040,668	$11,635,711	$7,536,856	$3,546,624	$25,759,859

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HEARTLAND, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

MARCH 31, 2011

NOTE C BUSINESS SEGMENTS (Continued)

Company segments as of and for the period ended March 31, 2010:

	Holding Company (Heartland)	Oil Distributor (Lee Oil)	Steel Fabricator (Mound)	Steel Distributor (HS)	Total
Revenues	$-	$18,947,764	$2,535,612	$426,094	$21,909,470
Intersegment Revenues	264,594	-	-	524,227	788,821
Income (Loss)					
Before Income Taxes	(391,204)	(2,410)	235,700	(237,603)	(395,517)
Total Assets	$2,685,655	$11,551,160	$7,514,620	$4,250,781	$26,002,216

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OERATION.

The following discussion should be read in conjunction with the financial statements included in this Form 10-Q.The following discussion and analysis provides certain information, which the Company's management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition for the quarterly period ended March 31, 2011. The statements contained in this section that are not historical facts are forward-looking statements that involve risks and uncertainties. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as "believes," "expects," "may," "will," should" or "anticipates" or negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. From time to time, we or our representatives have made or may make forward-looking statements, orally or in writing. Such forward-looking statements may be included in our various filings with the SEC, or press releases or oral statements made by or with the approval of our authorized executive officers.

These forward-looking statements, such as statements regarding anticipated future revenues, capital expenditures and other statements regarding matters that are not historical facts, involve predictions. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. We do not undertake any obligation to publicly release any revisions to these forward-looking statements or to reflect the occurrence of unanticipated events. Many important factors affect our ability to achieve our objectives, including, among other things, technological and other developments within a given field, intense and evolving competition, the lack of an "established trading market" for our shares, and our ability to obtain additional financing, as well as other risks detailed from time to time in our public disclosure filings with the SEC.

Overview

The Company currently manages its business as three operational segments and files as a consolidated entity. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision makers. The three operational segments we currently report are:

- Mound – Steel Fabrication – Primarily focused on the fabrication of metal products including structural steel, steel stairs and railings, bar joists, metal decks, and other miscellaneous steel products.
- Lee Oil – Oil Distribution – Primarily focused on the wholesale and retail distribution of petroleum products including those sold to the motoring public through our retail locations.
- Heartland Steel – Wholesale Steel – This is a startup segment of the business that we are working to develop into full fledged service center for the distribution of steel products. Construction was completed on the new warehouse and office facility in the fourth quarter of 2009.

Results of Operations

Three months ended March 31, 2011 as compared to the three months ended March 31, 2010

Revenues. Revenues increased for the three months ended March 31, 2011 to $26,117,583 from $21,909,470 for the three months ended March 31, 2010. The increase in revenue of $4,208,113 was primarily a result of price increases in the products being sold.

Cost of Goods Sold. Cost of Goods Sold increased for three months ended March 31, 2011 to $23,823,842 from $19,492,115 for the three months ended March 31, 2010. The increase in the cost of goods sold of $4,331,727 was primarily a result of price increases in the products being sold.

Gross Profit. Gross Profits decreased for three months ended March 31, 2011 to $2,293,741 in comparison to $2,417,355 for the three months ended March 31, 2010. One of the contributing factors for the decrease in gross profit was higher fuel costs which resulted in higher freight costs in all segments of the business. These freight differences should be picked back up in future periods once the fuel prices begin to level back off and the new freight rates can be passed along to the customers.

Expenses. Operating expenses decreased slightly to $2,635,243 in the three months ended March 31, 2011 compared to $2,657,187 for the three months ended March 31, 2010.

Liquidity and Capital Resources

Our principal sources of liquidity would be cash on hand and the conversion of accounts receivable into cash. We also believe cash provided from operating activities will be a great source of liquidity going forward, but would seek outside financing for any major expansion, betterment project, or possible future acquisitions as these would be considered long term projects.

The Company generated $461,757 from operating activities during the three months ended March 31, 2011. This was primarily a result in collection of outstanding receivables.

As of March 31, 2011, the Company believes that cash on hand, cash generated by operations, and available bank borrowings will be sufficient to pay trade creditors, operating expenses in the normal course of business, and meet all of its bank and subordinate debt obligations for the next 12 months.

It is our belief that our stock is currently undervalued and that we are better suited to fund current projects through cash provided from operations and financing rather than attempting to sell what we believe to be an undervalued asset and further dilute the securities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and, as such, are not required to provide the information under this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures
Management assessed the effectiveness of our internal control over financial reporting as of March 31, 2011. In making this assessment, management used the framework set forth in the report entitled Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company’s internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring.

Based on its evaluation of our disclosure controls and procedures, our management has concluded that during the period covered by this report, such disclosure controls and procedures were not effective and there is a material weakness in our internal control over financial reporting. A material weakness is a deficiency or a combination of control deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

During the current reporting period, certain elements of the internal control system that may prevent the possibility of a misstatement being prevented or detected on a timely basis were found to be missing. These elements related principally to the segregation of duties and oversight in the financial reporting. Management will continue to monitor the identified material weakness and take the necessary steps to mitigate the possible impact on the Company’s financial statements.

The presence of these material weaknesses does not mean that a material misstatement has occurred in our financial statements, but only that our present controls might not be adequate to detect or prevent a material misstatement in a timely manner. Management believes that the material weaknesses set forth above did not have an effect on our financial results.

Changes in Internal Controls over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of our business, we and/or our subsidiaries are named as defendants in suits filed in various state and federal courts. We believe that none of the litigation matters in which we, or any of our subsidiaries, are involved would have a material adverse effect on our consolidated financial condition or operations.

There is no past, pending or, to our knowledge, threatened litigation or administrative action which has or is expected by our management to have a material effect upon our business, financial condition or operations, including any litigation or action involving our officers, directors, or other key personnel.

ITEM 1A. RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and, as such, are not required to provide the information under this Item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no unregistered sales of equity securities in the quarter ending March 31, 2011.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

REMOVED AND RESERVED

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NOT APPLICABLE

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibit 31.1	Certification of Terry L. Lee, Chief Executive Officer & Chairman of the Board
Exhibit 31.2	Certification of Mitchell L Cox, CPA, Chief Financial Officer
Exhibit 32.1	Certification of Terry L. Lee, Chief Executive Officer& Chairman of the Board
Exhibit 32.2	Certification of Mitchell L. Cox, CPA, Chief Financial Officer

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HEARTLAND, INC.
(Registrant)

Date: May 16, 2011	By:	/s/ Terry L. Lee Terry L. Lee Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
Date: May 16, 2011	By:	/s/ Mitchell L. Cox, CPA Mitchell L. Cox Chief Financial Officer (Principal Financial and Accounting Officer)