Money Matters

Club Management Guide

Basic principles: financial policies and practices

The principles governing Financial Policies and Practices are based on the philosophy that learning happens when youth are engaged; that there is benefit in quality relationships; and that developing life skills is essential for youth to reach their potential. These beliefs support the 4-H mission and the Essential Elements of Youth Development.

- **Youth Learn.** Managing financial resources provides opportunities for youth to develop life skills (e.g., record keeping, budgeting, etc.); therefore youth, as valuable partners, must be involved in meaningful financial roles.
- **Public Organization**. Because 4-H is a public organization, monies received from dues, fundraising, and other sources are owned by 4-H to be used for the benefit of all members and not owned by any one member, leader or person.
- **Educational Purpose**. Fundraising programs using the 4-H name or emblem may be carried out for educational purposes. Such fundraising programs, and the use of the 4-H name and emblem on or associated with products and services for such purposes, must have the approval of the appropriate Extension Office. (*The 4-H Name and Emblem: Guidelines for Authorized Use*, USDA)
- **Review Activities**. The Local Extension Educator responsible for the county 4-H program must review each 4-H organization's activities to determine that it continues to meet the particular 4-H objectives for which it was established and that the 4-H Name and Emblem are used in accordance with the statute.
- **Accountability**. Every 4-H club shall maintain a record of its activities and of contributions received, prepare and keep on file a record of its financial transactions, and the Local Extension Educator responsible for the county 4-H program.

These policies and practices need to be followed to maintain the integrity of 4-H and all those involved in the program and to ensure that 4-H programs meet the needs of youth.

Summary of ten major MN 4-H financial policies

1. As a public organization, 4-H is open to any youth within the eligibility parameters.
2. As a public organization, we are accountable for our funds.
3. All groups using the 4-H name and emblem must follow federal and state policies and rules.
4. All fundraising activities (including grants and donations) should be reviewed and approved by the Local Extension Educator **before** the event.
5. All money raised using the 4-H name must be used only for 4-H activities, education and character building.
6. Funds must not be used for personal financial gain for any individual. Pocket money, personal items and souvenirs are clearly not legitimate uses of money raised in the name of 4-H.

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7. All 4-H groups should establish a checking account at a public financial institution. All payments must be made through check. All checks require two authorized signatures. Debit card use is not an approved payment method for 4-H clubs.
8. Upon dissolution, all 4-H group assets and financial records must be turned over to the County Extension Office. Funds will be turned over for deposit to the County 4-H Federation/Leaders Council to be used for 4-H Youth Development programs.
9. A 4-H group that collects or distributes money must have an annual review/audit.
10. All 4-H clubs, groups, or organizations using the 4-H name are required to submit a proposed budget for the upcoming 4-H year, a Minnesota 4-H Annual Club Financial Report (Form C), and a 4-H Club Treasurer's Book Annual Review form to the County Extension Office annually. This is known as "Chartering".

Public ownership

4-H is chartered by the U.S. Congress as a federal program that comes out of the United States Department of Agriculture (USDA), but it encompasses more than agriculture. In every state, the 4-H program is directed at the land grant college of that state. In Minnesota, our land grant college is the University of Minnesota. Minnesota 4-H is a unique partnership of the federal government, the state through the land grant university, and each of the 87 counties.

At the county level, the Local Extension Educator works with volunteers and parents to provide a youth-led organization that centers on quality learning, character building and the development of life skills. This is done in a wide variety of ways in 4-H ranging from community clubs to school- based and community-based programs. Volunteer leaders play a very special role in supporting and encouraging project work, activities, leadership and educational opportunities for youth.

The ownership of 4-H takes place on many different levels. Often there is a very close personal sense of ownership by families (many involved for several generations); but, unlike many other youth-serving organizations, 4-H is not a private, non-public organization. 4-H is a public organization—federal, state and county. Therefore, the treasurer of a 4-H club, federation, project committee, auction committee, project development committee, or other groups (from here on after referred to as "4-H group") is responsible not only to the other officers, but also to the other members, the adult leaders and the public.

As a public organization, 4-H is open to any youth within the eligibility parameter. We are accountable for our funds. Dealing with finances in 4-H is first and foremost an educational experience for the youth. The role of the club adult leader/volunteer is to support and help the youth treasurer.

Private and public funds

Volunteer leaders are in charge of helping the youth treasurer "keep the books." This includes the 4-H group's receipt book, checkbook and check register, payment vouchers and bank statements. The public calls for a higher standard of accountability and integrity for public groups. You can meet the high standards required of 4-H by studying and following the money handling methods found in this handbook and "The Minnesota 4-H Club Treasurer's Book". These standards apply whether a group's treasury has $5 or $500.

Conflicts may arise if money is not handled carefully and accurately. You can protect the treasurer and your 4-H group from conflict by:

- Encouraging the careful, responsible and accurate handling of finances.
- Using proper parliamentary procedure in making decisions involving the use of funds.
- Supporting and advising the 4-H group treasurer in their role.
- Being informed on financial policies, guidelines, and issues that govern the 4-H program.

Name and emblem

When you raise money in the name of 4-H, you are responsible for protecting the good name of 4-H. You are responsible for how the money is raised and how it is used. The very name and emblem of 4-H is a copyrighted trademark. In the legal sense, the United States Department of Agriculture owns the emblem. As with any trademark, there are rules and laws about how and where it can be used. Therefore, you should talk with your local Local Extension Educator about appropriate fundraising efforts.

All groups using the 4-H name and emblem must follow federal and state policies and rules. These include, but are not limited to, 4-H clubs, county 4-H federations/councils and advisory boards, 4-H teen or youth leader clubs, 4-H project clubs.

Financial guidelines: checking accounts income

1. All 4-H group financial transactions should take place by check rather than cash to ensure accountability. See *Income and Expense Transaction Form including Transfers* in the Toolkit.
2. To help maintain accountability, duplicate check systems are strongly recommended.
3. All 4-H groups should establish a checking account at a public financial institution. The 4- H group leader, with the treasurer, should establish this account. **Do not use a personal social security number** in opening a 4-H group checking or savings account because of tax liability concerns. In order to open any 4-H account, the group must obtain an EIN number. Your Local Extension Educator will assist you in getting an EIN number for your 4-H group.
4. Each 4-H group must require at least the youth treasurer and one (preferably two) adult leaders' names to be signers on the signatory card at the bank, unless the bank will not allow a youth as a signer. **If the adult treasurer is living in the same household/related to the youth treasurer, a non-related adult verifier is required to help provide oversight and sign all checks over $250.** Note: If the bank does not allow a youth to sign on the account, the 4-H group must make sure that a young person is still elected as treasurer and carries out all other duties of the office.
5. The checking account should be set up so that all checks require two signatures, youth treasurer and adult leader. Some banks do not require two signatures on a check, but due to the public nature of these funds it is a 4-H requirement.
6. Authorized signatures will need to be updated at the financial institution each time a new treasurer is elected or when leadership changes in the group.
7. The treasurer should deposit funds promptly. Endorse checks immediately upon receipt. See *Income and Expense Transaction Form including Transfers* in the Toolkit.

8. All cash received must be acknowledged with a pre-numbered written receipt. This receipt must include the source of the funds, the date, and if possible, the name of the person making the payments. These receipts are the back-up documentation for any bank deposits. The receipts must also become a permanent part of the group records.
9. Payment must be made only in response to a formal written bill or invoice. The itemized invoice, clearly stating what was billed, with the check number and date of the check on it, will become a permanent part of the treasurer's records. See the *Income and Expense Transaction Form including Transfers* in the Toolkit.
10. If a check written on the group's account is lost, notify the customer service department of the bank at once to stop payment of the check. There will be a stop payment charge.

Additional responsibilities of the treasurer

- Reconcile the bank statement each month. A youth treasurer may need assistance with this process. See the Toolkit for the *Monthly Reconciliation Form*.
- Present a report at each meeting of income and expenses and ending balance that will be noted in the minutes of that meeting. Please see the Toolkit for the *Monthly Treasurer Report*.
- Report any suspected theft or misuse of funds to the Local Extension Educator or Program.

Budget

It is essential that all 4-H groups effectively manage public funds raised as part of their activities. If the club handles any money during the year, they must complete and file copies of the following as part of the annual chartering process:

- *Club Proposed Budget*, is your club's approved budget for this coming 4-H year.
- *Minnesota 4-H Annual Club Financial Report*, shows your actual income and expenses for the past 4-H year.
- *4-H Club Treasurer's Book Annual Review*, verifies that someone other than those handling the funds this past year, has reviewed your club's financial records and has found them to be accurate.

Public reporting shows good fiscal management and stewardship of all funds raised or expended in the name of 4-H.

The original forms will be submitted to the local Extension Office as part of the *4-H Charter Application* annually. One copy should be kept in the treasurer's book.

The *Bring it Back* form, found in the Toolkit, helps 4-Hers have some accountability when they have been given money to attend an event.

Fundraising guidelines

In the Toolkit you will find *Thinking About a 4-H Fundraiser?* Read This First! Your 4-H group should observe the following guidelines when thinking about, planning or conducting a fundraiser.

Submit advance approval from your Local Extension Educator for each fundraiser that you plan by completing a *4-H Income Generation Application* a minimum of 10 business days prior to doing a fundraiser (this includes any grant applications), and following up after the fundraiser with a *4-H Income Generation Follow-Up Report*. These items can be found in the Toolkit.

You will need to refer to rules about the use of the 4-H name and emblem in fundraising. Be sure to use the 4-H name or emblem only on products your group has made or produced. If you are working with a fundraising company or businesses, be sure that they have approval to use the 4-H name and emblem.

Gambling and games of chance are not an acceptable form of fundraising unless they are in partnership with another local entity who secures the permit. An acceptable alternative is to hold a drawing for a product that an individual is eligible to win whether or not they made a purchase or brought an item to contribute is not considered gambling and is legal to conduct. If you are considering carrying out a fundraiser that might be considered a gambling, game of chance or a drawing, talk with your local Local Extension Educator before beginning to ensure that it is carried out appropriately.

Be sure to check with local and state authorities on health, licensing, labeling, labor and tax laws. If you need help, check with your Local Extension Educator.

All money raised using the 4-H name must be used only for 4-H activities. As part of our service to 4-H, we need to build our own financial well-being to support the learning agenda for members. While we cannot limit 4-H member's participation in our program for lack of fundraising we can, however, have natural and logical consequences for individuals who choose not to participate in fundraising activities. The natural consequence if young people do not participate in fundraisers that support the clubs is they miss out on learning opportunities to enhance financial management and planning skills. The logical consequence is that the club could choose to not provide financial support for 4-H sponsored learning opportunities. However they would still be fully eligible to attend.

If you have questions on other fundraising opportunities, ask your Local Extension Educator for more information.

Federal tax facts

4-H is a tax-exempt organization under an IRS ruling. It recognizes the tax exemption status of 4- H clubs and affiliated 4-H organizations that are organized and operated under the guidance and control of the University of Minnesota.

Federal tax exempt status

4-H organizations are exempt from Federal income taxes as indicated in section 501(c)(3) of the Internal Revenue Code of 1954.

Tax exempt status is contingent on meeting the requirements of Affirmative Action Guidelines. These insure that potential clientele have equal opportunity in education, programming, and employment for all qualified persons regardless of race, color, gender/sex, creed, disability, religion, national origin, ancestry, age, sexual orientation, pregnancy, marital, parental or veteran status, or non-related conviction record.

4-H group federal tax-exempt number (GEN)

Occasionally you may be asked for your federal tax-exempt number. All Minnesota 4-H federations/councils, clubs and groups are covered under Group Exemption Number (GEN) 5939. This provides tax exemption from federal income tax under § 501 (c)(3) of the Internal Revenue Code

Filing federal form 990's

Tax exempt status does not exempt a 4-H organization from filing Form 990 each tax year. When filing Form 990, your individual 4-H group exemption number (GEN) is used. The Regional Extension Office files all Form 990's for 4-H Clubs each year.

Individual income tax deductions

4-H leaders are eligible for income tax deductions. Generally, a 4-H leader can deduct:

- Cost of goods you donate to 4-H. (Any donation over $250 requires a letter from the Extension Office to verify the amount of the donation.)
- Transportation costs.
- Out-of-pocket costs for conferences and training.

IRS publications can be a helpful source of legal deductions for the current year. Leaders should keep a valid receipt/record of mileage. The date and nature of expenses need to be documented.

State tax facts

Minnesota income tax exemption

As a recognized 501 (c) 3, through the University of Minnesota group GEN 5939, Minnesota 4-H clubs do not need to file Minnesota Income tax.

Minnesota sales tax exemption - purchases

Minnesota 4-H groups have been granted an exemption from paying Minnesota sales and use tax as a nonprofit organization. Our Minnesota tax ID number is 3289179.

As evidence of exemption, a fully completed Certificate of Exemption, Form ST3, must be given to each seller from whom you purchase, lease, or rent tangible personal property of services for your use in your 4-H groups non-profit functions.

The 4-H group must pay directly for the purchase. This means a 4-H group's check must be used to make the purchase. Exempt status does not apply if cash or a personal credit card is used to make the payment and the payer is reimbursed by the 4-H group.

The following are excluded from the exemption: lodging, prepared food, candy, soft drinks, motor vehicles, and waste disposal services. You must pay tax when purchasing these items.

You can get a copy of Form ST3 by contacting your county 4-H program staff.

Collecting and paying MN sales tax

4-H groups are required to collect Minnesota sales tax on the sales of tangible property and certain, limited services unless a specific exemption applies to the transaction. An exemption from collecting sales tax will apply for transactions that qualify as "occasional sales" under the definition of occasional sales provided by the Minnesota Department of Revenue. An exemption from collecting sales tax may also apply for sales in connection with certain fundraising events.

Contact your local Local Extension Educator for information and a worksheet to assist in determining if your group needs to collect and submit sales tax on fundraising efforts.

Dissolution of funds

Upon dissolution of a 4-H club, all your 4-H club/group's assets and financial records must be turned over to the County Extension Office. Funds will be turned over for deposit in the County 4-H Federation/Leader's Council to be used for 4-H Youth Development programs.

Document retention

4-H financial records need to be kept for varying amounts of time. Use the following as a guide:

- Financial records are "money in/money out" type would normally be kept for seven years.
- Important financial records such as the Minnesota 4-H Annual Club Financial Report form, review/audits, 990/990EZ, sales tax records, etc. must be kept for seven years.
- Federal money or grant money may have specific requirements. It is always necessary to check with the grant writing source.