

Financial Guidelines for Michigan 4-H Clubs & Groups



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Under the federal legislation governing the use of the 4-H name and emblem, new IRS reporting requirements for groups operating at 501(c)3 non-profits and in response to the Michigan State University Extension Financial Accountability Policy implemented in 2003, the county MSU Extension office is required to keep track of all transactions pertaining to financial management practices of MSU Extension sponsored groups. 4-H clubs and groups are considered MSUE sponsored groups. Because of this legislation and the MSU Extension policy, it's extremely important that all 4-H clubs be able to document the source of monies raised and how it is disbursed.

4-H youth participants pay an annual \$10 fee when they enroll each year in 4-H. The fee is used to support county and state programming. Local groups may also choose to raise money for their educational and recreational goals through fund-raising, dues or both. A club or group treasury is optional, but is necessary if funds are raised and maintained for club use. Fund-raising should be done for the good of the total group, be used for support of educational programs and should be consistent with the county 4-H fund-raising policies.

All club and group fund-raisers must be pre-approved by MSU Extension staff. Fund-raising should not be the main focus of group activities nor exclude any individual from participation. Funds are expected to support the financial needs of the total group and when possible, assist with participant cost in county, state, national and international programs. The guidelines listed below are in effect to help clubs and groups fulfill their responsibilities for handling funds:

1. Every 4-H club or group is required to have an Employer Identification Number (EIN) regardless of whether or not they have a bank account. To apply for an EIN, use IRS Form SS-4. A copy of this form can be found in the Michigan 4-H Treasurer's Record Book (4H1203) on page 34. Groups who maintain funds need to report this number to the bank and the county MSU Extension office. Clubs and groups

can be fined \$50.00 by the Internal Revenue Service for failure to report an EIN. Failure to report the number to the county MSU Extension office could result in suspension of the 4-H club or group.

2. Clubs or groups having either \$2500 or more in their account(s), or \$2500 or more of activity during the year must have their monthly bank statement(s) sent directly to the county Extension office. The office will make a copy of the bank statement(s) for their audit files and forward the original bank statement(s) on to the club or group treasurer.
3. The club treasurer must use the Michigan 4-H Treasurer's Record Book or some facsimile to show cash received, where the money came from and payments made, complete with check number, date and purpose. If the group does not have a checking account but has a savings account, checks or money orders should be purchased from a bank or credit union. For the treasurer's protection, copies of these checks or money orders are to be recorded and maintained.
4. Any payment should be 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 written on it will become a permanent part of the records for the treasurer's protection. Copies of these checks are to be recorded and maintained.
5. Some clubs and groups prepare a budget for the year. A budget is a written plan for raising and spending money for a set period of time, usually one year. Each item that is to be purchased needs to be presented to the members for approval before payment. Since a budget is approved by the members of the club, it's not necessary to seek approval for payment of items already listed in the budget. A budget 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 in and out of an organization.
6. All money received should be acknowledged with a pre-numbered written receipt. The receipt should include the source of the funds (for example, 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.

7. All bank statements, receipts, canceled checks, checkbooks, savings account books and the Michigan 4-H Treasurer's Record Book (4HI203) must be turned in to the local county MSU Extension office when requested by MSU Extension staff. The 4-H Youth Extension Educator or the county Extension director (CED) can request periodic audits.
8. Clubs and groups must submit an Annual Summary Financial Report to the MSU Extension office for review. Copies of this form can be found in the Michigan 4-H Treasurer's Record Book on page 26. This financial report is submitted to the county Extension office on a date determined by the county. Groups with \$2500 or less must submit the beginning and ending bank statement for all accounts along with the Annual Summary Financial Report.
9. Clubs that do not have a treasury or handle any money need to mark zeroes on the Annual Summary Financial Report, sign, and return it to the county MSU Extension office once a year, on the date determined by the county.
10. Due to the Pension Protection Act (PPA) of 2006, beginning in 2008, new annual IRS (electronic) filing requirements will impact 4-H programs. These new filing requirements are explained below.

If a 4-H group does not have funds and does not plan to raise funds they will not need to file the IRS 990 e-postcard. Groups that do not currently have funds but plans to raise funds in the future and wish to remain a tax-exempt 4-H group will need to file Form 990-N, "Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ". Groups with \$0 - \$24,999 need to file Form 990-N, "Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required To File Form 990 or 990-EZ". As always, groups with \$25,000 or more in gross income for three or more years must file either Form 990, "Return of Organization Exempt From Income Tax" or Form 990-EZ, "Short Form Return of Organization Exempt from Income Tax". The IRS is developing the electronic filing system (there will be no paper form) for the e-postcard.

11. The annual IRS filing deadline is the fifteenth day of the fifth month after the close of the tax period.

Since Michigan 4-H's program year ends August 31, our filing deadline will be January 15. Organizations that fail to file the notice for three consecutive years will lose their tax-exempt status. To ensure compliance of all Michigan 4-H groups, county MSUE offices will take responsibility for filing the IRS 990 e-postcard for all groups each December. This will be done as a part of the county's reenrollment process.

12. Each club should have at least two adult leaders' names and the youth treasurer's name on the account at the bank (with neither adult leader being the parent of the treasurer). No 4-H staff signature shall appear on any 4-H account belonging to clubs or groups.
13. All fund-raising activities must have prior approval from the 4-H Youth Extension Educator or the CED. All money raised using the 4-H name must be used only for 4-H activities. Because these funds are publicly accountable, they must not be used in any way to enrich individuals. This means that money may not be given out to individual club members or others, but must be used to pay for educational programs, activities, workshops or 4-H club supplies. Money may be transferred to fund county, state or national 4-H programs.
14. Non-cash donations to clubs (for example, consumable donations of supplies or miscellaneous items) should be acknowledged in writing to the donor. A copy of the acknowledgment must be kept in the club treasurer's records. Nonconsumable donations such as equipment or animals should be accepted only if the club is prepared to accept the responsibilities of ownership including care, maintenance and insurance. Written acknowledgment should be sent to the donor and a copy must be kept in the club treasurer's records. The Internal Revenue Service requires a specific set of written documents to be completed by the donor and the donee if a non-cash gift is valued at \$5000 or more. In such a case, consult a qualified attorney. Donors cannot specify the individual recipient of cash or non-cash donations. Clubs should not feel compelled to accept non-cash gifts.

The Extension staff responsible for 4-H Youth programs should be contacted whenever the club has questions about the appropriate action with respect to accepting and managing any donation.

15. Clubs and groups may use the state 4-H tax exempt number for educational purchases for club use. If an item being purchased would have a sizable amount

of tax on it, contact the local MSU Extension office for this number.

16. Michigan tax law requires that organizations selling tangible personal property collect sales tax from the buyer. Therefore, 4-H clubs and groups are required to collect and remit sales tax on things like cook-books, calendars or plat book sales; on the fair market cost of items raffled off, concession stand sales, and in most instances where some tangible item has been sold. For clubs where the tax collected is not more than \$25.00 in a year, the treasurer completes the Annual Summary Financial Report on page 26 in the Michigan 4-H Treasurer's Record Book (which includes documentation of the taxable items), writes a check for the amount of the tax to the local MSU Extension office and submits it to the MSU Extension office. The MSU Extension office will issue a receipt for this payment and forward this money on to MSU with its quarterly payment. Clubs, programming committees, councils and groups that have significant fundraising programs should remit sales tax on a quarterly basis to the MSU Extension office. Fund-raising would be considered significant if over \$25.00 in taxes is owed. If sales tax is collected and recorded separately, then it needs to be recorded separately as a revenue item (check the Annual Summary Financial Report). In all cases the sales tax is to be remitted regularly and records as to how the sales tax was generated must be kept to a minimum of 7 years.

17. Any 4-H club or group that disbands with money left in its account must turn over those funds to the county 4-H council or county MSU Extension office. All property belonging to the club or group shall be disbursed in the same manner. Club members may request that the money be used for a specific 4-H program within the club, county or state. This request will be acted upon by the county 4-H council in concert with the Extension staff responsible for 4-H Youth programs at the time the club is dissolved. If a club divides itself, creating more than

one recognized and properly registered club, the funds from the original club shall be evenly disbursed, based on membership, in each club.

18. The MSU Extension staff person responsible for 4-H Youth programs has the responsibility to investigate the disbursement of 4-H funds by any club if a complaint is made by 4-H members or parents. Issues of this nature can be avoided by following these guidelines. Concerns raised are settled quickly if clubs have kept their books up to-date and have followed these guidelines.

This handout was adapted from materials originally developed by J. Dompier and S. Fritz, former Michigan 4-H Youth Development Programs staff and Bruce Smith, former CANR Financial Officer.



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The name 4-H and the emblem consisting of a four-leaf clover with stem and the "H" on each leaflet are protected under Title 18 U.S.C. 707.

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