

**THE HAWTHORN
FOUNDATION
AND AFFILIATE**

Jefferson City, Missouri

INDEPENDENT AUDITORS' REPORT

For the Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of **The Hawthorn Foundation and Affiliate** (nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Hawthorn Foundation and Affiliate as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Hawthorn Foundation and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Hawthorn Foundation and Affiliate's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Evers & Company, CPA's, LLC

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

August 31, 2023

THE HAWTHORN FOUNDATION AND AFFILIATE

Jefferson City, Missouri

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023

<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 3,289,782.82
Accounts Receivable	114,849.32
Prepaid Expenses	89,339.53
Total Current Assets	<u>3,493,971.67</u>
Fixed Assets	
Equipment	120,378.19
Building and Fixtures	102,961.90
Marketing Equipment	17,624.13
Less: Accumulated Depreciation	<u>(206,374.70)</u>
Net Fixed Assets	<u>34,589.52</u>
TOTAL ASSETS	<u><u>\$ 3,528,561.19</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
Accounts Payable	\$ 165,039.15
Advanced Payments	650,511.39
Accrued Vacation Payable	41,632.55
Deferred Liabilities	64,285.71
Income Tax Payable	<u>1,092.67</u>
Total Liabilities	<u>922,561.47</u>
NET ASSETS	
Without Donor Restrictions	
Board Designated	99,452.35
Undesignated	2,077,122.99
With Donor Restrictions	<u>429,424.38</u>
Total Net Assets	<u>2,605,999.72</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,528,561.19</u></u>

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, 2023

REVENUES

DED Support	\$ 4,000,000.00
Membership Dues	1,004,400.00
Conference Income	140,337.85
Sponsorship Income	191,532.81
Partner Contributions	1,425.00
Interest Income	9,344.26
Gain on Sale of Fixed Asset	371.24
Miscellaneous Income	4,065.43
Total Revenues	<u>5,351,476.59</u>
Net Assets Released from Restrictions:	
Contributions Released from Restrictions	<u>899,940.73</u>
Total Revenues	<u>6,251,417.32</u>

EXPENSES

EXPENSES:

Program Expenses:	
Marketing	1,185,140.02
Business Development	1,763,921.11
Capacity Building	214,275.52
Shared Operations	1,460,055.76
Project Management	1,216,184.94
Supporting Expenses:	
Administrative Expenses	<u>183,715.09</u>
Total Expenses	<u>6,023,292.44</u>
Increase/ (Decrease) in Net Assets Without Donor Restrictions	228,124.88

**NET ASSETS WITH
DONOR RESTRICTIONS**

Contributions	927,302.34
Contributions Released from Restrictions	<u>(899,940.73)</u>
Increase/ (Decrease) in Net Assets With Donor Restrictions	<u>27,361.61</u>
Increase (Decrease) in Net Assets	255,486.49
Net Assets, Beginning of Year	<u>2,350,513.23</u>
Net Assets, End of Year	<u>\$ 2,605,999.72</u>

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, 2023

EXPENSES	PROGRAM SERVICES					SUPPORTING SERVICES	TOTAL EXPENSES
	MARKETING	BUSINESS DEVELOPMENT	CAPACITY BUILDING	SHARED OPERATIONS	PROJECT MANAGEMENT	MANAGEMENT AND GENERAL	
Salary Expense	\$ 320,831.93	\$ 252,214.01	\$ 29,767.80	\$ 520,936.54	\$ 527,972.34	\$ 43,417.50	\$ 1,695,140.12
Payroll Taxes	25,324.37	19,658.33	2,351.65	41,153.97	41,576.50	3,318.02	133,382.84
Employee Benefits	20,446.85	13,442.67	1,917.96	33,564.38	32,613.86	1,618.19	103,603.91
Retirement Expense	15,085.32	11,366.79	1,403.56	24,562.33	24,631.48	1,826.56	78,876.04
Performance Incentive Pay	48,489.28	23,090.13	4,618.03	80,815.45	73,888.42	-	230,901.31
Income Tax Expense	-	-	-	-	-	1,092.67	1,092.67
Professional Development	3,795.10	1,807.19	361.44	6,325.17	5,783.01	-	18,071.91
Employee Hiring and Recruitment	-	-	-	-	-	1,119.69	1,119.69
Contracts for Services	-	-	-	-	-	32,649.20	32,649.20
Accounting	4,809.21	15,684.62	351.92	6,158.68	12,593.29	5,848.50	45,446.22
Legal Fees	-	-	-	-	-	12,927.39	12,927.39
Supplies	3,411.96	3,642.91	308.96	5,406.84	5,992.45	881.19	19,644.31
Telephone	5,296.75	2,637.69	503.54	8,811.91	8,116.60	50.40	25,416.89
Postage	398.71	370.56	36.54	639.46	678.59	78.89	2,202.75
Meals and Entertainment	-	5,040.04	-	-	-	-	5,040.04
Dues and Subscriptions	-	-	-	-	-	4,867.39	4,867.39
Printing	-	-	-	-	-	2,477.39	2,477.39
Insurance	2,681.55	3,082.42	241.08	4,218.99	4,795.86	788.34	15,808.24
Rent	24,435.75	11,636.07	2,327.21	40,726.27	37,235.43	-	116,360.73
Office Improvements	-	-	-	-	-	1,416.00	1,416.00
Maintenance and Repair	139.44	66.40	13.28	232.40	212.48	-	664.00
Trade Mission	-	388,958.52	-	-	-	-	388,958.52
Meeting Expense	-	-	-	-	-	7,545.93	7,545.93
Event Expenses	36,201.66	-	-	-	-	-	36,201.66
Foreign Trade Office Expense	-	553,062.42	-	-	-	-	553,062.42
BRAC Study Expense	-	-	-	-	346,878.31	-	346,878.31
Miscellaneous Allowances	1,882.57	4,936.46	147.29	2,577.61	4,456.68	1,764.00	15,764.61
Depreciation	-	-	-	-	-	23,501.23	23,501.23
Miscellaneous Marketing	671,909.57	-	-	-	-	-	671,909.57
Conferences/Trade Shows/Sponsorships	-	70,525.25	-	-	-	-	70,525.25
Women's Council Expense	-	240.00	-	-	-	-	240.00
Capacity Building	-	-	169,925.26	-	-	-	169,925.26
Business Development	-	382,458.63	-	-	-	-	382,458.63
Shared Operations	-	-	-	683,925.76	-	-	683,925.76
Miscellaneous Expense	-	-	-	-	-	21,796.93	21,796.93
Travel	-	-	-	-	-	1,872.54	1,872.54
Project Management	-	-	-	-	88,759.64	12,857.14	101,616.78
Total Expenses	\$ 1,185,140.02	\$ 1,763,921.11	\$ 214,275.52	\$ 1,460,055.76	\$ 1,216,184.94	\$ 183,715.09	\$ 6,023,292.44

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, 2023

Cash Flows from Operating Activities:

Change in Net Assets	\$ 255,486.49
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	23,501.23
Decrease (Increase) in Accounts Receivable	(2,167.79)
Decrease (Increase) in Prepaid Expenses	(17,869.16)
Increase (Decrease) in Accounts Payable	(236,369.16)
Increase (Decrease) in Advanced Payments	591,029.69
Increase (Decrease) in Accrued Vacation Payable	9,827.40
Increase (Decrease) in Deferred Liabilities	12,857.14
Increase (Decrease) in Income Tax Payable	454.26
Net Cash Provided (Used) by Operating Activities	<u>636,750.10</u>

Cash Flows from Investing Activities:

Acquisition of Equipment	(13,183.99)
Proceeds from Investments	199,194.00
Net Cash Provided (Used) by Investing Activities	<u>186,010.01</u>

Net Increase (Decrease) in Cash and Cash Equivalents 822,760.11

Cash and Cash Equivalents at Beginning of Year 2,467,022.71

Cash and Cash Equivalents at End of Year \$ 3,289,782.82

Supplemental Disclosures of Cash Flow Information:

Income Taxes Paid	\$ 638.41
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, 2023

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 in attracting businesses and creating new jobs 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 created 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 \$1,092.67 of proxy tax for lobbying activity for the year ended June 30, 2023. The organization does file Form 990, Return of Organization Exempt from Income Tax and is subject to examination by the Internal Revenue Service. As of June 30, 2023, the open years subject to examination by the Internal Revenue Service are 2020 through 2022.

Property and Equipment

All property and equipment purchases in excess of \$500 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, 2023

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, 2023, as 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 August 31, 2023, 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, 2023

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 \$650,511.39 at June 30, 2023. 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. Deferred advanced payment revenue includes \$500,000 to be used to conduct market research in the development of a more cohesive brand for the State of Missouri to use when targeting prospective businesses, workers and tourists.

Fair Value Measurements

Market value was determined using Level 2 inputs for debt securities, which are quoted prices for similar securities for active markets. The market prices were derived from investment broker statements as of June 30, 2023.

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.

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 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 HAWTHORN FOUNDATION AND AFFILIATE

Jefferson City, Missouri

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2023

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

Accounting Pronouncements Adopted in the Current Year

Leases

In February 2016, the FASB issued the Accounting Standards Updated (“ASU”) 2016-02, Leases (Topic 842), which required the recognition of a “right to use” asset and a lease liability initially measured at the present value of the lease payments, on all of the Organization’s lease obligations. This ASU is effective for the fiscal years beginning after December 15, 2021. Management does not expect this ASU to have significant impact on the Organization’s consolidated financial statements.

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 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 \$948,041.78 for The Hawthorn Foundation and \$2,152,909.13 for the Missouri Partnership are reported as Cash and Cash Equivalents on the financial statements for the year ended June 30, 2023. Due to the nature of these investments, there are no realized or unrealized gains and losses reported. At June 30, 2023, the amounts held in bank deposit accounts were within FDIC coverage limits.

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, 2023. 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.

THE HAWTHORN FOUNDATION AND AFFILIATE

Jefferson City, Missouri

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2023

NOTE 3 - AVAILABILITY AND LIQUIDITY:

The following represents the Organization's financial assets at June 30, 2023:

	The Hawthorn Foundation	Missouri Partnership
Financial assets at year end:		
Cash and cash equivalents	\$ 1,148,119.51	\$ 2,141,663.31
Accounts receivable	111,006.43	3,842.89
Financial Assets	1,259,125.94	2,145,506.20
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restrictions by donor with time or purpose restrictions	(429,424.38)	-
Financial assets available to meet cash needs for general expenditures within one year before board designations	829,701.56	2,145,506.20
Less Board Designations:		
Missouri Department of Economic Development and the Missouri Department of Agriculture	(99,452.35)	-
Financial assets available to meet general expenditures over the next twelve months	\$ 730,249.21	\$ 2,145,506.20

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.

NOTE 4 – RETIREMENT PLAN:

The Hawthorn Foundation and Affiliate maintains 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 Hawthorn Foundation, under the Missouri Chamber of Commerce maintains a 401(k) plan for its employees. Employees are eligible to participate after completion of one full calendar quarter of service. The plan allows the Chamber to make a discretionary match. The current practice of the Chamber is to match 100% of the full-time employee's deferral up to 5% of the employee's salary, plus 50% of the employee's deferral that exceeds 5%, but no more than 10% of the employee's salary. The Chamber adopted a safe harbor platform for their 401(k) plan and eliminated the need for the 457 deferred compensation plan. The vesting provision on the safe harbor plan allows 100% vesting on the 4% contributed. The contribution for the year ended June 30, 2023 was \$78,876.04.

THE HAWTHORN FOUNDATION AND AFFILIATE

Jefferson City, Missouri

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2023

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 from September 1, 2018 through and including August 31, 2023. 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, 2023 and continues until January 31, 2024 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 July 1, 2023 and continues until June 30, 2026.

Management has evaluated the existing leases and determined they do not meet the requirements of ASU 2016-02. Therefore, lease payments are expensed rather than recording a “right to use” asset and a corresponding lease liability.

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
2024	\$ 16,324.00	\$ 4,305.00	\$ 4,414.68	\$ 25,043.68
2025	-	-	4,414.68	4,414.68
2026	-	-	4,414.68	4,414.68
Total	<u>\$ 16,324.00</u>	<u>\$ 4,305.00</u>	<u>\$ 13,244.04</u>	<u>\$ 33,873.04</u>

NOTE 6 – FIXED ASSETS:

Missouri Partnership

	Cost	Accumulated Depreciation	Book Value
Equipment	\$ 120,378.19	\$ 93,527.96	\$ 26,850.23
Building and Fixtures	102,961.90	96,470.45	6,491.45
Marketing Equipment	17,624.13	16,376.29	1,247.84
	<u>\$ 240,964.22</u>	<u>\$ 206,374.70</u>	<u>\$ 34,589.52</u>

Depreciation expense for the year ended June 30, 2023 totaled \$23,501.23.

THE HAWTHORN FOUNDATION AND AFFILIATE

Jefferson City, Missouri

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2023

NOTE 7 – NET ASSETS:

Net Assets with Donor Restrictions:

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

	Foreign Trade Office
Balance June 30, 2022	\$ 402,062.77
Contributions	927,302.34
Contributions released from restrictions	899,940.73
Balance June 30, 2023	<u>\$ 429,424.38</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, 2022	\$ 99,452.35
Conference Income	-
Conference Expenses	-
Balance June 30, 2023	<u>\$ 99,452.35</u>

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, 2023, The Hawthorn Foundation transferred \$4,000,000 funding originally received from the Missouri Department of Economic Development and \$560,000 funding raised by The Hawthorn Foundation, to the Missouri Partnership to fund several programs that were specifically designed to attract businesses to Missouri.

THE HAWTHORN FOUNDATION AND AFFILIATE

Jefferson City, Missouri

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2023

NOTE 9 – ACCOUNTS RECEIVABLE:

As of June 30, 2023, The Hawthorn Foundation and Affiliate reported \$114,849.32 in accounts receivable.

	The Hawthorn Foundation	Missouri Partnership
Accounts Receivable	\$ 110,006.43	\$ 3,842.89
Dues Receivable	1,000.00	-
	<u>\$ 111,006.43</u>	<u>\$ 3,842.89</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.

ADDITIONAL INFORMATION

THE HAWTHORN FOUNDATION AND AFFILIATE

Jefferson City, Missouri

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2023

	<u>THE HAWTHORN FOUNDATION</u>	<u>MISSOURI PARTNERSHIP</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 1,148,119.51	\$ 2,141,663.31	\$ -	\$ 3,289,782.82
Accounts Receivable	111,006.43	3,842.89	-	114,849.32
Prepaid Expenses	14,618.00	74,721.53	-	89,339.53
Total Current Assets	<u>1,273,743.94</u>	<u>2,220,227.73</u>	-	<u>3,493,971.67</u>
Fixed Assets				
Equipment	-	120,378.19	-	120,378.19
Building and Fixtures	-	102,961.90	-	102,961.90
Marketing Equipment	-	17,624.13	-	17,624.13
Less: Accumulated Depreciation	-	(206,374.70)	-	(206,374.70)
Net Fixed Assets	<u>-</u>	<u>34,589.52</u>	-	<u>34,589.52</u>
TOTAL ASSETS	<u><u>\$ 1,273,743.94</u></u>	<u><u>\$ 2,254,817.25</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,528,561.19</u></u>
LIABILITIES AND NET ASSETS				
Accounts Payable	\$ 25,168.89	\$ 139,870.26	\$ -	\$ 165,039.15
Advanced Payments	150,511.39	500,000.00	-	650,511.39
Accrued Vacation Payable	-	41,632.55	-	41,632.55
Deferred Liabilities	-	64,285.71	-	64,285.71
Income Tax Payable	1,092.67	-	-	1,092.67
Total Liabilities	<u>176,772.95</u>	<u>745,788.52</u>	-	<u>922,561.47</u>
NET ASSETS				
Without Donor Restrictions				
Board Designated	99,452.35	-	-	99,452.35
Undesignated	568,094.26	1,509,028.73	-	2,077,122.99
With Donor Restrictions	<u>429,424.38</u>	<u>-</u>	<u>-</u>	<u>429,424.38</u>
Total Net Assets	<u>1,096,970.99</u>	<u>1,509,028.73</u>	-	<u>2,605,999.72</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,273,743.94</u></u>	<u><u>\$ 2,254,817.25</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,528,561.19</u></u>

THE HAWTHORN FOUNDATION AND AFFILIATE
Jefferson City, Missouri

CONSOLIDATING STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2023

	THE HAWTHORN FOUNDATION	MISSOURI PARTNERSHIP	ELIMINATIONS	CONSOLIDATED
<u>REVENUES</u>				
DED Support	\$ 4,000,000.00	\$ 3,500,000.00	\$ (3,500,000.00)	\$ 4,000,000.00
Membership Dues	1,004,400.00	-	-	1,004,400.00
Conference Income	140,337.85	-	-	140,337.85
Sponsorship Income	191,532.81	-	-	191,532.81
Partner Contributions	-	1,425.00	-	1,425.00
Interest Income	617.47	8,726.79	-	9,344.26
Miscellaneous Income	-	4,065.43	-	4,065.43
Gain on Sale of Fixed Assets	-	371.24	-	371.24
Hawthorn Foundation	-	560,000.00	(560,000.00)	-
Total Revenue	5,336,888.13	4,074,588.46	(4,060,000.00)	5,351,476.59
Net Assets Released from Restrictions:				
Contributions Released from Restrictions	899,940.73	-	-	899,940.73
Total Revenues	6,236,828.86	4,074,588.46	(4,060,000.00)	6,251,417.32
<u>EXPENSES</u>				
EXPENSES:				
Program Expenses:				
Marketing	47,552.45	1,137,587.57	-	1,185,140.02
Business Development	1,159,711.07	604,210.04	-	1,763,921.11
Capacity Building	-	214,275.52	-	214,275.52
Shared Operations	4,560,000.00	960,055.76	(4,060,000.00)	1,460,055.76
Project Management	417,820.74	798,364.20	-	1,216,184.94
Supporting Expenses:				
Administrative Expenses	99,214.16	84,500.93	-	183,715.09
Total Expenses	6,284,298.42	3,798,994.02	(4,060,000.00)	6,023,292.44
Increase/ (Decrease) in				
Net Assets Without Donor Restrictions	(47,469.56)	275,594.44	-	228,124.88
NET ASSETS WITH				
DONOR RESTRICTION (See Note 8)				
Contributions	927,302.34	-	-	927,302.34
Contributions Released from Restrictions	(899,940.73)	-	-	(899,940.73)
Increase/ (Decrease) in Net Assets	27,361.61	-	-	27,361.61
With Donor Restriction	27,361.61	-	-	27,361.61
Increase (Decrease) in Net Assets	(20,107.95)	275,594.44	-	255,486.49
Net Assets, Beginning of Year	1,117,078.94	1,233,434.29	-	2,350,513.23
Net Assets, End of Year	\$ 1,096,970.99	\$ 1,509,028.73	\$ -	\$ 2,605,999.72

THE HAWTHORN FOUNDATION AND AFFILIATE
Jefferson City, Missouri

CONSOLIDATING STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2023

	<u>The Hawthorn Foundation</u>	<u>Missouri Partnership</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Cash Flows from Operating Activities:</u>				
Change in Net Assets	\$ (20,107.95)	\$ 275,594.44	\$ -	\$ 255,486.49
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:				
Depreciation	-	23,501.23	-	23,501.23
Decrease (Increase) in Accounts Receivable	(25,349.54)	23,181.75	-	(2,167.79)
Decrease (Increase) in Prepaid Expenses	(3,563.24)	(14,305.92)	-	(17,869.16)
Increase (Decrease) in Accounts Payable	(265,833.15)	29,463.99	-	(236,369.16)
Increase (Decrease) in Advanced Payments	91,029.69	500,000.00	-	591,029.69
Increase (Decrease) in Accrued Vacation Payable	-	9,827.40	-	9,827.40
Increase (Decrease) in Deferred Liabilities	-	12,857.14	-	12,857.14
Increase (Decrease) in Income Tax Payable	454.26	-	-	454.26
Net Cash Provided (Used) by Operating Activities	<u>(223,369.93)</u>	<u>860,120.03</u>	<u>-</u>	<u>636,750.10</u>
<u>Cash Flows from Investing Activities:</u>				
Acquisition of Equipment	-	(13,183.99)	-	(13,183.99)
Proceeds from Sales of Investments	-	199,194.00	-	199,194.00
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>186,010.01</u>	<u>-</u>	<u>186,010.01</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(223,369.93)	1,046,130.04	-	822,760.11
Cash and Cash Equivalents at Beginning of Year	<u>1,371,489.44</u>	<u>1,095,533.27</u>	<u>-</u>	<u>2,467,022.71</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,148,119.51</u>	<u>\$ 2,141,663.31</u>	<u>\$ -</u>	<u>\$ 3,289,782.82</u>
<u>Supplemental Disclosures of Cash Flow Information:</u>				
Income Taxes Paid	\$ 638.41	\$ -	\$ -	\$ 638.41
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.