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## **POLICY**

This policy applies to The Johns Hopkins Health System Corp. (JHHS) and the following affiliated entities: The Johns Hopkins Hospital (JHH), Johns Hopkins Bayview Medical Center (JHBMC), Howard County General Hospital (HCGH), Johns Hopkins Community Physicians (JHCP), Johns Hopkins Medical Services Corporation (JHMSC), Johns Hopkins Medicine International (JHMI), Ophthalmology Associates (OA), Johns Hopkins Employer Health Programs (EHP), Johns Hopkins Medical Management Corporation (JHMMC), Priority Partners (PP), Johns Hopkins Pharmaquip, Inc. (JHPQ), Johns Hopkins Home Health Services, Inc. (JHHHS), Johns Hopkins Pediatrics Home, Inc. (JHPAHI), Johns Hopkins HealthCare (JHHC), Johns Hopkins Home Care Group (JHHCG), Suburban Health Center (SHC), Broadway Acquisition and Development, and HCGH OB/GYN Associates Series, LLC (HCGH OBGYN).

### Purpose

The purpose of this policy is to define and clarify the use of designated accounts by JHHS and its affiliates.


- Designated Accounts:
- A budgetary process which provides department directors or administrators with increased flexibility and latitude in expending funds generated through unique revenue streams such as:
- 1) Department solicited contributions with a fair market value less than \$5,000 per donor and \$5,000 in aggregate;
  - 2) Department incentive revenues;
  - 3) Miscellaneous operating revenues (e.g. lecture fees, participative drug study fees).

Revenues, expenses and capital purchases from designated accounts will be reflected in each affiliate's financial statements. A separate cost center will be established for each department receiving or generating special funds. Funds will be accounted for in accordance with generally accepted accounting principles. All contributions should be deposited and accounted for according to JHHS Finance Policy No. FIN031 - Charitable Contributions.

The JHHS Director of Tax Compliance should be notified in advance of any new business activities by Department directors or administrators.

Department directors, administrators and/or managers will have fiduciary oversight and financial management responsibilities for complying with policies and restrictions and/or conditions placed over the use of designated accounts. It is the director's, administrator's or manager's responsibility to determine whether funds are appropriately used as stated in the next paragraph.

Budgets of anticipated revenue and operating and capital expenditures for the fiscal year must be prepared and approved during the annual budgeting process for JHHS and its affiliates. Departments are required to provide detailed descriptions of how the funds will be used. Designated account funds will not be budgeted for direct personnel costs. The use of designated accounts must be consistent with the charitable, educational and scientific purposes for which JHHS and its affiliates are exempted from federal taxation. Accordingly, those activities which directly or indirectly promote: (1) provision of health care and health-related services, and education to the community, (2) clinical research activities, and/or (3) education and training will generally

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be permitted as designated account activities.

Department chairpersons/directors shall budget all expenses and revenues including those associated with designated accounts. Budgeted expenditures associated with designated accounts should be based on the estimated incentive award as provided by the Director of Financial Planning as well as other designated funds identified and/or estimated by the departments in conjunction with the Department of Financial Planning. Department chairpersons/directors should be able to indicate specifically how designated accounts will be spent. Designated accounts may be spent to support JHHS or affiliate initiatives such as the following:

1. Attendance of education conferences;
2. Seed money for new clinical programs;
3. Capital equipment acquisitions consistent with Clinical Engineering standards;
4. Facility renovations for Hospital or affiliate program support;
5. Employee recognition initiatives;
6. Other objectives which directly benefit JHHS or an affiliate.

For instances when departments begin to generate unbudgeted special funds, department chairpersons/directors must request and receive approval from the affiliate Chief Financial Officer (CFO) for a budget variance. These special funds may be expended to the extent that the CFO approves a budget expense variance.

The Department of Financial Planning shall honor shopping carts as long as they do not exceed the underlying budget for designated funds and are not intended for direct personnel costs. In accordance with generally accepted accounting principles (GAAP), JHHS and its affiliates will match designated account revenues with related expenses, including personnel-related costs.

Funds not spent during the current fiscal year may be spent in the next fiscal year provided that expenditures are budgeted. These carry-forwards shall also be covered by this policy.

In such cases where departure from the policy is deemed necessary, the Director of General Accounting shall document and approve exceptions after review by the CFO.


**REFERENCE**

**JHHS Finance Policies and Procedures Manual**

- Policy No. FIN020 - Unrelated Business Income
- Policy No. FIN027 - Incentives - Departmental
- Policy No. FIN030 - Capital Acquisition
- Policy No. FIN031 - Charitable Contributions
- Policy No. FIN093 - Determination of Other Operating Revenue

Official Fund Raising, Contribution and Acceptance Policies, Johns Hopkins Bayview Medical Center


Standard Register form #15-960107, JHHS Capital Equipment Request for Purchase/Lease Order

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**RESPONSIBILITIES - ALL AFFILIATES**

Department Director/Administrator	<p>Comply with all provisions of JHHS Finance Policy No. FIN031 - Charitable Contributions.</p> <p>Contact the Director of Tax Compliance about any new revenue activity and comply with all provisions of JHHS Finance Policy No. FIN020 - Unrelated Business Income.</p> <p>Determine that a cost center has been set up to record special fund activity and that revenue and G/L accounts have been set up that properly describe the designated account activity.</p> <p>Prepare appropriate budget and capital request forms (if applicable) during the budgeting process.</p>
Director of General Accounting	<p>Review JHHS Capital Equipment Request for Purchase/Lease Order form to confirm that the capital item was approved during the budget process.</p> <p>Adjust Designated Account balance to reflect monthly activity.</p> <p>Set up cost centers to record revenue and expenses on the general ledger for departments with special fund activity.</p>
Director of Tax Compliance, JHHS	<p>Review new business activity with department directors/administrators.</p> <p>Assess the appropriate level of documentation needed for expenses directly connected to the unrelated trade or business activity.</p>
Director of Financial Planning	<p>Review budget and capital request forms for completeness as submitted by department directors and administrators.</p> <p>Confirm that actual revenue and expense activity does not exceed budgeted amount.</p> <p>Forward budget and capital request forms to Management Committee for approval.</p>
Finance Department, JHBMC	<p>Follow policy and procedures outlined in JHHS Finance Policy No. FIN031, Charitable Contributions, for designated funds concerning charitable contributions.</p> <p>Review and comply with the responsibilities set forth in all applicable corporate and administrative policies.</p>

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Office of Development, JHBMC

Comply with all provisions of JHHS Finance Policy No. FIN031 - Charitable Contributions, and all applicable corporate and administrative policies.

Fund Administrator, JHBMC

Comply with all provisions of JHHS Finance Policy No. FIN031 - Charitable Contributions, and all applicable corporate and administrative policies.

**SPONSOR**

Vice President of Finance/Chief Financial Officer (CFO) and Treasurer, JHHS

**REVIEW CYCLE**

Three (3) years


**APPROVAL**

\_\_\_\_\_  
President, JHHS

\_\_\_\_\_  
Date

**PROCEDURES - ALL AFFILIATES**

- |  |   |
|--|---|
| <p>1. Department Director/<br/>Administrator</p> | <ul style="list-style-type: none"> <li>a. Follow policy and procedures outlined in JHHS Finance Policy No. FIN031 - Charitable Contributions, concerning the receipt and deposit of charitable contributions.</li> <li>b. Follow policy and procedures outlined in JHHS Finance Policy No. FIN020 - Unrelated Business Income, concerning designated accounts for new revenue activity.</li> <li>c. Follow policy and procedures outlined in JHHS Finance Policy No. FIN027 - Incentives - Departmental, concerning designated accounts for departmental incentive awards.</li> <li>d. Confirm that a cost center and revenue and G/L accounts have been set up to record special fund activity.</li> <li>e. Contact the Director of Tax Compliance about any new business activity for any new revenue activity in accordance with JHHS Finance Policy No. FIN020 - Unrelated Business Income.</li> <li>f. Prepare appropriate budget and capital request forms (if applicable) during the budgeting process.</li> </ul> |
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2. Director of General Accounting
  - a. Make appropriate entries to the designated accounts on a regular basis to ensure that accounts reflect the activity for expenditures and revenues.
  - b. Review JHHS Capital Equipment Request for Purchase/Lease Order form to confirm that the capital item was approved during the budget process.
  - c. Adjust Designated Account balance to reflect monthly activity.
3. Director of Tax Compliance, JHHS
  - a. Review any issues that jeopardize the tax-exempt status of JHHS; take appropriate action to retain tax-exempt status.
  - b. Review new business activity with appropriate department directors/administrators, and take appropriate action to retain tax-exempt status.
  - c. Assess the appropriate level of documentation needed for expenses directly connected to the unrelated trade or business activity and make recommendations to departments to implement an effective documentation program.
4. Director of Financial Planning
  - a. Request that the Director of General Accounting establish cost centers to record revenue and expenses on the general ledger for departments with special fund activities, as they are identified and approved.
  - b. Review budget and capital request forms for completeness as submitted by department directors and administrators.
  - c. Confirm that the actual revenue and expense activity does not exceed budgeted amount.
  - d. Forward budget and capital request forms to Management Committee for approval.
5. Finance Department, JHBMC
  - a. Follow policy and procedures outlined in JHHS Finance Policy No. FIN031 - Charitable Contributions, for designated funds concerning charitable contributions.
6. Office of Development, JHBMC
  - a. Follow policy and procedures outlined in JHHS Finance Policy No. FIN031 - Charitable Contributions, for designated funds concerning charitable contributions.
7. Fund Administrator, JHBMC
  - a. Follow policy and procedures outlined in JHHS Finance Policy No. FIN031 - Charitable Contributions, for designated funds concerning department solicited contributions