

**THE HAWTHORN  
FOUNDATION  
AND AFFILIATE**

Jefferson City, Missouri

**INDEPENDENT AUDITORS' REPORT**

For the Year Ended June 30, 2021

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# Evers & Company, CPA's, L.L.C.

Certified Public Accountants and Consultants

Richard E. Elliott  
Dale A. Siebeneck  
Jo L. Moore  
Wendy M. Renner  
Eldon H. Becker  
Jessica L. Bridges  
Bobbie J. Redmon-Murray

Elmer L. Evers, Emeritus  
Jerome L. Kauffman, Emeritus  
Keith L. Taylor, Emeritus  
Bruce A. Vanderveld, Emeritus

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**The Hawthorn Foundation and Affiliate**  
Jefferson City, Missouri:

We have audited the accompanying consolidated financial statements of **The Hawthorn Foundation and Affiliate** (nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **The Hawthorn Foundation and Affiliate** as of June 30, 2021, and changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report of Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements on pages 15 through 17 are presented for purposes of additional analysis and are 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 the 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.

*Evers & Company, CPA's, LLC*

EVERS & COMPANY, CPA's, L.L.C.  
Jefferson City, Missouri

September 2, 2021

THE HAWTHORN FOUNDATION AND AFFILIATE

Jefferson City, Missouri

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2021

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 2,447,364.56	
Certificates of Deposit	600,172.36	
Accrued Interest	118.55	
Accounts Receivable	10,299.43	
Prepaid Expenses	127,169.71	
<b>Total Current Assets</b>		<b>3,185,124.61</b>

**Fixed Assets**

Equipment	116,353.42	
Building and Fixtures	107,193.83	
Marketing Equipment	14,627.16	
Less: Accumulated Depreciation	(202,372.09)	
<b>Net Fixed Assets</b>		<b>35,802.32</b>

**TOTAL ASSETS** \$ 3,220,926.93

**LIABILITIES AND NET ASSETS**

Accounts Payable	\$ 169,319.40
Advanced Payments	145,091.45
Accrued Vacation Payable	45,358.25
Deferred Liabilities	155,962.73
Income Tax Payable	510.66
<b>Total Liabilities</b>	<b>516,242.49</b>

**NET ASSETS**

**Without Donor Restrictions**

Board Designated	55,466.65
Undesignated	2,461,236.88
<b>With Donor Restrictions</b>	<b>187,980.91</b>

**Total Net Assets** 2,704,684.44

**TOTAL LIABILITIES AND NET ASSETS** \$ 3,220,926.93

See accompanying notes to the financial statements.

**THE HAWTHORN FOUNDATION AND AFFILIATE**

Jefferson City, Missouri

**CONSOLIDATED STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2021

**REVENUES**

DED Support	\$ 3,000,000.00
Membership Dues	847,000.00
BRAC Study	394,231.36
Conference Income	63,819.77
Partner Contributions	18,577.50
Interest Income	2,514.88
Miscellaneous Income	2,881.74
<b>Total Revenues</b>	<b>4,329,025.25</b>

**Net Assets Released from Restrictions:**

Contributions Released from Restrictions	42,200.67
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<b>Total Revenues</b>	<b>4,371,225.92</b>
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**EXPENSES**

**EXPENSES:**

Program Expenses:

Marketing	1,453,506.57
Business Development	555,630.72
Capacity Building	171,080.61
Shared Operations	835,483.94
Project Management	1,064,600.45

Supporting Expenses:

Administrative Expenses	174,584.82
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<b>Total Expenses</b>	<b>4,254,887.11</b>
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<b>Increase/ (Decrease) in Net Assets Without Donor Restrictions</b>	<b>116,338.81</b>
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**NET ASSETS WITH  
DONOR RESTRICTIONS**

Contributions	230,181.58
Contributions Released from Restrictions	(42,200.67)

<b>Increase/ (Decrease) in Net Assets With Donor Restrictions</b>	<b>187,980.91</b>
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<b>Increase (Decrease) in Net Assets</b>	<b>304,319.72</b>
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<b>Net Assets, Beginning of Year</b>	<b>2,400,364.72</b>
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<b>Net Assets, End of Year</b>	<b>\$ 2,704,684.44</b>
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See accompanying notes to the financial statements.

**THE HAWTHORN FOUNDATION AND AFFILIATE**  
Jefferson City, Missouri

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For The Year Ended June 30, 2021

EXPENSES	PROGRAM SERVICES					SUPPORTING SERVICES		TOTAL EXPENSES
	MARKETING	BUSINESS DEVELOPMENT	CAPACITY BUILDING	SHARED OPERATIONS	PROJECT MANAGEMENT	MANAGEMENT AND GENERAL		
Salary Expense	\$ 291,658.63	\$ 207,070.60	\$ 38,765.48	\$ 478,107.53	\$ 396,111.48	\$ 28,038.17	\$ 1,439,751.89	
Payroll Taxes	24,241.87	17,422.69	3,218.60	39,696.13	33,055.54	2,427.31	120,062.14	
Employee Benefits	20,577.44	12,893.24	2,763.22	34,079.76	26,877.32	1,192.43	98,383.41	
Retirement Expense	14,246.21	10,219.74	1,891.79	23,332.07	19,413.88	1,417.73	70,521.42	
Performance Incentive Pay	45,980.88	36,602.44	6,046.48	74,573.31	64,914.35	6,232.00	234,349.46	
Income Tax Expense	-	-	-	-	-	560.66	560.66	
Professional Development	5,033.37	2,516.69	686.37	8,465.22	6,177.32	-	22,878.97	
Employee Hiring and Recruitment	-	-	-	-	-	166.88	166.88	
Contracts for Services	-	-	-	-	-	29,681.07	29,681.07	
Accounting	4,502.25	13,798.50	424.23	5,232.12	12,722.04	5,286.75	41,965.89	
Legal Fees	-	-	-	-	-	11,825.80	11,825.80	
Supplies	3,947.75	2,361.08	531.97	6,560.94	5,086.28	177.27	18,665.29	
Telephone	5,228.20	3,052.57	705.73	8,704.04	6,689.68	200.74	24,580.96	
Postage	175.22	225.66	21.63	266.72	301.08	63.21	1,053.52	
Meals and Entertainment	-	2,509.59	-	-	-	-	2,509.59	
Dues and Subscriptions	-	-	-	-	-	6,378.67	6,378.67	
Printing	-	-	-	-	-	131.15	131.15	
Insurance	3,381.98	3,201.59	436.36	5,381.80	5,092.05	691.60	18,185.38	
Rent	27,343.24	13,671.62	3,728.62	45,986.35	33,557.61	-	124,287.44	
Office Improvements	-	-	-	-	-	1,455.00	1,455.00	
Operating Expense - CFS	-	-	-	-	-	1,101.98	1,101.98	
Trade Mission	-	62,333.84	-	-	-	-	62,333.84	
Meeting Expense	-	-	-	-	-	2,881.07	2,881.07	
Event Expenses	990.55	-	-	-	-	-	990.55	
Foreign Trade Office Expense	-	42,200.67	-	-	-	-	42,200.67	
BRAC Study Expense	-	-	-	-	394,231.36	-	394,231.36	
Miscellaneous Allowances	588.00	2,618.00	42.00	518.00	2,170.00	1,064.00	7,000.00	
Depreciation	-	-	-	-	-	18,929.97	18,929.97	
Miscellaneous Marketing	1,005,610.98	-	-	-	-	-	1,005,610.98	
Conferences/Trade Shows/Sponsorships	-	48,476.11	-	-	-	-	48,476.11	
Capacity Building	-	-	111,818.13	-	-	-	111,818.13	
Business Development	-	74,456.09	-	-	-	-	74,456.09	
Shared Operations	-	-	-	104,579.95	-	-	104,579.95	
Miscellaneous Expense	-	-	-	-	-	343.99	343.99	
Travel	-	-	-	-	-	2,349.80	2,349.80	
Project Management	-	-	-	-	58,200.46	51,987.57	110,188.03	
<b>Total Expenses</b>	<b>\$ 1,453,506.57</b>	<b>\$ 555,630.72</b>	<b>\$ 171,080.61</b>	<b>\$ 835,483.94</b>	<b>\$ 1,064,600.45</b>	<b>\$ 174,584.82</b>	<b>\$ 4,254,887.11</b>	

See accompanying notes to the financial statements.

**THE HAWTHORN FOUNDATION AND AFFILIATE**

Jefferson City, Missouri

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For The Year Ended June 30, 2021

**Cash Flows from Operating Activities:**

Change in Net Assets	\$ 304,319.72
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	18,929.97
Decrease (Increase) in Accounts Receivable	90,268.93
Decrease (Increase) in Accrued Interest	(118.55)
Decrease (Increase) in Prepaid Expenses	(8,175.23)
Increase (Decrease) in Accounts Payable	133,434.29
Increase (Decrease) in Advanced Payments	22,891.28
Increase (Decrease) in Accrued Vacation Payable	8,135.88
Increase (Decrease) in Deferred Liabilities	51,987.57
Increase (Decrease) in Income Tax Payable	(67.34)
Net Cash Provided (Used) by Operating Activities	<u>621,606.52</u>

**Cash Flows from Investing Activities:**

Acquisition of Equipment	(15,517.69)
Purchase of Certificates of Deposit	<u>(600,172.36)</u>
Net Cash Provided (Used) by Investing Activities	<u>(615,690.05)</u>

Net Increase (Decrease) in Cash and Cash Equivalents 5,916.47

Cash and Cash Equivalents at Beginning of Year 2,441,448.09

Cash and Cash Equivalents at End of Year \$ 2,447,364.56

**Supplemental Disclosures of Cash Flow Information:**

Income Taxes Paid	\$ 628.00
Interest	\$ -

**Disclosure of Accounting Policy:**

For purposes of the Consolidated Statement of Cash Flows, The Hawthorn Foundation and Affiliate consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

See accompanying notes to the financial statements.



# THE HAWTHORN FOUNDATION AND AFFILIATE

Jefferson City, Missouri

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **Nature of Business**

The Hawthorn Foundation is a nonprofit organization organized to assist the Missouri Governor, the Department of Economic Development, and other industries to expand businesses in Missouri. The Foundation is primarily supported by membership dues and payments from the State of Missouri.

The Missouri Partnership, The Hawthorn Foundation's affiliate, was developed in 2006 and aids The Hawthorn Foundation by representing the common economic interests of Missouri businesses.

#### **Method of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

#### **Basis of Presentation**

The Foundation and Affiliate are required to report information regarding their financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

#### **Principles of Consolidation**

The consolidated financial statements of The Hawthorn Foundation and Affiliate include the accounts of Missouri Partnership. All significant intercompany transactions and accounts are eliminated.

#### **Income Taxes**

The Hawthorn Foundation and Affiliate are not-for-profit organizations exempt from state and federal income taxes under the Internal Revenue Code Section 501(c)(6). However, should the Organizations receive income from activities not directly related to the Organizations' tax exempt purpose, such income would be subject to unrelated business income tax which is the same as regular corporate rates. Hawthorn Foundation owed \$510.66 of proxy tax for the year ended June 30, 2021. The organization does file Form 990, Return of Organization Exempt from Income Tax and are subject to examination by the Internal Revenue Service. As of June 30, 2021, the open years subject to examination by the Internal Revenue Service is 2018 through 2020.

#### **Property and Equipment**

All property and equipment purchases in excess of \$150 are recorded at cost. Depreciation is computed using the straight-line method. Building and fixtures are depreciated over a 6 to 10 year life, marketing equipment is depreciated over a 7 to 10 year life, and equipment is depreciated using a 3 to 7 year life.

# THE HAWTHORN FOUNDATION AND AFFILIATE

Jefferson City, Missouri

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Cont'd.)

#### **Use of Estimates**

The preparation of 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. Actual results could differ from those estimates.

#### **Contributions**

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, these net assets are reclassified to net assets without donor restriction and reported in the Consolidated Statement of Activities as net assets released from restrictions.

#### **Allowance for Doubtful Accounts**

The Organization considers accounts receivable balances to determine whether any would be deemed uncollectible. The evaluation is based on historical experience and management's evaluation of outstanding accounts receivable at the date of the financial statements. The allowance for uncollectible accounts receivable was \$0 for the year ended June 30, 2021 all accounts are deemed collectible.

#### **Advertising**

Advertising costs are expensed as incurred.

#### **Functional Allocation of Expenses**

The costs of various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salary-related expenses, professional development, accounting, office-type expenses, meals, and hospitality-related expenses, which are allocated based on budgeted estimates of expense categorization.

#### **Subsequent Events**

The Hawthorn Foundation and Affiliate evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through September 2, 2021, which is the date the financial statements were available to be issued.

**THE HAWTHORN FOUNDATION AND AFFILIATE**

Jefferson City, Missouri

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2021

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Cont'd.)

**Accounts Receivable**

Accounts receivable are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

**Revenue Recognition**

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

**Advanced Payments**

The Organization has deferred advanced payment revenue of \$145,091.45 at June 30, 2021. Deferred advanced payment revenue has been recorded for event deposits that are associated with events occurring in the next fiscal year and for the portion of membership dues received attributable to the next fiscal year.

**Contributions**

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Consolidated Statement of Activities.

The Organization has adopted Accounting Standards Update (“ASU”) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605), as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions, and therefore no changes to the previously issued audited consolidated financial statements were required on a retrospective basis. The presentation and disclosures of contributions have been enhanced in accordance with the standard.

# THE HAWTHORN FOUNDATION AND AFFILIATE

Jefferson City, Missouri

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Cont'd.)

#### **Membership Dues and Other Revenues**

Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total fees paid and the exchange element. The Organization recognizes the exchange portion of membership dues as revenue over the membership period (which is normally one year from date of purchase), and the associated contribution revenue when received. Membership dues related to the exchange element of the transaction that carry member benefits which can be utilized in future periods have been recorded as deferred program revenue in the Consolidated Statement of Financial Position.

The Organization has adopted Accounting Standards Updated NO. 2014-09 – *Revenue from Contracts with Customers* (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue, and therefore no changes to the previously issued audited consolidated financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

### **NOTE 2 – CONCENTRATION OF CREDIT RISK:**

#### **Deposits**

Financial Instruments that potentially subject The Hawthorn Foundation and Affiliate to concentration of credit risk consist primarily of cash and investments. Their cash accounts are invested with creditworthy, high-quality financial institutions. Balances at all banks are insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000.

The Hawthorn Foundation and Affiliate investment consists of an investaccount balance at one financial institution. Investaccount balances represent purchase of government-backed securities and are not insured or guaranteed by the FDIC or any other government agency. Investaccount balances of \$707,261.99 for The Hawthorn Foundation and \$1,540,084.85 for the Missouri Partnership are reported as Cash and Cash Equivalents on the financial statements for the year ended June 30, 2021. Due to the nature of these investments, there are no realized or unrealized gains and losses reported. At June 30, 2021, the amounts held in bank deposit accounts were within FDIC coverage limits.

**THE HAWTHORN FOUNDATION AND AFFILIATE**

Jefferson City, Missouri

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2021

**NOTE 2 – CONCENTRATION OF CREDIT RISK:** (Cont'd.)

Revenues

The Foundation receives a significant amount of revenue from the State of Missouri, which is included in DED Support, Foreign Trade Office and BRAC Study on the Consolidated Statement of Activities. The percentage of total revenues that was received from the State of Missouri was approximately 79% for the year-ended June 30, 2021. The Foundation receives this revenue as a result of a contract with the State of Missouri. Changes, if any, to this contract could occur with little notice which could result in additional costs and/or additional administrative burden.

**NOTE 3 - AVAILABILITY AND LIQUIDITY:**

The following represents the Organization's financial assets at June 30, 2021:

	The Hawthorn Foundation	Missouri Partnership
Financial assets at year end:		
Cash and cash equivalents	\$ 923,846.18	\$ 1,523,518.38
Certificates of deposit	-	600,172.36
Accounts receivable	6,854.43	3,445.00
Financial Assets	930,700.61	2,127,135.74
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restrictions by donor with time or purpose restrictions	(187,980.91)	-
Financial assets available to meet cash needs for general expenditures within one year before board designations	742,719.70	2,127,135.74
Less Board Designations:		
Missouri Department of Economic Development and the Missouri Department of Agriculture	(55,466.65)	-
Financial assets available to meet general expenditures over the next twelve months	\$ 687,253.05	\$ 2,127,135.74

The Foundation's goal is generally to maintain financial assets to meet one year of operating expenses (approximately \$250,000). This reserve is held in a money market account. The Foundation's affiliate, Missouri Partnership, has a goal to generally maintain financial assets to meet six to nine months of operating expenses (approximately \$1,594,000). Missouri Partnership intends to solely rely on cash and cash equivalents, certificates of deposit, and prepaid expenses.

**THE HAWTHORN FOUNDATION AND AFFILIATE**

Jefferson City, Missouri

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2021

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**NOTE 4 – RETIREMENT PLAN:**

Missouri Partnership sponsors a safe harbor 401(k) savings plan. This 401(k) Retirement Savings Plan helps employees accumulate financial resources for retirement. The Plan allows employees to elect how much of their salary they want to contribute to the Plan and to direct the investment of their funds into professionally managed investment funds. The Partnership, under the plan, makes a matching contribution of up to 5% of each employee’s annual salary to employee’s contributions bi-monthly. The contribution for the year ended June 30, 2021 was \$63,059.65.

**NOTE 5 – LEASES:**

Missouri Partnership leases office space under a third party operating lease agreement in Clayton, Missouri. The lease term began on May 1, 2008, and the third amendment was effective May 18, 2018. The amended lease agreement has a term of 60 months. The lease is cancelable upon consent by the lessor.

Missouri Partnership leases office space under a third party operating lease agreement in Kansas City, Missouri. The lease term began February 1, 2021 and continues until February 1, 2022 at which time the Partnership will determine whether to extend, cancel or convert to a month-to-month lease.

Missouri Partnership leases a copier under a third party operating lease. The lease term began December 1, 2018 and continues until November 30, 2023.

The following is a schedule of future annual minimum lease payments required by each lease for each of the fiscal years ended June 30:

	Clayton Office	Kansas City Office	Copier	Total
2022	\$ 95,903.50	\$ 6,695.00	\$ 4,260.00	\$ 106,858.50
2023	97,652.50	-	4,260.00	101,912.50
2024	16,324.00	-	1,775.00	18,099.00
Total	<u>\$ 209,880.00</u>	<u>\$ 6,695.00</u>	<u>\$ 10,295.00</u>	<u>\$ 226,870.00</u>

**THE HAWTHORN FOUNDATION AND AFFILIATE**

Jefferson City, Missouri

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2021

**NOTE 6 – FIXED ASSETS:**

**Missouri Partnership**

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Equipment	\$ 116,353.42	\$ 93,426.12	\$ 22,927.30
Building and Fixtures	107,193.83	95,532.15	11,661.68
Marketing Equipment	14,627.16	13,413.82	1,213.34
	<u>\$ 238,174.41</u>	<u>\$ 202,372.09</u>	<u>\$ 35,802.32</u>

Depreciation expense for the year ended June 30, 2021 totaled \$18,929.97.

**NOTE 7 – NET ASSETS:**

**Net Assets with Donor Restrictions:**

Net assets with donor restrictions include contributions and grants with donor stipulations.

	<u>Foreign Trade Office</u>
Balance June 30, 2020	\$ -
Contributions	230,181.58
Contributions released from restrictions	42,200.67
Balance June 30, 2021	<u>\$ 272,382.25</u>

**Board Designated Net Assets:**

Board designated net assets include funds received for various conferences from the Missouri Department of Economic Development and the Missouri Department of Agriculture less expenses directly associated with these projects. Activity in the accounts for the year is as follows:

Balance June 30, 2020	\$ 55,466.65
Conference Income	-
Conference Expenses	-
Balance June 30, 2021	<u>\$ 55,466.65</u>

**THE HAWTHORN FOUNDATION AND AFFILIATE**

Jefferson City, Missouri

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2021

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**NOTE 8 – RELATED PARTY TRANSACTIONS:**

The Hawthorn Foundation maintains at least a 51% voting interest in matters decided by Missouri Partnership and, therefore, the two entities are considered related parties. For the year ended June 30, 2021, The Hawthorn Foundation transferred \$3,000,000 funding originally received from the Missouri Department of Economic Development and \$497,500, funding raised by The Hawthorn Foundation, to the Missouri Partnership to fund several programs that were specifically designed to attract businesses to Missouri.

**NOTE 9 – ACCOUNTS RECEIVABLE:**

As of June 30, 2021, The Hawthorn Foundation and Affiliate reported \$10,299.43 in accounts receivable.

	The Hawthorn Foundation	Missouri Partnership
Accounts Receivable	\$ 1,854.43	\$ 3,445.00
Dues Receivable	5,000.00	-
	<u>\$ 6,854.43</u>	<u>\$ 3,445.00</u>

**NOTE 10 – CONTRACTED SERVICES:**

In August 2017, the Foundation entered into an agreement with the Missouri Chamber of Commerce and Industry (MCCI) whereby the Executive Director, administrative assistant, and event manager of the Foundation are employees of MCCI who devote all of their time and effort to the Foundation. The Foundation reimburses MCCI for these contracted services.

**NOTE 11 – COVID RESPONSE:**

During March 2020, the COVID-19 virus was declared a global pandemic, as it continued to spread rapidly. Business continuity, including major supply chains and consumer demands across the United States and other countries, could be impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Operations have not been suspended due to the pandemic to date, however, various events were either switched to virtual platform or rescheduled to after the fiscal year end, which materially affected conference and sponsorship income. Management has made several adaptations to operations to keep business fully functional, while protecting their workforce. Management continues to closely monitor the situation and will take action when necessary.



# **ADDITIONAL INFORMATION**

**THE HAWTHORN FOUNDATION AND AFFILIATE**  
Jefferson City, Missouri

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

June 30, 2021

	<u>THE HAWTHORN FOUNDATION</u>	<u>MISSOURI PARTNERSHIP</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 923,846.18	\$ 1,523,518.38	\$ -	\$ 2,447,364.56
Certificates of Deposit	-	600,172.36	-	600,172.36
Accrued Interest	-	118.55	-	118.55
Accounts Receivable	6,854.43	3,445.00	-	10,299.43
Prepaid Expenses	47,993.17	79,176.54	-	127,169.71
<b>Total Current Assets</b>	<u>978,693.78</u>	<u>2,206,430.83</u>	<u>-</u>	<u>3,185,124.61</u>
<b>Fixed Assets</b>				
Equipment	-	116,353.42	-	116,353.42
Building and Fixtures	-	107,193.83	-	107,193.83
Marketing Equipment	-	14,627.16	-	14,627.16
Less: Accumulated Depreciation	-	(202,372.09)	-	(202,372.09)
<b>Net Fixed Assets</b>	<u>-</u>	<u>35,802.32</u>	<u>-</u>	<u>35,802.32</u>
<b>TOTAL ASSETS</b>	<u>\$ 978,693.78</u>	<u>\$ 2,242,233.15</u>	<u>\$ -</u>	<u>\$ 3,220,926.93</u>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts Payable	\$ 52,204.48	\$ 117,114.92	\$ -	\$ 169,319.40
Advanced Payments	145,091.45	-	-	145,091.45
Accrued Vacation Payable	-	45,358.25	-	45,358.25
Deferred Liabilities	-	155,962.73	-	155,962.73
Income Tax Payable	510.66	-	-	510.66
<b>Total Liabilities</b>	<u>197,806.59</u>	<u>318,435.90</u>	<u>-</u>	<u>516,242.49</u>
<b>NET ASSETS</b>				
<b>Without Donor Restrictions</b>				
Board Designated	55,466.65	-	-	55,466.65
Undesignated	537,439.63	1,923,797.25	-	2,461,236.88
<b>With Donor Restrictions</b>	<u>187,980.91</u>	<u>-</u>	<u>-</u>	<u>187,980.91</u>
<b>Total Net Assets</b>	<u>780,887.19</u>	<u>1,923,797.25</u>	<u>-</u>	<u>2,704,684.44</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 978,693.78</u>	<u>\$ 2,242,233.15</u>	<u>\$ -</u>	<u>\$ 3,220,926.93</u>

**THE HAWTHORN FOUNDATION AND AFFILIATE**  
Jefferson City, Missouri

**CONSOLIDATING STATEMENT OF ACTIVITIES**  
For The Year Ended June 30, 2021

	<b>THE HAWTHORN FOUNDATION</b>	<b>MISSOURI PARTNERSHIP</b>	<b>ELIMINATIONS</b>	<b>CONSOLIDATED</b>
<b><u>REVENUES</u></b>				
DED Support	\$ 3,000,000.00	\$ 3,000,000.00	\$ (3,000,000.00)	\$ 3,000,000.00
Membership Dues	847,000.00	-	-	847,000.00
Conference Income	63,819.77	-	-	63,819.77
BRAC Study	394,231.36	-	-	394,231.36
Partner Contributions	-	18,577.50	-	18,577.50
Interest Income	564.31	1,950.57	-	2,514.88
Miscellaneous Income	416.75	2,464.99	-	2,881.74
Hawthorn Foundation	-	497,500.00	(497,500.00)	-
<b>Total Revenue</b>	<b>4,306,032.19</b>	<b>3,520,493.06</b>	<b>(3,497,500.00)</b>	<b>4,329,025.25</b>
<b>Net Assets Released from Restrictions:</b>				
Contributions Released from Restrictions	42,200.67	-	-	42,200.67
Total Revenues	4,348,232.86	3,520,493.06	-	4,371,225.92
<b><u>EXPENSES</u></b>				
<b>EXPENSES:</b>				
Program Expenses:				
Marketing	13,304.04	1,440,202.53	-	1,453,506.57
Business Development	263,878.85	291,751.87	-	555,630.72
Capacity Building	-	171,080.61	-	171,080.61
Shared Operations	3,497,500.00	835,483.94	(3,497,500.00)	835,483.94
Project Management	473,037.65	591,562.80	-	1,064,600.45
Supporting Expenses:				
Administrative Expenses	58,818.94	115,765.88	-	174,584.82
<b>Total Expenses</b>	<b>4,306,539.48</b>	<b>3,445,847.63</b>	<b>(3,497,500.00)</b>	<b>4,254,887.11</b>
<b>Increase/ (Decrease) in Net Assets Without Donor Restrictions</b>	<b>41,693.38</b>	<b>74,645.43</b>	<b>-</b>	<b>116,338.81</b>
<b>NET ASSETS WITH DONOR RESTRICTION (See Note 8)</b>				
Contributions	230,181.58	-	-	230,181.58
Contributions Released from Restrictions	(42,200.67)	-	-	(42,200.67)
<b>Increase/ (Decrease) in Net Assets With Donor Restriction</b>	<b>187,980.91</b>	<b>-</b>	<b>-</b>	<b>187,980.91</b>
<b>Increase (Decrease) in Net Assets</b>	<b>229,674.29</b>	<b>74,645.43</b>	<b>-</b>	<b>304,319.72</b>
<b>Net Assets, Beginning of Year</b>	<b>551,212.90</b>	<b>1,849,151.82</b>	<b>-</b>	<b>2,400,364.72</b>
<b>Net Assets, End of Year</b>	<b>\$ 780,887.19</b>	<b>\$ 1,923,797.25</b>	<b>\$ -</b>	<b>\$ 2,704,684.44</b>

**THE HAWTHORN FOUNDATION AND AFFILIATE**  
Jefferson City, Missouri

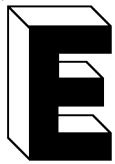
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
For The Year Ended June 30, 2021

	<u>The Hawthorn Foundation</u>	<u>Missouri Partnership</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b><u>Cash Flows from Operating Activities:</u></b>				
Change in Net Assets	\$ 229,674.29	\$ 74,645.43	\$ -	\$ 304,319.72
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:				
Depreciation	-	18,929.97	-	18,929.97
Decrease (Increase) in Accounts Receivable	69,648.68	20,620.25	-	90,268.93
Decrease (Increase) in Accrued Interest	-	(118.55)	-	(118.55)
Decrease (Increase) in Prepaid Expenses	35,684.52	(43,859.75)	-	(8,175.23)
Increase (Decrease) in Accounts Payable	51,442.16	81,992.13	-	133,434.29
Increase (Decrease) in Advanced Payments	22,891.28	-	-	22,891.28
Increase (Decrease) in Accrued Vacation Payable	-	8,135.88	-	8,135.88
Increase (Decrease) in Deferred Liabilities	-	51,987.57	-	51,987.57
Increase (Decrease) in Income Tax Payable	(67.34)	-	-	(67.34)
Net Cash Provided (Used) by Operating Activities	<u>409,273.59</u>	<u>212,332.93</u>	<u>-</u>	<u>621,606.52</u>
<b><u>Cash Flows from Investing Activities:</u></b>				
Acquisition of Equipment	-	(15,517.69)	-	(15,517.69)
Purchase of Certificates of Deposit	-	(600,172.36)	-	(600,172.36)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>(615,690.05)</u>	<u>-</u>	<u>(615,690.05)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	409,273.59	(403,357.12)	-	5,916.47
Cash and Cash Equivalents at Beginning of Year	<u>514,572.59</u>	<u>1,926,875.50</u>	<u>-</u>	<u>2,441,448.09</u>
Cash and Cash Equivalents at End of Year	<u>\$ 923,846.18</u>	<u>\$ 1,523,518.38</u>	<u>\$ -</u>	<u>\$ 2,447,364.56</u>
<b><u>Supplemental Disclosures of Cash Flow Information:</u></b>				
Income Taxes Paid	\$ 628.00	\$ -	\$ -	\$ 628.00
Interest	\$ -	\$ -	\$ -	\$ -

**Disclosure of Accounting Policy:**

For purposes of the Consolidated Statement of Cash Flows, The Hawthorn Foundation and Affiliate consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

# **SUGGESTIONS TO MANAGEMENT**



# Evers & Company, CPA's, L.L.C.

Certified Public Accountants and Consultants

Richard E. Elliott  
Dale A. Siebeneck  
Jo L. Moore  
Wendy M. Renner  
Eldon H. Becker  
Jessica L. Bridges  
Bobbie J. Redmon-Murray

Elmer L. Evers, Emeritus  
Jerome L. Kauffman, Emeritus  
Keith L. Taylor, Emeritus  
Bruce A. Vanderveld, Emeritus

To the Board of Directors and Management of  
**The Hawthorn Foundation and Affiliate**  
Jefferson City, Missouri:

In planning and performing our audit of the consolidated financial statements of The Hawthorn Foundation and Affiliate as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered The Hawthorn Foundation and Affiliate'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in The Hawthorn Foundation and Affiliate's internal control to be significant deficiencies:

**PRIOR YEAR RECOMMENDATIONS RESUBMITTED:**

**Organizational Structure**

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. The Board has adopted and implemented several review procedures in an effort to mitigate the deficiency that results from a small number of staff. We agree that the Board should continue to remain informed in the financial affairs of the Organization to provide oversight and independent review.

**Internal Control Structure**

We are required to give consideration to the Organization's ability to prepare financial statements and related note disclosures, as well as the oversight of the financial reporting process by those charged with governance. The Organization does not have in place controls that would assure the preparation of internal financial statements and related note disclosures in accordance with U.S. generally accepted accounting principles. The Organization engages independent auditors to draft the financial statements, which includes drafting the primary financial statements and ensuring the disclosures are complete. Once drafted, the financial statements are submitted to the Organization for review and approval. This practice is common and practical. However, we are required to communicate this deficiency on an annual basis to the governing body. The Executive Committee has acknowledged that their cost/benefit analysis does not justify making changes to this procedure.

In addition, we became aware of a matter that would be an opportunity for strengthening internal control and operating efficiency but did not meet the definition of a significant deficiency or material weakness. This matter is summarized in Attachment A.

This communication is intended solely for the information and use of management, the Board of Directors for The Hawthorn Foundation and Missouri Partnership, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Evers & Company, CPA's, LLC*

EVERS & COMPANY, CPA's, L.L.C.  
Jefferson City, Missouri

September 2, 2021

## **Attachment A**

### **CURRENT YEAR RECOMMENDATION:**

During our current year audit, we noted that there are remaining unspent funds from the Missouri Department of Economic Development to be used on BRAC/Military Advancement expenses that was awarded during the fiscal year ended June 30, 2017. We recommend that the remaining balance of \$34,279.95 is either spent or reimbursed to the State.

### **PRIOR YEAR RECOMMENDATIONS PARTIALLY IMPLEMENTED:**

#### **Results of review by State Auditor**

Our review of the State Auditors review of the Economic Development Advancement Fund suggests that the Missouri Department of Economic Development is going to rely on The Hawthorn Foundation and Missouri Partnership to insure the findings noted by the State Auditor are corrected. There is also a reference to the fact that there is an expectation that the auditors for both entities will review compliance with the terms of the agreement with the Missouri Department of Economic Development.

We noted the following criteria included in the agreement between The Hawthorn Foundation and the Missouri Department of Economic Development.

- 1) Section 2 d. We will want to see evidence that the subcontractors are complying with the audit requirement as detailed in this section.

We recommend you review this section of the contract with the Missouri Department of Economic Development to agree with current practices.





# Evers & Company, CPA's, L.L.C.

Certified Public Accountants and Consultants

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Bruce A. Vanderveld, Emeritus

September 2, 2021

To the Board of Directors of  
**The Hawthorn Foundation and Affiliate**  
Jefferson City, Missouri:

We have audited the consolidated financial statements of The Hawthorn Foundation and Affiliate for the year ended June 30, 2021, and have issued our report thereon dated September 2, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 29, 2021. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Hawthorn Foundation and Affiliate are described in Note 1 to the financial statements. As described in Note 1, the Organization changed accounting policies related to the information presented in the financial statements by adopting FASB Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606) in 2021. In addition, the Organization also adopted FASB Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605). We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciation expense is based on the estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible accounts is based upon an analysis of collectability of the accounts receivable. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated September 2, 2021.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of The Hawthorn Foundation and Affiliate and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Evers & Company, CPA's, LLC". The signature is written in a cursive, slightly slanted style.

Evers & Company, CPA's L.L.C.  
Jefferson City, Missouri