

**HAWTHORN FOUNDATION
AND AFFILIATE**

Jefferson City, Missouri

INDEPENDENTS AUDITORS' REPORT

For the Year Ended June 30, 2015

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

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Jerome L. Kauffman, Emeritus

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of **Hawthorn Foundation and Affiliate** (nonprofit organizations), which comprise the consolidated statement of assets, liabilities, and net assets – modified cash basis as of June 30, 2015, and the related consolidated statement of revenues, expenses, and changes in net assets – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 combined 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 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 assets, liabilities, and net assets of **Hawthorn Foundation and Affiliate** as of June 30, 2015, and their revenues, expenses and changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is the basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statements on pages 12 through 15 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

November 5, 2015

HAWTHORN FOUNDATION AND AFFILIATE
Jefferson City, Missouri

**CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS-MODIFIED CASH BASIS**

June 30, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	<u>\$1,869,417.57</u>	
Total Current Assets		1,869,417.57

Fixed Assets

Equipment	123,198.80	
Building and Fixtures	91,488.50	
Marketing Equipment	46,661.53	
Less: Accumulated Depreciation	<u>(196,354.00)</u>	
Net Fixed Assets		<u>64,994.83</u>

TOTAL ASSETS		<u>\$ 1,934,412.40</u>
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NET ASSETS

NET ASSETS

Unrestricted Net Assets

Board Designated	\$ 88,552.00
Undesignated	1,737,329.40

Temporarily Restricted Net Assets	<u>108,531.00</u>
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TOTAL NET ASSETS	<u>\$1,934,412.40</u>
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See accompanying notes to the financial statements.

HAWTHORN FOUNDATION AND AFFILIATE

Jefferson City, Missouri

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS-MODIFIED CASH BASIS

For The Year Ended June 30, 2015

REVENUES

Membership Dues	\$ 585,500.00
Interest Income	4,163.63
Sponsorship Income	2,000.00
Miscellaneous Income	2,663.93
Missouri Partnership Funds	1,804,785.00
Conference Income	106,381.13
Partner Contributions	77,150.23
Gain/ (Loss) of Equipment	<u>396.60</u>
Total Revenues	2,583,040.52
Net Assets Released from Restrictions:	
Contributions Released from Restrictions	<u>1,119,528.00</u>
Total Unrestricted Revenue and Reclassifications	3,702,568.52

EXPENSES

Salary Expense	933,086.57
Payroll Taxes	74,197.26
Employee Benefits	51,022.01
Retirement Expense	42,077.02
Performance Incentive Pay	156,177.85
Professional Development	4,085.87
Employee Hiring and Recruitment	152.24
Management Fees	96,537.07
Contracts for Services	52,539.02
Advertising	108,006.62
Accounting	27,264.82
Supplies	22,029.47
Telephone	30,930.02
Postage	5,929.31
Meals and Entertainment	72,841.94
Dues and Subscriptions	1,367.17
Professional Association Dues	5,613.02
Printing	2,310.99
Insurance	16,101.60
Rent	111,770.18
Trade Mission	200,862.87
Meeting Expense	24,282.34
Bank Charges	169.01

See accompanying notes to the financial statements.

HAWTHORN FOUNDATION AND AFFILIATE

Jefferson City, Missouri

**CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS-MODIFIED CASH BASIS**

For The Year Ended June 30, 2015

Research Information Services	29,773.25
Foreign Trade Office Expense	243,177.29
BRAC Study Expense	376,350.84
Grant Expense	492,500.00
Miscellaneous Allowances	11,921.20
Depreciation	25,112.41
Miscellaneous Marketing	21,172.54
Collateral Materials	27,415.01
Conferences/Trade Shows/Sponsorships	245,357.77
Miscellaneous Expense	1,600.00
Travel	132,040.93
Agency Services	4,104.89
Total Expenses	<u>3,649,880.40</u>
Increase/ (Decrease) in Unrestricted Net Assets	52,688.12
TEMPORARILY RESTRICTED NET ASSETS	
Contributions	1,172,482.91
Contributions Released from Restrictions	<u>(1,119,528.00)</u>
Increase/ (Decrease) in Temporarily Restricted Net Assets	<u>52,954.91</u>
Increase/ (Decrease) in Net Assets	105,643.03
Net Assets, Beginning of Year	1,728,769.37
Prior Period Adjustment	<u>100,000.00</u>
Net Assets, Beginning of Year as Restated	<u>1,828,769.37</u>
Net Assets, End of Year	<u>\$ 1,934,412.40</u>

See accompanying notes to the financial statements.

HAWTHORN FOUNDATION AND AFFILIATE
Jefferson City, Missouri

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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 supported by membership dues and payments from the State of Missouri.

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

Method of Accounting

The financial statements of the Foundation and Affiliate have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Accordingly, revenue is recorded when received rather than when earned, and expenses are recorded when paid rather than when the obligation is incurred. Modifications to the cash basis of accounting include capitalizing property and equipment and recording depreciation on property and equipment.

Basis of Presentation

The Foundation and Affiliate are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2015, the Foundation and Affiliate had no permanently restricted net assets.

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.

HAWTHORN FOUNDATION AND AFFILIATE
Jefferson City, Missouri

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

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

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. The Organizations' Forms 990, Return of Organization Exempt From Income Tax are subject to examination by the Internal Revenue Service as of June 30, 2015 were 2012 through 2014, generally for three years after they are filed.

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.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting 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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

HAWTHORN FOUNDATION AND AFFILIATE
Jefferson City, Missouri

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

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

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 Note 6. Accordingly, certain costs have been allocated among program and supporting services.

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 November 5, 2015, which is the date the financial statements were available to be issued.

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. Hawthorn's deposits exceeded FDIC limits at June 30, 2015 by \$20,503.62. Subsequent to the year-end, the Foundation adopted a policy to transfer funds in excess of the FDIC limit to the Investaccount in an effort to mitigate FDIC exposure risk. Deposits for the Missouri Partnership were fully insured at June 30, 2015.

Hawthorn Foundation and Affiliate investments consist 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 \$116,793.06 for the Hawthorn Foundation and \$1,569,537.83 for the Missouri Partnership are reported as Cash and Cash Equivalents on the financial statements for the year ended June 30, 2015. Due to the nature of these investments, there are no realized or unrealized gains and losses reported.

Revenues

The Foundation receives a significant amount of revenue from the State of Missouri, which is included in Missouri Partnership Funds and Miscellaneous Income-BRAC Study on the statement of revenues, expenses, and changes in net assets. The percentage of total revenues that was received from the State of Missouri was approximately 70% for the year-ended June 30, 2015.

HAWTHORN FOUNDATION AND AFFILIATE
Jefferson City, Missouri

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE 3 – 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 at plan year end. The contribution for the year ended June 30, 2015 was \$42,077.02.

NOTE 4 - LEASES:

Missouri Partnership leases office space under a third party operating lease agreement. The lease term began on May 1, 2008, and was amended effective March 1, 2013. The amended lease agreement has a term of 62 months. The lease is cancelable upon consent by the lessor.

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

2016	\$ 90,170
2017	91,893
2018	93,616
2019	<u>15,651</u>
Total future minimum lease payments	<u>\$ 291,330</u>

HAWTHORN FOUNDATION AND AFFILIATE
Jefferson City, Missouri

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE 5 – FUNCTIONAL ALLOCATION OF EXPENSES:

The following schedule reflects total program and supporting service expenses on a functional basis:

Program Services	\$ 3,121,377
Administrative	<u>528,503</u>
Total	<u>\$ 3,649,880</u>

NOTE 6 – FIXED ASSETS:

Missouri Partnership

	Cost	Accumulated Depreciation	Book Value
Equipment	\$ 123,199	\$ 111,330	\$ 11,869
Building and Fixtures	91,489	57,103	34,385
Marketing Equipment	46,661	27,921	18,740
	<u>\$ 261,349</u>	<u>\$ 196,354</u>	<u>\$ 64,994</u>

Depreciation expense for the year ended June 30, 2015 totaled \$25,111.

HAWTHORN FOUNDATION AND AFFILIATE
Jefferson City, Missouri

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets include contributions and grants with donor stipulations.

Temporarily Restricted Net Asset activity for the year ended June 30, 2015 is as follows:

	Foreign Trade Office	BRAC Study	MUJAC	USA Funds Grant	Total
Balance 6/30/14	\$ 55,796	\$ (220)	\$ -	\$ -	\$ 55,576
Contributions	216,142	376,341	80,000	500,000	1,172,483
Contributions released from Restrictions	(243,177)	(376,351)	-	(500,000)	(1,119,528)
Balance 6/30/15	<u>\$ 28,761</u>	<u>\$ (230)</u>	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 108,531</u>

NOTE 9-PRIOR PERIOD ADJUSTMENT

The June 30, 2014 financial statements for the Hawthorn Foundation reflected a liability of \$100,000 representing funds to be transferred to the Missouri Partnership during the 2015 fiscal year. However, the June 30, 2014 financial statements for the Missouri Partnership did not report a corresponding asset. Since intercompany transactions are eliminated in the consolidated statements, the inconsistent reporting of these funds between the two entities resulted in the transfers between entities not being equal. This inconsistency coupled with the question of whether it is appropriate to report a liability such as this on the modified cash basis method of accounting resulted in a reversal of the liability at June 30, 2014 in the amount of \$100,000 and a corresponding increase in net assets.

ADDITIONAL INFORMATION

HAWTHORN FOUNDATION AND AFFILIATE
Jefferson City, Missouri

**CONSOLIDATING STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS-MODIFIED CASH BASIS**

June 30, 2015

	<u>HAWTHORN FOUNDATION</u>	<u>MISSOURI PARTNERSHIP</u>	<u>ELIMINATIONS</u>	<u>TOTAL (MEMO ONLY)</u>
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 308,389.35	\$ 1,561,028.22	\$ 0.00	\$ 1,869,417.57
Total Current Assets	<u>308,389.35</u>	<u>1,561,028.22</u>	<u>0.00</u>	<u>1,869,417.57</u>
Fixed Assets				
Equipment	0.00	123,198.80	0.00	123,198.80
Building and Fixtures	0.00	91,488.50	0.00	91,488.50
Marketing Equipment	0.00	46,661.53	0.00	46,661.53
Less: Accumulated Depreciation	<u>0.00</u>	<u>(196,354.00)</u>	<u>0.00</u>	<u>(196,354.00)</u>
Net Fixed Assets	<u>0.00</u>	<u>64,994.83</u>	<u>0.00</u>	<u>64,994.83</u>
TOTAL ASSETS	<u>\$ 308,389.35</u>	<u>\$ 1,626,023.05</u>	<u>\$ 0.00</u>	<u>\$ 1,934,412.40</u>
<u>NET ASSETS</u>				
Unrestricted Net Assets				
Board Designated	\$ 88,552.00	\$ 0.00	\$ 0.00	\$ 88,552.00
Undesignated	111,306.35	1,626,023.05	0.00	1,737,329.40
Temporarily Restricted Net Assets	<u>108,531.00</u>	<u>0.00</u>	<u>0.00</u>	<u>108,531.00</u>
TOTAL NET ASSETS	<u>\$ 308,389.35</u>	<u>\$ 1,626,023.05</u>	<u>\$ 0.00</u>	<u>\$ 1,934,412.40</u>

HAWTHORN FOUNDATION AND AFFILIATE
 Jefferson City, Missouri
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS-MODIFIED CASH BASIS
 For The Year Ended June 30, 2015

	<u>HAWTHORN</u> <u>FOUNDATION</u>	<u>MISSOURI</u> <u>PARTNERSHIP</u>	<u>ELIMINATIONS</u>	TOTAL (Memorandum Only)
<u>REVENUES</u>				
Membership Dues	\$ 585,500.00	\$ 0.00	\$ 0.00	\$ 585,500.00
Interest Income	1,042.33	3,121.30	0.00	4,163.63
Sponsorship Income	2,000.00	0.00	0.00	2,000.00
Miscellaneous Income	263.65	2,400.28	0.00	2,663.93
Missouri Partnership Funds	1,804,785.00	0.00	0.00	1,804,785.00
Conference Income	106,381.13	0.00	0.00	106,381.13
Partner Contributions	0.00	77,150.23	0.00	77,150.23
Promote MO Funds	0.00	2,254,785.00	(2,254,785.00)	0.00
Gain/ (Loss) on Equipment	0.00	396.60	0.00	396.60
Total Revenue	2,499,972.11	2,337,853.41	(2,254,785.00)	2,583,040.52
Net Assets Released from				
Restrictions:				
Contributions Released from Restriction	1,119,528.00	0.00	0.00	1,119,528.00
Total Unrestricted Revenue and	3,619,500.11	2,337,853.41	(2,254,785.00)	3,702,568.52
Reclassifications				
<u>EXPENSES</u>				
Salary Expense	0.00	933,086.57	0.00	933,086.57
Payroll Taxes	0.00	74,197.26	0.00	74,197.26
Employee Benefits	0.00	51,022.01	0.00	51,022.01
Retirement Expense	0.00	42,077.02	0.00	42,077.02
Performance Incentive Pay	0.00	156,177.85	0.00	156,177.85
Professional Development	0.00	4,085.87	0.00	4,085.87
Employee Hiring and Recruitment	0.00	152.24	0.00	152.24
Management Fees	96,537.07	0.00	0.00	96,537.07
Contracts for Services	13,090.50	39,448.52	0.00	52,539.02
Advertising	0.00	108,006.62	0.00	108,006.62
Accounting	9,624.73	17,640.09	0.00	27,264.82
Supplies	5,903.14	16,126.33	0.00	22,029.47
Telephone	2,325.23	28,604.79	0.00	30,930.02
Postage	1,698.24	4,231.07	0.00	5,929.31
Meals and Entertainment	2,781.80	70,060.14	0.00	72,841.94

HAWTHORN FOUNDATION AND AFFILIATE
Jefferson City, Missouri
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS-MODIFIED CASH BASIS
For The Year Ended June 30, 2015

	<u>HAWTHORN FOUNDATION</u>	<u>MISSOURI PARTNERSHIP</u>	<u>ELIMINATIONS</u>	TOTAL (Memorandum Only)
Dues and Subscriptions	1,367.17	0.00	0.00	1,367.17
Professional Association Dues	0.00	5,613.02	0.00	5,613.02
Printing	2,310.99	0.00	0.00	2,310.99
Insurance	2,599.00	13,502.60	0.00	16,101.60
Rent	1,872.00	109,898.18	0.00	111,770.18
Missouri Partnership	2,254,785.00	0.00	(2,254,785.00)	0.00
Trade Mission	200,862.87	0.00	0.00	200,862.87
Meeting Expense	22,027.00	2,255.34	0.00	24,282.34
Bank Charges	0.00	169.01	0.00	169.01
Research Information Services	0.00	29,773.25	0.00	29,773.25
Foreign Trade Office Expense	243,177.29	0.00	0.00	243,177.29
BRAC Study Expense	376,350.84	0.00	0.00	376,350.84
Grant Expense	492,500.00	0.00	0.00	492,500.00
Miscellaneous Allowances	0.00	11,921.20	0.00	11,921.20
Depreciation	0.00	25,112.41	0.00	25,112.41
Miscellaneous Marketing	0.00	21,172.54	0.00	21,172.54
Collateral Materials	0.00	27,415.01	0.00	27,415.01
Conferences/Trade Shows/Sponsorships	138,719.27	106,638.50	0.00	245,357.77
Travel	0.00	132,040.93	0.00	132,040.93
Miscellaneous Expense	1,600.00	0.00	0.00	1,600.00
Agency Services	0.00	4,104.89	0.00	4,104.89
Total Expenses	<u>3,870,132.14</u>	<u>2,034,533.26</u>	<u>(2,254,785.00)</u>	<u>3,649,880.40</u>
Increase/ (Decrease) in Unrestricted Net Assets	(250,632.03)	303,320.15	0.00	52,688.12
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	1,172,482.91	0.00	0.00	1,172,482.91
Contributions Released from Restrictions	(1,119,528.00)	0.00	0.00	(1,119,528.00)
Increase/ (Decrease) in Temporarily Restricted Net Assets	52,954.91	0.00	0.00	52,954.91
Increase/ (Decrease) in Net Assets	(197,677.12)	303,320.15	0.00	105,643.03
Net Assets, Beginning of Year	406,066.47	1,322,702.90	0.00	1,728,769.37
Prior Period Adjustment	<u>100,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>100,000.00</u>

HAWTHORN FOUNDATION AND AFFILIATE
 Jefferson City, Missouri
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS-MODIFIED CASH BASIS**
 For The Year Ended June 30, 2015

	<u>HAWTHORN FOUNDATION</u>	<u>MISSOURI PARTNERSHIP</u>	<u>ELIMINATIONS</u>	TOTAL (Memorandum Only)
Net Assets, Beginning of Year as Restated	<u>506,066.47</u>	<u>1,322,702.90</u>	<u>0.00</u>	<u>1,828,769.37</u>
Net Assets, End of Year	<u>\$ 308,389.35</u>	<u>\$ 1,626,023.05</u>	<u>\$ 0.00</u>	<u>\$ 1,934,412.40</u>

SUGGESTIONS TO MANAGEMENT



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

Certified Public Accountants and Consultants

Elmer L. Evers
Richard E. Elliott
Dale A. Siebeneck
Keith L. Taylor
Jo L. Moore
Wendy M. Renner
Eldon H. Becker, Jr.
Bruce A. Vanderveld

Jerome L. Kauffman, Emeritus

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

In planning and performing our audit of the consolidated financial statements of Hawthorn Foundation and Affiliate as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered 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 Hawthorn Foundation and Affiliate's internal control to be significant deficiencies:

CURRENT YEAR RECOMMENDATIONS:

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. This situation dictates that the Board of Directors remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

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 modified cash basis of accounting. 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. While this practice is common and practical, we must inform those charged with governance that this must be considered a significant deficiency in internal control since the financial statement preparation cannot be performed in-house.

In addition, we became aware of several matters that are opportunities for strengthening internal control and operating efficiency but did not meet the definition of a significant deficiency or material weakness. These matters are summarized in Attachment A.

This communication is intended solely for the information and use of management, the Board of Directors for 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.

Evrs & Company, CPA's, LLC

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

November 5, 2015

ATTACHMENT A

Cash Disbursements and Wire Transfers

We understand and agree with the policy that requires the Executive Director to approve all invoices for payment prior to the contracted accountant preparing the payments and that a check register is provided to management and the executive committee on a monthly basis. We would suggest that these procedures could be further enhanced by the adoption of a policy requiring management to review the check register to verify that only pre-authorized payments were made. We would also recommend that an original copy of the bank statement be forwarded directly to management and the bank reconciliation also be reviewed and approved by management.

Adjusting Journal Entries

We recommend adjusting journal entries be reviewed on a monthly basis and approved by management.

Bank Reconciliations

In our current year audit, we noted that the monthly bank reconciliations and bank statements were not being reviewed by management. We recommend that monthly bank reconciliations and bank statements be reviewed by management and compared to the monthly financial statements.

Executive Director Spending Threshold

In our current year audit, we noted that the Executive Director does not have a spending threshold above which Board approval is needed. We recommend the Board consider establishing a dollar spending threshold for the Executive Director above which the he or she would need prior Board authorization.

Approval of DED Expenditures

To the extent possible, we would recommend the staff from the Department of Economic Development submit expenditures to the Executive Director of the Foundation for approval before the expenditure is made.

Communication of Financial Reports

We would recommend that any financial reports or information shared directly between DED staff and the fiscal manager be shared with the Executive Director.

Check Signatures

We would recommend the Board consider establishing a dollar threshold for requiring two signatures on checks issues.

MISSOURI PARTNERSHIP

Credit Card Statement Review

It was noted that currently, the charges and receipts for the Executive Director's credit card are not reviewed. We recommend the Treasurer or another Board member review the charges by the Executive Director.



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Jo Moore, Partner
Evers and Company
520 Dix Road
Jefferson City, MO 65109

The Hawthorn Foundation Executive Committee has reviewed the draft audit report. In considering deficiencies noted to our internal controls, we offer the following response.

The Executive Committee has reviewed the audit recommendation relating to Organizational Structure. In lieu of greatly expanding personnel, the Executive Committee will bond both the Executive Director and the Missouri Chamber of Commerce Vice President of Finance.

The Executive Committee has reviewed the audit recommendation with respect to Internal Control Structure. It is the opinion of the Executive Committee that employing separate personnel to create the foundation's financial statements versus the current practice of having the auditors prepare the statement, is not cost effective relative to the risk assumed by the foundation.

Management has also been responsive to your recommendations regarding fiscal controls. Please note those policy changes were adopted by the Executive Committee on November 5, 2015.

The Executive Committee believes this addresses your concerns in a manner consistent with our organization's size. Additional considerations will be made at the end of FY16, should the Foundation have significant growth over the course of the year.

If you have concerns relative to the actions proposed, please do not hesitate to contact me.

Margaret Onken
Executive Director
The Hawthorn Foundation

November 5, 2015



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

Certified Public Accountants and Consultants

November 5, 2015

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

Elmer L. Evers
Richard E. Elliott
Dale A. Siebeneck
Keith L. Taylor
Jo L. Moore
Wendy M. Renner
Eldon H. Becker, Jr.
Bruce A. Vanderveld
Jerome L. Kauffman, Emeritus

We have audited the consolidated financial statements of Hawthorn Foundation and Affiliate for the year ended June 30, 2015, and have issued our report thereon dated November 5, 2015. 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 10, 2015. 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 Hawthorn Foundation and Affiliate are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. 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.

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 November 5, 2015.

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 the modified cash basis of accounting, 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,

Evers & Company, CPA's, LLC

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