



## **A Synopsis of our 2024 IRS Form 990-PF**

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 Fund. 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

We provide selected information about some of these items below.

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

For the fiscal year ended June 30, 2025, the Fund paid \$509,353 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 a flat 1.39%.

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

The Fund is required to distribute 5% of the average non-charitable use assets over the last fiscal year. In the Fund's case this is the investment portfolio. For the year ended June 30, 2025, the fund was required to distribute \$43,263,709. On the return this is called the "Distributable Amount."

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

We were required to distribute \$43,263,709 – the next section on the form details what we did distribute. For the year ending June 30, 2025, we distributed \$50,785,477. This is more than what we were required to distribute. Having a qualifying distribution more or less than the required distribution is not unusual – it would be a rare occurrence when an organization distributes exactly what they are required to. The qualifying distribution is calculated on the cash basis, whereas our financial statements are prepared 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 non-charitable 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 non-charitable use assets.

Since our trailing five years of spending was slightly less than 5.0% at the end of the 23-24 fiscal year, we anticipated and planned to spend more than 5% given the size of the carryover and to stay in line with the 5.0% 5-year average requirement.

#### 4. Carryover of undistributed income

Based on the difference between the required and the actual distribution noted above the Fund decreased the carryover by \$7,521,768 for the year and ended the year with a carryover of undistributed income of \$9,789,842. The actual distribution in the 2025-2026 fiscal year will be used to offset this carryover.

## Summary Metrics

Required distribution (distributable amount)	\$ 43,263,709	(Page 8, Part X, Line 7)
Qualifying distribution (actual amount distributed)	\$ 50,785,477	(Page 8, Part XI, Line 4)
Operating and Administrative expenses	\$ 18,801,137	(Schedule, Part I, Line 24, Col d)
Grant expenditures	<u>\$ 31,312,443</u>	(Page 1, Part I, Line 25, Col d)
Total expenses and disbursements	\$ 50,113,580	(Page 1, Part I, Line 26, Col d)
Add: fixed asset purchases	\$ 671,897	(Page 8, Part XI, Line 2)
Qualifying distribution	\$ 50,785,477	(Page 8, Part XI, Line 4)
Carryover of undistributed income	\$ 9,789,842	(Page 9, Part XII, Line 6f, Col d)
Distribution ratio	5.79%	(50,785,477 / 876,843,684)
Excise tax paid	\$ 509,353	(Page 3, Part V, Line 5)