Mother Cabrini

HEALTH FOUNDATION

2018 Financial and Tax discussion – Q&A

TAX Q&A

What is your tax year and why did it start on May 2nd, 2018?

- Our financials report on a calendar year or December 31st.
- The May 2nd, 2018 start of our initial year matches the date we incorporated within New York State and subsequently filed for IRS recognition as a private foundation.

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 investment returns. For our initial year that was 2% or $959 thousand in taxes that public charities do not incur.

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How much was required to be distributed in 2018?

- Generally, private foundations are required to distribute 5% of their assets each year to fulfill regulatory requirements (IRS section 4942).
- As 2018 is our initial year, there was no IRS requirement to distribute within 2018.
- On page 8, part XI, line 7 provides that $87.5 million must be distributed (net of actual 2018 disbursements) within twelve months after 12/31/18.

5% of your assets ($2.68 billion, Page 8, part X, line 1) is $134 million. Why doesn't that match the distributable amount in Part XI?

- The Foundation existed for only seven months in 2018 and as such the 5% annual amount is prorated per the IRS code. This roughly works out to 7/12 of the annual rate or just over 3% of average monthly balances.

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Audited Financials

Your total assets are $3.3 billion for the year and your contributions are $2.8 billion, why aren't they the same?

- See notes 2(e) and 6, assets held for others reduced the initial contribution and represents the difference.

Net investment loss is ($1.4) million on the audited financials and a positive $53.5 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. The accumulated total of these is the $1.4 million loss.
- Generally, the Internal Revenue Code only recognizes realized (cash) and temporarily ignores unrealized (accrued) gains and losses.

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Are you expecting any more contributions or transferred assets?

- It is not our intention to solicit additional contributions to support our mission.
- We do anticipate additional amounts as disclosed in note 5 of the audited financials. The other assets were subject to the actions of other parties and were not recognized on these financials.

Why do you already have a lease liability if you just started?

- As referenced in note 8, there was only one lease for the primary office space of the Foundation.
- We adopted the new lease standard as the transaction was material and early adoption is allowed under GAAP.

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Why do the financials of other Private Foundations include more details and schedules?

- 2018 was our initial year and we anticipate that more details and data points will be provided in future years.
- Future audited financials will include disclosures in terms of function and classification as well as other disclosures required under GAAP.
- Disclosures such as grant disbursements, investment basis and tax payments are required under the IRS code and therefore will be included in future tax returns.