

4-H Club Management

# WISCONSIN 4-H CLUB FINANCIAL HANDBOOK

Leader Guide

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WISCONSIN 4-H PUBLICATION

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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.

## 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, use Form SS-4 from your local bank or the IRS. Be sure to put “4-H” as the first word of your club name on the form and on your club bank accounts. When completing line 10 on the form for “Nature of Business,” use 4-H club or affiliated 4-H organization. This will speed up the application process and help ensure that the IRS grants your club nonprofit status. Do not use a personal social security number in establishing a 4-H club checking or savings account due to tax liability concerns.
3. If a check written on the club’s account is lost, notify the customer service department of the bank at once.
4. The treasurer may need assistance in reconciling the bank statement each month. Be sure an approved method is used.
5. 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 guidelines.



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## 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

Some clubs 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. 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 a club doesn't have a budget or 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.

## Reports and Audits

1. The leader needs to work closely with the club treasurer in completing the Club Financial Record and monthly Treasurer's Report.
2. The 4-H club Annual Financial Report sums up your club's financial activities for the year. Income and expenditures can be grouped by categories such as dues, project supplies and refreshments.
3. A 4-H group which handles funds must have an annual audit. The auditor 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.

4. Wisconsin 4-H Youth Development Policy states:  
"All 4-H clubs or units are required to submit a financial record and audit report to the county 4-H leader's association and the county 4-H Youth Development Agent once each year."

## 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 Agent 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 Agent 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 or 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 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 Agent.

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 Agent for more information.



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## FEDERAL TAX FACTS

4-H is a tax-exempt organization under an IRS ruling letter of February 9, 1973. 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 of 1954. (If your organization has gross receipts in their tax year that normally exceed \$25,000, then you must file a Form 990.)

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 (GEN) of 2704.

### Filing Federal Form 990

Tax exempt status does not exempt a 4-H organization from filing Form 990 if their gross receipts are over \$25,000 during the tax year. When 4-H organizations file Form 990, they should use the 4-H group exemption number (GEN2704). However, those 4-H organizations that have been granted tax exemption as separate entities cannot use this group exemption number. They must use their own 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.

Forms 990, or 990EZ, must be filed by the 15th day of the 5th 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 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.

## STATE TAX FACTS

### Wisconsin Tax Exempt Status (Income Tax)

Any non-profit organization which is recognized by IRS as exempt from Federal Income Tax will automatically be exempt from Wisconsin Income Tax. However, if the organization exceeds \$25,000 in income during the year the Federal Form 990 must be completed and submitted to the IRS. A copy of the form is also provided to the Wisconsin Department of Revenue.

### Wisconsin Sales Tax Exempt Status

4-H does *not* have to pay sales tax on purchases for the program. 4-H units 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, you will need to file a Wisconsin Department of Revenue Form S-103. Call the State Revenue Department for form S-103.

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: Section 77.52 (7m), Wis. Stats. (1987-88) Wisconsin Tax Bulletin #59 and new regulations as of Jan. 1, 1989. A 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 \$15,000 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 \$15,000 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 \$400 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, the non-profit organization must file Wisconsin Form A-101, Application for Permit, with the department. This application form may be obtained from any department office or by writing or calling Wisconsin Department of Revenue, Post Office Box 8902, Madison, WI 53708, telephone (608) 266-2776.

## 4-H CLUB ANNUAL FINANCIAL REPORT

(Submit annually to UW-Extension Office.)

Club \_\_\_\_\_  
E.I.N. \_\_\_\_\_  
Employee ID # \_\_\_\_\_  
Report for \_\_\_\_\_ (Date) through \_\_\_\_\_ (Date)

**Checking Account**

Beginning Balance \$ \_\_\_\_\_  
Ending Balance \$ \_\_\_\_\_

**Savings Account**

Beginning Balance \$ \_\_\_\_\_  
Ending Balance \$ \_\_\_\_\_

**Other (specify: \_\_\_\_\_)**

Beginning Balance \$ \_\_\_\_\_  
Ending Balance \$ \_\_\_\_\_

\_\_\_\_\_  
Treasurer Signature

\_\_\_\_\_  
Leader Signature

"I have reviewed the pertinent records relating to the above financial accounts, verified the information, and believe that the balances shown are correct."

\_\_\_\_\_  
Auditor Signature





and programming, including Title IX and American with Disabilities (ADA) requirements.”

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The 4-H name and emblem are federally protected under Title 18 US Code 707.

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