

**COMMONWEAL
AND THE HALE FUND (SUPPORTING ORGANIZATION)**

CONSOLIDATED FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2021 and 2020**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Cash Flows	4 - 5
Consolidated Statements of Functional Expenses	6
Notes to Consolidated Financial Statements	7 - 18

Independent Auditors' Report

Board of Directors
Commonweal and The Hale Fund (supporting organization)

We have audited the accompanying consolidated financial statements of Commonweal (a nonprofit organization) and The Hale Fund (supporting organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Commonweal and The Hale Fund (supporting organization) as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bregante + Company, LLP

San Francisco, California

April 22, 2022

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 3,115,294	\$ 1,218,485
Grants and contributions receivable, net	896,772	1,369,083
Program fees receivable, net	29,865	39,953
Employee Retention Credit receivable	580,320	-
Investments	4,839,278	5,288,445
Investments - other	3,602,638	3,787,186
Prepaid expenses and other assets	77,180	74,997
Property and equipment, net	<u>567,866</u>	<u>343,104</u>
Total assets	<u>\$ 13,709,213</u>	<u>\$ 12,121,253</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 254,596	\$ 194,727
Accrued compensated absences	132,121	110,667
Paycheck Protection Program loan	422,970	399,005
Deferred revenue	<u>53,075</u>	<u>32,829</u>
Total liabilities	862,762	737,228
Net assets:		
Without donor restrictions:		
Undesignated	6,215,381	4,633,460
Board designated	<u>2,964,120</u>	<u>3,061,260</u>
Total without donor restrictions	9,179,501	7,694,720
With donor restrictions	<u>3,666,950</u>	<u>3,689,305</u>
Total net assets	<u>12,846,451</u>	<u>11,384,025</u>
Total liabilities and net assets	<u>\$ 13,709,213</u>	<u>\$ 12,121,253</u>

See accompanying notes to the financial statements.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Grants and contributions	\$ 841,859	\$ 2,952,255	\$ 3,794,114	\$ 651,531	\$ 3,595,542	\$ 4,247,073
Contributed goods and services	-	42,286	42,286	-	7,639	7,639
Program fees	386,075	-	386,075	674,364	-	674,364
Investment income, net	556,162	-	556,162	321,177	-	321,177
Other income	159,860	-	159,860	109,135	-	109,135
Net assets released from restrictions	<u>3,016,896</u>	<u>(3,016,896)</u>	<u>-</u>	<u>2,647,561</u>	<u>(2,647,561)</u>	<u>-</u>
 Total revenue and support	 <u>4,960,852</u>	 <u>(22,355)</u>	 <u>4,938,497</u>	 <u>4,403,768</u>	 <u>955,620</u>	 <u>5,359,388</u>
Expenses:						
Program services	2,762,392	-	2,762,392	3,084,342	-	3,084,342
Administrative	590,943	-	590,943	667,834	-	667,834
Fundraising	<u>122,736</u>	<u>-</u>	<u>122,736</u>	<u>244,909</u>	<u>-</u>	<u>244,909</u>
 Total expenses	 <u>3,476,071</u>	 <u>-</u>	 <u>3,476,071</u>	 <u>3,997,085</u>	 <u>-</u>	 <u>3,997,085</u>
Changes in net assets	1,484,781	(22,355)	1,462,426	406,683	955,620	1,362,303
Net assets, beginning of year	<u>7,694,720</u>	<u>3,689,305</u>	<u>11,384,025</u>	<u>7,288,037</u>	<u>2,733,685</u>	<u>10,021,722</u>
Net assets, end of year	<u>\$ 9,179,501</u>	<u>\$ 3,666,950</u>	<u>\$ 12,846,451</u>	<u>\$ 7,694,720</u>	<u>\$ 3,689,305</u>	<u>\$ 11,384,025</u>

See accompanying notes to the financial statements.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets	\$ 1,462,426	\$ 1,362,303
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Payroll Protection Program loan forgiveness	(399,005)	-
Depreciation and amortization	104,974	67,481
Net realized and unrealized gains on investments	(470,550)	(202,551)
(Increase) decrease in assets:		
Grants and contributions receivable, net	472,311	(259,616)
Program fees receivable, net	10,088	45,904
Employee Retention Credit receivable	(580,320)	-
Prepaid expenses and other assets	(2,183)	4,983
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	59,869	7,686
Accrued compensated absences	21,454	(4,902)
Deferred revenue	<u>20,246</u>	<u>(36,486)</u>
Total adjustments	<u>(763,116)</u>	<u>(377,501)</u>
Net cash provided by operating activities	<u>699,310</u>	<u>984,802</u>
Cash flows from investing activities:		
Net change in investments and investments - other	1,104,265	(563,690)
Purchases of property and equipment	<u>(329,736)</u>	<u>(103,430)</u>
Net cash provided (used) by investing activities	<u>774,529</u>	<u>(667,120)</u>
Cash flows from financing activities:		
Paycheck Protection Program loan	<u>422,970</u>	<u>399,005</u>
Net cash provided by financing activities	<u>422,970</u>	<u>399,005</u>
Net increase in cash	1,896,809	716,687
Cash, beginning of year	<u>1,218,485</u>	<u>501,798</u>
Cash, end of year	<u>\$ 3,115,294</u>	<u>\$ 1,218,485</u>

See accompanying notes to the financial statements.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

For the Years Ended June 30, 2021 and 2020

Supplemental disclosures of noncash financing activities:

Commonweal's first Payroll Protection Program loan of \$399,005 received on April 30, 2020, was fully forgiven on March 24, 2021 (See Note J).

See accompanying notes to the financial statements.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2021 and 2020

	2021				2020			
	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$1,382,797	\$ 363,894	\$ 72,779	\$1,819,470	\$1,649,289	\$ 419,563	\$ 173,992	\$2,242,844
Consultants and contractors	858,281	47,319	21,244	926,844	570,560	41,170	40,777	652,507
Occupancy	160,078	34,282	7,354	201,714	187,646	41,091	6,693	235,430
Office	67,827	21,453	17,014	106,294	82,724	23,899	14,064	120,687
Depreciation and amortization	87,953	16,657	364	104,974	33,422	33,331	728	67,481
Insurance	7,132	58,993	256	66,381	4,027	54,698	212	58,937
Maintenance and repairs	38,186	9,357	204	47,747	62,464	6,473	141	69,078
Contributed goods and services	41,648	638	-	42,286	2,244	2,670	-	4,914
Professional fees	10,254	25,990	198	36,442	3,821	34,545	109	38,475
Dues and fees	28,588	5,047	1,690	35,325	14,222	4,289	2,358	20,869
Supplies	23,206	6,627	678	30,511	52,704	1,414	3,130	57,248
Grants and awards	22,572	-	52	22,624	158,793	-	-	158,793
Conferences and workshops	18,749	361	903	20,013	245,995	4,691	2,705	253,391
Advertising	15,121	325	-	15,446	16,431	-	-	16,431
Total expenses	<u>\$2,762,392</u>	<u>\$ 590,943</u>	<u>\$ 122,736</u>	<u>\$3,476,071</u>	<u>\$3,084,342</u>	<u>\$ 667,834</u>	<u>\$ 244,909</u>	<u>\$3,997,085</u>
	79%	17%	4%	100%	77%	17%	6%	100%

See accompanying notes to the financial statements.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A -- Description of organization

Commonweal incorporated under the laws of the State of California on September 30, 1976, and operates as a non-profit “public” charity. The mission of Commonweal is to engage in educational, charitable, and research activities that contribute to the health of individuals, public health, and the health of the global environment. Commonweal operates in Bolinas, California, within the Point Reyes National Seashore.

Commonweal fulfills its mission through a program focus in three areas: Health and Healing, Environment and Justice, and Education and the Arts.

Health and Healing - Healing ourselves and healing the earth is Commonweal’s mission and has been so for four decades. We care about at-risk children, people with cancer, health professionals, and the healing that comes from caring for the earth. We care equally about healing for the rest of us, and about what each of us needs to heal.

Environment and Justice - We cannot be truly healthy people or live in peace on a sick planet. And we cannot heal the earth, or ourselves, without justice. Just as healing and learning are central to our lives, so is the quest for justice.

Education and the Arts - Learning is an essential dimension of true healing, and it emerges through dialogue. We believe that we are designed to learn better through conversation, story, and art. Our love of learning and our need for healing, forge our destinies - individual and collective. Our arts and education programs create spaces for learning and healing as a community.

Commonweal’s programs are diverse and evolving. Please visit www.commonweal.org to learn about Commonweal’s programs and their latest work.

Commonweal also operates the Commonweal Retreat Center: a breathtakingly beautiful space within the Commonweal site that holds the Cancer Help Program retreats and other workshops, including personal and professional conferences, retreats and gatherings that are compatible with Commonweal’s nonprofit status. The Retreat Center includes Pacific House, a 12-bedroom retreat facility with a commercial kitchen, and Bothin and Kohler Houses, with two and three bedrooms, respectively.

The Hale Fund (supporting organization) was incorporated in California in 1990. It operates as a non-profit supporting organization. Its mission is to benefit and support other non-profit public charities, including Commonweal, which contribute to the health of individuals, public health and global environment. Commonweal controls the Hale Fund through certain common directors and officers.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE B -- Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of Commonweal and the Hale Fund (Commonweal). The financial statements are consolidated since Commonweal has both an economic interest in and common control of the Hale Fund through a majority voting interest in its governing body. All significant inter-company balances and transactions have been eliminated in consolidation.

Basis of accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposits with commercial banks and money market funds. Cash and money market funds held as part of the investment portfolio are included in investments - other.

Grants and contributions receivable, net

Grants and contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional grants and contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the Consolidated Statements of Activities. Conditional grants and contributions receivable are not included as support until the conditions are substantially met. During the year ended June 30, 2021, Commonweal received a \$421,500 three year conditional grant. The grant is conditional upon a determination that substantial progress has been made toward the stated goal. Commonweal did not have any conditional grants at year end June 30, 2020. Commonweal determines the allowance for uncollectable grants and contributions receivable based on historical experience, age of the receivable balance and a review of subsequent collections. Grants and contributions receivable are written off when deemed uncollectable. The allowance for uncollectable grants and contributions receivable was \$9,108 and \$13,980 as of June 30, 2021 and 2020, respectively.

Program fees receivable, net

Commonweal reports program fees receivable at net realizable value. Commonweal maintains an allowance for potentially uncollectable accounts on all program fees receivable. The balance reserved in the allowance for doubtful accounts is based on historical experience, age of the receivable balance and a review of subsequent collections. The allowance for doubtful accounts was \$8,065 and \$32,211 as of June 30, 2021 and 2020, respectively.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE B -- Summary of significant accounting policies (continued)

Investments

Investments primarily consist of debt and equity securities. Debt and equity securities are measured at fair value using unadjusted quoted prices in active markets for identical assets.

Commonweal has categorized investments measured at fair value on a recurring basis according to the fair value hierarchy:

Level 1 - investment assets with observable inputs that are derived from quoted prices for identical assets or liabilities in an active market;

Level 2 - quoted prices in non-active or in active markets for similar assets or liabilities, inputs other than quoted prices that are unobservable, and inputs that are not directly observable, but are corroborated by observable market data; or

Level 3 - unobservable inputs, which cannot be corroborated by external market data.

Investments - other

Investments - other consist of certificates of deposits purchased through Certificates of Deposit Account Registry Service (CDARS) and cash, money market, and deposit accounts held as part of the investment portfolio. Certificates of deposit are stated at their estimated redemption value at June 30, 2021 and 2020. Certificates of deposit held as of June 30, 2021 mature at various dates ranging through June 2022.

For the purposes of the cash flows statement, certificates of deposits, cash, money market and deposits accounts held as part of the investment portfolio are considered to be investment assets.

Property and equipment, net

Commonweal's property and equipment are carried at cost or, if donated, at estimated fair value on the date of the gift. Property and equipment with an original cost or fair market value in excess of \$2,000 and an estimated useful life of over one year are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives ranging from 5 to 39 years. The cost of leasehold improvements is amortized over the lesser of the improvement's useful life or the lease term, including reasonably assured renewal periods.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, Commonweal's net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for reserve funds.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE B -- Summary of significant accounting policies (continued)

Net assets (continued)

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions for: (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets. 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.

Grants and contributions

Commonweal recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Donor-restricted contributions are reported as increases in net assets with donor restrictions. Net assets with donor restrictions are released to net assets without donor restrictions when restrictions are satisfied.

Contributed goods and services

Contributions of goods are recognized at fair value when received. Contributions of services are recognized at fair value when received if such services create or enhance nonfinancial assets or requiring specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not donated.

Program fees

Program fees consist principally of fees from participants in the Commonweal Retreat Center, Visual Thinking Strategies, Commonweal Cancer Help Program, and Natura Institute for Ecology and Medicine, as well as rental of the Retreat Center and other contracted and fiscal agency services. Commonweal reports program fees when the related services are provided.

Investment income

Investment income consists of interest, dividends, realized gains and losses, and unrealized appreciation and depreciation of investments, net of investment management fees. Investment income is reported when earned. Changes in fair values, as well as realized gains and losses, are reflected in the Consolidated Statement of Activities in the period in which such investments are sold or fluctuations occur.

Other income

Other income primarily consists of rent collected from employees living on-site, sales of program related products, and website subscriptions.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE B -- Summary of significant accounting policies (continued)

Income taxes

Commonweal and the Hale Fund are non-profit corporations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and under Section 23701d of the California Revenue and Taxation Code. Therefore, no provision for federal or California income tax is reflected in the consolidated financial statements. Tax returns of Commonweal and the Hale Fund are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Functional allocation of expenses

The costs of providing the program services and supporting activities are reported on the Consolidated Statements of Functional Expenses. Expenses that can be directly identified with a specific function are allocated directly to that function. Expenses that cannot be directly identified with a specific function are allocated among the program services and supporting activities based on allocation methods and estimates made by management.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (“ASU 2018-08”). The amendments in this update should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance, and also in determining whether a contribution is conditional. Commonweal adopted this ASU for the year ended June 30, 2020. The adoption of ASU No. 2018-08 did not have a material impact on Commonweal’s consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606): Clarifying the principles for recognizing revenue and developing a common revenue standard for U.S. GAAP and IFRS (ASU 2014-09). In June 2020, the FASB issued ASU No. 2020-05, delaying the implementation of ASU 2014-09 for fiscal years beginning after December 15, 2019. The amendments in this update remove inconsistencies and weaknesses in revenue requirements and improve the comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. Commonweal adopted this ASU for the year ended June 30, 2021. The adoption of ASU No. 2014-09 did not have a material impact on Commonweal’s consolidated financial statements.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE C -- Liquidity and availability of resources

Commonweal's financial assets available within one year of the Consolidated Statements of Financial Position for general expenditures at June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,115,294	\$ 1,218,485
Grants and contributions receivable, net	896,772	1,369,083
Program fees receivable, net	29,865	39,953
Employee Retention Credit receivable	580,320	-
Investments	4,839,278	5,288,445
Investments - other	<u>3,602,638</u>	<u>3,787,186</u>
Total financial assets	13,064,167	11,703,152
Less amounts not available to be used within one year:		
Grant and contributions receivable - due after one year, net	(145,125)	(383,063)
Investments with liquidity horizons greater than one year	(2,302,933)	(2,285,457)
Board designated reserve funds	<u>(2,964,120)</u>	<u>(3,061,260)</u>
Financial assets not available to be used within one year	<u>(5,412,178)</u>	<u>(5,729,780)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 7,651,989</u>	<u>\$ 5,973,372</u>

Commonweal receives significant contributions and promises to give restricted by donors for specific programs. Commonweal only spends program-restricted funds on the expenditures for the applicable program. As part of Commonweal's liquidity management, Commonweal has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations as they come due.

Commonweal applied for a second Paycheck Protection Program (PPP) loan through the Small Business Administration (SBA) during the year ended June 30, 2021. The PPP loan was approved and the amount of \$422,970 was received on March 16, 2021, to allow additional liquidity available for general expenditures (See Note J).

NOTE D -- Concentrations of credit risk

Financial instruments which potentially subject Commonweal to concentrations of credit risk include cash and cash equivalents, grants and contributions receivable, investments and investments - other.

Commonweal maintains its cash and cash equivalents at two financial institutions. The balances at times may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC).

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE D -- Concentrations of credit risk (continued)

Commonweal's exposure to credit risk from grants and contributions receivable is mainly influenced by the type of donor. Receivables from governmental agencies and foundations generally have a very low default risk. Receivables from individuals are considered to have a higher default risk.

Investments are held by custodians and, at times, may exceed Securities Investor Protection Corporation insurance limits. Investments are subject to credit and market risks, such as changes in interest rates or credit ratings and market fluctuations.

Certificates of deposit are issued by various financial institutions. The balances at times may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC).

Management believes that Commonweal is not exposed to any significant credit risk in respect to these financial instruments.

NOTE E -- Grants and contributions receivable, net

Grants and contributions receivable consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 751,647	\$ 986,020
Due in one to five years	<u>150,000</u>	<u>396,993</u>
	901,647	1,383,013
Present value discount	<u>(4,875)</u>	<u>(13,930)</u>
Grants and contributions receivable, net	<u>\$ 896,772</u>	<u>\$ 1,369,083</u>

Grants and contributions receivable due in one to five years net of present value discount, is \$145,125 and \$383,063 for the years ended June 30, 2021 and 2020, respectively. Commonweal computed the present value discount using a risk-free rate of 3.25% and 3.5% for the years ended June 30, 2021 and 2020 respectively.

NOTE F -- Employee Retention Credit

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, Commonweal was eligible for a refundable employee retention credit subject to certain criteria. Commonweal recognized a \$809,233 employee retention credit during the year ended June 30, 2021, of which, \$762,229 is netted against salaries and benefits expense and \$47,004 is included in other income for credits claimed related to qualified wages paid during the year ended June 30, 2020. Commonweal has filed all necessary forms for refunds of the employee retention credits and \$580,320 is receivable at June 30, 2021.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE G -- Investments

Investments are presented in the consolidated financial statements at fair value. Commonweal categorized all investment assets on an individual security basis according to the fair value hierarchy as Level 1.

Investments measured at fair value at June 30 are composed of the following:

	<u>2021</u>	<u>2020</u>
Stocks/REITs	\$ 2,486,493	\$ 2,926,991
Corporate bonds	1,107,572	1,048,932
Municipal bonds	448,071	443,616
U.S. Treasury bonds	<u>797,142</u>	<u>868,906</u>
	<u>\$ 4,839,278</u>	<u>\$ 5,288,445</u>

Investment returns, net of investment management fees for the years ended June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 85,612	\$ 118,626
Realized and unrealized gains, net	<u>470,550</u>	<u>202,551</u>
	<u>\$ 556,162</u>	<u>\$ 321,177</u>

Interest and dividend income includes interest earned on cash and cash equivalents and investments - other.

NOTE H -- Concentrations

A donor providing over 10% of total annual revenue and support is considered to be a major donor. For the year ended June 30, 2021, one major donor provided grants totaling approximately 10% of total revenue and support. For the year ended June 30, 2020, one major donor provided grants totaling approximately 14% of total revenue and support.

Contributions receivable from a donor accounting for over 10% of total grants and contributions receivable, net is considered to be a major donor. One major donor accounted for over 33% and 36% of total grants and contributions receivable at June 30, 2021 and 2020, respectively.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE I -- Property and equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 1,649,013	\$ 1,649,013
Furniture and equipment	<u>601,737</u>	<u>272,001</u>
	2,250,750	1,921,014
Less accumulated depreciation and amortization	<u>(1,682,884)</u>	<u>(1,577,910)</u>
Property and equipment, net	<u>\$ 567,866</u>	<u>\$ 343,104</u>

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was \$104,974 and \$67,481, respectively.

NOTE J -- Paycheck Protection Program loan

Commonweal received loan proceeds in the amount of \$422,970 and \$399,005 through the Small Business Administration's (SBA) Payroll Protection Program (PPP) during years ended June 30, 2021 and 2020, respectively. The PPP, established as part of the CARES Act and its extension, provided for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after an elected eight or twenty-four week period, as elected by the borrower, if the borrower uses the loan proceeds for eligible purposes designated by the SBA. The SBA can reduce the amount of loan forgiveness if the borrower fails to meet all the PPP loan criteria set. Commonweal has recorded note payables and will record forgiveness income as grants and contributions support upon being legally released from loan obligations.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%. Payment towards the loan and accrued interest are deferred for the first 10 months after the elected eight or twenty-four week period. On March 24, 2021, Commonweal received full forgiveness for the first PPP loan of \$399,005.

NOTE K -- Net assets without donor restrictions - designated

Commonweal's governing board has designated portions of its net assets without donor restrictions to be held in reserve funds for specified purposes as follows:

CCHP and healing reserve fund - Created after receiving significant estate contributions from Commonweal Cancer Help Program (CCHP) alumni. This reserve will fund CCHP or similar healing work at Commonweal in the future.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE K -- Net assets without donor restrictions - designated (continued)

General reserve fund - Created to supplement funding if receipts are no longer sufficient to fund operations.

Maintenance reserve fund - Created to fund the maintenance of Commonwealth's facilities as needed, including the on-site retreat center.

Real estate reserve fund - A real estate reserve created for site purchase or significant capital expenses.

The amounts designated to the reserve funds by the Board are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
CCHP and healing reserve fund	\$ 465,000	\$ 590,000
General reserve fund	278,703	278,702
Maintenance reserve fund	420,417	392,558
Real estate reserve fund	<u>1,800,000</u>	<u>1,800,000</u>
Totals	<u>\$ 2,964,120</u>	<u>\$ 3,061,260</u>

NOTE L -- Net assets with donor restrictions

Net assets with donor restrictions consist of the following at June 30, 2021:

<u>Program</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Health & Healing	\$ 2,936,320	\$ 1,217,141	\$ (1,568,413)	\$ 2,585,048
Environment & Justice	232,697	1,324,782	(774,820)	782,659
Education & the Arts	48,198	337,795	(322,770)	63,223
Time Restricted	<u>472,090</u>	<u>114,823</u>	<u>(350,893)</u>	<u>236,020</u>
Total	<u>\$ 3,689,305</u>	<u>\$ 2,994,541</u>	<u>\$ (3,016,896)</u>	<u>\$ 3,666,950</u>

Net assets with donor restrictions consist of the following at June 30, 2020:

<u>Program</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Health & Healing	\$ 2,137,961	\$ 1,831,685	\$ (1,033,326)	\$ 2,936,320
Environment & Justice	231,341	683,621	(682,265)	232,697
Education & the Arts	153,200	323,673	(428,675)	48,198
Time Restricted	<u>211,183</u>	<u>764,202</u>	<u>(503,295)</u>	<u>472,090</u>
Total	<u>\$ 2,733,685</u>	<u>\$ 3,603,181</u>	<u>\$ (2,647,561)</u>	<u>\$ 3,689,305</u>

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE M -- Retirement plan

Commonweal sponsors a defined contribution plan under IRC Section 403(b) for its employees.

Under the Plan, Commonweal automatically contributes 3% of eligible employee compensation to the Plan and offers to match 100% of participant deferrals up to 2% of the participant's compensation. Eligible employees must have reached age 21 and complete one year of service with at least 1,000 hours. All contribution and matches made by Commonweal are full and immediately vested.

During the years ended June 30, 2021 and 2020, Commonweal contributions and matches paid for participants totaled \$75,747 and \$65,848, respectively.

NOTE N -- Commitments and contingencies

Commonweal occupies various facilities owned by the National Park Service (NPS) under a special use permit and one lease agreement.

Commonweal has a special use permit for its employee housing in Bolinas, California, with monthly payments of \$3,575, which expired on December 31, 2021 and was subsequently extended through December 31, 2022.

Commonweal has a lease agreement for its operating facilities which consist of an administrative building and three retreat center buildings in Bolinas, California with monthly payments of \$5,000, expiring on December 11, 2029. Under the lease agreement, NPS has the option to change the rent, based on an acceptable appraisal, every five years. The last rent change was effective May 15, 2001.

Future minimum lease payments under the special use permit and the lease agreements are as follows:

Years Ending June 30,

2022	\$	81,450
2023		60,000
2024		60,000
2025		60,000
2026		60,000
Thereafter		<u>210,000</u>
	\$	<u>531,450</u>

Rent expense included in occupancy cost totaled \$113,762 and \$132,595 for the years ended June 30, 2021 and 2020, respectively.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2021 and 2020

NOTE O -- Related parties

Michael Lerner, the Chair of the Board of Directors of Commonweal, is the President of the Jenifer Altman Foundation, which pays his salary and benefits. Under a Resource Sharing Agreement, Commonweal reimbursed Jenifer Altman Foundation \$175,289 and \$171,692 for the years ended June 30, 2021 and 2020, respectively, for Michael Lerner's services directing Commonweal programs.

Commonweal received grants totaling \$250,000 and \$256,740 from the Jenifer Altman Foundation for the years ended June 30, 2021 and 2020, respectively. Commonweal provided back office services for Jenifer Altman Foundation and was paid \$21,000 for these services for each of the years ended June 30, 2021 and 2020.

Commonweal compensated the spouses of two members of the Board of Directors \$40,571 and \$51,008 to operate the Commonweal Biomonitoring Resource Center and the Gift of Compassion program for the years ended June 30, 2021 and 2020, respectively.

Commonweal compensated the spouse of the Executive Director \$3,000 and \$2,000, respectively to operate the Taproot program for the years ended June 30, 2021 and 2020, respectively.

Catherine Dodd is on the Board of Directors and has an open contract with Commonweal for negotiating a lease with the National Park Service for the years ended June 30, 2021 and 2020, respectively. The contract is for \$12,000 and no payment has been made for the years ended June 30, 2021 and 2020. A payment of \$800 and \$1,000 was paid to Catherine Dodd for the years ended June 30, 2021 and 2020, respectively, for guiding "Commonweal's Healing Circles program" in Houston, Texas.

NOTE P -- Subsequent events

The coronavirus outbreak may have a potentially adverse effect on the results of operations due to given the uncertainty around the extent and timing of the potential future spread or mitigation of Coronavirus-19 (COVID-19) and its variants. Relaxation of protective measures have occurred; however, imposition of measures in the future cannot be determined by management to reasonably estimate the impact to the future results of operations, cash flows or financial condition.

In August 2021, a statement of intent was signed by Commonweal for the right to purchase a building and land in Washington state. The property has been appraised and plans for a capital campaign are in place.

In January 2022, Commonweal accepted a grant of \$2,200,000 with donor restrictions. It is a multi-year grant and may be expended during the period January 2022 through December 2024 based upon the terms of the agreement.

The date to which events occurring after June 30, 2021 have been evaluated for possible adjustments to the consolidated financial statements or disclosure is April 22, 2022, which is the date the consolidated financial statements were available to be issued.