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## Section 1: 11-K

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

FORM 11-K

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934.

For the fiscal year ended December 31, 2018.

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-23636

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**Hawthorn Bancshares, Inc. Profit Sharing 401(k) Plan**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**Hawthorn Bancshares, Inc.  
132 East High Street, Box 688  
Jefferson City, MO 65102  
(573) 761-6100**

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**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
Years Ended December 31, 2018 and 2017

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## **Report of Independent Registered Public Accounting Firm**

Retirement and Investment Committee  
and Audit Committee  
Hawthorn Bancshares, Inc.  
Profit Sharing 401(k) Plan  
Jefferson City, Missouri

### ***Opinion on the Financial Statements***

We have audited the accompanying statements of net assets available for benefits of Hawthorn Bancshares, Inc. Profit Sharing 401(k) Plan (the "Plan") as of December 31, 2018 and 2017, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes and schedule (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2018 and 2017, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Basis of Opinion***

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

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Retirement and Investment Committee  
and Audit Committee  
Hawthorn Bancshares, Inc.  
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***Report on Supplemental Information***

The supplemental information in the accompanying Schedule of Assets (Held at End of Year) for the year ended December 31, 2018, has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the *Employee Retirement Income Security Act of 1974*. In our opinion, the Schedule of Assets (Held at End of Year) as of December 31, 2018, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ **BKD, LLP**

We have served as the Plan's auditor since 2003

St. Louis, Missouri  
June 14, 2019



**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
Statements of Net Assets Available for Benefits  
December 31, 2018 and 2017

|  | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|
| <b>Investments, At Fair Value</b>        | \$ 29,905,070        | \$ 31,336,517        |
| <b>Receivable</b>                        |                      |                      |
| Employer's contribution                  | 547,000              | 508,000              |
| <b>Net Assets Available for Benefits</b> | <u>\$ 30,452,070</u> | <u>\$ 31,844,517</u> |

See accompanying notes to the financial statements.



**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
Statements of Changes in Net Assets Available for Benefits  
Years Ended December 31, 2018 and 2017

|  | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|
| <b>Additions to Net Assets Attributable to:</b>              |                      |                      |
| Investment Income  |                      |                      |
| Net (depreciation) appreciation in fair value of investments | \$ (2,018,331)       | \$ 3,952,480         |
| Interest and dividends                                       | 1,628,423            | 1,268,025            |
| Other income   | 4,987                | —                    |
| Total investment (loss) income                               | <u>(384,921)</u>     | <u>5,220,505</u>     |
| Contributions  |                      |                      |
| Employer   | 956,156              | 872,987              |
| Participants   | 795,227              | 725,692              |
| Rollovers  | 12,455               | 91,819               |
| Total contributions  | <u>1,763,838</u>     | <u>1,690,498</u>     |
| <b>Total additions</b>                                       | <u>1,378,917</u>     | <u>6,911,003</u>     |
| <b>Deductions from Net Assets Attributable to:</b>           |                      |                      |
| Benefits paid to participants                                | <u>2,771,364</u>     | <u>1,198,152</u>     |
| <b>Net (decrease) increase</b>                               | <u>(1,392,447)</u>   | <u>5,712,851</u>     |
| <b>Net Assets Available for Benefits:</b>                    |                      |                      |
| Beginning of Year  | 31,844,517           | 26,131,666           |
| End of Year  | <u>\$ 30,452,070</u> | <u>\$ 31,844,517</u> |

See accompanying notes to the financial statements.

**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
Notes to Financial Statements  
Years Ended December 31, 2018 and 2017

**(1) Description of the Plan**

The following description of the Hawthorn Bancshares, Inc. Profit Sharing 401(k) Plan (“Plan”) provides only general information. Participants should refer to the Plan Document and *Summary Plan Description* for a more complete description of the Plan’s provisions, which are available from the Plan Administrator.

***General***

The Plan is a defined contribution plan sponsored by Hawthorn Bancshares, Inc. and its subsidiaries (collectively the “Company”) for the benefit of the employees of the Company who have at least 90 days of service and are age 21 or older. An eligible employee becomes a participant in the Plan on the first day of each quarter of the Plan year. The Plan is subject to the provisions of the *Employee Retirement Income Security Act of 1974* (ERISA). Capital Bank and Trust Company is the trustee of the Plan.

***Contributions***

The Company profit-sharing contributions are discretionary as determined by the Company’s Board of Directors. All employer contributions are allocated to a participant’s account based on that participant’s compensation compared to the total compensation of all eligible participants. In addition, the Company matches the participant’s salary deferral into the plan dollar for dollar up to 3 percent of the participant’s annual salary. All contributions are made conditioned upon their deductibility for federal income tax purposes.

Participants have the option to make voluntary contributions to the Plan up to the annual limit set by the Internal Revenue Service (IRS).

***Participant Investment Account Options***

Investment account options available include various mutual funds and common stock of the Company. Each participant has the option of directing his/her contributions into any of the separate investment accounts and may change the allocation daily.

The Plan Document also includes an automatic deferral feature whereby a participant is treated as electing to defer a certain percentage of eligible compensation unless the participant made an affirmative election otherwise. The automatic deferral feature also provides for an annual increase in percentage deferral and is ultimately capped at 3 percent of eligible compensation.

***Participant Accounts***

Each participant’s account is credited with the participant’s contribution, the Company’s contribution, plan earnings and forfeitures of terminated participants’ nonvested accounts. Allocations are based on participant earnings. The benefits to which a participant is entitled is the benefit that can be provided from the participant’s vested account.



**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
Notes to Financial Statements  
Years Ended December 31, 2018 and 2017

***Vesting***

Participant contributions and earnings thereon are 100 percent vested at all times. Employer contributions and earnings thereon vest according to the following schedule:

| <u>Length of Service</u> | <u>Percent Vested</u> |
|--------------------------|-----------------------|
| After 1 Year             | 0%                    |
| After 2 Years            | 20%                   |
| After 3 Years            | 40%                   |
| After 4 Years            | 60%                   |
| After 5 Years            | 100%                  |

***Forfeited accounts***

At the time a participant terminates his/her employment, the nonvested portion of the employer contribution account is forfeited and allocated to eligible participants on a pro rata allocation method. At December 31, 2018 and 2017, plan assets include \$170,633 and \$67,100, respectively, of forfeitures to be allocated to eligible participants on a pro rata allocation method.

***Payment of Benefits***

Under the terms of the Plan, participants are entitled to receive the amount credited to their accounts upon normal retirement at the age of 65 or disability retirement. Participants terminating employment prior to retirement are entitled to receive that portion of their account that is vested. In the event of death, the participant's account becomes fully vested and the balance is paid to the designated beneficiary. Distributions under the Plan are payable in a lump sum or through installments.

**(2) Summary of Significant Accounting Policies**

***Basis of Accounting***

The accompanying financial statements are prepared on the accrual basis of accounting except for benefits, which are recorded upon distribution, and present the net assets available for plan benefits and changes in those net assets.

***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 the reported amounts of net assets and changes in net assets and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

***Investment Valuation and Income Recognition***

Investments are reported at fair value. Fair value is 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. Quoted market prices, if available, are used to value investments. Mutual funds are valued at net asset value (NAV) of shares held by the Plan at year end. See Note 3 for discussion of fair value measurements.

**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
Notes to Financial Statements  
Years Ended December 31, 2018 and 2017

Investment transactions are accounted for on the trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net (depreciation) appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

***Payment of Benefits***

Benefits payments are recorded to participants upon distribution.

***Administrative Expenses***

The administrative expenses of the Plan are paid by the Company.

**(3) Fair Value of Plan Assets**

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan can access at the measurement date.

**Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2018 and 2017.

*Mutual funds:* Shares held in mutual funds are valued at the net asset value (NAV) of shares held by the Plan at year end. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange

**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
 Notes to Financial Statements  
 Years Ended December 31, 2018 and 2017

Commission. These funds are required to publish their daily NAV and transact at that price. The mutual funds held by the plan are deemed to be actively traded.

*Common Stock:* The Company's common stock is valued at the closing price reported in the active market in which the individual securities are traded.

The following table presents the fair value measurements of assets recognized in the accompanying statements of net assets available for benefits measured at fair value and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

|                          | <u>Fair Value</u>   | <u>Fair Value Measurements Using</u>                                  |  |  |
|--------------------------|---------------------|---|--|--|
|                          |                     | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| <b>December 31, 2018</b> |                     |   |  |  |
| Mutual funds             | \$21,963,574        | \$21,963,574  | \$ —   | \$ —   |
| Common stock             | 7,941,496           | 7,941,496   | —  | —  |
| <b>Total</b>             | <u>\$29,905,070</u> | <u>\$29,905,070</u>   | <u>\$ —</u>  | <u>\$ —</u>                                      |
| <b>December 31, 2017</b> |                     |   |  |  |
| Mutual funds             | \$23,752,987        | \$23,752,987  | \$ —   | \$ —   |
| Common stock             | 7,583,530           | 7,583,530   | —  | —  |
| <b>Total</b>             | <u>\$31,336,517</u> | <u>\$31,336,517</u>   | <u>\$ —</u>  | <u>\$ —</u>                                      |

*Transfers between levels:* For years ended December 31, 2018 and 2017, there were no transfers in or out of Levels 1, 2, or 3.

**(4) Party-in-interest Transactions**

The Plan held an investment of 377,627 and 365,471 shares of common stock of the Company with a fair value of \$7.9 million and \$7.6 million at December 31, 2018 and 2017, respectively, and received dividends of \$126,236 and \$91,075 on such shares during 2018 and 2017, respectively. These investments are considered allowable party-in-interest transactions under ERISA guidelines.

Certain Plan investments are shares of mutual funds selected by the Company's retirement committee and managed by the participants. Capital Bank and Trust Company is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Fees incurred by the Plan for the investment management services are included in net appreciation in fair value of the investment, as they are paid through revenue sharing, rather than a direct payment. The Plan Sponsor pays directly any other fees related to the Plan's operations.

**(5) Tax Status**

The IRS issued its latest determination letter on March 3, 2006, which stated that the Plan and its underlying trust qualify under the applicable provisions of the Internal Revenue Code and, therefore, are exempt from federal income taxes. The Plan has been amended since receiving the determination letter. However, the Plan Administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, we believe the Plan was qualified and the related trust was tax-exempt as of the financial statement date. With a few exceptions, the Plan is no longer subject to U.S. federal tax examinations for years before 2015.

**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
Notes to Financial Statements  
Years Ended December 31, 2018 and 2017

**(6) Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to provision of ERISA. In such an event, the participants' accounts become fully vested and are not subject to forfeiture.

**(7) Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the participants' account balances and the amounts reported in the statements of net assets available for benefits.

**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
 Schedule H, Line 4i – Schedule of Assets (Held at End of Year)  
 December 31, 2018

| <b>Investment Type and Issuer</b>                | <b>Description<br/>of<br/>Investment</b> | <b>Current<br/>Value</b>   |
|--|--|----------------------------|
| <b>Mutual funds</b>                              |  |                            |
| *American Funds U.S. Government Money Market     | 1,263,269 Shares                         | \$ 1,263,269               |
| *American Funds Euro-Pacific Growth Fund         | 27,565 Shares                            | 1,216,177                  |
| *American Funds Growth Fund                      | 64,835 Shares                            | 2,745,102                  |
| *American Funds New Perspective Fund             | 56,076 Shares                            | 2,081,521                  |
| *American Funds New World Fund                   | 2,261 Shares                             | 128,858                    |
| *American Funds Small-Cap World Fund             | 34,455 Shares                            | 1,602,173                  |
| AB Large-Cap Growth Fund                         | 3,361 Shares                             | 152,208                    |
| Columbia Small-Cap Index Fund                    | 12,412 Shares                            | 253,209                    |
| Federated Kaufmann A                             | 279,209 Shares                           | 1,407,216                  |
| MFS Global Real Estate Fund                      | 247 Shares                               | 3,633                      |
| *American Funds Fundamental Investors            | 23,302 Shares                            | 1,215,678                  |
| *American Funds Washington Mutual Investors Fund | 71,457 Shares                            | 2,919,014                  |
| Putnam Equity Income A                           | 9,864 Shares                             | 208,712                    |
| *American Funds Bond Fund of America Fund        | 138,995 Shares                           | 1,747,171                  |
| AMG Managers Loomis Sayles Bond Fund             | 61,745 Shares                            | 1,573,885                  |
| *American Funds 2010 Target Date Fund            | 239 Shares                               | 2,438                      |
| *American Funds 2015 Target Date Fund            | 3,979 Shares                             | 42,818                     |
| *American Funds 2020 Target Date Fund            | 112,852 Shares                           | 1,316,988                  |
| *American Funds 2025 Target Date Fund            | 41,985 Shares                            | 520,615                    |
| *American Funds 2030 Target Date Fund            | 30,158 Shares                            | 396,281                    |
| *American Funds 2035 Target Date Fund            | 10,623 Shares                            | 141,707                    |
| *American Funds 2040 Target Date Fund            | 23,404 Shares                            | 318,300                    |
| *American Funds 2045 Target Date Fund            | 10,179 Shares                            | 140,577                    |
| *American Funds 2050 Target Date Fund            | 20,507 Shares                            | 277,254                    |
| *American Funds 2055 Target Date Fund            | 14,773 Shares                            | 249,518                    |
| *American Funds 2060 Target Date Fund            | 3,492 Shares                             | 39,252                     |
| <b>Total Mutual funds</b>                        |  | <b>21,963,574</b>          |
| <b>Common stock</b>                              |  |                            |
| * Hawthorn Bancshares, Inc. Common Stock         | 377,627 Shares                           | 7,941,496                  |
| <b>Total Investments</b>                         |  | <b><u>\$29,905,070</u></b> |

\* Represents party-in-interest to the Plan.

**Exhibit Index**

| <b><u>Exhibit No.</u></b>      | <b><u>Description</u></b>   |
|--------------------------------|---|
| <a href="#"><u>Ex-23.1</u></a> | <a href="#"><u>Consent of Independent Registered Public Accounting Firm</u></a> |



**SIGNATURES**

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Hawthorn Bancshares, Inc. Profit Sharing 401(k) Plan  
\_\_\_\_\_  
(Name of Plan)

Dated: June 14, 2019

/s/ W. Bruce Phelps  
\_\_\_\_\_  
W. Bruce Phelps  
Chief Financial Officer

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## Section 2: EX-23.1

Exhibit 23.1

### Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-136477) pertaining to Hawthorn Bancshares, Inc. Profit Sharing 401(k) Plan of our report dated June 14, 2019, on our audits of the statements of net assets available for benefits of Hawthorn Bancshares, Inc. Profit Sharing 401(k) Plan as of December 31, 2018 and 2017, and the related statements of changes in net assets available for benefits for the years ended December 31, 2018 and 2017, which report appears in the December 31, 2018, Annual Report (Form 11-K) of Hawthorn Bancshares, Inc. Profit Sharing 401(k) Plan.

/s/ **BKD, LLP**

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St. Louis, Missouri  
June 14, 2019

  


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