

**Hawthorn Hill
Des Moines, Iowa**

FINANCIAL REPORT

June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hawthorn Hill
Des Moines, Iowa

Opinion

We have audited the accompanying financial statements of Hawthorn Hill (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hawthorn Hill as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hawthorn Hill and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hawthorn Hill's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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 financial statements.

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

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


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 4, 2022

**Hawthorn Hill
STATEMENTS OF FINANCIAL POSITION**

	June 30	
ASSETS	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 806,587	\$ 719,351
Certificates of deposit	162,786	131,385
Accounts receivable	8,833	16,018
Contributions receivable	17,996	3,918
Prepaid expenses	11,045	8,818
Total current assets	<u>1,007,247</u>	<u>879,490</u>
OTHER ASSETS		
Certificates of deposit	-	30,864
Investments	6,467	7,415
Property and equipment, net of accumulated depreciation	1,243,512	1,327,186
Total other assets	<u>1,249,979</u>	<u>1,365,465</u>
Total assets	<u>\$2,257,226</u>	<u>\$2,244,955</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 4,173	\$ 8,925
Accrued expenses	43,273	38,189
Deferred revenue	5,640	7,078
Client escrow	2,210	2,643
Tenant security deposits	12,000	11,550
Total current liabilities	<u>67,296</u>	<u>68,385</u>
NET ASSETS		
Net assets without donor restrictions	2,182,339	2,169,759
Net assets with donor restrictions	7,591	6,811
Total net assets	<u>2,189,930</u>	<u>2,176,570</u>
Total liabilities and net assets	<u>\$2,257,226</u>	<u>\$2,244,955</u>

See Notes to Financial Statements.

**Hawthorn Hill
STATEMENTS OF ACTIVITIES**

	<u>Year ended June 30, 2022</u>			<u>Year ended June 30, 2021</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT						
Contributions	\$ 662,900	\$ -	\$ 662,900	\$ 830,336	\$ -	\$ 830,336
Program fees	174,030	-	174,030	170,929	-	170,929
Special events	46,436	-	46,436	50,832	-	50,832
Investment income	104	780	884	2,337	676	3,013
Gain on sale of assets	29,324	-	29,324	32,322	-	32,322
Total revenue and support	<u>912,794</u>	<u>780</u>	<u>913,574</u>	<u>1,190,773</u>	<u>676</u>	<u>1,191,449</u>
EXPENSES						
Program services						
New Direction Shelter	436,142	-	436,142	401,292	-	401,292
The Home Connection	365,189	-	365,189	342,156	-	342,156
Supporting services						
Management and general	45,246	-	45,246	39,677	-	39,677
Fundraising	53,637	-	53,637	55,609	-	55,609
Total expenses	<u>900,214</u>	<u>-</u>	<u>900,214</u>	<u>838,734</u>	<u>-</u>	<u>838,734</u>
CHANGE IN NET ASSETS	12,580	780	13,360	352,039	676	352,715
NET ASSETS, beginning	<u>2,169,759</u>	<u>6,811</u>	<u>2,176,570</u>	<u>1,817,720</u>	<u>6,135</u>	<u>1,823,855</u>
NET ASSETS, ending	<u>\$2,182,339</u>	<u>\$ 7,591</u>	<u>\$2,189,930</u>	<u>\$2,169,759</u>	<u>\$ 6,811</u>	<u>\$2,176,570</u>

See Notes to Financial Statements.

Hawthorn Hill
STATEMENTS OF FUNCTIONAL EXPENSES
Year ended June 30, 2022

	Program Services			
	New Direction	The Home Connection		Total
	Shelter	Property Management	Case Management	
Salaries and benefits				
Salaries	\$ 247,200	\$ 92,765	\$ 52,949	\$ 145,714
Employee benefits	30,550	23,620	4,919	28,539
Payroll taxes	<u>22,817</u>	<u>8,624</u>	<u>4,284</u>	<u>12,908</u>
	300,567	125,009	62,152	187,161
Accounting	8,040	4,020	4,020	8,040
Client assistance	21,577	-	-	-
Consulting/management fee	394	9,634	-	9,634
Continuing education	420	20	-	20
Depreciation	31,589	77,801	-	77,801
Fundraising	-	-	-	-
Human resources	10,782	4,624	1,574	6,198
Information technology	912	912	-	912
Insurance	8,929	8,905	-	8,905
Interest	-	-	-	-
Maintenance	16,995	30,820	-	30,820
Office supplies	3,868	1,755	-	1,755
Other	3,141	7,093	-	7,093
Postage and shipping	243	327	-	327
Printing	454	454	-	454
Professional fees	5,050	5,607	-	5,607
Program supplies	4,316	550	15	565
Telephone	4,823	5,723	-	5,723
Transportation	343	3,761	357	4,118
Utilities	<u>13,699</u>	<u>10,056</u>	<u>-</u>	<u>10,056</u>
Totals	<u>\$ 436,142</u>	<u>\$ 297,071</u>	<u>\$ 68,118</u>	<u>\$ 365,189</u>

See Notes to Financial Statements.

Support Services

<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 17,151	\$ 34,407	\$ 444,472
2,681	5,053	66,823
<u>1,391</u>	<u>2,867</u>	<u>39,983</u>
21,223	42,327	551,278
4,020	—	20,100
—	—	21,577
—	590	10,618
—	—	440
—	—	109,390
777	1,424	19,181
176	2,327	4,327
13,765	—	31,599
—	—	—
—	—	47,815
314	—	5,937
127	—	10,361
—	1,605	2,175
—	5,198	6,106
3,877	—	14,534
—	166	5,047
287	—	10,833
680	—	5,141
<u>—</u>	<u>—</u>	<u>23,755</u>
<u>\$ 45,246</u>	<u>\$ 53,637</u>	<u>\$ 900,214</u>

See Notes to Financial Statements.

Hawthorn Hill
STATEMENTS OF FUNCTIONAL EXPENSES (continued)
Year ended June 30, 2021

	Program Services			
	New Direction Shelter	The Home Connection		
		Property Management	Case Management	
Salaries and benefits				
Salaries	\$ 229,710	\$ 68,021	\$ 63,714	\$ 131,735
Employee benefits	26,481	14,535	13,614	28,149
Payroll taxes	21,229	5,905	5,661	11,566
	<u>277,420</u>	<u>88,461</u>	<u>82,989</u>	<u>171,450</u>
Accounting	7,800	3,900	3,900	7,800
Client assistance	19,199	-	8,377	8,377
Consulting/management fee	-	-	2,852	2,852
Continuing education	1,020	-	180	180
Depreciation	23,294	75,968	-	75,968
Fundraising	-	-	-	-
Human resources	9,126	4,458	460	4,918
Information technology	355	92	-	92
Insurance	13,046	13,046	-	13,046
Interest	-	-	-	-
Maintenance	12,284	19,169	-	19,169
Office supplies	2,258	341	681	1,022
Other	3,134	4,610	-	4,610
Postage and shipping	205	433	-	433
Printing	668	-	668	668
Professional fees	4,912	13,195	-	13,195
Program supplies	7,899	-	1,539	1,539
Telephone	4,193	1,698	3,395	5,093
Transportation	188	2,088	977	3,065
Utilities	14,291	8,679	-	8,679
Totals	<u>\$ 401,292</u>	<u>\$ 236,137</u>	<u>\$ 106,019</u>	<u>\$ 342,156</u>

See Notes to Financial Statements.

Support Services

<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 16,815	\$ 37,429	\$ 415,689
2,506	5,107	62,243
<u>1,361</u>	<u>3,102</u>	<u>37,258</u>
20,682	45,638	515,190
3,900	—	19,500
—	—	27,576
—	390	3,242
—	—	1,200
—	—	99,262
—	—	—
3,735	—	17,779
112	717	1,276
4,594	—	30,686
—	—	—
—	—	31,453
1,086	—	4,366
58	—	7,802
306	1,865	2,809
—	5,458	6,794
2,771	—	20,878
—	1,480	10,918
878	—	10,164
1,555	61	4,869
<u>—</u>	<u>—</u>	<u>22,970</u>
<u>\$ 39,677</u>	<u>\$ 55,609</u>	<u>\$ 838,734</u>

**Hawthorn Hill
STATEMENTS OF CASH FLOWS**

	Year ended June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 13,360	\$ 352,715
Adjustment to reconcile change in net assets to cash flows from operating activities		
Depreciation	109,390	99,262
Realized and unrealized losses (gains) losses on investments, net	825	(1,666)
Paycheck Protection Program loan forgiveness	-	(104,017)
Gain on disposal of assets	(29,324)	(32,322)
Changes in operating assets and liabilities		
Accounts receivable	7,185	(6,054)
Contributions receivable	(14,078)	5,005
Prepaid expenses	(2,227)	(151)
Accounts payable	(4,752)	3,204
Accrued expenses	5,084	3,874
Deferred revenue	(1,438)	5,708
Client escrow	(433)	(737)
Tenant security deposits	450	(1,250)
Cash flows from operating activities	84,042	323,571
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of property	68,674	60,382
Purchase of certificates of deposit	(537)	(101,277)
Proceeds from sale of investments	270	250
Purchase of investments	(147)	(116)
Purchase of property and equipment	(65,066)	(101,792)
Cash flows from investment activities	3,194	(142,553)
NET CHANGE IN CASH AND CASH EQUIVALENTS	87,236	181,018
CASH AND CASH EQUIVALENTS		
Beginning	719,351	538,333
Ending	\$ 806,587	\$ 719,351
SCHEDULE OF NONCASH FINANCING ACTIVITIES		
Forgiveness of Paycheck Protection Program loan	\$ -	\$ 104,017

See Notes to Financial Statements.

Hawthorn Hill
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hawthorn Hill (the "Organization") is organized as an Iowa Nonprofit Corporation. The Organization's mission is to establish and operate housing programs for homeless families with children, to provide services to assist families with children in achieving economic self-sufficiency, and to identify, investigate, educate and seek solutions to the root causes of homelessness areas.

Programs offered include an emergency shelter services for homeless families with children and supportive housing in the Des Moines, Iowa area.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the basis of net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restriction class.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include money market funds and all highly liquid investments with a maturity date of less than three months from the date of purchase. The Organization's cash balances that are maintained in bank accounts may exceed Federal Deposit Insurance Corporation limits from time to time. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash.

Certificates of Deposit

The Organization has multiple certificates of deposit at local banks and are carried at cost, which approximates fair value. These certificates bear interest at rates from 0.05% to 1.50% and have maturity dates through May 2023.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. The Organization has recorded an allowance for uncollectible receivables of \$-0-, as of June 30, 2022 and 2021.

Hawthorn Hill
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pooled Cash and Investments

Cash includes \$648,454 and \$536,561 of pooled checking and money market funds held at the Community Foundation of Greater Des Moines (Community Foundation) for the years ended June 30, 2022 and 2021, respectively.

Investments consist of assets held at the Community Foundation that are carried at fair value and are reported with investments on the statements of financial position, with gains and losses resulting from market fluctuations recognized in the period in which the fluctuations occur. Investment income is reported as an increase or decrease in net assets without donor restrictions, unless the use of the assets is restricted by the donor and the restrictions have not been met in the reporting period in which the income was recognized.

Assets held by the Community Foundation under designated agency agreements consist of pooled cash held by and funds invested at the Community Foundation. The Organization holds a share of the pooled funds and not direct ownership of the underlying investments. The funds are subject to the policies and governing documents of the Community Foundation, including control over investment and asset management.

Property and Equipment and Depreciation

Property and equipment are stated at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Contributions of cash that must be used to acquire property and equipment and assets donated with explicit restrictions regarding their use are reported as restricted support.

The Organization reports expirations of donor restrictions and reclassifies net assets with donor restrictions to net assets without donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Furniture and equipment	5-20 years
Vehicles	5 years
Building and improvements	5-30 years

Client Escrow

The Organization retains a percentage of program fees for the benefit of clients. The fees are returned to the client upon successful completion of the program.

Net Assets

The Organization's net assets and changes therein are classified and reported as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions or law.

With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Hawthorn Hill
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Program Fees

Program fees consist of rental fees for housing leased to participants of the Home Connection program, under year long leases that then convert to month to month agreements, with set rent payments. Revenue is recognized on a straight line basis over the term of the lease.

Public Support

Contributions are recognized as revenue when the donor makes a promise to give to the Organization which is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Unconditional contributions are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. An allowance for doubtful accounts is provided based upon management's judgment, including such factors as prior history and nature of the contribution.

Public support that is expected to be collected within one year is recorded at its net realizable value. Public support that is expected to be collected in future years is reported at fair value using present value techniques. The discount on those amounts is computed using an interest rate applicable in the year in which the contribution was received. All grants and contributions receivable as of June 30, 2022 and 2021 are anticipated to be collected in the following year and, therefore, no discount has been recorded.

Revenue from government and private grants are generally considered to be subject to conditions that must be met before the Organization is entitled to funding. The Organization recognizes revenue from grants and contracts when all material barriers have been overcome in order for the Organization to be entitled to the funding. Typically these barriers are overcome when qualifying expenditures have been incurred or defined outcomes have been achieved. Revenues from grants and contracts whose conditions have been met are recorded as grants and contributions receivable until funded by the grantor. Funding received prior to the conditions being met are recorded as refundable advances.

Contributed Goods and Services

Contributions of donated goods are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Numerous volunteers have donated significant amounts of time to the Organization. The value of these services has not been recorded to the financial statements as the criteria for recognition has not been met.

Contributed property and equipment are recorded at their estimated fair value at the date of the gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose.

Functional Expense Allocations

The allocations of expenses shown on the statement of functional expenses were made first by direct allocation to program areas from supporting documentation. Salaries and directly related costs were assigned to program areas based on time reports. Other expenses such as utility costs and building repairs and maintenance were allocated using percentages determined to be the best representation of usage. Additional allocations, where possible, were prepared using estimates determined by management.

Hawthorn Hill
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	June 30	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 806,587	\$ 719,351
Certificates of deposit	162,786	131,385
Accounts receivable	8,833	16,018
Contributions receivable	<u>17,996</u>	<u>3,918</u>
Total	<u>\$ 996,202</u>	<u>\$ 870,672</u>

As part of the Organization's liquidity management, it has policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of immediate requirements in money market accounts and certificates of deposit. These accounts as well as a cash flow line of credit up to \$115,000 is available to draw upon in the event of an unanticipated liquidity need as of June 30, 2022.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Management believes that the Organization is no longer subject to income tax examinations for years prior to 2019.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist primarily of pledges as of the year ended June 30, 2022 and all are due within one year.

**Hawthorn Hill
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 INVESTMENT IN ASSETS HELD AT THE COMMUNITY FOUNDATION OF GREATER DES MOINES

Investment income consisted of the following:

	Year ended June 30	
	2022	2021
Interest and dividends	\$ 1,980	\$ 1,597
Realized gains	159	393
Change in unrealized gains (losses)	(983)	1,294
Investment fees	(272)	(271)
	\$ 884	\$ 3,013

The Organization follows the Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification*, which establishes a framework for measuring fair value and expands disclosures about fair value measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities, Level 1, and the lowest priority to unobservable inputs, Level 3. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are generally available indirect information, such as quoted prices for identical or similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active. Level 3 inputs are the most subjective, are generally based on the management's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances. The Organization had no Level 1 or Level 2 investments at June 30, 2022 and 2021.

Following is a description of the valuation methodologies used for the Organizations' investments measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021:

Pooled investments – Pooled investments consist of assets held by the Community Foundation. Although the pooled funds include investments in equity, fixed income, real assets, and other marketable securities, the pool itself is not a publicly traded instrument. Management estimates the fair value of its pooled investments at the statement of financial position date based on its relative ownership investment in the pool. All funds held at the Community Foundation are measured using Level 3 inputs as provided by the Community Foundation as there is no direct ownership of the underlying investments. However, the underlying investments in the pooled funds by the Community Foundation using Level 1, Level 2, and Level 3 inputs and other investments using the net asset value.

The following tables set forth by level within the fair value hierarchy the Organization's investments at fair value as of June 30, 2022 and 2021. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

June 30, 2022	Level 1	Level 2	Level 3	Total
Pooled investments	\$ —	\$ —	\$ 6,467	\$ 6,467
	Level 1	Level 2	Level 3	Total
Pooled investments	\$ —	\$ —	\$ 7,415	\$ 7,415

**Hawthorn Hill
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 INVESTMENT IN ASSETS HELD AT THE COMMUNITY FOUNDATION
OF GREATER DES MOINES (continued)**

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2022 and 2021.

Investments measured at fair value on a reoccurring basis using significant unobservable inputs (Level 3 inputs)

	<u>Year ended June 30</u>	
	<u>2022</u>	<u>2021</u>
Pooled investments		
Beginning of year	\$ 7,415	\$ 5,883
Investment income (loss)	<u>(948)</u>	<u>1,532</u>
End of year	<u>\$ 6,467</u>	<u>\$ 7,415</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 247,860	\$ 252,860
Building and improvements	2,380,000	2,405,507
Furniture and equipment	179,344	182,955
Vehicles	<u>45,128</u>	<u>45,128</u>
Total at cost	2,852,332	2,886,450
Accumulated depreciation	<u>(1,608,820)</u>	<u>(1,559,264)</u>
Total property and equipment	<u>\$1,243,512</u>	<u>\$1,327,186</u>

NOTE 5 ENDOWMENT FUNDS

The Organization's endowment consists primarily of investments of donor-restricted assets held in perpetuity to provide long term income for maintenance of the Organization.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the standard of prudence prescribed by UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the various funds
- (2) The purposes of the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The Organization's investment policies

**Hawthorn Hill
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 ENDOWMENT FUNDS (continued)

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return. The Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5.2 to 8.2% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund, investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Spending Policy – Donor-restricted endowment. The Organization has a policy of appropriating for distribution up to 5% of the endowment's value at December 31 of the prior year for operating expenses. Net income in excess of distributions, administrative fees, and direct expenses are to remain in the fund. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment funds to grow at an average rate of 1-2% above inflation annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets and net assets by type of fund were as follows:

	Year ended June 30	
	2022	2021
Net assets with donor restrictions, beginning of year	\$ 6,811	\$ 6,135
Investment income	780	676
Net assets with donor restrictions, end of year	\$ 7,591	\$ 6,811

NOTE 6 PAYCHECK PROTECTION PROGRAM LOAN

Through a loan agreement dated May 8, 2020, the Organization received loan proceeds of \$104,017 from a financial institution under the federal Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA) and the United States Department of Treasury. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying business for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities as well as meets all other requirements as described in the CARES Act.

On April 8, 2021, the Organization received full forgiveness of the loan from the SBA and in accordance with ASC Topic 470, recorded as Paycheck Protection Program loan forgiveness in the accompanying statement of activities.

NOTE 7 LINE OF CREDIT

The Organization had a line of credit in the amount of \$115,000 with a local financial institution that matures November 4, 2022. The line of credit bears interest at a rate of 5.75% and may change annually based upon the prime rate. There was no balance outstanding at June 30, 2022 or 2021.

Hawthorn Hill
NOTES TO FINANCIAL STATEMENTS

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions have the following donor-imposed restrictions:

	<u>Year ended June 30</u>	
	<u>2022</u>	<u>2021</u>
Endowment funds to be held in perpetuity	\$ 5,000	\$ 5,000
Accumulated investment gains	<u>2,591</u>	<u>1,811</u>
Total funds	<u>\$ 7,591</u>	<u>\$ 6,811</u>

NOTE 9 RETIREMENT PLAN

The Organization has a defined contribution retirement plan which covers employees who have met specific eligibility requirements. Under the plan, the Organization is required to match employee contributions equal to a maximum of 3 percent of covered employee compensation. Total retirement plan cost was \$8,079 and \$6,926 for the years ended June 30, 2022 and 2021, respectively.

NOTE 10 RELATED PARTIES

The Organization participates in a management service organization through an affiliation with Bidwell Riverside Center, another nonprofit organization. The management service organization, BRC-HH, is the sole member of the Organization and the board members of BRC-HH also serve as board members for the Organization. Expenses incurred by BRC-HH related to providing management, administrative and fundraising services are shared among the Organization and Bidwell Riverside Center. Management service fees allocated to the Organization totaled \$122,426 and \$122,464 for the years ended June 30, 2022 and 2021, respectively, and is included in the salaries and benefits section of the statements of functional expenses. The affiliation can be terminated by either of the members at any time.

NOTE 11 CONCENTRATIONS AND CONTINGENCIES

The Organization is committed under various grants and agreements to restrict, for varying periods of time, the availability of certain properties to "Affordable Housing" or similar restrictive uses. In the event of default, funds received under the grants or agreements may be repayable to the granting organizations. Further, in the event of the sale of the properties, all or a portion of the proceeds of the sale may be repayable to the granting organizations. The amount of repayments under the grants and agreements has not been determined.

The COVID-19 pandemic resulted in significant disruptions to the Organization's operations beginning in March, 2020 and has resulted in economic uncertainties, including mandated closures or the reduction of operations for businesses in many industries. The Organization has reduced some of its operations in order to comply with government mandates and help slow the spread of the disease. The Organization anticipates the COVID-19 pandemic will continue to affect operations throughout much of the upcoming fiscal year, however, the impact that the pandemic will have on the Organization's operations, liquidity, and capital resources cannot be determined at this time.

NOTE 12 SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring after June 30, 2022 for the potential items required to be recognized or disclosed in the financial statements. Subsequent events were evaluated through November 4, 2022, the date the financial statements were available to be issued.