



# Mother Cabrini

HEALTH FOUNDATION

## 2020 Financial and Tax discussion – Q&A

### TAX Q&A

#### Is there anything different on the 2020 tax form?

- Substantial increases in disbursements for grants.
  - 990PF, Part 1, Line 25, (a) increased by almost \$40 million
- No changes, but the return adds to our efforts to improve the health of New Yorkers through funding of organizations throughout the state. The organizations we funded are publicly supported charities as defined by the Internal Revenue Code and have received restricted contributions with specific deliverables and obligations (990-PF page 50).
- Same schedules as prior year that include details on investments, professional fees, compensation and other required disclosures.

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### **Why do you file a 990PF and not a regular 990 like other charities?**

- We are classified as a Private Foundation and do not meet the definition of a public supported charity.
- Additionally, we are subject to an excise tax on our net realized investment returns. The excise tax in 2020 was \$1.3 million with a carryover of \$260 thousand credited to the 2021 estimated tax.

### **How much was required to be distributed in 2020?**

- Generally, private foundations are required to distribute 5% of their assets each year to fulfill regulatory requirements (IRC section 4942).
- On page 8, part XI, line 7 provides that \$174.8 million must be distributed (net of actual 2020 disbursements) within twelve months after 12/31/20.
- Total qualifying distributions in 2020 were \$163.9 million, \$126.0 million was applied to the 2019 requirement. As reported on Part XIII, line 4d the difference of \$37.9 million was applied to 2020 amount.

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### Audited Financials

#### **Why is there only one year (2020) included in the audited financials?**

- The Cash Flow statement was changed to be presented in a direct method of reporting, as such GAAP allows for a single year reporting with the transition.
- This is intended to help the reader see the direct connections between the statements. For the 990PF, Part 1, line 25(d) will be approximately the same as cash (paid) for Grantees on the Statement of Cash Flows; \$147.2 million.

#### **Net investment gain is \$480.5 million on the audited financials and \$94.2 million gain on the 990PF, why are they different?**

- Audited financials are subject to U.S. Generally Accepted Accounting Principles (GAAP) and require the accrual of unrealized gains and losses.
- See Part 1, line 27b. Generally, the Internal Revenue Code recognizes realized (cash) and defers unrealized (accrued) gains and losses. These gains are accumulated and taxed when sold or realized in future years.

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### Are you expecting more contributions or transferred assets?

- It is not our intention to solicit additional contributions to support our mission.
- We do not anticipate receiving further material contributions.

### What is Deferred grant expense (note 2(h))?

- Generally, awards are restricted to specific health improvement activities that are subject to terms, conditions, and expectations.
- Accounting Standards Update (ASU 2018-08) clarifies the treatment of contributions (grants and awards) when they include specified meaningful barriers.
- Within the \$147.2 million of distributed (paid) grants there were barriers on \$10.5 million of payments that will be recognized as expense when the recipients meet the agreed upon measures. We anticipate recognition in 2021 for most of these conditional awards.