

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

CONSOLIDATED FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2022 and 2021**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1 - 2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	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)

Opinion

We have audited the accompanying consolidated financial statements of Commonweal (a nonprofit organization) and The Hale Fund (supporting organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, cash flows, and functional expenses 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 Commonweal and The Hale Fund as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Commonweal and The Hale Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Commonweal and The Hale Fund'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 Commonweal and The Hale Fund'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.

Bregante + Company, LLP

San Francisco, California

January 26, 2023

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 548,114	\$ 3,115,294
Grants and contributions receivable, net	2,959,806	896,772
Program fees receivable, net	24,128	29,865
Employee Retention Credit receivable	137,028	580,320
Investments	7,057,285	4,839,278
Investments - other	5,765,311	3,602,638
Prepaid expenses and other assets	219,211	77,180
Property and equipment, net	<u>588,787</u>	<u>567,866</u>
Total assets	<u>\$ 17,299,670</u>	<u>\$ 13,709,213</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 434,413	\$ 254,596
Accrued compensated absences	150,009	132,121
Paycheck Protection Program loan	-	422,970
Deferred revenue	<u>37,228</u>	<u>53,075</u>
Total liabilities	621,650	862,762
Net assets:		
Without donor restrictions:		
Undesignated	6,257,494	6,215,381
Board designated	<u>2,746,499</u>	<u>2,964,120</u>
Total without donor restrictions	9,003,993	9,179,501
With donor restrictions	<u>7,674,027</u>	<u>3,666,950</u>
Total net assets	<u>16,678,020</u>	<u>12,846,451</u>
Total liabilities and net assets	<u>\$ 17,299,670</u>	<u>\$ 13,709,213</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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Grants and contributions	\$ 930,593	\$ 8,584,642	\$ 9,515,235	\$ 841,859	\$ 2,952,255	\$ 3,794,114
Contributed goods and services	-	6,387	6,387	-	42,286	42,286
Program fees	952,646	-	952,646	386,075	-	386,075
Investment income (loss), net	(999,784)	-	(999,784)	556,162	-	556,162
Other income	103,376	-	103,376	159,860	-	159,860
Net assets released from restrictions	<u>4,583,952</u>	<u>(4,583,952)</u>	<u>-</u>	<u>3,016,896</u>	<u>(3,016,896)</u>	<u>-</u>
 Total revenue and support	 <u>5,570,783</u>	 <u>4,007,077</u>	 <u>9,577,860</u>	 <u>4,960,852</u>	 <u>(22,355)</u>	 <u>4,938,497</u>
Expenses:						
Program services	4,833,518	-	4,833,518	2,762,392	-	2,762,392
Administrative	632,355	-	632,355	590,943	-	590,943
Fundraising	<u>280,418</u>	<u>-</u>	<u>280,418</u>	<u>122,736</u>	<u>-</u>	<u>122,736</u>
 Total expenses	 <u>5,746,291</u>	 <u>-</u>	 <u>5,746,291</u>	 <u>3,476,071</u>	 <u>-</u>	 <u>3,476,071</u>
Changes in net assets	(175,508)	4,007,077	3,831,569	1,484,781	(22,355)	1,462,426
Net assets, beginning 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>
Net assets, end of year	<u>\$ 9,003,993</u>	<u>\$ 7,674,027</u>	<u>\$ 16,678,020</u>	<u>\$ 9,179,501</u>	<u>\$ 3,666,950</u>	<u>\$ 12,846,451</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ 3,831,569	\$ 1,462,426
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Payroll Protection Program loan forgiveness	(422,970)	(399,005)
Depreciation and amortization	115,379	104,974
Net realized and unrealized (gains) losses on investments	1,123,796	(470,550)
(Increase) decrease in assets:		
Grants and contributions receivable, net	(2,063,034)	472,311
Program fees receivable, net	5,737	10,088
Employee Retention Credit receivable	443,292	(580,320)
Prepaid expenses and other assets	(142,031)	(2,183)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	179,817	59,869
Accrued compensated absences	17,888	21,454
Deferred revenue	<u>(15,847)</u>	<u>20,246</u>
Total adjustments	<u>(757,973)</u>	<u>(763,116)</u>
Net cash provided by operating activities	<u>3,073,596</u>	<u>699,310</u>
Cash flows from investing activities:		
Net change in investments and investments - other	(5,504,476)	1,104,265
Purchases of property and equipment	<u>(136,300)</u>	<u>(329,736)</u>
Net cash provided (used) by investing activities	<u>(5,640,776)</u>	<u>774,529</u>
Cash flows from financing activities:		
Paycheck Protection Program loan	<u>-</u>	<u>422,970</u>
Net cash provided by financing activities	<u>-</u>	<u>422,970</u>
Net increase (decrease) in cash	(2,567,180)	1,896,809
Cash, beginning of year	<u>3,115,294</u>	<u>1,218,485</u>
Cash, end of year	\$ <u><u>548,114</u></u>	\$ <u><u>3,115,294</u></u>

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. Commonweal's second Payroll Protection Program loan of \$422,970 received on March 12, 2021, was fully forgiven on March 2, 2022 (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, 2022 and 2021

	2022				2021			
	Program Services	Administrative	Fundraising	Total	Program Services	Administrative	Fundraising	Total
Salaries and benefits	\$ 2,536,546	\$ 398,948	\$ 214,528	\$ 3,150,022	\$ 1,382,797	\$ 363,894	\$ 72,779	\$ 1,819,470
Consultants and contractors	1,276,291	43,968	30,389	1,350,648	858,281	47,319	21,244	926,844
Grants and awards	371,814	-	-	371,814	22,572	-	52	22,624
Occupancy	172,478	30,858	8,113	211,449	160,078	34,282	7,354	201,714
Conferences and workshops	145,563	6,718	3,689	155,970	18,749	361	903	20,013
Office	86,002	21,847	18,386	126,235	67,827	21,453	17,014	106,294
Depreciation and amortization	78,051	36,530	798	115,379	87,953	16,657	364	104,974
Insurance	25,438	37,848	1,339	64,625	7,132	58,993	256	66,381
Supplies	48,679	6,237	1,218	56,134	23,206	6,627	678	30,511
Maintenance and repairs	31,324	13,969	305	45,598	38,186	9,357	204	47,747
Dues and fees	38,733	-	1,327	40,060	28,588	5,047	1,690	35,325
Professional fees	5,953	33,948	88	39,989	10,254	25,990	198	36,442
Advertising	11,324	606	50	11,980	15,121	325	-	15,446
Contributed goods and services	5,322	878	188	6,388	41,648	638	-	42,286
Total expenses	\$ 4,833,518	\$ 632,355	\$ 280,418	\$ 5,746,291	\$ 2,762,392	\$ 590,943	\$ 122,736	\$ 3,476,071
	84%	11%	5%	100%	79%	17%	4%	100%

See accompanying notes to the financial statements.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2022 and 2021

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. Commonweal did not have any conditional grants at year end June 30, 2022. During the year ended June 30, 2021, Commonweal received a \$421,500 three year conditional grant. The grants are conditional upon a determination that substantial progress has been made toward the stated goal.

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 \$30,425 and \$9,108 as of June 30, 2022 and 2021, 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 \$1,561 and \$8,065 as of June 30, 2022 and 2021, respectively.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

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, 2022 and 2021. Certificates of deposit held as of June 30, 2022 mature at various dates ranging through June 2023.

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, 2022 and 2021

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 Partners for Youth Empowerment, Visual Thinking Strategies, Commonweal Cancer Help Program, Somos El Poder, and Natura Institute for Ecology and Medicine programs, 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, 2022 and 2021

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 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, 2022 and 2021

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>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 548,114	\$ 3,115,294
Grants and contributions receivable, net	2,959,806	896,772
Program fees receivable, net	24,128	29,865
Employee Retention Credit receivable	137,028	580,320
Investments	7,057,285	4,839,278
Investments - other	<u>5,765,311</u>	<u>3,602,638</u>
Total financial assets	16,491,672	13,064,167
Less amounts not available to be used within one year:		
Grant and contributions receivable - due after one year, net	(1,047,750)	(145,125)
Investments with liquidity horizons greater than one year	(2,680,048)	(2,302,933)
Board designated reserve funds	<u>(2,746,499)</u>	<u>(2,964,120)</u>
Financial assets not available to be used within one year	<u>(6,474,297)</u>	<u>(5,412,178)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 10,017,375</u>	<u>\$ 7,651,989</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.

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, 2022 and 2021

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>2022</u>	<u>2021</u>
Due within one year	\$ 1,912,056	\$ 751,647
Due in one to five years	<u>1,100,000</u>	<u>150,000</u>
	3,012,056	901,647
Present value discount	<u>(52,250)</u>	<u>(4,875)</u>
Grants and contributions receivable, net	<u>\$ 2,959,806</u>	<u>\$ 896,772</u>

Grants and contributions receivable due in one to five years net of present value discount, is \$1,047,750 and \$145,125 for the years ended June 30, 2022 and 2021, respectively. Commonweal computed the present value discount using a risk-free rate of 4.75% and 3.25% for the years ended June 30, 2022 and 2021 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 \$259,471 employee retention credit during the year ended June 30, 2022, which is netted against salaries and benefits expense. For the year ended June 30, 2021, Commonweal recognized a \$809,233 employee retention credit, 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 AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

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>2022</u>	<u>2021</u>
Stocks/REITs	\$ 4,173,802	\$ 2,486,493
Corporate bonds	1,211,907	1,107,572
Municipal bonds	553,575	448,071
U.S. Treasury bonds	<u>1,118,001</u>	<u>797,142</u>
	<u>\$ 7,057,285</u>	<u>\$ 4,839,278</u>

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

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 124,011	\$ 85,612
Realized and unrealized gains (losses), net	<u>(1,123,795)</u>	<u>470,550</u>
Investment income (loss), net	<u>\$ (999,784)</u>	<u>\$ 556,162</u>

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

NOTE H -- Grant and contribution 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, 2022, two major donors provided grants totaling approximately 33% of total revenue and support. For the year ended June 30, 2021, one major donor provided grants totaling approximately 10% 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. For the year ended June 30, 2022, three major donors accounted for approximately 78% of total grants and contributions receivable. For the year ended June 30, 2021, one major donor accounted for approximately 33% of total grants and contributions receivable.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

NOTE I -- Property and equipment

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 1,653,042	\$ 1,649,013
Furniture and equipment	<u>734,008</u>	<u>601,737</u>
	2,387,050	2,250,750
Less accumulated depreciation and amortization	<u>(1,798,263)</u>	<u>(1,682,884)</u>
Property and equipment, net	<u>\$ 588,787</u>	<u>\$ 567,866</u>

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 was \$115,379 and \$104,974, respectively.

NOTE J -- Paycheck Protection Program loan forgiveness

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 the years ended June 30, 2021 and 2020, respectively. 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. Commonweal recorded note payables and recognized the forgiveness income as grants and contributions support upon being legally released from loan obligations.

Commonweal received full forgiveness for both PPP loans received of \$422,970 and \$399,005 in March 2022 and 2021, respectively.

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, 2022 and 2021

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>2022</u>	<u>2021</u>
CCHP and healing reserve fund	\$ 240,000	\$ 465,000
General reserve fund	278,703	278,703
Maintenance reserve fund	427,796	420,417
Real estate reserve fund	<u>1,800,000</u>	<u>1,800,000</u>
Totals	<u>\$ 2,746,499</u>	<u>\$ 2,964,120</u>

NOTE L -- Net assets with donor restrictions

Net assets with donor restrictions consist of the following at June 30, 2022:

<u>Program</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Health & Healing	\$ 2,585,048	\$ 2,877,951	\$ (2,013,261)	\$ 3,449,738
Environment & Justice	782,659	4,453,266	(1,607,106)	3,628,819
Education & the Arts	63,223	784,812	(644,887)	203,148
Time Restricted	<u>236,020</u>	<u>475,000</u>	<u>(318,698)</u>	<u>392,322</u>
Total	<u>\$ 3,666,950</u>	<u>\$ 8,591,029</u>	<u>\$ (4,583,952)</u>	<u>\$ 7,674,027</u>

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>

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

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, 2022 and 2021, Commonweal contributions and matches paid for participants totaled \$88,538 and \$75,747, 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 expires on December 31, 2022 and is expected to be extend under substantially the same terms and conditions through December 31, 2023.

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:

<u>Years Ending June 30,</u>	
2023	\$ 81,450
2024	60,000
2025	60,000
2026	60,000
2027	60,000
Thereafter	<u>150,000</u>
	<u>\$ 471,450</u>

Rent expense included in occupancy cost totaled \$122,998 and \$113,762 for the years ended June 30, 2022 and 2021, respectively.

COMMONWEAL AND THE HALE FUND (SUPPORTING ORGANIZATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

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 \$175,944 and \$175,289 for the years ended June 30, 2022 and 2021, respectively, for Michael Lerner's services directing Commonweal programs.

Commonweal received grants totaling \$250,000 from the Jenifer Altman Foundation for the years ended June 30, 2022 and 2021, 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, 2022 and 2021. Commonweal received an in-kind gift valued at \$878 during the year ended June 30, 2022.

Commonweal compensated the spouses of two members of the Board of Directors \$29,344 and \$40,571 to operate the Commonweal Biomonitoring Resource Center and the Gift of Compassion program for the years ended June 30, 2022 and 2021, respectively.

Commonweal compensated the spouse of the Executive Director \$600 and \$3,000 to operate the Taproot program for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, respectively. The contract is for \$12,000 and no payment has been made during the years ended June 30, 2022 and 2021. Catherine Dodd was compensated \$11,400 and \$800 by Commonweal for services performed with its programs for the years ended June 30, 2022 and 2021, respectively.

NOTE P -- Subsequent events

In October 2022, Commonweal completed the purchase of building and land in Langley, Washington for \$575,000. This property has been in use for the Healing Circles program since 2014.

The date to which events occurring after June 30, 2022 have been evaluated for possible adjustments to the consolidated financial statements or disclosure is January 26, 2023, which is the date the consolidated financial statements were available to be issued.