

Maryland 4-H Youth Development

To Make the Best Better

University of Maryland Extension



MARYLAND 4-H LEADERS CLUB FINANCIAL HANDBOOK

FOR CHARTERED 4-H CLUBS USING THE 4-H NAME AND EMBLEM



The Maryland 4-H Youth Development program is part of the University of Maryland Extension (UME), which is part of the University of Maryland. Because of this relationship, all financial transactions of local 4-H clubs must be managed according to the guidelines outlined in this handbook.

As a 4-H Club Leader, it is your duty to assist the youth treasurer in managing the club treasury along with overseeing all financial transactions and reporting.

4-H CLUB – PUBLIC FUNDS

4-H Clubs are open to all youth without regard to race, age, sex, color, sexual orientation, physical or mental disability, religion, ancestry, or national origin, marital status, genetic information, or political affiliation, or gender identity and expression.

Because 4-H is a public organization, clubs are held to a higher standard of accountability and integrity for financial recordkeeping.

4-H Clubs can meet these standards by following the money handling methods, guidelines, and policies found in this handbook. These standards apply to all clubs, whether a group has 25 cents or \$2,500 in the treasury.

The money clubs receive from dues, donations, or other fundraising efforts is owned by the club, not by any one member or leader of the club. The following guidelines will help your 4-H club fulfill its responsibilities for properly handling public funds:

1. BANK ACCOUNT

All monies should be placed in a bank account in the name of the club at a public financial institution. It is highly recommended that bank statements be sent from the bank directly to the club leader to allow for necessary oversight, before sharing with the youth treasurer.

2. PETTY CASH

Petty cash requires extra record keeping to ensure its safety. 4-H Club petty cash is not encouraged and should not be used as a substitute for sound advance planning and budgeting. If a club still votes to have petty cash, it cannot exceed \$25. Any amounts higher than that must be deposited into the club bank account. Records must also be in the regular treasurer's report including the quantity of money monthly and the location of the petty cash, to ensure proper cash tracking and security.

3. EMPLOYER IDENTIFICATION NUMBER (EIN)

Every 4-H club must have an Employer Identification Number (EIN), even if they do not handle money. (Military clubs, in-school or afterschool programs in which certification for tax purposes are obtained through other entities are exempt from this requirement.) In addition to being required for Maryland 4-H records, this is also required to open a checking or savings account. If you need to apply for an EIN, contact your county Extension office.

4-H must be included in the official club name on the EIN application and on the group bank account(s).

The process for obtaining an EIN will require a Social Security Number from the volunteer or leader. It is safe to do so; IRS discards the SSN following assigning the EIN. However, do not use a personal social security number in establishing a 4-H club checking or savings account due to tax liability concerns. Procedures for filing for an EIN can be found at your local UME 4-H Office and on the Maryland 4-H Website.

4. SIGNATURES

Each club is required to have a minimum of two (2) names on all checking and savings accounts. Chartered 4-H clubs will have the club leader or another UME volunteer, and the youth treasurer and on accounts. The two names on the account should not be related. Both signatures are required on each check issued, as well as cash withdrawals. If the banking institution you choose will not allow youth on an account, another club volunteer, not related, may be the second name on the account. However, the youth treasurer is to take an active part in Treasurer duties. The handling of money is a useful and educational experience for members; leaders should function as advisors to this experience. No UME 4-H faculty/staff member's signature may appear on any account belonging to a 4-H club.

5. MARYLAND 4-H CLUB TREASURER'S RECORD BOOK

The club treasurer must use the Maryland 4-H Club Treasurer's Handbook to show sources and amounts of money received and payments made to whom and for what purpose as well as developing meeting treasurer's reports to be given at each club meeting.

Treasurer's records become a permanent part of the club records. Club Treasurer's Books along with all supporting documents such as cancelled checks, bank statements, and receipts, should be kept by the club for five (5) years plus the current year, before being disposed of.

6. ANNUAL BUDGET

Clubs are encouraged to prepare an annual budget. This is a written plan for earning and spending money for one year. Since the members of the club approve the budget, it will not be necessary to seek approval for payment of items included in the budget. If the club does not have a budget, as items arise that are not a part of the budget, each item must be presented to members for approval before payment is made. An annual budget accomplishes two things. First all expenditures of club funds are made with full approval of the club. Second, it is a great way for members to learn how money flows in and out of an organization.

7. PAYMENTS

Payments should be made only in response to a written bill or sales receipt. The receipt or bill should include what was billed, cost of item(s), who is to be paid, along with the check number and the date of the check on it. This will become a permanent part of the treasurer's records. All bills/receipts should be attached to each monthly treasurer's report or included in a section of the treasurer's book.

8. INCOME

All income should be acknowledged with a written receipt, preferably pre-numbered. The receipt should include the source of the funds (such as carwash or plant sale), the date, and, if possible, the name of the person making the payment. These receipts are the back-up documentation for bank deposits. Receipts become a permanent part of the club records and should be attached to each monthly treasurer's report or included in a section of the treasurer's book.

9. HANDLING CASH

All 4-H Club financial transactions should take place by check rather than cash to ensure accountability and create a stronger record of each transaction. All received funds should be deposited promptly.

10. CASH DONATIONS

Cash donations where the donor receives nothing in return, must be acknowledged in writing to the donor and must include the group name, date, and amount of the contribution, by receipt and/or letter. A copy of the acknowledgement must be kept with the treasurer's records and/or attached to each monthly treasurer's report. For examples, see "*Acknowledging Charitable Donations Fact Sheet.*"

11. NON-CASH DONATIONS

Noncash donations (consumable donations of supplies or miscellaneous items) where the donor receives nothing in return, should also be acknowledged in writing to the donor with the group name, date, and description of the item(s).

4-H cannot value the non-cash donation (as per IRS regulations). Determining a fair market value of noncash donations is the responsibility of the donor, in consultation with his/her tax advisor and individuals qualified to appraise an item of this type. The 4-H club should only verify the receipt of the donation and not assign any value, unless it is a monetary contribution. It is not appropriate for a 4-H club, faculty/staff member, or UME volunteer to place a value on items donated. For examples, see "*Acknowledging Charitable Donations Fact Sheet.*"

Donors cannot specify the individual recipient of cash or noncash donations. A copy of the acknowledgement must be kept with the treasurer's records and/or should be attached to each monthly treasurer's report.

Non-consumable 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. Clubs should not feel compelled to accept noncash gifts. Contact the 4-H faculty/staff member whenever there are questions about accepting and/or managing donations.

12. QUID PRO QUO CONTRIBUTIONS

Quid pro quo contributions, "payments made partly as a contribution and partly for goods or services provided to the donor by the charity," should also be acknowledged in writing. In other words, the donor received something in return for the contribution; however the price paid exceeds the fair market value. Therefore the donor can claim a tax deductible donation for only the amount exceeding fair market value.

An example of a quid pro quo contribution is where the donor gives \$100 for a concert ticket valued at \$40. In this example the donor can claim a donation of \$60 ($\$100 - \$40 = \60). The disclosure statement must inform the donor that the "amount

of the contribution that is deductible for federal income tax purposes is limited to the excess of any money (and the value of any property, other than money) contributed by the donor over the value of goods or services provided by the charity,” and provide the donor with a good faith estimate of the value of goods or services that the donor received. For examples, see “*Acknowledging Charitable Donations Fact Sheet.*”

13. FUNDRAISING

Clubs may raise money for their goals through fundraising or dues or both. Fundraising must be done for the good of the total group and be consistent with the county/state fundraising policies. The 4-H Youth Development Educator must approve all club fundraising activities before the event occurs, see sample approval request form.

All monies raised using the 4-H name must be used only for 4-H activities. Because these funds are publicly accountable, they may not be given to individual club members or other community groups, but must be used to pay for educational programs, activities, workshops, or supplies.

Clubs are expected to support the financial needs of the total group and, when possible, assist with participant costs in county, state, national, and international programs. However, fundraising should not be the main focus of group activities nor exclude any individual from participating.

Recommended fundraisers for youth groups include car washes; bake, cookie, fruit, plant, candy, and yard sales; pancake suppers, spaghetti dinners, auctions, and flea markets. Raffle type fundraisers should be given careful consideration to ensure it positively promotes the ideals and goals of the 4-H organization, (see National 4-H Policy on Raffles and Games of Chance at <https://nifa.usda.gov/sites/default/files/resource/Raffles%20Lotteries%20Gaming%20and%204-H%202011.pdf> along with Maryland 4-H Youth Development Program’s Raffles and Games of Chance).

14. SALES TAX

Maryland tax law requires that organizations selling tangible personal property collect sales tax from the buyer. Therefore, clubs are required to collect and remit sales tax on things like cookbooks, calendars, or plant sales. For more information, call the Maryland State Comptroller’s Office at 1-800-492-1752 and ask for the Special Events Office to get a temporary sales tax license. Sales tax is not collected on services such as car washes.

15. CLUB INVENTORY

Clubs owning equipment worth more than \$25 in value must complete an Annual Property Inventory Report. This includes permanent equipment like laptops, firearms, and other items of value. There is no need to report disposable materials like paper reams, paper targets, etc, unless they are of large value such as ammunition.

16. CLUB LEVEL AUDIT

A club level audit must be done at the end of each fiscal year prior to submitting the financial records to the county office. The club level audit should be conducted by two (2) adults and two (2) youth, not related to each other or the club treasurer. The audit checklist will help guide those individuals through checking the treasurer's book and supporting documentation for proper financial recordkeeping.

Following a satisfactory audit, those youth and adult auditors will sign and date the bottom of the Annual Financial Report Summary to be submitted to the county office, by November 15th of each year.

17. ANNUAL REPORTING

Under the U.S. Department of Agriculture and the University of Maryland guidelines, each local UME Office is required to keep track of all financial transactions made by clubs authorized to use the 4-H name and emblem.

Due November 15th of each year, authorized clubs must complete an Annual Financial Summary Report showing the source of all income and how it is disbursed. The Annual Financial Summary Report, along with the year's Club Treasurer's Book, Property Inventory Report, and supporting documents, is submitted to the local UME 4-H Office November 15th of each year. It is imperative that this deadline is met to ensure all financial reports are received by the State 4-H Office by appropriate deadlines to then file the information with the IRS.

The required annual report:

- Creates an open, public record for each nonprofit group.
- Fulfills the audit concerns of the University of Maryland.
- Shows how Maryland Extension-related organizations help the University fulfill its obligation of accountability to the residents of Maryland.

18. LOCAL UME REVIEW

The local UME 4-H Youth Development Educator or other identified UME faculty/staff will conduct a financial review on each club's Annual Financial Summary Report and Club Treasurer's Book with supporting documents. UME faculty/staff will then sign off on the Summary Report and a copy will be forwarded to the Maryland 4-H Office.

Supporting documents to submit with the Annual Financial Summary Report and Club Treasurer's Book are all bank statements, receipts, cancelled checks, checkbooks, savings account books, and any other supporting documentation for transactions. These items will be returned following the review and should remain with the permanent club record.

19. CLUB DISBANDMENT

Monies left in account(s) when a club disbands, ceases operation, or loses its charter, any funds remaining after payment of any Club obligations must be transferred to the local Extension Advisory Council/Board. These moneys may be used for local 4-H programs and activities. All property belonging to the club must be turned into the UME Office. If a club divides, creating more than one properly chartered club, the funds from the original club must be divided, based on membership in each club.

20. CLUBS NOT HANDLING MONEY

Clubs that don't have treasuries and don't handle any money need to mark \$0's on the Annual Financial Summary Report, sign and date the form, and return to the County UME Office by November 15th of each year.

21. COMPLAINTS

The UME 4-H Youth Development faculty/staff member will investigate all complaints regarding use of funds. Concerns can be avoided and/or settled quickly if all financial records are kept up-to-date and the guidelines outlined here have been followed.

22. MARYLAND 4-H PARTICIPATION FEE

Maryland 4-H members, ages 8-18, are to pay a \$10 annual participation fee. Parties exempt from the fee are volunteers, clover members ages 5-8, 4-H youth enrolled through bulk methods, and 4-H youth participating in clubs on military bases. The fee is used to support county and state programming. If a family has multiple children, the maximum number of youth a family has to pay for is three (\$30). Any families unable to afford the fee may request a waiver in writing to the Maryland 4-H Program Leader. For complete details on the Maryland 4-H Participation Fee, please refer to the *Maryland 4-H Annual Participation Fee FAQ* (<http://extension.umd.edu/sites/default/files/docs/locations/MDParticipationFeeFAQ.pdf>).

23. TAX FILING

All 4-H group/affiliate, regardless of their annual revenue, are required to file a 990 or 990N with the IRS annually. 4-H groups/affiliates with \$50,000 or less in total receipts will file an electronic postcard. 4-H group/affiliates with more than \$50,000 in total receipts will file a 990 form. The form is found at <http://www.irs.gov>. Filing must be done by November 15th of each year. 4-H Groups must submit verification of filing to Local UME Offices. Groups should also keep a copy in their files. All 4-H groups must file, even if they do not handle money.

24. TAX EXEMPTION

The 4-H program in the United States, by definition of the Extension Committee on Organization and Policy (ECOP), operates under the 501(c)(3) status of the Internal Revenue Code. This means that 4-H clubs/groups/affiliates are tax exempt in both state and federal income tax. This does not mean that the clubs are exempt from paying sales tax in Maryland.