

4-H Club/Group Management

WISCONSIN 4-H CLUB FINANCIAL HANDBOOK

Leader Guide

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4-H LEADER'S RESPONSIBILITIES

4-H Clubs—Public Funds

4-H clubs are open to any youth within the age parameter—regardless of race, color, creed, or religion, national origin, ancestry, sex, sexual orientation, marital or parental status, pregnancy, veteran's status, non-job related conviction record or qualified disability. The money clubs receive from dues, bake sales and other fund-raising events is owned by the club, not by any one member or leader of the club. Because 4-H is a public organization, it is not "owned" by individuals the way a company is owned. Instead, 4-H is owned by the public. Therefore, the treasurer of a 4-H club is responsible not only to the other officers, but also to the other members, the adult leaders, and the public.

You're in charge of helping the treasurer "keep the books," that is, your club'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 clubs by studying and following the money handling

methods found in this handbook and the treasurer's handbook. These standards apply whether a group has 25 cents or \$2,500 in the treasury. Conflicts may arise if money is not handled carefully and accurately. You can protect the treasurer and your 4-H club from conflict by encouraging them to be careful, responsible, and accurate when handling the club's finances.

- Support and advise the 4-H club treasurer.
- Be informed on financial issues that effect the 4-H club.

You and the club treasurer are responsible for completion of the 4-H Club and Group Annual Financial Report. This is part of the Annual 4-H Charter Renewal process. This report is on the last two pages of the Charter Renewal Packet. It must be completed at the end of the 4-H fiscal year, which is June 30. Both you and the treasurer must sign this report. It is submitted by the 4-H club with the Annual 4-H Charter Renewal Packet.

All 4-H Clubs and Groups must comply with Wisconsin 4-H Youth Development Policies (which can be found on the Wisconsin 4-H website) and state and federal laws when working with 4-H money.

FINANCIAL GUIDELINES

Checking and Savings Accounts

1. All 4-H groups should establish a checking account at a public financial institution. To help maintain accountability, duplicate check systems are recommended. The 4-H group leader, with the treasurer, should establish this account. The account should be set up so that all checks require two signatures. In the case of a 4-H club, the individuals authorized to sign might be the club treasurer and an adult club leader. Whenever the treasurer is younger than age 21, the co-signer must be an adult. It is not recommended that a parent and child from the same family be co-signers. Authorized signatures will need to be updated each time a new treasurer is elected or when leadership changes in the group.
2. 4-H clubs with a checking or savings account are required to have an Employer Identification Number (EIN) to open an account. To apply for an EIN from the Internal Revenue Service, please contact your county 4-H Youth Development Educator.
3. 4-H funds must be deposited in a FDIC (Federal Deposit Insurance Corporation) or NCUA (National Credit Union Administration) insured institution. This includes the use of savings accounts, checking accounts, money market accounts and certificates of deposit.



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4. If a check written on the club's account is lost, notify the customer service department of the bank at once.
 5. The treasurer may need assistance in reconciling the bank statement each month. Be sure an approved method is used.
 6. Wisconsin 4-H Youth Development Policy states:

"Upon dissolution, any 4-H club or unit with assets must turn over those funds to the county 4-H Leader's Association or county UW-Extension office to be used for 4-H Youth Development Programs."

Be sure this statement is included in your club's written by-laws or operating guidelines.

Handling Cash

1. All 4-H club financial transactions should take place by check rather than cash to ensure accountability.
2. The leader should encourage the treasurer to deposit funds promptly.
3. All money received should be acknowledged with a written receipt, preferably prenumbered. The receipt should include the source of the funds (such as a car wash or plat book sales), the date, and if possible, the name of the person making the payments. These receipts are the back-up documentation for any bank deposits made. The receipts should also become a permanent part of the club records.
4. Payments should 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.

Budget

4-H clubs need to prepare a budget annually. A budget is a written plan for raising and spending money for the year.

When a budget is established it must be approved by the members of the club. It's not necessary to seek approval for

payment of individual items already listed in the budget. If items arise that are not part of the budget, each item needs to be presented to the members for approval before payment. This accomplishes two things. First, all expenditures of the club funds are made with the full approval of the club. Second, this is a great way for the club members to learn how money flows into and out of an organization.

Excess Funds

4-H Clubs and Group must practice financial policies that retain their nonprofit status and prevents them from accidentally falling into a private foundation status. This is the primary reason for the 4-H Clubs and Groups to not hold excess funds. Wisconsin 4-H Clubs and Groups may have this year's projected expenditures and one additional year's expenditures in their accounts OR \$1,000 whichever is greater.

Once a 4-H Club or Group exceeds this limit, they must work with the 4-H Youth Development Educator to create a 5-year plan to spend down the excess funds or to transfer the funds to an endowment with the Wisconsin 4-H Foundation or other pre-approved foundation or endowment. Approval must come from the 4-H Youth Development Program Director and the UW-Extension Director of Budget and Fiscal Operations. A 5-year plan must be written and meet a specific educational goal.

For additional information, see your 4-H Youth Development Educator and read the resources on the Financial Management page on the Wisconsin 4-H website.

Reports and Audits

1. The 4-H volunteer leader needs to work closely with the club treasurer to complete the Club Financial Record, monthly Treasurer's Report for the membership, and the 4-H Club and Group Annual Financial Report.
2. The 4-H Club Annual Financial Report sums up your club's financial activities for the year. Income and expenditures are to be grouped by categories such as fund raising, dues, donations, investment income, income from Youth Development Services, Pass Through Funds, Educational Supplies, Community Service Expenses, Recreation, etc.



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3. UW-Extension is asking all 4-H Clubs and Groups to use a cash accounting method. 4-H Clubs and Groups are expected to be raising money for the next fiscal year, while spending money that was raised in the previous year. This means 4-H Clubs and Groups may have obligations for expenses that have not been fulfilled, while it is taking in cash receipts for fund raising.
 4. Wisconsin 4-H Youth Development Policy states: “All 4-H clubs/units/groups are required to submit a financial record and audit report to the county UW-Extension Office once each year. This report is included in the annual charter renewal documents. Additional reports required by law must also be submitted to the respective agencies with a copy or verification of submission filed with the 4-H Youth Development staff.”

A 4-H group which handles funds must have an annual audit. The auditor (an adult unrelated to the youth treasurer and his/her adult mentor), working with a 4-H youth member, examines and verifies the account of the 4-H group at the end of the year or when a new treasurer takes office. An audit prevents misunderstandings and protects the outgoing and incoming treasurer of the 4-H group. The auditor should be an adult(s) not related to the treasurer and not directly involved with the club's finances. Additional information is located on the charter renewal support page of the Wisconsin 4-H website.

4-H Name and Emblem

All groups who use the 4-H Name and Emblem must follow Federal policies and rules. This includes, but is not limited to, 4-H clubs, county 4-H councils and advisory boards, 4-H teen or junior leader clubs, 4-H project clubs, and 4-H special interest groups. Contact your 4-H Youth Development Educator for more information on these policies and rules.

Fund Raising Guidelines

Your 4-H group should observe the following guidelines when planning or conducting a fund raiser: Receive advance approval from your 4-H Youth Development Educator for each fund raiser that you plan. Remember, there are certain rules about the use of the 4-H Name and Emblem in fund raising. Use the 4-H Name and Emblem only on products your group has made or produced. If working with a fund raising company or business, be sure that they have approval to use the 4-H Name and Emblem. All money raised

using the 4-H name must be used only for 4-H educational activities.

Check with local and state authorities on health, licensing, labeling, labor, and tax laws. If you need help, check with your 4-H Youth Development Educator.

4-H groups that plan to conduct raffles or bingo must comply with state regulations and obtain licenses. Any 4-H organization that plans to hold a raffle must obtain a raffle license from the Wisconsin Gaming board. Raffle licenses cover a 12-month period. There are two types of raffle licenses—Class A and B.

- Class A licenses cover raffle events where tickets or calendars are sold prior to the prize drawing date. Specific ticket/calendar form requirements must be followed.
- Class B licenses cover raffle events where all tickets are sold the same day as the drawing. Ticket form requirements are less stringent than for Class A raffles. Contact your 4-H Youth Development Educator for more information.



FEDERAL TAX FACTS

4-H is a tax-exempt organization under an IRS ruling letter of February 9, 1973. All 4-H Clubs and chartered Groups must file an IRS Form Series 990. It recognizes the tax exemption status of 4-H Clubs and affiliated 4-H organizations which are organized and operated under the guidance and control of the Cooperative Extension Service.

Federal Tax Exempt Status

4-H organizations are exempt from Federal income taxes, because they are described in section 501(c)(3) of the Internal Revenue Code.

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 Exemption Number (GEN)

The GEN is the Federal Identification Number. Chartered 4-H Clubs/Groups qualify for federal tax exempt status under the Wisconsin 4-H Clubs/Groups Group Exemption Number (GEN) 5968 held by the Board Regents of the University of Wisconsin System, doing business as UW-Extension. The 4-H Charter and annual renewal process identifies and acknowledges 4-H Clubs and Groups as subsidiaries of UW-Extension Cooperative Extension 4-H Youth Development and grants the rights and responsibilities of nonprofit status to them. As a subsidiary, 4-H Clubs and chartered Groups are exempt from

paying federal income tax on funds raised on behalf of 4-H to support youth education programs.

Donors may deduct contributions to 4-H Clubs and Groups as applicable under the IRS codes. This includes gifts, bequests, legacies, transfers, etc. Work with the 4-H Youth Development Educator for needed documentation of GEN for Wisconsin 4-H Clubs and Groups.

Filing Federal IRS Form Series 990

All 4-H Clubs and Groups are re-quired to file the IRS Form Series 990 by November 15. Your 4-H Youth Development Educator will e-file form 990-N for all 4-H groups and clubs which have annual gross receipts of less than \$50,000. These are annual in-formation returns that must be filed with the IRS by certain tax-exempt organizations. The specific return that must be filed is based on the organization's gross receipts and assets for the taxable year. (See table below.)

If a 4-H Club or Group dissolves, a Form Series 990 in the fiscal year that it was still handling money must be filed.

Individual Income Tax Deductions

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

- Cost of goods donated to 4-H (any donation over \$250 requires a letter from the UW-Extension office to verify the amount of the donation)
- Transportation costs, and
- 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. Date and nature of expenses need to be documented.

	Form to File	Who Files
Gross receipts normally \leq \$50,000 Note: 4-H Clubs and Groups eligible to file the <i>e-Postcard</i> may choose to file a Form 990 or Form 990-EZ.	990-N (e-postcard)	This filing is most often completed by the 4-H Youth Development Educator. 4-H Clubs and Groups should confirm this with the Educator.
Gross receipts $<$ \$200,000 and Total assets $<$ \$500,000	990-EZ or 990	This filing is completed by the 4-H Club or Group. Consult with the 4-H Youth Development Educator. Documentation of this filing is needed with the Annual 4-H Financial Report.
Gross receipts \geq \$200,000 or Total assets \geq \$500,000	990	This filing is completed by the 4-H Club or Group. Consult with the 4-H Youth Development Educator. Documentation of this filing is needed with the Annual 4-H Financial Report.



STATE TAX FACTS

Wisconsin Tax Exempt Status (Income Tax)

Any non-profit organization which is recognized by the IRS as exempt from Federal Income Tax will automatically be exempt from Wisconsin Income Tax. The Federal IRS Form Series 990 must be completed and submitted to the IRS.

Wisconsin Sales Tax Exempt Status

4-H Clubs and Groups which are authorized to use the 4-H Name and Emblem are eligible for tax exempt status relative to the Wisconsin State Sales Tax. In a continuing 4-H club, check with the previous leader to determine if a sales tax exemption number exists. To obtain a sales tax exempt certificate, please contact your county's 4-H Youth Development Educator.

4-H does not have to collect sales tax on items it sells. 4-H units do not have to collect sales tax on things that they sell, provided they meet the following standards:

1. Organization is not engaged in a trade or business.
2. Entertainment is not involved.
3. Organization does not have or is not required to have a seller's permit except for conducting bingo events.

These standards are addressed in the Occasional Sales by Nonprofit Organizations Statutes (pub 206, section IV). more detailed explanation of each standard follows:

1. The organization is not engaged in a "trade or business."

Two standards are used to determine whether a nonprofit organization is considered to be engaged in a trade or business: a 20-day standard and a \$25,000 receipts standard. Both of the standards must be exceeded before an organization is considered to be engaged in a trade or business.

A nonprofit organization is **not** considered to be engaged in a trade or business if:

- a. Its sales of otherwise taxable, tangible personal property or services or its events occur on 20 days or less during the calendar year, regardless of the dollar amount of sales.
 - b. Its "receipts" for the calendar year are \$25,000 or less, regardless of the number of days on which its sales or events occur.
2. Entertainment is not involved at an event for which charges constitute admissions.

For this purpose, "entertainment" means entertainment provided at an "admission" event by all persons or groups (e.g., band or singers) who are paid in the aggregate \$500 or more per event by all persons for performing, for reimbursement of expenses, or prize money.

3. The organization is not otherwise required to have a seller's permit.

A nonprofit organization is not required to hold a seller's permit if its sales are exempt from sales and use taxation (i.e., it meets standards 1 and 2).

To obtain a seller's permit, please contact your county's 4-H Youth Development Educator.



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