Independent Auditors’ Report

The Commonwealth Fund

Opinion

We have audited the accompanying financial statements of The Commonwealth Fund (the “Fund”) which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and cash flows for the year 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 the Fund as of June 30, 2023, 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 (“GAAS”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our 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 the 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 the Fund’s ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditors’ 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 auditors’ 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 substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
Auditors’ Responsibilities for the Audit of the Financial Statements (continued)

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 the 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 the 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.

Other matter – Comparative Information

We have previously audited the Fund’s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2022. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O’Connor Davies, LLP

New York, New York
November 13, 2023

* * * * *
THE COMMONWEALTH FUND

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023 with comparative amounts for JUNE 30, 2022

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 4,067,285</td>
<td>$ 3,156,349</td>
</tr>
<tr>
<td>Investments - At fair value</td>
<td>844,635,636</td>
<td>846,274,897</td>
</tr>
<tr>
<td>Interest and dividends receivable</td>
<td>310,752</td>
<td>236,952</td>
</tr>
<tr>
<td>Proceeds receivable from security sales - net</td>
<td>8,440,527</td>
<td>22,353,925</td>
</tr>
<tr>
<td>Taxes refundable</td>
<td>816,296</td>
<td>–</td>
</tr>
</tbody>
</table>
| Landmark property at 1 East 75th Street -  
  At appraised value during 1953, the date of donation | 275,000 | 275,000 |
| Furniture, equipment and building improvements -  
  At cost, net of accumulated depreciation of $5,432,546 and $5,022,449 at June 30, 2023 and 2022 | 6,013,585 | 4,640,724 |
| **TOTAL ASSETS**     | $ 864,559,081 | $ 876,937,847 |

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES AND NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 2,001,097</td>
<td>$ 2,608,474</td>
</tr>
<tr>
<td>Program authorizations payable</td>
<td>22,142,291</td>
<td>21,642,624</td>
</tr>
<tr>
<td>Accrued postretirement benefits</td>
<td>7,491,247</td>
<td>10,466,792</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>1,510,577</td>
<td>1,265,606</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>33,145,212</td>
<td>35,983,496</td>
</tr>
<tr>
<td><strong>NET ASSETS - Without Donor Restriction</strong></td>
<td>831,413,869</td>
<td>840,954,351</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>831,413,869</td>
<td>840,954,351</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td>$ 864,559,081</td>
<td>$ 876,937,847</td>
</tr>
</tbody>
</table>

*See notes to financial statements.*
## Statement of Activities

**Year Ended June 30, 2023** with comparative amounts for Year Ended June 30, 2022

<table>
<thead>
<tr>
<th>Category</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Gains, (Losses), Revenues and Other:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net realized gains on investments</td>
<td>$16,367,643</td>
<td>$62,732,866</td>
</tr>
<tr>
<td>Change in unrealized appreciation (depreciation) of investments</td>
<td>17,623,867</td>
<td>(140,532,350)</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>4,873,337</td>
<td>3,426,167</td>
</tr>
<tr>
<td><strong>Total Investment Gains (Losses)</strong></td>
<td>38,864,847</td>
<td>(74,373,317)</td>
</tr>
<tr>
<td>Less: Direct investment expenses</td>
<td>5,283,564</td>
<td>5,580,797</td>
</tr>
<tr>
<td>Other investment expenses</td>
<td>1,471,255</td>
<td>77,489</td>
</tr>
<tr>
<td><strong>Net Investment Gains (Losses)</strong></td>
<td>33,581,483</td>
<td>(79,754,114)</td>
</tr>
<tr>
<td>Partner grants, royalties and other</td>
<td>16,425</td>
<td>212,346</td>
</tr>
<tr>
<td><strong>Total Investment Gains (Losses), Revenues and Other</strong></td>
<td>32,126,653</td>
<td>(79,619,257)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programs</td>
<td>38,985,492</td>
<td>38,440,389</td>
</tr>
<tr>
<td>General administration</td>
<td>2,681,643</td>
<td>4,658,979</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>41,667,135</td>
<td>43,099,368</td>
</tr>
</tbody>
</table>

**Changes in Net Assets - Without Donor Restrictions**

<table>
<thead>
<tr>
<th>Category</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets, beginning of year</td>
<td>840,954,351</td>
<td>963,672,976</td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td><strong>$ 831,413,869</strong></td>
<td><strong>$ 840,954,351</strong></td>
</tr>
</tbody>
</table>

*See notes to financial statements.*
THE COMMONWEALTH FUND

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023 with comparative amounts for YEAR ENDED JUNE 30, 2022

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash provided by interest and dividends</td>
<td>$ 4,873,337</td>
<td>$ 3,426,167</td>
</tr>
<tr>
<td>Cash provided by partner grants, royalties and other</td>
<td>16,425</td>
<td>212,346</td>
</tr>
<tr>
<td>Cash (used) to pay program expenses</td>
<td>(38,503,196)</td>
<td>(34,502,004)</td>
</tr>
<tr>
<td>Cash (used) to pay general and administrative expenses</td>
<td>(3,259,244)</td>
<td>(3,644,641)</td>
</tr>
<tr>
<td>Cash (used) to pay investment expenses</td>
<td>(5,705,757)</td>
<td>(8,049,352)</td>
</tr>
<tr>
<td>Net cash used by operating activities</td>
<td>(42,578,435)</td>
<td>(42,557,484)</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of fixed assets</td>
<td>(1,782,958)</td>
<td>(19,896)</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(75,802,895)</td>
<td>(274,902,704)</td>
</tr>
<tr>
<td>Proceeds from the sale of investments</td>
<td>121,075,224</td>
<td>318,169,243</td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td>43,489,371</td>
<td>43,246,643</td>
</tr>
<tr>
<td>Net increase in cash</td>
<td>910,936</td>
<td>689,159</td>
</tr>
<tr>
<td>Cash, beginning of year</td>
<td>3,156,349</td>
<td>2,467,190</td>
</tr>
<tr>
<td>Cash, end of year</td>
<td>$ 4,067,285</td>
<td>$ 3,156,349</td>
</tr>
</tbody>
</table>

See notes to financial statements.
1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Commonwealth Fund (the “Fund”) is a private foundation supporting independent research on health and social issues.

a. **Investments** – Investments in equity securities with readily determinable fair values and all investments in debt securities are carried at fair value. Assets with limited marketability, such as alternative asset limited partnerships, are stated at the Fund’s equity interest in the underlying net assets of the partnerships, which are stated at fair value as reported by the partnerships. Realized gains and losses on dispositions of investments are determined on the following bases: FIFO for actively managed equity and fixed income, average cost for commingled mutual funds, and specific identification basis for alternative assets.

Dividends are recorded on the ex-dividend date and interest income is recorded on the accrual basis. Realized gains and losses from investment transactions are computed on the specific identification basis. Unrealized appreciation or depreciation on investments is recognized in the statement of activities based on changes in the fair value of investments during the reporting period. Realized gains and losses and unrealized appreciation and depreciation are included in the determination of the change in net assets.

b. **Fixed Assets** – Furniture, equipment, and building improvements are capitalized at cost and depreciated using the straight-line method over their estimated useful lives. The landmark property is recorded at appraised fair value at date of donation and is not depreciated, but subject to impairment testing.

c. **Grants, Grant Expense, Promises to Give, and Net Asset Classifications** – Partner grants are recognized in the period received. Grants are recorded as a receivable and revenue when a written agreement is received. The Fund reports grants as restricted if received with a donor stipulation that limits the use of the donated assets. Unconditional promises to give for future periods are recorded when authorized by the Board and are presented as program authorizations payable on the statement of financial position, which includes a discount for present value.

d. **Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires the Fund’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses included in the statement of activities. The calculation of the present value of program authorizations payable, present value of accumulated postretirement benefits, deferred Federal excise taxes and the depreciable lives of fixed assets requires the significant use of estimates. Actual results could differ from those estimates.

e. **Cash** – Cash consists of all checking accounts and petty cash. At times the Fund’s cash exceeds federally insured limits. This risk is managed by using only large, established financial institutions.

f. **Notes** – The financial statements present comparative information as of and for the year ended June 30, 2022, and the notes are only presented for the current year. Such information does not constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Fund’s financial statements as of and for the year ended June 30, 2022.

g. **Functional Allocation of Expenses** – The costs of providing services have been summarized on a functional basis in Note 11. Accordingly, certain costs have been allocated between programs and the general administration activities and have been presented in their natural classification.

*Net assets and changes therein are reported as an increase in net assets without donor restrictions as there are no net assets with donor restrictions as of June 30, 2023.
1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Adoption of New Accounting Policy-The Fund adopted FASB Topic 842, Leases, using the effective date method with July 1, 2022, as the date of initial adoption, with certain practical expedients available. The Fund elected the available practical expedients to account for its existing operating lease as an operating lease, under the new guidance, without reassessing (a) whether the contracts contain a lease under the new standard, (b) whether the classification of capital (now finance) lease or operating lease would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. The standard had no impact on the Fund’s financial statements as the leases were considered short-term and outside the scope of implementation.

2. FIXED ASSETS

Fixed assets at June 30, 2023 were comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Accumulated Depreciation</th>
<th>Book Value</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building improvements</td>
<td>$9,620,390</td>
<td>$4,330,703</td>
<td>$5,289,687</td>
<td>7-40 years</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>822,494</td>
<td>684,264</td>
<td>138,230</td>
<td>3-10 years</td>
</tr>
<tr>
<td>Computers and related</td>
<td>553,247</td>
<td>327,579</td>
<td>225,668</td>
<td>5-20 years</td>
</tr>
<tr>
<td>Website</td>
<td>450,000</td>
<td>90,000</td>
<td>360,000</td>
<td>10 years</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,446,131</strong></td>
<td><strong>$5,432,546</strong></td>
<td><strong>$6,013,585</strong></td>
<td></td>
</tr>
</tbody>
</table>

3. INVESTMENTS

Investments at June 30, 2023 comprised the following:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global equity</td>
<td>$274,681,352</td>
<td>$224,140,470</td>
</tr>
<tr>
<td>Absolute return</td>
<td>131,776,870</td>
<td>109,095,777</td>
</tr>
<tr>
<td>Real assets</td>
<td>107,455,399</td>
<td>115,350,019</td>
</tr>
<tr>
<td>Private capital</td>
<td>256,083,284</td>
<td>176,651,214</td>
</tr>
<tr>
<td>Global fixed income</td>
<td>53,528,404</td>
<td>56,533,491</td>
</tr>
<tr>
<td>Cash and miscellaneous</td>
<td>21,110,327</td>
<td>21,110,327</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$844,635,636</strong></td>
<td><strong>$702,881,298</strong></td>
</tr>
</tbody>
</table>

At June 30, 2023, the Fund had unfunded investment commitments of approximately $150 million in private capital and real assets.
3. INVESTMENTS (continued)

Fair Value Measurements

The Fund follows US GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Pursuant to US GAAP guidance investments measured using net asset value (NAV) are not categorized within the fair value hierarchy.

Investments Valuation

Investments, other than cash held for investment, are carried at fair value. The fair value of alternative investments has been estimated using the NAV as reported by the management of the respective alternative investment fund. US GAAP guidance provides for the use of NAV as a “Practical Expedient” for estimating fair value of alternative investments. NAV, member’s capital, partner’s capital, or any investor ownership amount reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Fund’s interest therein.

Investments Risks and Uncertainties

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds and private equity funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees’ financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material. It is estimated that the private limited partnerships will be liquidated over the next 2–12 years.

The following tables summarize investments valued at fair value on a recurring basis at June 30, 2023 grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

<table>
<thead>
<tr>
<th>Fair Value Measurements Using</th>
<th>Quoted in Active Markets For Identical Assets</th>
<th>Significant Other Observable Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Value</td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>Global fixed income–Funds</td>
<td>$53,528,404</td>
<td>$21,833,342</td>
</tr>
<tr>
<td>Total</td>
<td>$53,528,404</td>
<td>$21,833,342</td>
</tr>
</tbody>
</table>

There were no transfers between levels of the fair value hierarchy during the year ended June 30, 2023.
3. INVESTMENTS (continued)

Total investments at June 30, 2023 include those classified within the fair value hierarchy, as well as those measured using NAV as a practical expedient and cash held for reinvestment, as follows:

| Investments included in fair value hierarchy | $ 53,528,404 |
| Nonpublic investments measured using net asset value | |
| Global equity | 274,681,352 |
| Absolute return | 131,776,870 |
| Real assets | 107,455,399 |
| Private capital | 256,083,284 |
| Cash | 21,110,327 |

Total investments

$ 844,635,636

Information regarding alternative investments valued at NAV using the practical expedient at June 30, 2023 is as follows:

<table>
<thead>
<tr>
<th>Fair value</th>
<th>Unfunded Commitments</th>
<th>Redemption frequency</th>
<th>Notice period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global equity</td>
<td>$ 274,681,352</td>
<td>$ –</td>
<td>Daily, Monthly, Quarterly</td>
</tr>
<tr>
<td>Absolute return</td>
<td>131,776,870</td>
<td>–</td>
<td>Quarterly, Semi-annually</td>
</tr>
</tbody>
</table>

Private partnerships:

| Private capital | 256,083,284 | 78,222,098 | N/A | N/A |
| Real assets     | 107,455,399 | 72,216,653 | Daily, N/A | 0 days |

$ 769,996,905 $ 150,438,751

Private capital and some real assets have no redemption provisions and distributions are made as assets are sold. They generally have a duration of up to 12 years or more from initial investment to final distribution.
4. **FAIR VALUE OF FINANCIAL INSTRUMENTS**

The estimated fair value amounts have been determined by the Fund, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Fund could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

*All Financial Instruments Other Than Investments* - The carrying amounts of these items are a reasonable estimate of their fair value due to their short-term nature. Program authorization payables have been discounted to their net present value which approximates fair value.

*Investments* - For marketable securities held as investments, fair value equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using a quoted market price for similar securities. For alternative investment limited partnerships held as investments, fair value is estimated using private valuations of the securities or properties held in these partnerships. The carrying amount of these items is a reasonable estimate of their fair value. For futures and foreign exchange forward contracts, the fair value equals the quoted market price.

5. **AVAILABILITY AND LIQUIDITY**

This liquidity profile analysis estimates the amount of time it would take to convert the portfolio investments into cash. For capital allocated to external managers, the analysis incorporates the redemption terms of each underlying manager. The analysis shows the percentage of the portfolio that could be converted to cash within each time period.

```
<table>
<thead>
<tr>
<th>Time Period</th>
<th>Percentage</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 5 days</td>
<td>23%</td>
<td>$194,266,196</td>
</tr>
<tr>
<td>5 days to 3 months</td>
<td>13%</td>
<td>$109,802,633</td>
</tr>
<tr>
<td>3 months to 1 year</td>
<td>16%</td>
<td>$135,141,702</td>
</tr>
<tr>
<td>1 year to 5 years</td>
<td>27%</td>
<td>$228,051,622</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>20%</td>
<td>$168,927,127</td>
</tr>
</tbody>
</table>
```

There are no restrictions on net assets and approximately $439 million in assets are available within one year – $21 million in cash and receivables and $418 million from the portfolio. In addition to the assets in the portfolio, there is approximately $4 million in cash and $8 million in other receivables available within one year. The Fund maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of the Fund's liquidity management strategy, the Fund seeks to maintain adequate liquidity to meet its obligations, including planned expenditures as approved by the Board. The Fund also maintains a $20 million unsecured, committed line of credit, should additional liquidity be needed.
6. PROGRAM AUTHORIZATIONS PAYABLE

At June 30, 2023, program authorizations scheduled for payment at later dates were as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2023 through June 30, 2024</td>
<td>$15,689,201</td>
</tr>
<tr>
<td>July 1, 2024 through June 30, 2025</td>
<td>4,482,629</td>
</tr>
<tr>
<td>Thereafter</td>
<td>2,241,314</td>
</tr>
<tr>
<td>Gross program authorizations scheduled for payment at a later date</td>
<td>$22,413,144</td>
</tr>
<tr>
<td>Less adjustment to present value</td>
<td>270,853</td>
</tr>
<tr>
<td>Program authorizations payable</td>
<td>$22,142,291</td>
</tr>
</tbody>
</table>

A discount rate of 5.87% (based on the daily floating BSBY rate plus 70 basis points) was used to determine the present value of the program authorizations payable at June 30, 2023.

7. RETIREMENT AND OTHER POSTRETIREMENT BENEFITS

The Fund has a noncontributory defined contribution retirement plan, covering all employees, under arrangements with TIAA and Fidelity Investments. This plan provides for purchases of annuities and/or mutual funds for employees. The Fund’s contributions approximated 14% of the participants’ compensation for the year ended June 30, 2023. Contributions to the Fund’s defined contribution retirement plan were $1,277,339 for the year ended June 30, 2023. In addition, the plan allows employees to make voluntary tax-deferred purchases of these same annuities and/or mutual funds within the legal limits provided for under Federal law.

Effective July 9, 2002, the Fund established a Section 457(b) Plan for certain employees that provides for unfunded benefits with employer contributions made within the legal limits provided for under Federal law, which is recorded in accounts payable and accrued expenses on the statement of financial position.

Postretirement Medical Plan

The Fund provides postretirement medical insurance coverage for retirees who meet the eligibility criteria. The postretirement medical plan, which is measured as of the end of each fiscal year, is an unfunded plan, with 100% of the benefits paid by the Fund on a pay-as-you-go basis. Such medical insurance payments were $186,932 for the year ended June 30, 2023. Additionally, $20,278 was directly paid for retiree medical expenses, resulting in a total employer contribution of $207,209.

Significant assumptions related to postretirement benefits as of June 30, 2023 were as follows:

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>4.90%</td>
</tr>
<tr>
<td>Health care cost trend rates - Initial</td>
<td>5.50%</td>
</tr>
<tr>
<td>Health care cost trend rates - Ultimate</td>
<td>4.50%</td>
</tr>
</tbody>
</table>

At June 30, 2023, benefits expected to be paid in future years are approximately as follows:

<table>
<thead>
<tr>
<th>Year ending</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2024</td>
<td>$233,062</td>
</tr>
<tr>
<td>June 30, 2025</td>
<td>232,620</td>
</tr>
<tr>
<td>June 30, 2026</td>
<td>213,190</td>
</tr>
<tr>
<td>June 30, 2027</td>
<td>245,155</td>
</tr>
<tr>
<td>June 30, 2028</td>
<td>264,126</td>
</tr>
<tr>
<td>Five years ending June 30, 2033</td>
<td>1,665,688</td>
</tr>
</tbody>
</table>
7. RETIREMENT AND OTHER POSTRETIREMENT BENEFITS (continued)

Additional required disclosure on the Fund’s postretirement medical plan for the year ended June 30, 2023:

| Benefit obligation at end of year accrued on statement of financial position | $ 7,491,247 |
| Net postretirement benefit costs | $ 1,063,288 |

| Components of Net Periodic Expense for the Year | |
| Service cost | $ 760,315 |
| Interest cost | 302,973 |
| **Total** | **$ 1,063,288** |

Effect of a one-percent point change in the health care cost trend rate on:

| | 1% Decrease | 1% Increase |
| Year end benefit obligation | $ (6,093,634) | $ 9,332,446 |
| Total of service and interest cost component | (185,606) | 257,159 |
8. **TAX STATUS**

The Fund is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, but is subject to a 1.39% Federal excise tax on net investment income. The Fund is also subject to Federal and state taxes on unrelated business income. In addition, the Fund records deferred Federal excise taxes, based upon expected excise tax rates, on the unrealized appreciation of investments as such amounts would be realized for tax purposes when the investments are sold.

The Fund is required to make certain minimum distributions in accordance with a formula specified by the Internal Revenue Service. For the year ended June 30, 2023, the Fund was required to distribute approximately $43 million and the Fund distributed approximately $47 million. The Fund has an undistributed amount of approximately $13 million carried over to the next fiscal year.

In the statement of financial position, the deferred tax liability of $1,510,577 at June 30, 2023 resulted from expected Federal excise taxes on unrealized appreciation of investments. For the year ended June 30, 2023 the Fund recognized a deferred tax expense of $244,971 (which increased the deferred excise tax liability).

9. **OPERATING PROGRAMS**

The Fund is a value-added foundation, working directly with grantees to develop projects, carry them out effectively and communicate results to policymakers and institutional leaders. The Fund also conducts a large program of intramural research including national and international health care surveys and development and production of scorecards on health system performance. Operating programs include the non-grant expenses related to these activities in areas such as Advancing Health Equity, International Health Policy, Communications, Health Care Coverage and Access, and Tracking Health System Performance.

10. **FINANCIAL STATEMENT HIGHLIGHTS**

For the following items, all original amounts have been fully expended.

In fiscal years 1987 and 1988, the Fund received a total of $15,415,804 as a grant from the James Picker Foundation, with an agreement that a designated portion of the Fund’s grants be identified as “Picker Program Grants by The Commonwealth Fund.” The Fund fulfilled this obligation by making Picker Program Grants devoted to specific themes approved by the Fund’s Board of Directors.

In April 1996, the Fund received The Health Services Improvement Fund, Inc.’s (“HSIF”) assets and liabilities, $1,721,016 and $57,198, respectively, resulting in a $1,663,818 increase in net assets. In accordance with the terms of an agreement with HSIF, this contribution enabled the Fund to make Commonwealth Fund/HSIF grants to improve health care coverage, access, and quality in the New York City greater metropolitan region.
The Commonwealth Fund 2023 Financial Statements

11. NATURAL AND FUNCTIONAL EXPENSE CLASSIFICATION

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits which are allocated on the basis of estimates of time and effort, depreciation, occupancy, travel, conferences and meetings, other professional fees, and other expenses which are allocated on the basis of estimates of use. The expenses for the year ended June 30, 2023 by natural and functional classification were reported as follows:

<table>
<thead>
<tr>
<th>Programs</th>
<th>Operating</th>
<th>Communications</th>
<th>Total Programs</th>
<th>General Administration</th>
<th>Subtotal</th>
<th>Investment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation - Officers</td>
<td>$ 704,067</td>
<td>–</td>
<td>$ 704,067</td>
<td>$ 1,002,306</td>
<td>$ 1,706,373</td>
<td>$ 136,678</td>
<td>$ 1,843,051</td>
</tr>
<tr>
<td>Other employee salaries</td>
<td>3,665,620</td>
<td>1,397,997</td>
<td>5,063,617</td>
<td>1,518,097</td>
<td>6,581,714</td>
<td>79,900</td>
<td>6,661,614</td>
</tr>
<tr>
<td>Pension plans, employee benefits</td>
<td>1,629,250</td>
<td>660,464</td>
<td>2,289,714</td>
<td>(1,635,788)</td>
<td>653,926</td>
<td>34,417</td>
<td>688,343</td>
</tr>
<tr>
<td>Legal fees</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>62,389</td>
<td>62,389</td>
<td>–</td>
<td>62,389</td>
</tr>
<tr>
<td>Accounting fees</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>48,675</td>
<td>48,675</td>
<td>–</td>
<td>48,675</td>
</tr>
<tr>
<td>Other professional fees</td>
<td>150,448</td>
<td>78,627</td>
<td>209,075</td>
<td>413,529</td>
<td>622,604</td>
<td>45,000</td>
<td>667,604</td>
</tr>
<tr>
<td>Taxes</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,143,453</td>
<td>1,143,453</td>
</tr>
<tr>
<td>Depreciation</td>
<td>216,346</td>
<td>82,583</td>
<td>298,929</td>
<td>111,168</td>
<td>410,097</td>
<td>–</td>
<td>410,097</td>
</tr>
<tr>
<td>Occupancy</td>
<td>583,126</td>
<td>159,034</td>
<td>742,160</td>
<td>286,262</td>
<td>1,028,422</td>
<td>31,807</td>
<td>1,060,229</td>
</tr>
<tr>
<td>Travel, conferences and meetings</td>
<td>261,075</td>
<td>42,071</td>
<td>303,146</td>
<td>264,890</td>
<td>568,036</td>
<td>–</td>
<td>568,036</td>
</tr>
<tr>
<td>Printing and publications</td>
<td>–</td>
<td>745,100</td>
<td>745,100</td>
<td>–</td>
<td>745,100</td>
<td>–</td>
<td>745,100</td>
</tr>
<tr>
<td>Other expenses</td>
<td>245,596</td>
<td>497,595</td>
<td>743,191</td>
<td>610,115</td>
<td>1,353,306</td>
<td>–</td>
<td>1,353,306</td>
</tr>
<tr>
<td>Subtotal</td>
<td>7,435,528</td>
<td>3,663,471</td>
<td>11,098,999</td>
<td>2,681,643</td>
<td>13,780,642</td>
<td>1,471,255</td>
<td>15,251,897</td>
</tr>
<tr>
<td>Direct investment expenses</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,283,564</td>
<td>5,283,564</td>
</tr>
<tr>
<td>Total</td>
<td>$ 35,322,021</td>
<td>$ 3,663,471</td>
<td>$ 38,985,492</td>
<td>$ 2,681,643</td>
<td>$ 41,667,135</td>
<td>$ 6,754,619</td>
<td>$ 48,421,754</td>
</tr>
</tbody>
</table>
12. **UNCERTAIN TAX POSITION**

The Fund has not entered into any uncertain tax positions that would require financial statement recognition or disclosure. The Fund is no longer subject to examinations by the applicable taxing jurisdiction for periods prior to June 30, 2020.

13. **LINE OF CREDIT**

The Fund has an unsecured, committed line of credit with Bank of America in the amount of $20 million. The Fund did not use this facility during the year ended June 30, 2023.

14. **SUBSEQUENT EVENTS**

In connection with the preparation of the financial statements, the Fund evaluated subsequent events after the statement of financial position date of June 30, 2023 through November 13, 2023 which was the date the financial statements were available to be issued.