PacificCPE

COURSE
33759A

Tax-Exempt Orgs: Fundraising, Gaming, and Hospital Reporting

Fundraising and gaming activities generate unique reporting obligations, and Schedule G walks through them in detail. This course covers how to report fundraising events, professional fundraisers, and gaming activities, including the thresholds that trigger disclosure. It also provides an in-depth look at Schedule H for hospitals, covering community benefit reporting, financial assistance policies, and the worksheets used to support those disclosures. Tax professionals serving nonprofits with significant fundraising programs or tax-exempt hospital clients will benefit most from this course.

CREDIT HOURS 2 | FIELD OF STUDY TAXES | EXAM QUESTIONS 10

Start Course ↓ | Final Exam Copy ↓

LEARNING ASSIGNMENTS AND OBJECTIVES

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Identify the types and amounts of fundraising and gaming activities that must be included on Schedule G.
- Recognize who must file and the reporting requirements for filing Schedule H.

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Chapter 1: FUNDRAISING AND GAMING ACTIVITIES (SCHEDULE G)

Chapter Objective

After completing this chapter, you should be able to:

- Identify the types and amounts of fundraising and gaming activities that must be included on Schedule G.

I. OVERVIEW

A. PURPOSE OF SCHEDULE G

Schedule G (Form 990) is used by an organization that files Form 990 or Form 990-EZ to report professional fundraising services, fundraising events, and gaming.

B. WHO MUST FILE SCHEDULE G

Any organization that answered “Yes” to Form 990, Part IV, Checklist of Required Schedules, Lines 17, 18, or 19, or meets the criteria for Form 990-EZ filers described below, must complete the appropriate parts of Schedule G (Form 990) and attach it to Form 990 or Form 990-EZ, as applicable.

The following highlights the circumstances under which an organization must complete various portions of the schedule:

- Complete Part I if the organization answered “Yes” on Form 990, Part IV, Line 17, because the organization reported a total of more than $15,000 of expenses for professional fundraising services on Form 990, Part IX, Statement of Functional Expenses, Lines 6 and 11e. Form 990-EZ filers are not required to complete Part I.
- Complete Part II if the organization (1) answered “Yes” on Form 990, Part IV, Line 18, because the organization reported a total of more than $15,000 of fundraising event gross income and contributions on Form 990, Part VIII, Statement of Revenue, Lines 1c and 8a, or (2) reported more than $15,000 of fundraising event contributions and gross income on Form 990-EZ, Part I, Lines 1 and 6b.

- Complete Part III if the organization (1) answered “Yes” to Form 990, Part IV, Line 19, because the organization reported more than $15,000 of gross income from gaming activities on Form 990, Part VIII, Line 9a, or (2) reported more than $15,000 of gross income from gaming on Form 990-EZ, Part I, Line 6a.

If an organization is not required to file Form 990 of Form 990-EZ, but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

II. SPECIFIC INSTRUCTIONS

A. PART I. FUNDRAISING ACTIVITIES

An organization should complete this part only if it reported more than $15,000 on Form 990, Part IX, Lines 6 and 11e. Form 990-EZ filers are not required to complete Part I.

Line 1. Check the box in front of each method of fundraising used by the organization to raise funds during the tax year.

Line 2a. Check “Yes” if at any time during the tax year the organization had an agreement with another person or entity in connection with professional fundraising services. Do not include an officer, director, trustee, or employee who conducts professional fundraising services solely in this capacity as an officer, director, trustee, or employee of the organization.

The organization must report all agreements for professional fundraising services regardless of the form of agreement (written or oral). For example, an organization that had a written contract with a business to supply printing and mailing services would report that agreement here if the business also provided to the organization professional fundraising services such as strategy on mailing.

Line 2b. If “Yes” is checked on Line 2a, list in Column (i) the ten highest paid individuals or entities who were each paid at least $5,000 by the organization for professional fundraising services provided during the tax year, and the business address for each individual or entity.

Column (ii). Enter the type(s) of fundraising activities with respect to which the professional fundraiser performed services.

Report the fundraising activities consistently with terms used by the organization in the management of its fundraising program. For example, if an organization contracts

with a single fundraiser to advise on and coordinate all of its direct mail fundraising, it might enter “consults on direct mail program.” If a consultant were hired to perform data analysis for all aspects of an organization’s public solicitation, it might enter “provides database consulting for direct mail, telephone, Internet, and email.”

Column (iii). For this purpose, custody or control means possession of the funds or the authority to deposit, direct the use of, or use the funds. Describe the custody or control arrangement in Part IV.

Column (iv). Enter the gross receipts connected to the services provided by the fundraiser listed in Column (i) and received by the organization, or by the fundraiser on the organization’s behalf, during the tax year.

A professional fundraiser may deliver services during the taxable year and be properly reported on Line 2b but have no gross receipts to report in Column (iv). For example, an organization may retain a fundraiser to conduct a feasibility study for a capital campaign. The campaign, if there were to be one, could be conducted in, and produce receipts in, subsequent tax years. Likewise, a fundraiser might be hired to plan and produce programming for a media campaign. Fees would be properly reported in the tax year, but there might be no receipts to report until subsequent years when the programming actually airs. In each case, the organization may properly report a “0” in Column (iv).

Column (v). Enter the dollar amounts in fees paid to or fees withheld by the fundraiser for its professional fundraising services.

If the agreement provides for the payment of fees and also for the payment of fundraising expenses, such as printing, paper, envelopes, postage, mailing list rental, and equipment rental, the organization must report such amounts paid during the year in Part IV and describe how the agreement distinguishes payments for professional fundraising services from expense payments or reimbursements. Also describe in Part IV whether the organization entered into any arrangements with fundraisers under which the organization made payments exclusively for such expenses but not for professional fundraising services.

If the agreement does not distinguish between fees for professional fundraising services and payment of fundraising expenses, then the organization must report in Column (v) the gross amount paid to (or withheld by) the fundraiser.

Column (vi). Subtract Column (v) from Column (iv).

Line 3. List all states in which the organization is registered or licensed to solicit contributions, or has been notified that it is exempt from registration or licensing.

B. PART II. FUNDRAISING EVENTS

An organization should complete this part only if the organization reported a total of more than $15,000 on Form 990, Part VIII, Lines 1c and 8a, or if the sum of the amounts reported on Form 990-EZ, Line 6b and the Line 6b parenthetical exceeds $15,000. List only fundraising events with gross receipts greater than $5,000 that the organization conducted at any time during the tax year.

List the two largest fundraising events with gross receipts greater than $5,000 each in Columns (a) and (b). In Column (c), enter the total number of other events with gross receipts greater than $5,000 each and report revenues and expenses from these events in the aggregate. If no events other than those listed in Columns (a) and (b) exceeded the $5,000 threshold, enter “None.”

Report revenue and expenses attributable to gaming in Part III, rather than in Part II.

1. Revenue

Line 1. Enter the total amount the organization received from the two largest fundraising events with gross receipts greater than $5,000 each in Column (a) and Column (b) during the tax year without subtracting any costs, expenses, or contributions received in connection with the fundraising event. Enter in Column (c) the total amount the organization received from all other events with gross receipts greater than $5,000 during the tax year without subtracting any costs, expenses, or contributions received in connection with the events. Enter the sum of Columns (a), (b), and (c) in Column (d).

Line 2. Enter the total amount of contributions, gifts, and similar amounts (including the total value of noncash contributions) received by the organization for fundraising events in Columns (a) and (b) during the tax year. Enter in Column (c) the total amount of contributions, gifts, and similar amounts received by the organization from all other fundraising events with gross receipts greater than $5,000 during the tax year. Enter the sum of Columns (a), (b), and (c) in Column (d).

Line 3. Enter the gross income (gross receipts less contributions) from events listed without reduction for catering, entertainment, cost of goods sold, compensation, fees, or other expenses. Enter the total of Columns (a), (b), and (c) in Column (d).

2. Direct Expenses

Enter the expense amount in the appropriate Column (a)-(c) for events with gross receipts greater than $5,000 each. Enter the total of Columns (a), (b), and (c) in Column (d).

Line 4. Enter the total amount paid out as cash prizes.

Line 5. Enter the fair market value of the noncash prizes paid or given out for each fundraising event.

Line 6. Enter the expenses paid or incurred for the rent or lease of property or facilities.

Line 7. Enter the expenses paid or incurred for food and beverages. Include all direct expenses such as catering.

Line 8. Enter the expenses paid or incurred for entertainment, including direct expenses for labor and wages.

Line 9. Enter the amount of other direct expense items not included in Part II, Lines 4-8. The organization should retain in its records a schedule providing an itemized list of all other direct expenses not included on Lines 4-8. For labor costs and wages, include the total amount of compensation paid to fundraising event workers or paid to independent contractors for labor costs.

Line 10. Add Lines 4-9 in Column (d).

Line 11. Subtract Line 10 from Line 3 Column (d). If Line 10 is more than Line 3, Column (d) and the result is less than zero, enter it in parentheses.

C. PART III. GAMING

An organization should complete this part only if the organization reported more than $15,000 on Form 990, Part VIII, Line 9a, or on Form 990-EZ, Line 6a. Treat all bingo as a single event for Column (a) and all pull tabs as a single event for Column (b). Include all revenue and expenses for progressive bingo, instant bingo, and event bingo in Column (b). Include in Column (c) all other types of gaming not included in Column (a) or (b). Complete Part III for each type of gaming conducted.

1. Revenue

Line 1. Enter the gross revenue (gross receipts less contributions) for each type of gaming conducted without reduction for cash or noncash prizes, cost of goods sold, compensation, fees, or other expenses. Enter the total of Columns (a)-(c) in Column (d).

2. Direct Expenses

Enter the expense amount in the appropriate Column (a)-(c) for each type of gaming conducted. Enter the total of Columns (a)-(c) in Column (d).

Line 2. Enter the total amount paid out as cash prizes.

Line 3. Enter the fair market value of the noncash prizes paid or given out for each type of gaming conducted.

Line 4. Enter the expenses paid or incurred for the rent or lease of property or facilities.

Line 5. Enter the amount of other direct expense items for gaming not included on Lines 2-4. The organization should retain in its records a schedule providing an itemized listing of all other direct expenses not included on Lines 2-4. Mandatory distributions should be reflected on Line 17.

The itemized list of direct expenses should include the following:

- Labor costs and wages, including the total compensation paid to gaming workers or independent contractors for labor costs;
- Employer's share of federal, state, and local payroll taxes paid for the year for gaming workers, including social security and Medicare taxes, state and federal unemployment taxes, and other state and local payroll taxes; and
- Excise taxes, including any wagering tax paid with Form 730, Monthly Tax Return for Wagers, and any occupational tax paid with Form 11-C, Occupational Tax and Registration Return for Wagering.

Line 6. If substantially all of the organization's work in conducting a type of gaming is performed by volunteers, check "Yes" and enter the percentage of total workers who are volunteers for each type of gaming conducted. The percentage is determined by dividing the number of volunteers for each type of gaming by the total number of workers for that type of gaming, both paid and unpaid.

Line 7. Enter the total of Lines 2-5, Column (d).

Line 8. Subtract Line 7 from Line 1, Column (d). If Line 7 is more than Line 1, Column (d) and the result is less than zero, enter it in parentheses.

Note

For Form 990 filers, the amounts reported on Line 1, Column (d), Line 7, and Line 8 must equal the amounts reported on Form 990, Part VIII, Lines 9a, b, and c, respectively.

Line 9. Enter all states in which the organization operated gaming during the tax year, including states in which the organization solicited residents to participate in gaming activity. If the organization needs more space, use Part IV.

Line 9a. Check “Yes” only if the organization is licensed or otherwise registered to conduct gaming in each state listed on Line 9.

Line 9b. If the organization is not licensed or otherwise registered to conduct gaming in any state listed on Line 9, provide a narrative statement of explanation. If the organization needs more space, use Part IV.

Line 10a. Check “Yes” if any of the organization’s gaming licenses were revoked, suspended, or terminated during the tax year.

Line 10b. Provide an explanation for each state in which the organization’s gaming license or registration has been revoked, suspended, or terminated during the tax year. If the organization needs more space, use Part IV.

Line 11. If any nonmembers participated in gaming conducted by the organization during the tax year, check “Yes.” Membership is determined in accordance with the organization’s organizing documents and applicable law. For purposes of this question, bona fide guests of members attending with them should also be treated as members. “Bona fide guests” are individuals whom the member invites and for whom the member pays. If, for example, a nonmember pays for his or her own wagers in gaming activities, he or she is considered a nonmember, even though he or she may have entered the organization’s premises with a member. Also, if an organization requires only a nominal payment to join as a “member,” individuals making such a payment to gain admission to the organization’s facilities or activities are not considered members or bona fide guests. See Pub. 3079.

Line 12. If the organization is a grantor, beneficiary, or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming, check “Yes.” For purposes of this question, “a partnership or other entity” means two or more organizations that are authorized under state law to conduct bingo or other gaming at the same location joining together to account for or share revenues, authorized expenses, and inventory related to bingo and gaming operations.

Line 13a. Enter the percentage of gaming conducted during the year in a facility or facilities owned by the organization. The facility or facilities need not have been used exclusively for gaming.

Line 13b. Enter the percentage of gaming conducted during the year in a facility or facilities not owned by the organization.

Line 14. Enter the name and business address of the person who prepares the organization’s gaming/ special events books and records (or the organization’s business address if the books and records are kept by such person at a personal