



The  
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Affordable, quality health care. For everyone.

## **A Synopsis of Our 2014 IRS Form 990-PF**

*For the fiscal year ended June 30, 2015*

The Commonwealth Fund files an annual IRS return, the 990-PF. The 990-PF has information on the Fund's assets, financial activities, trustees and officers, complete list of grants, and responses to a set of regulatory questions on the activities of the foundation. Some of the purposes of the form include:

1. Calculation of the excise tax
2. Calculation of the required distribution
3. Calculation of the qualifying distribution
4. Calculation of any carryover of undistributed or excess distribution of income

Below, we provide selected information about some of these items.

### *1. Calculation of the excise tax*

For the fiscal year ended June 30, 2015, The Commonwealth Fund paid \$801,253 in excise tax. The excise tax is based on interest, dividends, and realized gains (the gains are net of realized losses), less investment expenses.

The tax rate is usually 2 percent but can be reduced to 1 percent under certain circumstances.

### *2. Calculation of the required distribution*

The Commonwealth Fund is required to distribute 5 percent of the average noncharitable use assets. In the Fund's case, this is the investment portfolio. For the year ended June 30, 2015, we were required to distribute \$36,554,961. On the return, this is called the "Distributable Amount."

### *3. Calculation of the qualifying distribution*

The Commonwealth Fund was required to distribute \$36,554,961—the next section on the form details what we did distribute. For the year ending June 30, 2015, we actually distributed \$30,577,081. This is less than what we were required to distribute.

Having a qualifying distribution less than the required distribution is not unusual; it would be a rare occurrence when an organization distributes exactly what it is required to. The qualifying distribution is based on the cash basis, whereas our financial statements are based on the accrual basis.

In years when the market is moving up, we will generally fall short of the required distribution, since our budget (and subsequent spending) was based on a lower average value for the noncharitable use assets. Likewise, when the market is in decline, we will usually have a qualifying distribution that is greater than the required amount, since our budget was based on a higher value of the noncharitable use assets.

#### 4. *Carryover of undistributed income*

Based on the difference between the required and the actual distribution noted above and the carryover of undistributed income from the 2013–2014 fiscal year, The Commonwealth Fund has a carryover of undistributed income of \$10,150,908. The actual distribution in the 2015–2016 fiscal year will be used to offset this carryover, and the remaining amount will be used to offset the required distribution for 2015–2016.

#### **Note on Administrative Expenses:**

The 990-PF aggregates program and administrative expenses and reports them as “operating and administrative expenses.” Many private foundations have program staff, and the differentiation between program expenses and administrative expenses is not meaningful. As a value-added foundation, The Commonwealth Fund and its program officers work closely with grantees and perform in-house research as well. We also have an extensive communications department that disseminates the results of the research. For the Fund, the differentiation is significant.

To better explain the components of “Total Operating and Administrative Expenses,” we attach a schedule that separates program expenses from administrative expenses. For the year ended June 30, 2015, the amounts were:

Program expenses	\$ 9,519,373
Administrative expenses	<u>1,969,738</u>
Total operating and administrative expenses	\$11,489,111

### Summary Metrics

Required distribution (distributable amount)	\$36,554,961	(Page 8, Part XI, Line 7)
Qualifying distribution (actual amount distributed)	\$30,577,081	(Page 8, Part XII, Line 4)
Amount required to qualify for 1% tax rate	\$38,122,183	(Page 3, Part V, Line 7)
Program expenses	\$ 9,519,373	(Schedule, Part I, Line 23, Col. d)
Administrative expenses	1,969,738	(Schedule, Part I, Line 23, Col. d)
Grant expenditures	18,857,240	(Page 1, Part I, Line 25, Col. d)
Purchase of fixed assets	<u>230,730</u>	(Page 8, Part XII, Line 2)
Qualifying distribution	\$30,577,081	(Page 8, Part XII, Line 4)
Carryover of undistributed income	\$10,150,908	(Page 9, Part XIII, Line 6f, Col. d)
Distribution ratio	4.1%	(30,577,081/747,124,271)
Excise paid	\$ 801,253	(Page 4, Part VI, Line 5)