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**Fully reporting
community benefit
on your Form 990
is more
important
than ever!**

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Reporting Community Benefit on Your IRS Form 990

Last October, the Urban Institute teamed up with Philanthropic Research, Inc., to launch a free Internet Web site called *Guidestar* that will provide instant access to the Forms 990 of hundreds of thousands of nonprofit organizations, including most health care organizations. *Guidestar* or a similar organization likely has or will put your entire Form 990 on the Web, whether you choose to do so or not! Technological initiatives like *Guidestar* and the new Form 990 disclosure regulations adopted last year will revolutionize nonprofit sector accountability to communities and the general public. Reporters, researchers, philanthropists, and critics – friend and foe alike – will have instant access to the details of your operations as well as those of the overall sector.

Why is this important to you?

As we reported last year, several states have also developed specific community benefit planning and reporting laws intended to increase the accountability of nonprofit health care organizations to the communities they serve. A few have gone so far as to prescribe specific dollar levels of charity care or community benefit. Coupled with ongoing attempts by many local jurisdictions to add nonprofit health care organizations to property tax rolls,

access to information from the Forms 990 will dramatically increase the scrutiny faced by nonprofits of all types. However, we believe these developments also present opportunities.

Opportunities

We recommend that all nonprofit health care organizations renew their commitment to providing **and documenting** the unique community benefit that sets them apart and underlies their tax exemption. Equally important, we must develop better ways to measure and communicate our benefits and overall value to the communities we serve. One immediate step toward this goal is to carefully report your community benefit activities and expenditures either on, or as an attachment to, your annual IRS Form 990. Distributing a freestanding annual report to your community, though important, may no longer be sufficient now that Forms 990 are so widely distributed electronically in Portable Document Format (“PDF”). With the new Internet availability of the 990 and easy access to required information such as revenues, expenditures, and salaries, nonprofits should report community benefit activity and expenditure information **directly in their 990s** to reach the same audience.

How to Report Community Benefit on Form 990

Our recommendation

To report community benefit on your Form 990 most effectively, we recommend using an attachment to Part III (or possibly Part VIII) of the form.* Due to a lack of resources for analysis, much of the information reported on Forms 990 is of little significance to the IRS itself. Therefore, our main focus should be on reaching the broader audience — states, municipalities, journalists, researchers, and the communities we serve. Nonprofits should now view their 990s as more than just an annual financial report to the IRS and begin treating it as the single most important written vehicle to communicate quantifiable and narrative descriptions of activities undertaken to improve the health of their communities.

Presentation is key

A community benefit attachment to your Form 990 should be different than a freestanding annual report to your community. When drafting the report or attachment, keep in mind who will

have access to the report and what it will look like when placed in PDF on the Internet. Although professional layout and design will enhance the presentation of a freestanding annual report, there are significant limitations to what can be done with an attachment to the 990. In preparing your attachment, bear in mind that the process used to load the Form 990 on the Internet prohibits the effective use of design enhancements such as color or paper stock. Consequently, the best vehicle for reporting community benefit on the Form 990 is one that emphasizes the *content* of the report in a simple format that will survive the process of scanning and uploading.

*Do not be deterred by the IRS instruction to avoid adding an attachment. The IRS also states, “Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization’s programs and accomplishments.”

Here’s How: An Example and Guide to a Community Benefit Attachment

Let’s look at an example that best serves the organization and its audience:

Moses Cone Memorial Health Services Corporation (“Moses Cone”) is a member of the Coalition for Nonprofit Health Care. *Guidestar* obtained and loaded Moses Cone’s 1998 Form 990 on the Web without any active involvement of the hospital. Because the hospital had included an attachment describing its community benefit in the Form 990 submitted to the IRS, that information was automatically included with the 990 on the Web.

You can download and print Moses Cone’s Form 990 by utilizing the advanced search feature of *Guidestar*. It’s easier than you may think. To view, go to <http://www.guidestar.org> on your Web browser, then click on the “Advanced Search” button, then enter the Employer Identification Number (“EIN”) for Moses Cone, 56-1714318, into the EIN field and press the “Search” button. This produces a summary page of Moses Cone’s Form 990. The left-hand column should have a button titled, “Form 990.” Click on this button and then follow the instructions that appear for downloading the Form 990 in PDF.

The PDF file includes the Form 990, its appendices, and a 35 page attachment titled, “A Report of the Service Rendered to Our Region Above and Beyond the Daily Giving of Care to Inpatients and Outpatients.” In terms of its format and content, this attachment accomplishes the task necessitated by the increasing accessibility of Forms 990 on the Web.

What to look for in setting up

First, notice the format of the attachment. While some aspects of this may seem self-evident, we are noting them because they demonstrate how an attachment can effectively communicate the organization’s community benefit despite the limitations imposed by scanning and posting. These are elementary but necessary components of an effective attachment.

Note that this document:

- Is in simple, laser-printed format that translates to PDF through the scanning and posting process;
- Provides clear titles that describe the activities and programs undertaken;
- Includes an introduction that sketches both the scope of the report and the scope of Moses Cone’s community benefit activities; and
- Includes clearly described and presented tables.

In general, the format of this attachment is simple and effective for accomplishing the goals of the report. Other formats may be equally or even more effective.

Again, the crucial aspect of such a community benefit attachment is, of course, the content. Moses Cone also did an effective job communicating its community benefit through content by providing:

- A general description of the history and circumstances of the organization;
- A **mission** statement of the organization;
- **Quantifiable** descriptions of community benefit that accurately and thoroughly describe the methods of quantification;
- **Narrative** descriptions of community benefit; and
- Descriptions of collaborative programs.

Your ideas as to format or content may differ based on your organization’s characteristics. Approaches to community benefit, its measurement, and reporting vary greatly throughout our nation. Much of the information you would include in your report probably is already collected or reported in other documents. Our recommendation is to **include this information in a clear and useable format as part of your Form 990**.

As the demand for information about the nonprofit sector grows, health care organizations must keep pace in communication and accountability to ensure continued positive relationships with the communities we serve.