PHILANTHROPY AND COMMUNITY BENEFIT

Philanthropy and community benefit have been closely related since the earliest days of health care. Religious and civic founders of the first nursing homes and hospitals received support from generous members of the community offering financial and volunteer resources. The connection remains today.

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Philanthropy can help fund essential community benefit programs and help tell the story that contributions are being used to create healthier communities and to benefit the most vulnerable people in them.

Stories about community benefit also can serve philanthropy efforts, letting donors know that their contributions are being used for good causes. Community benefit programs are visible signs that a health care organization's charitable mission is being fulfilled.

RELATIONSHIPS AND IMPACT

Within a health care system, having community benefit staff members sit on philanthropy committees and philanthropy staff on community benefit committees can help enhance the relationship between those two important functions. Joint membership will ensure that each department is aware of and can support the other's priorities and activities.

Philanthropy staff can be part of community health needs assessments by participating in focus groups, interviewing key informants and helping to look at the data and other information collected. These efforts not only will help the community benefit program in its work, but they will help the fundraising arm learn more about the community and its needs.

During the community benefit planning process, philanthropy staff can help recommend priorities and, when strategies are selected, help secure funding, thanks to their knowledge of the organization's fundraising as well as available grants and other financial resources. When community benefit programs are evaluated, if the initiative is grant funded, philanthropy staff can help collect information that funders may require.

Community benefit staff can help philanthropy offices by assisting with priorities for funding and developing materials that describe how solicited funds are used. They also can help describe the evidence base that shows funds are being used wisely and that there is a positive return on investment in terms of impact.

REPORTING ISSUES

There are two important issues about reporting philanthropy-related activities on the IRS Form 990 Schedule H. The IRS 990 is the form all tax-exempt organizations must complete, and the Schedule H is for hospitals to report their community benefits and other information related to tax exemption.

First, when hospital community benefit program staff help raise funds for the program and activities, the expense related to fundraising can be reported as "community benefit operations." Caution: Only the expense of funds raised for community benefit can be reported, not funds raised for capital projects or other purposes.

Second, if philanthropy offices, which are often foundations, are not part of the hospital's tax structure, that is, not under the hospital's tax number, then any restricted grant or contribution from the fundraising arm must be offset against the reported expense of the community benefit.

The Instructions to the 990 Schedule H say, "Direct offsetting revenue also includes restricted grants or contributions that the organization uses to provide a community benefit, such as a restricted grant to provide financial assistance

or fund research. Direct offsetting revenue does not include unrestricted grants or contributions that the organization uses to provide a community benefit."

Here are key points about this instruction:

- Offsetting is required only for "restricted" grants and contributions, that is, funds specifically earmarked for community benefit. If the foundation or philanthropy arm gives funds to the hospital for its use, and the hospital makes the decision to use some or all for community benefit, this contribution would not be considered "restricted" and would not need to be offset.
- If the foundation or philanthropy is part of the hospital's tax number or EIN, as would be the case if the foundation were a department of the hospital — not a separate tax entity — the contribution would not have to be offset.
- The full cost of the activity is reported on the Form 990 Schedule H in the column "Total community benefit expense." But any amount supported by a restricted grant or contribution must be entered into a different column — "Direct offsetting revenue." In the column labeled "Net community benefit expense," put the number that is the total expense minus the restricted contribution.

The IRS instruction language on offsetting restricted contributions was added to the 2013 form, a change from the IRS' previous position. The Catholic Health Association and others repeatedly have asked the IRS to return to its original policy, but so far, the new policy stands. CHA has been concerned that having to offset restricted funds could discourage some hospitals from seeking and using grants and philanthropic funds.

However, despite the reporting issue, the tie between community benefit and philanthropy remains vital to both parts of the organization. They support one another, they reinforce the charitable nature of our organizations and they let the community know our organizations are here to serve.

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A Shared Statement of Identity for the Catholic Health Ministry

We are the people of Catholic health care, a ministry of the church continuing Jesus' mission of love and healing today. As provider, employer, advocate, citizen — bringing together people of diverse faiths and backgrounds — our ministry is an enduring sign of health care rooted in our belief that every person is a treasure, every life a sacred gift, every human being a unity of body, mind, and spirit.

We work to bring alive the Gospel vision of justice and peace. We answer God's call to foster healing, act with compassion, and promote wellness for all persons and communities, with special attention to our neighbors who are poor, underserved, and most vulnerable. By our service, we strive to transform hurt into hope.

AS THE CHURCH'S MINISTRY OF HEALTH CARE, WE COMMIT TO:

- Promote and Defend Human Dignity
- Attend to the Whole Person
- Care for Poor and Vulnerable Persons
- Promote the Common Good
- Act on Behalf of Justice
- Steward Resources
- Act in Communion with the Church

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