



# Money Matters

## 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 (BU-6715-S).

- **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 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. (*Tax Exempt Status of 4-H Organizations Authorized to Use the 4-H Name and Emblem, USDA*)
- **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, file all necessary state and federal forms, and submit an annual report to the Extension Educator responsible for the county/state 4-H program. (*Tax Exempt Status of 4-H Organizations Authorized to Use the 4-H Name and Emblem, USDA*)

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. (Center for Youth Development Homepage at <http://www.fourh.umn.edu/>)
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 should be reviewed and approved by the appropriate 4-H 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.
7. All 4-H groups should establish a checking account at a public financial institution. All checks require two authorized signatures.
8. Upon dissolution, all 4-H group assets and financial records must be turned over to the County or Regional Extension Office. Funds will be turned over for deposit to the County 4-H Federation or 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 an *Annual 4-H Group Budget and Financial Report* to the County or Regional Extension Office.

### 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 (U.S.D.A.), but it encompasses more than agriculture. In every state, the 4-H program is directed at the land grant college of that state. In MN, our land grant college is the University of Minnesota. MN 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 4-H Program Coordinators/Directors work with volunteers and parents to provide a youth-led organization that centers on education, 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.

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. Because 4-H is a public organization—federal, state and

county—it is not "owned" by individuals or a small group. Instead, 4-H is owned by the public. 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**

Leaders are in charge of helping the 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 MN 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 this both in 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 U.S.D.A. 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 Program Coordinator/Director 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 councils and advisory boards, 4-H teen or youth leader clubs, 4-H project clubs.

### **Financial Guidelines**

#### **Checking Accounts**

- All 4-H group financial transactions should take place by check rather than cash to ensure accountability. See Financial Transaction Form (Toolkit 15)
- To help maintain accountability, duplicate check systems are strongly recommended.
- All 4-H clubs/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.
- Each 4-H group must require at least the youth treasurer and 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. Neither adult leader may be the treasurer's parent or guardian. Note: If the bank does not allow a youth to sign on the account, the club/group must make sure that a young person is still elected as treasurer and carries out all other duties of the office.

- The checking account should be set up so that all checks require two signatures, youth treasurer and adult leader.
- 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.
- Read only rights on 4-H accounts are to be given to 4-H Extension Educator and Program Coordinator/Director. No 4-H staff member may sign on any account belonging to a 4-H club/group/federation.
- The treasurer should deposit funds promptly. Endorse checks immediately upon receipt.
- All money 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.
- 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 *Financial Transaction Request* (Toolkit 16).

- If a check is 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 Position**

- Reconcile the bank statement each month. A youth treasurer may need assistance with this process. See *4-H Group Treasurer Bank Statement Reconciliation* (Toolkit 17).
- Present a report at each meeting of income and expenses and ending balance that will be noted in the minutes of that meeting. See *Treasurers Report at a Club/Group Meeting* (Toolkit 18).
- Report any suspected theft or misuse of funds to the 4-H Program Coordinator/Program Director and the 4-H Extension Educator.

### **Budget**

It is essential that all 4-H groups effectively manage public funds raised as part of their activities. All 4-H groups must complete and file a copy of the "*4-H Group Budget and Financial Form*" (Toolkit 19) report if they handle any money during the year.

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

The form is completed twice during the year. The first time is at the beginning of the 4-H year (October 1) showing the proposed budget for the current year. The second time is at the end of the 4-H year (September 30) showing all actual income and expenditures for the current year. The proposed budget is for the next 4-H year.

The original form should be sent to the regional office as part of the 4-H Charter Application. One copy should be kept in the treasurer's book.

4-H Federation/Leader's Council may choose to attach their own budget form as long as it includes past year proposed, past year actual and the new year proposed budget amounts. All other information on the "Annual 4-H Group Financial Report" form must be completed and turned in along with the group's own budget form.

Also, the *Bring it Back* (Toolkit 20) form helps 4-Hers have some accountability when they have been given money to attend an event.

### **Fundraising Guidelines**

Your 4-H group should observe the following guidelines when planning or conducting a fundraiser: (See Toolkit 21).

Receive advance approval from your Program Coordinator/Director for each fundraiser that you plan (see sample *Fundraiser Approval Form* in Toolkit 22). Refer to rules about the use of the 4-H name and emblem in fundraising.

Use the 4-H name or emblem only on products your group has made or produced. If working with a fundraising company or busi-

nesses, 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 activities. (Contact your local Extension Office for *Guidelines for Authorized Use of the 4-H Name and Emblem*, the *Tax-Exempt Status of 4-H Organizations Authorized to Use the 4-H Name, and Emblem* booklets.)

Check with local and state authorities on health, licensing, labeling, labor and tax laws. If you need help, check with your Program Coordinator/Director.

4-H groups planning to conduct raffles must comply with state regulations and obtain licenses. Contact the Minnesota Gambling Control Board for specific guidelines at (651) 639-4000, 1711 W. Co. Rd. B, Roseville, MN 55113. There are different types and lengths of licenses.

If you have questions, ask your 4-H Program Coordinator/Direction for more information.

### **Federal Tax Facts**

4-H is a tax-exempt organization under an IRS ruling letter of February 9, 1993. 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 Cooperative Extension Service.

### **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 4-H groups nationwide qualify to use the 4-H group exemption number (GEN2704).

*Filing Federal Form 990.* Tax exempt status does not exempt a 4-H organization from filing Form 990 if its gross receipts are over \$25,000 during the tax year. When H organizations file Form 990, they should use the 4-H group exemption number.

If the organization's gross receipts during the year are less than \$100,000 and its total assets at the end of the year are less than \$250,000 it may file Form 990-EZ, Short Form Return of Organization Exempt from Income Tax, instead of Form 990. Instructions for filing Form 990 or Form 990EZ and the required Schedule are available from the IRS. ([http://www.irs.ustreas.gov/prod/forms\\_pubs/forms.html](http://www.irs.ustreas.gov/prod/forms_pubs/forms.html)).

Forms 990 or 990EZ must be filed by the fifteenth day of the fifth month after the organization's accounting period ends.

### **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. Date and nature of expenses need to be documented.

### **State Tax Facts**

#### **Minnesota Income Tax Exemption**

In Minnesota, a non-profit organization which is recognized by the IRS as exempt from Federal income tax under section 501(c)(3) is NOT automatically exempt from Minnesota income tax. A non-profit organization that wants to be recognized by the Minnesota Department of Revenue as exempt from state income tax must apply for state income tax exemption by filing Form M-120 with the Minnesota Department of Revenue.

While there is no annual requirement to file the federal Form 990 with the Minnesota Department of Revenue, a tax-exempt organization may be required to file an income tax return, Form M-4NP, with the Minnesota Department of Revenue if the organization has any unrelated trade or business taxable income.

Copies of these forms are available through the Minnesota Department of Revenue.

#### **Minnesota Sales Tax Exemption Purchases**

For 4-H units to avoid paying Minnesota sales tax on purchases, the units must have obtained a Minnesota sales tax exemption certificate from the Minnesota De-

partment of Revenue. Application for sales tax exemption can be made by filing Form ST-16 with the Minnesota Department of Revenue.

## **Sales**

4-H units 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.

For assistance in applying these exemptions, contact the Minnesota Department of Revenue. When a 4-H unit engages in taxable sales activity, the unit must register with the Department of Revenue by filing Form ABR, Application for Business Registration.

The 4-H unit must collect Minnesota sales tax from customers at the time of sale. The 4-H unit must also file Form ST-1 on either a monthly, quarterly, or annual basis to report and remit sales tax collected on retail sales to the Department of Revenue. The 4-H unit should be aware that the Minnesota sales tax rate may vary depending upon the location of the sale. Additional guidance on Minnesota sales tax compliance is available from the Department of Revenue.

## **Minnesota Attorney General Oversight of Charities**

A 4-H unit recognized by the IRS as a 501(c)(3) organization may also be required to register with the Minnesota Attorney General's office under either the Minnesota

Charitable Trust Act (Chapter 501) or the Minnesota Charitable Solicitations Act (Chapter 309). If 4-H units either 1) expect annual revenues to exceed \$25,000 or 2) expect to solicit contributions in excess of \$25,000 on an annual basis, they must register with the Charities Division of the Minnesota Attorney General's Office. In addition, the 4-H unit would have an annual filing requirement with the Attorney General's Office that will include an attachment of the federal Form 990 filing.

## **Any Questions?**

***When does 4-H collect sales tax?*** Any 4-H group can sell up to \$10,000 of items, meals or drinks each year without having to impose the Minnesota sales tax on these sales. This exemption is allowed for any nonprofit youth group, such as a 4-H club or a Girl Scout troop. Besides this dollar exemption, any 4-H club can have up to 24 days of sales tax-exempt fundraisers per year. There are a few conditions on the 24-day law, such as the requirement that the fundraiser cannot last over 120 hours.

***Does 4-H itself pay sales tax?*** No, unless involved in "taxable sales". Yet each county needs to apply for its own sales tax exemption number or it may wish to have a unit using the tax exempt number a great deal apply for its own.

***Is 4-H a 501(c)(3)?*** Yes. A ruling issued to the Department of Agriculture by the Internal Revenue Service on April 24, 1946, recognized that 4-H clubs were exempt from Federal income tax under section 101(6) of the Internal Revenue Code of 1939, which corresponds to section 501(c)(3) of the 1986 Code. A ruling issued to the Department of Agriculture by the Internal Revenue Service February 9,

1973, recognized that all of the affiliated 4-H organizations authorized to use the 4-H name and emblem by the Department of Agriculture are eligible for inclusion in the original ruling of April 24, 1946. When needing to provide proof of 501 (c)(3) status, contact your County Extension Office.

### ***Unsure if you need a gambling license?***

Your County Extension Office can help with the laws governing your group's raffle fundraiser and related questions.

***What are “bargain sales”?*** Have you ever tried to get the best deal on a piece of equipment? Or tried to find funds but come up just a little short? Perhaps the vendor would be interested in a bargain sale and becoming a donor. A bargain sale is when the donor has in part sold the item and in part gifted the item. This allows your 4-H program to acquire assets for less than the fair market value while the donor receives a tax credit.

### ***When does 4-H need a tax ID number?***

4-H organizations need a tax identification number to have checking, savings or CD accounts. Any identifying numbers may be obtained by filing an *Application for Employer Identification Number* (Form SS-4) with the IRS. You may wish to download the form from the IRS web site at [www.irs.ustreas.gov/prod/forms\\_pubs/form\\_s.html](http://www.irs.ustreas.gov/prod/forms_pubs/form_s.html).

## **Federal and Minnesota Tax and Compliance Resources**

### **Internal Revenue Service**

WEB Page Addresses:

<http://www.irs.ustreas.gov>

<http://www.irs.ustreas.gov/businesses/index.html>

1-800-829-1040

## **State of Minnesota Secretary of State**

Business Services Division  
180 State Office Building  
100 Constitution Avenue  
St. Paul, MN 55155-1299  
651-297-5353

Management Assistance Program for Non-profits (MAP)

2233 University Ave. W., Suite 380  
St. Paul, MN 55114-1629  
651-647-1216

Email: [map@mapnp.org](mailto:map@mapnp.org)

### **Dissolution of Funds**

- Upon dissolution, all 4-H club's/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 five years.
  - Important financial records such as the Annual 4-H Financial Report form, review/audits, 990/990EZ, sales tax records, etc. must be kept for seven years.
  - Federal or grant money may have specific requirements, always check with the grant writing source.