

# IRS Form 990 Roundtable

## Lessons Learned

**Doug McGregor**

**Katie Hudak**

June 30, 2011



# Feeley & Driscoll, P.C. Contacts



**Douglas J. McGregor**



**Kathryn Hudak**



**Jenna Bowling**



# Agenda

- Unique Requirements
- Schedule H - Hospitals
- Schedule K - Tax Exempt Bonds
- IRS Updates



# Unique Requirements

## Part III: Statement of Program Service Accomplishments

- Describe the exempt purpose achievements for each of the organization's three largest program services by expenses
- How to break down the *Programs*
- Range of Programs seen by F&D



# Unique Requirements

## Part VI: Governance, Management & Disclosure

**Part VI Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

### Section A. Governing Body and Management

		Yes	No
<b>1a</b>	Enter the number of voting members of the governing body at the end of the tax year . . . . .		
<b>1b</b>	Enter the number of voting members included in line 1a, above, who are independent . . . . .		
<b>2</b>	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .		
<b>3</b>	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . . . .		
<b>4</b>	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .		
<b>5</b>	Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .		
<b>6</b>	Does the organization have members or stockholders? . . . . .		
<b>7a</b>	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body? . . . . .		
<b>7b</b>	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . . . . .		
<b>8</b>	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
<b>a</b>	The governing body? . . . . .		
<b>b</b>	Each committee with authority to act on behalf of the governing body? . . . . .		
<b>9</b>	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O . . . . .		

### Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
<b>10a</b>	Does the organization have local chapters, branches, or affiliates? . . . . .		
<b>10b</b>	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization? . . . . .		
<b>11a</b>	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form? . . . . .		
<b>b</b>	Describe in Schedule O the process, if any, used by the organization to review this Form 990. . . . .		
<b>12a</b>	Does the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .		
<b>12b</b>	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .		
<b>12c</b>	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done. . . . .		
<b>13</b>	Does the organization have a written whistleblower policy? . . . . .		
<b>14</b>	Does the organization have a written document retention and destruction policy? . . . . .		
<b>15</b>	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? . . . . .		
<b>15a</b>	The organization's CEO, Executive Director, or top management official . . . . .		
<b>15b</b>	Other officers or key employees of the organization . . . . .		
	If "Yes" to line 15a or 15b, describe the process in Schedule O. (See instructions.) . . . . .		
<b>16a</b>	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .		
<b>b</b>	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements? . . . . .		



# Unique Requirements

## Schedule G - Fundraising

- Example - An Organization holds a golf event with the following facts:
  - Gross Receipts \$100,000
    - \$20,000 in sponsorships
    - \$5,000 donated prizes
  - Tickets sold for \$250/person
    - Donation per ticket = \$50 (FMV of goods and services \$200)
    - 300 tickets sold
  - Expense \$70,000
    - Cash prizes - \$5,000
    - Non-cash prizes \$5,000
    - Facility Costs \$30,000
    - Other Expenses \$30,000



# Unique Requirements

## Schedule G - Fundraising, continued

<b>Part II Fundraising Events.</b> Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than \$5,000.		(a) Event #1	(b) Event #2	(c) Other Events	(d) Total Events
		<b>Golf Event</b>			(Add col. (a) through col. (c))
		(event type)	(event type)	(total number)	
Revenue	<b>1</b> Gross receipts . . . . .	<b>100,000</b>			<b>100,000</b>
	<b>2</b> Less: Charitable contributions . . . . .	<b>40,000</b>			<b>40,000</b>
	<b>3</b> Gross revenue (line 1 minus line 2) . . . . .	<b>60,000</b>			<b>60,000</b>
Direct Expenses	<b>4</b> Cash prizes . . . . .	<b>5,000</b>			<b>5,000</b>
	<b>5</b> Non-cash prizes . . . . .	<b>5,000</b>			<b>5,000</b>
	<b>6</b> Rent/facility costs . . . . .	<b>30,000</b>			<b>30,000</b>
	<b>7</b> Other direct expenses . . . . .	<b>30,000</b>			<b>30,000</b>
	<b>8</b> Direct expense summary. Add lines 4 through 7 in column (d) . . . . . ▶				<b>( 70,000)</b>
<b>9</b> Net income summary. Combine lines 3 and 8 in column (d) . . . . . ▶				<b>(10,000)</b>	



# Schedule J - Compensation

- Schedule J – Compensation (Part IV on Core Form)
  - Includes: Officers, Directors, Key Employees, 5 highest paid
  - Column B – Breakdown of W-2 and/or 1099-MISC Comp (ties to 2009 box 5 W-2 amount)
    - Column B(i) – Base Compensation
    - Column B(ii) – Bonus Compensation
    - Column B(iii) – Other reportable compensation
  - Column C – Retirement and other deferred compensation
    - SERP
    - Pension contributions (including benefit change in present value)
  - Column D – Nontaxable benefits
    - Life Insurance
    - Non-taxable Health Insurance (Employee & Employer)
  - Column F – compensation reported in prior Form 990
    - Reported as deferred in prior year and paid out as compensation reported this year in column B



# Schedule H - Hospital

## Part I Charity Care and Certain Other Community Benefits at Cost

	Yes	No
<b>1a</b> Does the organization have a charity care policy? If "No," skip to question 6a . . . . .		
<b>b</b> If "Yes," is it a written policy? . . . . .		
<b>2</b> If the organization has multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals. <input type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Applied uniformly to most hospitals <input type="checkbox"/> Generally tailored to individual hospitals		
<b>3</b> Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients.		
<b>a</b> Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for free care: . . . . . <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %		
<b>b</b> Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care: . . . . . <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____ %		
<b>c</b> If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.		

3a. Ranges: 100% - 350%

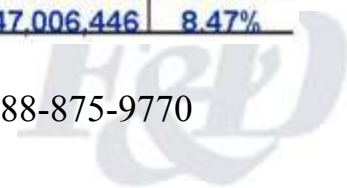
3b. Ranges: 200% - 1,000%



# Schedule H - Hospital

## 7 Charity Care and Certain Other Community Benefits at Cost

<b>Charity Care and Means-Tested Government Programs</b>	<b>(a) Number of activities or programs (optional)</b>	<b>(b) Persons served (optional)</b>	<b>(c) Total community benefit expense</b>	<b>(d) Direct offsetting revenue</b>	<b>(e) Net community benefit expense</b>	<b>(f) Percent of total expense</b>
<b>a</b> Charity care at cost (from Worksheets 1 and 2) . . . . .					<b>\$11,777,901</b>	<b>2.12%</b>
<b>b</b> Unreimbursed Medicaid (from Worksheet 3, column a) . . . . .					<b>\$20,889,112</b>	<b>3.76%</b>
<b>c</b> Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b) . . . . .					<b>\$261,955</b>	<b>0.05%</b>
<b>d Total</b> Charity Care and Means-Tested Government Programs . . . . .					<b>\$32,931,903</b>	<b>5.94%</b>
<b>Other Benefits</b>						
<b>e</b> Community health improvement services and community benefit operations (from Worksheet 4) . . . . .					<b>\$1,687,875</b>	<b>0.30%</b>
<b>f</b> Health professions education (from Worksheet 5) . . . . .					<b>\$8,112,283</b>	<b>1.46%</b>
<b>g</b> Subsidized health services (from Worksheet 6) . . . . .						
<b>h</b> Research (from Worksheet 7) . . . . .					<b>\$674,779</b>	<b>0.12%</b>
<b>i</b> Cash and in-kind contributions to community groups (from Worksheet 8) . . . . .					<b>\$1,442,127</b>	<b>0.26%</b>
<b>j Total.</b> Other Benefits . . . . .					<b>\$14,074,543</b>	<b>2.54%</b>
<b>k Total.</b> Add lines 7d and 7j) . . . . .					<b>\$47,006,446</b>	<b>8.47%</b>



# Schedule H - Hospital

## Part III Bad Debt, Medicare, & Collection Practices

### Section A. Bad Debt Expense

- |  | Yes | No |
|--|-----|----|
| <b>1</b> Does the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? . . . . .  |     |    |
| <b>2</b> Enter the amount of the organization's bad debt expense (at cost) . . . . .   |     |    |
| <b>3</b> Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's charity care policy. . . . .   |     |    |
| <b>4</b> Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including other bad debt amounts in community benefit. |     |    |

<b>2</b>	\$8,918,529
<b>3</b>	\$1,908,835

### Section B. Medicare

- |   |                |
|---|----------------|
| <b>5</b> Enter total revenue received from Medicare (including DSH and IME) . . . . .   |                |
| <b>6</b> Enter Medicare allowable costs of care relating to payments on line 5 . . . . .  |                |
| <b>7</b> Subtract line 6 from line 5. This is the surplus or (shortfall) . . . . .  | \$(11,709,721) |
| <b>8</b> Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used:<br><input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other |                |

	Yes	No
<b>1</b>		
<b>2</b>		
<b>3</b>		
<b>4</b>		
<b>5</b>		
<b>6</b>		
<b>7</b>		
<b>8</b>		



# Schedule K – Tax Exempt Bonds

<b>Part III Private Business Use</b>				
	<b>A</b>		<b>B</b>	
	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>
<b>1</b> Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds? . . . . .				
<b>2</b> Are there any lease arrangements that may result in private business use of bond-financed property? . . . . .				
<b>3a</b> Are there any management or service contracts that may result in private business use of bond-financed property? . . . . .	<b>A</b>		<b>B</b>	
	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>
<b>b</b> Are there any research agreements that may result in private business use of bond-financed property? . . . . .				
<b>c</b> Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property? . . . . .				
<b>4</b> Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government . . . . . ►				
<b>5</b> Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government . . . ►				
<b>6</b> Total of lines 4 and 5 . . . . .			0.7 – 4.10 %	%
<b>7</b> Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities? . . . . .				



# 2010 Forms 990 - Significant Changes

- **Form 990, Part VI, *Governance, Management and Disclosure***
  - Line 11 instructions clarify that an organization should answer *No* if it redacted or removed any information (e.g., names and addresses of contributors listed on Schedule B) from the copy of its final Form 990 that it provided to its governing body members before filing the form.
- **Form 990, Part VII, *Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees and Independent Contractors***
  - The instructions clarify that if a related organization was related to the filing organization for only a portion of the tax year, then the filing organization may choose to report compensation paid by the related organization only during the time it was related.
  - The compensation table in the instructions clarifies how certain contributions to and amounts deferred under qualified and nonqualified plans should be reported in Part VII and Schedule J.



# 2010 Forms 990 - Significant Changes

- **Form 990, Part VIII, *Statement of Revenue***
  - Instructions clarify that neither donations of services (including the value of donated advertising space or broadcast air time) nor donation of the use of materials, equipment of facilities may be reported in Part VIII, even if such donations are considered revenue under GAAP.
  - Instructions clarify how to report donations of certain items sold at auction, in a revised example for Line 8c.
- **Form 990, Part IX, *Statement of Functional Expenses***
  - Line 24 (other expenses) states that miscellaneous expenses not reported in Lines 24a through 24e should be reported on Line 24f, and that if the Line 24f amount exceeds 10 percent of the Line 25, Column (A) amount, the organization must itemize the type and amount of Line 24f expenses on Schedule O.



# 2010 Forms 990 - Significant Changes

- **Schedule A, *Public Charity Status and Public Support***
  - Instructions explain how to report a loss on an uncollectible pledge that was reported as public support on a prior year's Schedule A.
- **Schedule D, *Supplemental Financial Statements***
  - Instructions for Part X clarify that a filer that included a FIN 48 footnote in its financial statements should complete Part X and provide the full text on its FIN 48 footnote in Part XIV, even if it did not report any liability for uncertain tax positions under FIN 48 in that footnote.
- **Schedule G, *Supplemental Information Regarding Fundraising or Gaming Activities***
  - Part I, Line 2b table is revised to require reporting of professional fundraisers' addresses.



# 2010 Forms 990 - Significant Changes

- **Schedule H, *Hospitals***
  - Part V includes a new Section B for reporting, on a hospital facility-by-hospital facility basis, information concerning the hospital facility's community health needs assessment, financial assistance policy, billing and collections, emergency medical care policy and charges for medical care.
  - The organization must complete a separate Section B for each of its hospital facilities listed in Part V, Section A.
- **Schedule K, *Supplemental Information on Tax-Exempt Bonds***
  - Part I includes a new Column I (Pooled Financing)
  - Part II includes new Lines 1 (Amount of Bonds Retired), 2 (Amount of Bonds Legally Defeased), 5 (Capitalized Interest from Proceeds), 9 (Credit Enhancement from Proceeds) and 12 (Other Spent Proceeds).
  - Part IV includes new Lines 3d (Was the Hedge Super-Integrated?) and 3e (Was the Hedge Terminated?).



# 2010 Forms 990 - Significant Changes

- **Schedule L, *Transactions With Interested Persons***
  - Part IV instructions clarify that business transactions include insurance contracts and that interested persons include entities controlled by family members of current or former officers, directors, trustees or key employees.
- **Schedule N, *Liquidation, Termination, Dissolution or Significant Disposition of Assets***
  - Former Lines 4a and 4b from the 2009 Schedule N, Part I, which asked whether the organization had requested or received a letter from the IRS that the organization's exempt status was terminated, are deleted.



# Questions

[www.fdcpa.com](http://www.fdcpa.com)

