KPMG

# MOTHER CABRINI HEALTH FOUNDATION, INC.

Consolidated Financial Statements

December 31, 2021 and 2020

(With Independent Auditors’ Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

## Independent Auditors' Report

The Board of Directors
Mother Cabrini Health Foundation, Inc.:

*Opinion*

We have audited the consolidated financial statements of Mother Cabrini Health Foundation (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Basis for Opinion*

We conducted our audits 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 Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

KPMG LLP

August 19, 2022

**MOTHER CABRINI HEALTH FOUNDATION, INC.**

Consolidated Statements of Financial Position

December 31, 2021 and 2020

| **Assets** | | **2021** | **2020** |
|---|---|---|---|
| Cash (note 3) | $ | 31,461,642 | 50,196,567 |
| Investments (note 4) | | 4,159,405,341 | 3,815,229,005 |
| Investment related receivables | | 78,875,758 | 12,143,998 |
| Deferred grant expense (note 2(h)) | | 9,975,167 | 10,532,463 |
| Other assets | | 7,100,119 | 894,378 |
| Property and equipment of Rego Park, LLC, net (notes 5 and 6) | | 132,687,859 | 134,159,202 |
| Property and equipment, net (note 6) | | 3,651,336 | 2,991,029 |
| Right-of-use asset under operating lease (note 9) | | 13,494,611 | 15,003,005 |
| Total assets | $ | 4,436,651,833 | 4,041,149,647 |
| **Liabilities and Net Assets** | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | $ | 8,803,056 | 6,953,877 |
| Grants payable (note 2(h)) | | 19,204,431 | 35,378,112 |
| Investment related payables | | 49,075,693 | 28,264,044 |
| Amount held for others (note 7) | | 49,904,274 | 98,660,478 |
| Tax liability, net (note 8) | | 12,950,859 | 8,869,901 |
| Lease liability under operating lease (note 9) | | 14,803,651 | 16,100,007 |
| Total liabilities | | 154,741,964 | 194,226,419 |
| Net assets: | | | |
| Without donor restrictions | | 4,281,909,869 | 3,846,923,228 |
| Total net assets | | 4,281,909,869 | 3,846,923,228 |
| Total liabilities and net assets | $ | 4,436,651,833 | 4,041,149,647 |

See accompanying notes to consolidated financial statements.

**MOTHER CABRINI HEALTH FOUNDATION, INC.**

Consolidated Statements of Activities

Years ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| Change in net assets without donor restrictions: | | |
| Operating activities: | | |
| Revenue: | | |
| Net investment gain | $ 623,556,102 | 480,541,264 |
| Total revenue, net, before contributions | 623,556,102 | 480,541,264 |
| Contributions, net (note 2(f)) | — | 31,215 |
| Total revenue including contributions | 623,556,102 | 480,572,479 |
| Expenses (note 11): | | |
| Program activities | 175,217,960 | 168,761,993 |
| Supporting activities | 8,918,130 | 7,860,888 |
| Total expenses | 184,136,090 | 176,622,881 |
| Change in net assets without donor restrictions from operating activities | 439,420,012 | 303,949,598 |
| Non-operating activities: | | |
| Discount on present value of amount held for others (note 7) | (1,243,795) | (4,855,186) |
| Rental (loss) income, net of related expenses (note 5) | (3,189,576) | 4,028,817 |
| Total non-operating activities | (4,433,371) | (826,369) |
| Increase in net assets without donor restrictions | 434,986,641 | 303,123,229 |
| Net assets – at beginning of year | 3,846,923,228 | 3,543,799,999 |
| Net assets – at end of year | $ 4,281,909,869 | 3,846,923,228 |

See accompanying notes to consolidated financial statements.

**MOTHER CABRINI HEALTH FOUNDATION, INC.**

Consolidated Statements of Cash Flows

Years ended December 31, 2021 and 2020

| | | 2021 | 2020 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Cash received for rental income | $ | 5,596,061 | 11,979,578 |
| Cash received from contributions | | — | 31,215 |
| Less cash (paid) received for: | | | |
| Grants | | (181,309,688) | (147,197,434) |
| Employees and benefits | | (14,135,967) | (9,036,909) |
| Amounts held for others | | (50,000,000) | (400,000,000) |
| Vendors and other | | (15,429,480) | (12,212,408) |
| Rego Park employees, vendors and other | | (5,029,009) | (3,347,824) |
| Rego Park taxes | | (2,259,959) | (2,430,799) |
| Tax payments | | (4,370,000) | (921,656) |
| Tax refund | | 13,403 | 943,556 |
| Net cash used in operating activities | | (266,924,639) | (562,192,681) |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment | | (1,822,376) | (2,933,257) |
| Proceeds from sale of investments | | 4,611,219,668 | 4,037,144,470 |
| Purchases of investments | | (4,361,207,578) | (3,819,134,698) |
| Net cash provided by investing activities | | 248,189,714 | 215,076,515 |
| Net decrease in cash | | (18,734,925) | (347,116,166) |
| Cash at beginning of year | | 50,196,567 | 397,312,733 |
| Cash at end of year | $ | 31,461,642 | 50,196,567 |
| Supplemental disclosure of cash flow information: | | | |
| Investment appreciation | $ | 623,556,102 | 480,541,264 |
| Depreciation | | 3,465,347 | 3,250,150 |
| Increase in accounts payable for purchases of property and equipment | | 27,677 | 964,456 |

See accompanying notes to consolidated financial statements.

## (1) Organization and Purpose

Mother Cabrini Health Foundation, Inc. (Mother Cabrini) is a tax-exempt private foundation that works through grant making to improve the health and well-being of vulnerable New Yorkers, bolster the health outcomes of diverse communities, eliminate barriers to care and bridge gaps in health services. The Foundation was established in May 2018 as a New York State not-for-profit corporation. Its offices are located in New York, New York. During 2019, a related party, New York State Catholic Health Plan, Inc. (also known as Fidelis), transferred its ownership interest in Rego Park Office Tower, LLC (Rego Park) to Mother Cabrini, who is now the sole member of Rego Park. The operations of Rego Park are consolidated in the financial statements, collectively referred to as the Foundation. All significant intercompany activities have been eliminated in consolidation.

## (2) Summary of Significant Accounting Policies

### *(a) Basis of Accounting*

The Foundation's consolidated financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) for external financial reporting by not-for-profit organizations. The consolidated financial statements focus on the Foundation as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. The Foundation and changes therein are classified and reported as follows:

***Net assets without donor restrictions*** – Net assets that are not subject to donor-imposed restrictions.

***Net assets with donor restrictions*** – Net assets subject to donor-imposed restrictions that will be met by either actions of the Foundation or the passage of time. At December 31, 2021 and 2020, the Foundation does not have net assets with donor restrictions.

Revenues, gains and losses on investments, and other assets are reported as changes in net assets without donor restrictions unless limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions.

### *(b) Cash and Cash Equivalents*

The Foundation considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents, other than those securities held in investment accounts.

### *(c) Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. The Foundation discloses fair value measurements by level within that hierarchy. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that the market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation as of the reporting date. Unobservable inputs reflect the Foundation's assumptions about the input market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value is categorized into three levels based on the inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices or published net asset value for alternative investments with characteristics similar to a mutual fund in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available. Since valuations are based on quoted prices that are readily available and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

*Level 2* – Valuations based on quoted prices in markets that are not active or for which not all significant inputs are observable, either directly or indirectly.

*Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

***(d) Investments***

Investments with readily determinable fair values are reported at fair value based upon quoted market prices or published net asset values for alternative investments with characteristics similar to a mutual fund. Other alternative investments (nontraditional, not readily marketable vehicles), such as certain private equity funds are reported at net asset value, as a practical expedient for estimated fair value, as provided by the investment managers of the respective funds. These values are reviewed and evaluated by the Foundation’s management for reasonableness. The reported values may differ from the values that would have been reported had a ready market for these investments existed. All other investments are stated at fair value based upon quoted market prices in active markets.

Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses are determined on the basis of average cost of securities sold and are reflected in the consolidated statements of activities. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements.

***(e) Property and Equipment***

Property and equipment held by Mother Cabrini primarily represent leasehold improvements. Property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, which range from three years to the end of the office lease for leasehold improvements, which is currently July 2030.

Property and equipment held by Rego Park primarily represent land and building. Assets are depreciated on a straight-line basis over their useful lives, ranging from three to thirty-nine years.

### *(f) Contributions*

Contributions received during the year represent residual proceeds from the sale of Fidelis to Centene Corporation (Centene). The Foundation does not expect to receive contributions from other sources in the future.

### *(g) Income Taxes*

Mother Cabrini is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is a private foundation as defined in Section 509(a) of the Code. As required by the Code, Mother Cabrini will distribute annually at least 5% of the monthly average of the fair market value of its assets no later than the 12-month period following the end of its fiscal year. Rego Park is a single member LLC and is a disregarded entity for tax purposes.

The Foundation recognizes the effects of income tax positions only if those positions are more likely than not to be sustained in the future. The Foundation has concluded that there were no uncertainties to disclose.

### *(h) Grants Made*

Grants made, including multiyear grants and unconditional promises to give, are discounted to reflect the present value of future cash flows at a risk adjusted rate. Grants are reported as an expense and liability in the period when the signed grant agreement has been received or if conditional, when the Foundation deems that the terms and conditions of the grant agreements have been substantially met. As of December 31, 2021 and 2020, $16,214,179 and $13,022,233 of conditional grants were awarded, of which $9,975,167 and $10,532,463, respectively, was paid and recorded as a deferred grant expense. During 2021 and 2020, multi-year grants were awarded totaling $5,930,000 and $1,000,000, respectively. The related discount recorded in 2021 was $25,589 at a rate of 1.30%. The related discount recorded in 2020 was $16,623 at a rate of 0.17%.

Due to the broad nature of grantees and the breadth of activities of the individuals on the Foundation's governing bodies, some grants are made to related organizations. All grants are subject to significant due diligence and amelioration of both apparent and indirect conflict of interest.

### *(i) Use of Estimates*

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates made in the preparation of the consolidated financial statements include the fair value of investments, useful lives of fixed assets, discount on amounts held for others, right-of-use asset under operating lease, lease liability under operating lease and deferred federal excise tax. Actual results could differ from those estimates.

*(j) Functional Allocation of Expenses*

The Foundation presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. In 2021 and 2020, expenses attributed to multiple categories are allocated based on either management estimates of time and effort or building occupancy square footage.

*(k) Measure of Operations*

The Foundation includes in its measure of operations all activities that are integral to its program and supporting services. The measure of operations excludes non-cash charges related to amortization of the discount for amounts held for others and other liabilities as well as the activities associated with Rego Park.

## (3) Concentration of Credit Risk

At December 31, 2021 and 2020, the Foundation's operating cash was held by a single financial institution. All but $250,000 was not insured by the Federal Deposit Insurance Corporation and Credit Guarantee Fund.

## (4) Investments

The following tables present the fair value hierarchy of investments, the only financial instruments of the Foundation that are measured a fair value on a recurring basis, at December 31, 2021 and 2020, respectively:

| | 2021 | | | |
|---|---|---|---|---|
| | Total | Quoted prices (level 1) | Inputs other than quoted prices (level 2) | Investments at NAV (practical expedient) |
| Cash and cash equivalents | $ 392,417,470 | 385,507,862 | 6,909,608 | — |
| Equities: | | | | |
| Common stock | 2,378,877,212 | 2,378,877,212 | — | — |
| Preferred stock | 1,069,071 | 1,069,071 | — | — |
| Mutual funds | 4,974,731 | 4,974,731 | — | — |
| Fixed income: | | | | |
| Government agencies | 71,492,012 | 28,962,037 | 42,529,975 | — |
| Corporate bonds | 25,137,248 | — | 25,137,248 | — |
| Other fixed Income | 977,698 | — | 977,698 | — |
| Private equity | 441,964,435 | — | — | 441,964,435 |
| Absolute return and global equities | 817,606,300 | — | — | 817,606,300 |
| Real estate | 24,979,930 | — | — | 24,979,930 |
| Futures contracts | (90,766) | (90,766) | — | — |
| | $ 4,159,405,341 | 2,799,300,147 | 75,554,529 | 1,284,550,665 |

| | 2020 | | | |
|---|---|---|---|---|
| | Total | Quoted prices (Level 1) | Inputs other than quoted prices (Level 2) | Investments at NAV (practical expedient) |
| Cash and cash equivalents | $ 320,237,029 | 320,036,945 | 200,084 | — |
| Equities: | | | | |
| Common stock | 2,583,601,688 | 2,583,601,688 | — | — |
| Preferred stock | 1,986,591 | 1,986,591 | — | — |
| Mutual funds | 80,716,276 | 80,716,276 | — | — |
| Fixed income: | | | | |
| Government agencies | 112,092,068 | 60,552,395 | 51,539,673 | — |
| Corporate bonds | 116,284,811 | — | 116,284,811 | — |
| Other fixed Income | 3,888,990 | — | 3,888,990 | — |
| Private equity | 82,067,176 | — | — | 82,067,176 |
| Absolute return and global equities | 496,648,549 | — | — | 496,648,549 |
| Real estate | 17,683,605 | — | — | 17,683,605 |
| Futures contracts | 22,222 | 22,222 | — | — |
| | $ 3,815,229,005 | 3,046,916,117 | 171,913,558 | 596,399,330 |

In 2021, management reviewed its fair value disclosures and determined that certain of its investments in government agency and corporate bond fixed income securities previously classified as Level 1 assets under the fair value hierarchy should have been classified as Level 2 assets. As such, management has corrected the 2020 fair value hierarchy disclosures above and the presentation of these investments has been corrected to present them as Level 2 assets as of December 31, 2020. Other than the correction of the presentation of these investments, there were no changes in the fair value hierarchy methodology and no transfers of assets between levels within the fair value hierarchy.

The investments at NAV have the following redemption periods as of December 31, 2021:

| | Monthly | Quarterly | Illiquid | Total |
|---|---|---|---|---|
| Private equity | $ — | — | 441,964,435 | 441,964,435 |
| Absolute return and global equities | 342,370,990 | 228,984,767 | 246,250,543 | 817,606,300 |
| Real estate | — | — | 24,979,930 | 24,979,930 |
| | $ 342,370,990 | 228,984,767 | 713,194,908 | 1,284,550,665 |

The investments at NAV have the following redemption periods as of December 31, 2020:

| | | Monthly | Quarterly | Illiquid | Total |
|---|---|---|---|---|---|
| Private equity | $ | — | — | 82,067,176 | 82,067,176 |
| Absolut return and global equities | | 49,449,747 | 387,215,941 | 59,982,861 | 496,648,549 |
| Real estate | | — | — | 17,683,605 | 17,683,605 |
| | $ | 49,449,747 | 387,215,941 | 159,733,642 | 596,399,330 |

Illiquid investments have redemption periods ranging from three to twelve years and total $713,194,908. Unfunded commitments totaled $713,531,944 and $417,113,633 as of December 31, 2021 and 2020, respectively.

At the sale of Fidelis to Centene, cash and investment holdings were transferred to the Foundation. The majority of the cash was invested in bonds and the remaining investment holdings remained in the existing brokerage accounts. In 2019, a thorough investment policy and phased in plan of investments was implemented that intends to build a diversified portfolio over the next three to five years. This includes multiple asset categories with an eye towards a long-term investment horizon that can materially grow the investment base with balanced risks. The intention is to support the ongoing distribution requirements and see gains that meet or exceed annual inflation measures. The long term strategy includes increases in private equity, absolute return and real estate investments with a broad range of long term strategies that may restrict liquidity and increase volatility. The intent of these investments is to materially exceed the returns on passive investments and seek returns that, in aggregate, outperform returns in other investment segments.

## (5) Rego Park

Rego Park is a distinct operating business unit with a single commercial real estate asset located in Queens, New York. The operations are independently managed by outsourced professionals with expertise in commercial operating and leasing activities. The governance of these activities is monitored by a board appointed by the Foundation.

The assets of Rego Park were transferred by Fidelis to Mother Cabrini in September of 2019. The assets primarily consisted of cash, the office building and land as well as the income associated with various tenant leases. A contribution was recorded representing the net assets at the time ownership was assigned.

The assets and liabilities associated with Rego Park are included in the consolidated statements of financial position of the Foundation. Net operations are included in the consolidated statements of activities as non-operating.

The assets and liabilities of Rego Park at December 31, 2021 and 2020 are as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Cash | $ | 20,221,765 | 21,914,671 |
| Other assets | | 1,756,999 | 541,043 |
| Property and equipment, net | | 132,687,859 | 134,159,202 |
| Total assets | $ | 154,666,623 | 156,614,916 |
| Accounts payable and accrued expenses | $ | 2,450,532 | 1,209,248 |
| Net assets | | 152,216,091 | 155,405,668 |
| Total liabilities and net assets | $ | 154,666,623 | 156,614,916 |

The revenues and expenses for Rego Park for the years ended December 31, 2021 and 2020 are as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Rental income | $ | 5,319,928 | 13,071,202 |
| Expenses | | (8,509,504) | (9,042,385) |
| Rental income, net | $ | (3,189,576) | 4,028,817 |

### (6) Property and Equipment

The property and equipment of Rego Park at December 31, 2021 and 2020 is as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Land | $ | 26,562,244 | 26,562,244 |
| Building and improvements | | 120,426,900 | 118,690,824 |
| Acquisition and lease costs | | 399,327 | 408,677 |
| | | 147,388,471 | 145,661,745 |
| Accumulated depreciation | | (14,700,612) | (11,502,543) |
| Rego Park property and equipment, net | $ | 132,687,859 | 134,159,202 |

The property and equipment of Mother Cabrini at December 31, 2021 and 2020 is as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Office equipment | $ | 92,931 | 66,097 |
| Furniture and fixtures | | 714,658 | 270,725 |
| Leasehold improvements | | 3,216,837 | 605,344 |
| Construction in progress | | — | 1,480,334 |
| Tenant improvement allowances | | — | 674,341 |
| | | 4,024,426 | 3,096,841 |
| Accumulated depreciation | | (373,090) | (105,812) |
| Mother Cabrini property and equipment, net | $ | 3,651,336 | 2,991,029 |

## (7) Amounts Held for Others

Pursuant to certain transactions occurring during the sale of Fidelis to Centene, Mother Cabrini has recognized in its consolidated statements of financial position amounts held for others in the amount of $100,000,000. The amounts are expected to be disbursed in fiscal years 2021 through 2022 and have been discounted to present value using treasury rates ranging from 2.67% to 2.77%, resulting in a non-operating charge of $1,243,795 and $4,855,186, for the years ended December 31, 2021 and 2020, respectively. Payments were made related to this liability in the amount of $50,000,000 in both January of 2021 and 2022.

## (8) Taxes

Subject to the provisions of the Further Consolidated Appropriations Act, 2020 and Private Foundation Excise Tax, the private foundation excise tax was modified from the historical two-tiered system to a flat rate of 1.39% for tax years beginning 2020. Mother Cabrini is liable for a federal excise tax of its net investment income, which includes realized capital gains. The current federal excise tax expense for the years ended December 31, 2021 and 2020 was $4,999,680 and $1,225,716, respectively. The current liability was $1,343,507 and $735,482 as of December 31, 2021 and 2020, respectively.

Additionally, a 1.39% provision has been applied to unrealized gains recognized at December 31, 2021 and will be payable in a future period. Deferred taxes principally arise from the differences between the cost value and fair value of investments. The deferred tax expense for the years ended December 31, 2021 and 2020 was $2,894,269 and $6,215,454, respectively. The deferred liability was $11,649,129 and $8,635,860 as of December 31, 2021 and 2020, respectively.

Additionally, certain of Mother Cabrini’s investments may give rise to unrelated business income tax liabilities. The unrelated business income tax expense for 2021 and 2020 was $459,664 and $0, respectively. The prepaid unrelated business taxes were $41,777 and $501,441 as of December 31, 2021 and 2020, respectively.

## (9) Commitment and Contingencies

As of December 31, 2021 and 2020, Mother Cabrini had one lease, for which the associated assets and liabilities are classified on the consolidated statements of financial position as an operating lease. The term on the lease expires July 31, 2030 and is amortized over the period at a discount rate of 0.64%, which was determined based on the risk-free rate as a practical expedient. Additionally, the practical expedient was implemented to not separate lease and non-lease components. The following is a schedule of the minimum future lease commitments for an operating lease having initial or remaining non-cancelable lease terms greater than one year as of December 31, 2021:

| Year | | Amount |
|---|---|---|
| 2022 | $ | 1,692,723 |
| 2023 | | 1,692,723 |
| 2024 | | 1,592,635 |
| 2025 | | 1,783,028 |
| 2026 | | 1,832,037 |
| Thereafter | | 6,581,052 |
| | $ | 15,174,198 |

Rent expense, included in operations support in the consolidated statements of activities, amounted to $1,620,322 and $1,214,919, for the years ended December 31, 2021 and 2020, respectively.

The following is a schedule of future lease revenue expected under current lease obligations related to Rego Park:

| Year | | Amount |
|---|---|---|
| 2022 | $ | 4,814,171 |
| 2023 | | 4,085,106 |
| 2024 | | 3,221,214 |
| 2025 | | 1,993,350 |
| 2026 | | 1,782,929 |
| Thereafter | | 2,319,794 |
| | $ | 18,216,564 |

### (10) Liquidity and Availability

The Foundation's financial assets available for grants and general expenditures within one year of December 31, 2021 and 2020 are as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Cash | $ | 31,461,642 | 50,196,567 |
| Investments | | 4,159,405,341 | 3,815,229,005 |
| Investment related receivable | | 78,875,758 | 12,143,998 |
| Total financial assets | | 4,269,742,741 | 3,877,569,570 |
| Less: | | | |
| Less funds with redemption period in excess of one year | | (677,281,937) | (159,733,642) |
| Amount held for others | | (50,000,000) | (100,000,000) |
| Financial assets available for general expenditures within one year | $ | 3,542,460,804 | 3,617,835,928 |

The Foundation's policy is to structure its financial assets to be available and liquid for grant making and its related operational expenses, liabilities and other financial obligations. Although the Foundation does not intend to liquidate investments other than for amounts needed for general expenditures budgeted during the year, these amounts could be made available if needed. Additionally, in 2021 the Foundation obtained a $20 million dollar line of credit which is available for payment of grant or operating expenses as needed.

### (11) Functional Allocation of Expenses

Grant and programmatic activities of Mother Cabrini involve reviewing proposals, awarding, monitoring, and evaluating grants as well as the actual payment of grants have been allocated to the program function. All other administrative expenses related to managing the operations have been allocated to supporting activities. Certain categories of expenses that are incurred for Mother Cabrini as a whole and are attributable to one or more functions are allocated based on either management estimates of time and effort or building occupancy usage estimates. The composition of expenses for the years ended December 31, 2021 and 2020 is as follows:

| | | 2021 – Allocation of expenses | | |
|---|---|---|---|---|
| | | Program activities | Supporting activities | Total expenses |
| Grants | $ | 165,681,732 | — | 165,681,732 |
| Compensation and benefits | | 5,231,635 | 4,710,370 | 9,942,005 |
| Professional fees | | 3,322,328 | 2,100,378 | 5,422,706 |
| Occupancy | | 887,626 | 1,505,036 | 2,392,662 |
| Insurance and other | | 94,639 | 602,346 | 696,985 |
| | $ | 175,217,960 | 8,918,130 | 184,136,090 |

| | 2020 – Allocation of expenses | | |
|---|---|---|---|
| | Program activities | Supporting activities | Total expenses |
| Grants | $ 159,458,987 | — | 159,458,987 |
| Compensation and benefits | 2,695,989 | 3,654,320 | 6,350,309 |
| Professional fees | 6,161,011 | 2,492,964 | 8,653,975 |
| Occupancy | 403,848 | 1,088,532 | 1,492,380 |
| Insurance and other | 42,158 | 625,072 | 667,230 |
| | $ 168,761,993 | 7,860,888 | 176,622,881 |

## (12) Line of Credit

On October 12, 2021, the Foundation entered into a $20,000,000 line of credit agreement for one year with a financial institution with an interest rate of the greater of the Bloomberg Short-Term Bank Yield Index Daily Floating Rate or the Index Floor plus fifty basis points on borrowings. During the year ended December 31, 2021, there were no borrowings under the line of credit and no outstanding balance.

## (13) Subsequent Events

The Foundation has evaluated subsequent events through August 19, 2022, the date the consolidated financial statements were available to be issued, and notes that there are no material items to disclose.