Hawthorn Hill
Des Moines, Iowa

FINANCIAL REPORT

June 30, 2023 and 2022

C O N T E N T S

DENMAN
& COMPANY, LLP

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, 2023 and 2022, 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, 2023 and 2022, 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.

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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

DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 6, 2023

Hawthorn Hill
STATEMENTS OF FINANCIAL POSITION

	June 30	
ASSETS	**2023**	**2022**
CURRENT ASSETS		
Cash and cash equivalents	$ 949,053	$ 806,587
Certificates of deposit	141,841	162,786
Accounts receivable	10,129	8,833
Contributions receivable	15,393	17,996
Prepaid expenses	4,187	11,045
Total current assets	1,120,603	1,007,247
OTHER ASSETS		
Certificate of deposit	21,460	–
Investments	6,831	6,467
Property and equipment, net of accumulated depreciation	1,138,326	1,243,512
Total other assets	1,166,617	1,249,979
Total assets	$2,287,220	$2,257,226
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 8,752	$ 4,173
Accrued expenses	20,643	43,273
Deferred revenue	17,650	5,640
Client escrow	2,110	2,210
Tenant security deposits	13,702	12,000
Total current liabilities	62,857	67,296
NET ASSETS		
Net assets without donor restrictions	2,217,915	2,182,339
Net assets with donor restrictions	6,448	7,591
Total net assets	2,224,363	2,189,930
Total liabilities and net assets	$2,287,220	$2,257,226

See Notes to Financial Statements.

Hawthorn Hill
STATEMENTS OF ACTIVITIES

	Year ended June 30, 2023			Year ended June 30, 2022		
	Without donor restrictions	**With donor restrictions**	**Total**	**Without donor restrictions**	**With donor restrictions**	**Total**
REVENUES AND SUPPORT						
Contributions	$ 792,038	$ –	$ 792,038	$ 662,900	$ –	$ 662,900
Program fees	169,143	–	169,143	174,030	–	174,030
Special events	39,357	–	39,357	46,436	–	46,436
Investment income	18,951	(1,143)	17,808	104	780	884
Gain (loss) on sale of assets	(759)	–	(759)	29,324	–	29,324
Total revenue and support	1,018,730	(1,143)	1,017,587	912,794	780	913,574
EXPENSES						
Program services						
New Direction Shelter	497,964	–	497,964	436,142	–	436,142
The Home Connection	398,662	–	398,662	365,189	–	365,189
Supporting services						
Management and general	61,795	–	61,795	45,246	–	45,246
Fundraising	24,733	–	24,733	53,637	–	53,637
Total expenses	983,154	–	983,154	900,214	–	900,214
CHANGE IN NET ASSETS	35,576	(1,143)	34,433	12,580	780	13,360
NET ASSETS, beginning	2,182,339	7,591	2,189,930	2,169,759	6,811	2,176,570
NET ASSETS, ending	$2,217,915	$ 6,448	$2,224,363	$2,182,339	$ 7,591	$2,189,930

See Notes to Financial Statements.

Hawthorn Hill
STATEMENTS OF FUNCTIONAL EXPENSES
Year ended June 30, 2023

	Program Services			
		The Home Connection		
	New Direction Shelter	Property Management	Case Management	Total
Salaries and benefits				
Salaries	$ 282,958	$ 120,473	$ 44,951	$ 165,424
Employee benefits	34,021	23,384	5,418	28,802
Payroll taxes	25,334	10,864	3,732	14,596
	342,313	154,721	54,101	208,822
Accounting	8,280	4,140	4,140	8,280
Client assistance	16,427	78	–	78
Consulting/management fee	1,185	11,106	–	11,106
Continuing education	6,829	758	–	758
Depreciation	34,879	79,133	–	79,133
Human resources	12,090	5,274	1,762	7,036
Information technology	979	979	–	979
Insurance	9,582	9,582	–	9,582
Maintenance	20,292	33,909	–	33,909
Office supplies	2,566	1,265	9	1,274
Other	4,508	3,628	–	3,628
Postage and shipping	–	791	–	791
Printing	–	4,028	–	4,028
Professional fees	5,318	6,737	73	6,810
Program supplies	9,321	1,077	–	1,077
Telephone	5,183	6,086	–	6,086
Transportation	781	2,876	721	3,597
Utilities	17,431	11,688	–	11,688
Totals	$ 497,964	$ 337,856	$ 60,806	$ 398,662

See Notes to Financial Statements.

Support Services		
Management and General	**Fundraising**	**Total**
$ 23,833	$ 14,300	$ 486,515
3,613	2,168	68,604
1,979	1,187	43,096
29,425	17,655	598,215
4,140	–	20,700
–	–	16,505
–	–	12,291
–	–	7,587
–	–	114,012
1,003	602	20,731
–	1,279	3,237
15,057	–	34,221
–	–	54,201
–	–	3,840
39	–	8,175
–	1,096	1,887
–	4,028	8,056
12,131	73	24,332
–	–	10,398
–	–	11,269
–	–	4,378
–	–	29,119
$ 61,795	$ 24,733	$ 983,154

See Notes to Financial Statements.

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

	Program Services			
		The Home Connection		
	New Direction Shelter	Property Management	Case Management	Total
Salaries and benefits				
Salaries	$ 247,200	$ 92,765	$ 52,949	$ 145,714
Employee benefits	30,550	23,620	4,919	28,539
Payroll taxes	22,817	8,624	4,284	12,908
	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
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	13,699	10,056	–	10,056
Totals	$ 436,142	$ 297,071	$ 68,118	$ 365,189

See Notes to Financial Statements.

Support Services		
Management and General	Fundraising	Total
$ 17,151	$ 34,407	$ 444,472
2,681	5,053	66,823
1,391	2,867	39,983
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
–	–	23,755
$ 45,246	$ 53,637	$ 900,214

See Notes to Financial Statements.

Hawthorn Hill
STATEMENTS OF CASH FLOWS

	Year ended June 30	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 34,433	$ 13,360
Adjustment to reconcile change in net assets to cash flows from operating activities		
Depreciation	114,012	109,390
Realized and unrealized losses (gains) losses on investments, net	(479)	825
(Gain) loss on disposal of assets	759	(29,324)
Changes in operating assets and liabilities		
Accounts receivable	(1,296)	7,185
Contributions receivable	2,603	(14,078)
Prepaid expenses	6,858	(2,227)
Accounts payable	4,579	(4,752)
Accrued expenses	(22,630)	5,084
Deferred revenue	12,010	(1,438)
Client escrow	(100)	(433)
Tenant security deposits	1,702	450
Net cash flows from operating activities	152,451	84,042
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of property	–	68,674
Purchase of certificates of deposit	(515)	(537)
Proceeds from sale of investments	267	270
Purchase of investments	(152)	(147)
Purchase of property and equipment	(9,585)	(65,066)
Net cash flows from investment activities	(9,985)	3,194
NET CHANGE IN CASH AND CASH EQUIVALENTS	142,466	87,236
CASH AND CASH EQUIVALENTS		
Beginning	806,587	719,351
Ending	$ 949,053	$ 806,587

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 0.40% to 4.00% and have maturity dates through February 2025.

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, 2023 and 2022.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pooled Cash and Investments

Cash includes $-0- and $648,454 of pooled checking and money market funds held at the Community Foundation of Greater Des Moines (Community Foundation) for the years ended June 30, 2023 and 2022, 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.

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, 2023 and 2022 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.

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	
	2023	**2022**
Cash and cash equivalents	$ 949,053	$ 806,587
Certificates of deposit	141,841	162,786
Accounts receivable	10,129	8,833
Contributions receivable	15,393	17,996
Total	$1,116,416	$ 996,202

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, 2023.

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 2020.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist primarily of pledges as of the year ended June 30, 2023 and all are due within one year.

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

Investment income consisted of the following:

	Year ended June 30	
	2023	2022
Interest and dividends	$ 17,442	$ 1,980
Realized gains	180	159
Change in unrealized gains (losses)	453	(983)
Investment fees	(267)	(272)
	$ 17,808	$ 884

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, 2023 and 2022.

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, 2023 and 2022:

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, 2023 and 2022. 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, 2023	Level 1	Level 2	Level 3	Total
Pooled investments	$ –	$ –	$ 6,831	$ 6,831

June 30, 2022	Level 1	Level 2	Level 3	Total
Pooled investments	$ –	$ –	$ 6,467	$ $6,467

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, 2023 and 2022.

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

	Year ended June 30	
	2023	**2022**
Pooled investments		
Beginning of year	$ 6,467	$ 7,415
Investment income (loss)	364	(948)
End of year	$ 6,831	$ 6,467

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30	
	2023	**2022**
Land	$ 247,860	$ 247,860
Building and improvements	2,377,239	2,380,000
Furniture and equipment	148,260	179,344
Vehicles	23,158	45,128
Total at cost	2,796,517	2,852,332
Accumulated depreciation	(1,658,191)	(1,608,820)
Total property and equipment	$1,138,326	$1,243,512

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

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	
	2023	**2022**
Net assets with donor restrictions, beginning of year	$ 7,591	$ 6,811
Investment income	(1,143)	780
Net assets with donor restrictions, end of year	$ 6,448	$ 7,591

NOTE 6 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, 2023. The line of credit bears interest at a rate of 9.25% and may change annually based upon the prime rate. There was no balance outstanding at June 30, 2023 or 2022.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

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

	Year ended June 30	
	2023	**2022**
Endowment funds to be held in perpetuity	$ 5,000	$ 5,000
Accumulated investment gains	1,448	2,591
Total funds	$ 6,448	$ 7,591

NOTE 8 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 $9,533 and $8,079 for the years ended June 30, 2023 and 2022, respectively.

NOTE 9 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 $133,495 and $122,426 for the years ended June 30, 2023 and 2022, 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.

During the year ended June 30, 2023, the Organization received $2,100 of contributions from Bidwell Riverside Center.

NOTE 10 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.

NOTE 11 MERGER

On July 1, 2023, Bidwell Riverside Center and BRC-HH merged into Hawthorn Hill. Hawthorn Hill is the surviving entity and there was no consideration for these mergers. Effective July 1, 2023, Hawthorn Hill changed its name to Families Forward.

The primary reason for the merger was due to the fact that there were already a large amount of shared activities between Bidwell Riverside Center and Hawthorn Hill, with staff time being allocated between both entities. A summary of the balance sheet composition of the entities as of July 1, 2023, is as follows:

	Bidwell Riverside Center	Hawthorn Hill	BRC-HH	Total
Assets	$2,354,765	$2,287,220	$ –	$4,641,985
Liabilities	$ 50,422	$ 62,857	$ –	$ 113,279
Net assets without donor restriction	$1,643,297	$2,217,915	$ –	$3,861,212
Net asset with donor restriction	$ 661,046	$ 6,448	$ –	$ 667,494

NOTE 12 SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring through November 6, 2023 the date the financial statements were available to be issued. Subsequent to year end, as described in Note 11, the Organization was part of a merger. There were no other subsequent events to be accrued or disclosed.