



VOLUNTEER TRAINING MODULES

ALL ABOUT FINANCES

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Operating funds are important to the success of most organizations, and 4-H is no exception. Funds come from many sources. Fund raising is a popular way of raising funds for projects, activities, and awards. These fund raising activities can be beneficial to clubs/groups in more ways than just producing funds. They provide a chance to work toward a goal as a group and gain experience in the handling of group finances.

Request the following publications from your county Extension office:

- CO231 4-H Treasurer's Book
- C1059 4-H Leader's Guide to the Treasurer's Book/County Council Treasurer's Book

The 4-H Treasurer's Book (C0231) has some very good instructions on handling money. This book explains how to keep track of your club/group's money and is appropriate for use by the 4-H member that is Treasurer of the club/group. While the 4-H member is the one making the entries, writing the checks, and reporting to the club/group, an adult should work closely with the member and may be required by the financial institution to also sign the checks. An advanced treasurer's book is being developed and will soon be available to use to keep track of funds for a club/group that is very active and has need of a more comprehensive bookkeeping system that will be used by adults or older teens. The manner in which money is handled must always be within the guidelines of the 4-H program. The club/group should develop a spending plan based on their goals. Then, they will be ready to do the fund raising necessary to carry out those goals. Fund raising must never lower the status or prestige of 4-H. The following guidelines should be followed with respect to 4-H club/group funds.

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A. Handling Club/Group Funds

1. An annual budget should be developed by the club/group. The club/group's fund raising activities should be limited to raising enough money to cover that budget. See Attachment 1 "Goal Setting/Budgeting Worksheet"
2. 4-H club/group funds should be kept in a bank account under the 4-H club/group name. Club/group leaders or members should not hold cash reserves or keep club/group funds in personal checking or savings accounts.
3. If a 4-H club/group has funds, there should be a Treasurer's Report given at each club/group meeting.
4. In order to set up a non-profit bank account each club/group needs to get an Employer Identification Number (EIN) from the IRS. IRS Form SS-4 can be obtained from your local IRS or 4-H office. Contact your local 4-H office for assistance.

A family club/group only accepting members within their immediate family, is not eligible for tax exempt status and should not apply for an individual tax exempt number (Employer Identification Number – EIN, Form SS-4, Attachment 2).

This process can be greatly simplified for club/groups if the local 4-H office fills out this form with the exception of specific club/group information. (Attachment 2 is provided as a sample.) If the local 4-H office faxes the form to the IRS, the IRS will respond to the 4-H office. This ensures that the 4-H office has the EIN for each club/group in their file.

5. Two people should sign checks. These two should not be in the same family. You may want to have three or four names on the signature card at the bank so that two are

always available when needed. A Finance Committee composed of two members and two adults is suggested when large sums of money are being handled.

6. The Treasurer elected for the club/group should account for all monies raised by the club/group. Leaders can assist and help, but they should function as advisors. The handling of money is a useful and educational experience for members.
7. A receipt must identify all expenditures. A record of all expenditures should be made. The Treasurer's Book explains how to set up a ledger to record a club/group's expenses and income. It also explains what needs to be recorded concerning the transaction (who was paid, the purpose, check number, etc.).
8. An annual peer review audit for 4-H club/group funds must be done at the end of each 4-H year. The audit should be conducted by 4-H members, parents, leaders, or other qualified individuals who have not been handling club/group finances. A written report documenting the results of the audit is recommended.
9. The audit should answer the following questions:
 - Do Treasurer records agree with bank records?
 - Are Treasurer Book balances actually on deposit with the bank?
 - Are receipts actually available to verify expenditures?
 - Have funds raised been reported and deposited appropriately?
 - Have adequate financial records been kept?
 - Was a motion passed by the group/club to justify the expense? Or a budget approved?

10. It is required that each club/group complete an annual financial report for the County 4-H Council. Turn this form in to the county Extension office by January 31. (See Attachment 6 for state approved form.)

B. Fund Raising

1. Remember the money raised by 4-H must be spent on 4-H. It is illegal to raise money in the name of 4-H and the use it for other purposes. 4-H funds are not for personal financial gain.
2. The underlying philosophy is that learning to make decisions in a group is an important part of 4-H fund raising. Fund raising should be done after the group has established goals for the use of the money. Fund raising activities should be consistent with the age and experience of the members.
3. Funds should be raised for specific purposes. Clubs/groups should raise their funds through their own efforts.
4. The amount of club/group fees should be decided by the total club/group, keeping in mind the ability of individual members to pay the fee and the actual financial needs of the group, including state and county fees, if any. The inability of a member to pay a fee should never keep them from being able to participate in 4-H.
5. All fund raising must be legal. Lotteries and raffles have legal restrictions. Check with your 4-H office before planning one.
6. Fund raising in the name of 4-H cannot include endorsement of products.
7. Club/groups should carefully check all aspects before taking on a fund raising effort (i.e., can you return unsold items?).

8. There may be an occasion when you have an activity where you ask local businesses for goods or services. If so, please note the following:
 - a. If they say no, do not press the issue. Thank them for listening.
 - b. You need to provide written documentation to the business explaining the need for the donation and your tax identification number.
 - c. Do not ask the same business a number of times.
 - d. Be sure to write thank you notes for anything you received.
 - e. Remember businesses are asked many times by different groups. Consider the need before asking.

C. Tax Exempt Status

1. All technical tax questions should be referred to the local Internal Revenue Service office.
2. Responsibility of the 4-H agent includes:
 - a. To authorize use of the 4-H name and emblem by 4-H clubs/groups within the county or multi county area for which the agent is responsible.
 - b. To keep a record of all 4-H clubs/groups given authority to use the 4-H name and emblem within the county or multi county area for which the agent is responsible.
 - c. To secure from each 4-H club/group a periodic report (at least annually) of its activities.
 - d. To review each 4-H club/group's activities to determine whether or not it meets the objectives for which it was established.
 - e. Each new club is started; the county agent is encouraged to provide each 4-H club/group with a charter, signed by the state extension office authorizing a club/group to carry out a program of youth activities using the 4-H name and emblem. The charter certificate from the USDA could

be used as an example if a county chooses to design its own charter. (A copy of this charter is included as Attachment 3.)

3. 4-H clubs/groups are responsible for maintaining a record of their activities, a record of contributions received, and a record of its financial transactions.
4. Because many 4-H clubs/groups and community or county 4-H councils function on a rather informal basis, it is encouraged, but not mandatory, that they have a constitution and by-laws to be eligible for tax exempt status. Organizations at the multi county or state level should be more formally organized with at least a set of by-laws that clearly identify the name, function, and government of the organization.
5. 4-H clubs/groups must file Form 990 with the IRS if their gross receipts in a tax year exceed \$25,000. Gross income should be considered in its broadest term and include all receipts from gifts, donations, sale of goods, fees, dues, and so forth, without reduction for the cost of goods or assets sold or for expenses. Contact your local Internal Revenue Service for copies of Form 990 and answers to all questions about this form (<http://www.irs.gov>)
6. Cash donations to a 4-H club/group are tax deductible. When something other than cash is donated, the fair market value at the time of the gift is the amount of the donation that is deductible. When purchasing something from a non-profit organization, only the amount paid in excess of the value of the item may be deducted as a charitable contribution.
7. Receipts should be provided to donors. The receipt should include the date and value of the donation as well as the 4-H club/group tax-exempt number.

8. Contributions earmarked by the donor for a particular individual are treated, in effect, as a gift to the designated individual and are not deductible. Donations made to a family club/group, are considered a gift made to the family and are not tax deductible.
9. A family club/group is a club/group that does not accept members not in their immediate family. For that reason, family clubs/groups are not eligible for tax-exempt status and should not apply for an individual tax-exempt number (Employer Identification Number – EIN, Form SS-4).
10. All banks are required to submit to the IRS records showing the amount of interest they have paid to individuals, organizations, etc. Therefore, all banks will be requiring Employee Identification Numbers from all organizations authorized to use the 4-H name and emblem that receive \$10 or more interest in any one calendar year. This number can be obtained by filing an Application for Employer Identification Number (Form SS-4) with the IRS. Attachment 2 is a sample of this form and has been completed to provide an example of how this form should be filled out. It is recommended that this form be provided to 4-H clubs/groups with everything filled in except for the lines specific to the individual club/group.

D. Ownership and Disbandment

1. When a club/group goes out of existence, there are special IRS rules that must be followed. The IRS says that your money must be transferred to a like organization (your County 4-H Leaders Council). Remember the following when a club/group disbands with money in the Treasury and/or equipment in their inventory:
 - a. The money and equipment **cannot** be given to club/group members.

- b. The remaining funds and equipment **MUST** be turned over to the County 4-H Leaders Council. The dissolving club/group can suggest to the 4-H Leaders Council a club/group that could best use the equipment.
2. When a 4-H club/group purchases equipment (i.e., set of clippers for members to use), they should decide what would happen to the equipment if the club/group splits. This needs to be put in writing and kept with the club/group records. An ideal way to put it in writing is to include it in the club/group's by-laws. The county agent should be given a copy of this document. Keep in mind that the IRS considers equipment to be a capital asset and must be treated just like money.
3. If a club/group splits and new clubs/groups are formed, a percentage of the original club/group's funds should go to each club/group. The County 4-H Leaders Council should oversee the division of these funds and equipment.
4. When a club/group disbands, the money that was not raised and donated for a specific purpose can be used for an award ceremony that acknowledges the accomplishments of those that have been a part of the club/group that is disbanding. All remaining funds must be returned to the County 4-H Leaders Council.

E. Summary

4-H is about using hands on activities to learn important life skills. In addition to giving 4-H members some very practical knowledge about the importance of budgeting and how to keep track of money, maintaining a treasurer's book for your club/group is the prudent and responsible thing to do. It should always be possible to provide an accurate accounting of money that belongs to others.

To assist with this a hands-on activity has been developed to help bring home the need for accurate records when handling money. A brief summary of the activity is provided in Attachment 6. For specific instructions, get a copy of Reference 3.

Attachments:

- Attachment 1:
Goal Setting/Budgeting Worksheet
- Attachment 2:
Application for Employer Identification Number
- Attachment 3:
4-H Charter from USDA
- Attachment 4:
Sample 1 of an Annual Financial Report - 4-H Club/Unit "Name"
- Attachment 5:
Sample 2 of a 4-H Club Annual Financial Report--Benton/Franklin Counties
- Attachment 6:
4-H Club/Group/Authorized Unit - Annual Financial Summary Report
- Attachment 7:
Summary of Club Finances Interactive Game

References:

- 1) "4-H Name and Emblem Guidelines" from National 4-H Headquarters' website:
http://www.national4-hheadquarters.gov/4h_name.htm
- 2) "Tax-Exempt Status of 4-H Organizations Authorized to use the 4-H Name and Emblem" United States Department of Agriculture, Program Aid Number 1282, Revised May 1993. (A link to this document can be found at:
http://www.national4-hheadquarters.gov/4h_tax.htm

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