



Community Benefits and the New Form 990

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Why Form 990 is important – The public: Maintaining your reputation, credibility and goodwill

- **The public is watching** (many tips are provided to the IRS)
- Form 990 is an “information return” not a “tax return”
 - Form 990 is **public** (except for contributor names)
 - Includes annual financial statement information
 - Discloses transactions with insiders and related entities
 - Describes your accomplishments, programs, and activities
 - Disclosures about governance, management, and policies
 - Disclosures about Community benefits and charity care
- Form 990-T (reporting **Unrelated Business Income**) must be made available for public inspection for returns filed after August 17, 2006

The IRS has Completely Redesigned Form 990 – Form 990 for 2008 (Core Form with schedules)

Stated goals by the IRS:

- Enhancing **transparency**
 - More **disclosure** about use of resources
- Promoting **compliance**
 - With **all tax laws** by asking questions
- **Burden minimization**
 - While still accomplishing the other two goals

Status of the project – Full speed ahead

- IRS released the draft Form 990 on June 14, 2007
- IRS requested comments by interested parties by September 14, 2007
- IRS received and considered numerous voluminous comments from many interested parties
- Final draft released on December 20, 2007
- Instructions released in draft on April 7, 2008
 - IRS will accept comments until June 1, 2008 (go to www.irs.gov/charities to send comments to the IRS)
- New Form effective for years ending on or after 12/31/08

New Form 990 is Expanded

Current form - 9 pages and 2 supporting schedules

Revised Form - 11 pages and 16 supporting schedules

Changes to Form 990 for 2008 – 16 Supplemental schedules

- Schedule A – Public Charity Status and Public Support
- Schedule B – Schedule of Contributors
- Schedule C – Political Campaign and Lobbying Activities
- Schedule D – Supplemental Financial Statements
- Schedule E – Schools
- Schedule F – Statement of Activities Outside the U.S.
- Schedule G – Fundraising and Gaming Activities
- **Schedule H – Hospitals**
- Schedule I – Grants and Other Assistance In the U.S.
- Schedule J – Compensation Information
- Schedule K – Tax Exempt Bonds
- Schedule L – Transactions with Interested Persons
- Schedule M – Non-cash Contributions
- Schedule N – Liquidation, Termination, Dissolution or Significant Distribution of Assets
- Schedule O – Supplemental Information to Form 990
- Schedule R – Related Organizations and Unrelated Partnerships

Core form – Part VI: Governance, Management and Disclosure

- Show the **number of voting members** of the board (and the number that are independent)
- Indicate whether any Officer, Director, Trustee, or Key Employee have a **family or business relationship** with any other O, D, T, or KE
- Disclose whether management duties were delegated to a **management company** or other person
- Did the organization make any significant **changes to its organizational documents** since the last Form 990 was filed?

Core form – Part VI: Governance, Management and Disclosure

- Did the organization become aware of a **material diversion** of the organization's assets during the year?
- Does the organization have **members or stockholders** that can elect one or more members of the governing body?
- Are any decisions of the governing body **subject to approval** by members, stockholders, or other persons?
- Is there **contemporaneous documentation** of meetings of the governing body and any committee with authority to act on behalf of the governing body?
- Was the Board provided with a copy of **Form 990** before it was filed?
 - Describe the process, if any, the organization uses to review Form 990

Core form – Part VI: Policies

- Written **conflict of interest** policy?
 - Are disclosures current, monitored, and is the policy enforced?
- **Whistleblower** policy?
- Written **document retention and destruction** policy?
- **Rebuttable presumption** for setting compensation for the CEO and/or others?
- Written policy to evaluate participation in **joint venture arrangements** and comply with federal law and safeguard tax-exempt status?

Schedule H – Hospitals: Phased in over time – most parts optional for 2008, For 2009 All Parts are Required

Required if you operate one or more licensed hospitals

- Part I, Charity care and Certain Other community benefits
- Part II, Community Building Activities
- Part III, Bad Debt, Medicare, and Collection Practices
- Part IV, Management Companies and Joint Ventures
- **Part V, Facility Information (required in 2008)**
- Part VI, Supplemental Information

**Instructions for Schedule H have been issued in draft form and are
23 pages in length!**

Schedule H – Hospitals: Part I; Charity care and other community benefits

1. Do you have a charity care policy and is it written?
2. How does it apply to hospitals within your group?
3. How do you determine eligibility for providing free care?
4. Do you provide free or discounted care to the "medically indigent"?
5. Does your budget include amounts for free or discounted care provided under your policy?
6. Do you prepare an annual community benefit report?

Schedule H

Hospitals: Part I, Charity care and other community benefits

Line 7. Charity Care and Means-Tested programs (show expenses offset by revenue)

- a. Charity care at cost
- b. Un-reimbursed Medicaid
- c. Other un-reimbursed means-tested government programs
- d. Community health improvement services and community benefit operations
- e. Health professions education
- f. Subsidized health services
- g. Research
- h. Cash and in-kind contributions to community groups

Worksheets are provided to assist with calculations but they are not to be filed with the return

Instructions state: "Bad debt expense is not to be reported in the Table under any circumstances."

Also, Medicare related expenses or costs are **not to be included in the table either**

Schedule H – Hospitals: Part II; Community Building Activities

Show expenses offset by revenue:

- Physical improvements and housing
- Economic development
- Community support
- Environmental improvements
- Leadership development and training for community members
- Coalition building
- Community health improvement advocacy
- Workforce development
- Other

Schedule H – Hospitals: Part III; Bad Debt, Medicare, and Collection Practices

- Section A – Bad Debt Expense, at cost
 - Enter bad debt amount, at cost, attributable to charity care patients
 - Provide the text of the footnote that describes bad debt expense and describe the costing methodology used to determine the amounts
- Section B – Medicare (including DSH and IME): Allowable costs offset by revenue received
 - Describe the extent to which the shortfall should be treated as a community benefit and your costing methodology
- Section C – Collection Practices
 - Do you have a written debt collection policy and if so, describe your practices for patients known to qualify for charity care or financial assistance?

Schedule H – Hospitals: Part IV; Management Companies and Joint Ventures

- a. Name of entity
- b. Description of primary activity of entity
- c. Organization's profit % or stock ownership
- d. Officer, Director, Trustee, or Key Employee's profit % or stock ownership
- e. Physicians' profit % or stock ownership

Schedule H – Hospitals: Part V; Facility Information; (Check the box)

Identify facilities by name and address and indicate the type:

- Licensed hospital
- General medical and surgical
- Children's hospital
- Teaching hospital
- Critical access hospital
- Research facility
- ER-24 hours
- ER-Other
- Other (Describe)

Schedule H – Hospitals: Part VI; Supplemental Information

1. If you don't use the Federal Poverty Guidelines, describe how you determine eligibility for free or discounted care
2. Describe how you assess community health care needs
3. Describe the community that you serve by geographic area and demographic constituents
4. Describe your community building activities
5. Describe how you further your exempt purpose by promoting community health (e.g., open medical staff, community board, use of surplus funds, etc.)
6. If you are part of an affiliated health care system, describe the role of affiliates in promoting the health of the communities served
7. If applicable, identify the states in which you file a community benefit report

What to do?

- Even though the majority of the information is not required for 2008 returns, begin gathering the information now
- Forms and Instructions available at:
www.irs.gov/charities
- Review the information and assess how it will be viewed by the public
- Develop internal processes to gather complete and accurate data
 - Consider assigning responsibility to a management member
 - Consider assigning responsibility to a board member