I. GENERAL

The Secretary of Agriculture of the United States Department of Agriculture holds the 4-H name and emblem in trust for the educational and character-building purposes of the 4-H program. The 4-H name and emblem can be used only as authorized by statute and according to the authorization of the Secretary or designated representative. The 4-H Program Leader at Cornell Cooperative Extension Administration authorizes charters to be issued for 4-H clubs in New York State. These charters authorize clubs to use the 4-H name and emblem. When members and leaders of 4-H clubs request use of the 4-H name and emblem, they agree to conduct the club business according to federal, state, and local laws and policies of Cornell Cooperative Extension. This privilege brings a degree of accountability – to the USDA, Cornell Cooperative Extension, and the local extension association by the 4-H club.

Affiliated 4-H organizations that are not separately organized as corporations or unincorporated organizations will operate under a MOU issued by the State 4-H Office. Affiliated 4-H organizations may consist of groups that provide support to the 4-H program. Cornell Cooperative Extension recognizes these entities as partners with the 4-H program and has expectations for accountability and compliance with applicable laws and policies. Examples of affiliates include: leaders organizations, unincorporated foundations, 4-H fair boards and program advisory groups.

Federal, state, and county tax funds are the major source of support for all Cornell Cooperative Extension programs, including 4-H. These funds are used to carry out Extension’s mission as an educational arm of the USDA and land grant universities. There are some educational efforts provided through 4-H that cannot be supported properly by tax funds alone. Private support monies are generated by local and state 4-H foundations and other sources. All funds used in support of 4-H programming should be: 1) given and used for priority educational purposes; 2) accounted for efficiently and responsibly.

This F.O.R.M. Code addresses procedures to be followed by individual 4-H clubs and affiliated organizations.
II. Change to Organizational Structure – Tax Exempt Status
The original group exemption for 4-H clubs and affiliated 4-H organizations was issued by the Internal Revenue Service in 1946. Each 4-H club and affiliate was recognized as an independent subordinate organization exempt from federal income tax under a group exemption issued to the USDA. Because of changes to the legal landscape over the ensuing years, such as the Pension Reform Act of 2006, requiring virtually all tax exempt organizations to file IRS Form 990 series returns, NIFA has decided that it is no longer feasible to maintain the level of supervision and control needed to maintain a group exemption. NIFA, the National Institute of Food and Agriculture, has decided to allow the group exemption for 4-H clubs to lapse after 05/16/2011.

III. New Organization Structure – Tax Exempt Status
Cornell Cooperative Extension has decided that 4-H clubs will no longer be separate entities, or independent organizations as they were in the past, but will be considered intrinsic activities of extension associations. Since the 4-H clubs are activities of the extension associations, there is no need for clubs to have separate tax exempt status:

- 4-H clubs are activities of extension associations. They are organized to accomplish the land grant mission.
- 4-H clubs are not separate entities. They have no separate legal existence.
- Financial activities for 4-H clubs are to be included on the books of the extension association when certain criteria are met.
- 4-H clubs do not file separate IRS Form 990 series tax returns.
- Charitable contributions to 4-H clubs are deductible on the donor’s personal income tax returns.
- 4-H clubs are not listed in Publication 78, but the organization holding the group exemption for extension associations, Cooperative Extension Assoc in the State of New York, is listed. Refer to FORM Code 1210, Association Eligibility to Receive Charitable Contributions & Donor Documentation. All charitable contributions to 4-H clubs should be acknowledged promptly by extension associations.

IV. 4-H Club Financial Operating Procedures
- 4-H clubs having an EIN number previously issued by the Internal Revenue Service may continue to use the same EIN for banking purposes.
- Newly chartered 4-H clubs may obtain an EIN number for banking purposes, if approved by the extension association.
- 4-H clubs not opening bank accounts shall not obtain an EIN number from the Internal Revenue Service.
- 4-H clubs shall maintain a log or register for all cash receipts and cash disbursements by checking account.
- 4-H clubs shall maintain a log or register for all cash receipts and cash disbursements for a cash fund.
V. Decision Point
- 4-H clubs shall be allowed to open bank accounts should a need be demonstrated.
- 4-H clubs should consult with the Extension Association Educator to determine whether such a need exists. The decision shall be based upon cash balance, the need for additional measures to safeguard funds which banks provide, the nature, frequency and amount of receipts and disbursements, and the need to substantiate transactions at a higher level which banks provide.
- The Board of Directors shall authorize the opening of a bank account for the 4-H clubs. The Board shall designate which financial institution holds the account.
- 4-H clubs not authorized to open bank accounts shall maintain a cash fund to collect, to disburse, and to safeguard funds.
- Each 4-H club opening a bank account must have its own EIN number.

VI. Preparing IRS Form SS-4: Application for an Employer Identification Number
- 4-H clubs may not use the EIN number for the extension association or the personal social security number for the Club Treasurer, in lieu of obtaining its own EIN.
- Complete Form SS-4 according to its instructions.
- See Attachment 1 for example.

VII. Opening Bank Accounts
- Establish bank accounts in the names of the 4-H club and the extension association.
- Use the address for the extension association as the account holder.
- Statements of account should be mailed to the extension association. Ask the bank to send a second copy to the address for the 4-H Club Treasurer.
- Authorized account signors shall be the Club Treasurer and the regular check signor for the extension association.

VIII. Inclusion of 4-H Clubs Financial Activity on the General Ledger of Associations
- The cash balance and financial transactions for receipts and disbursements shall be included on the books of the extension association when the total for receipts and the total for disbursements normally rise to $7,500, annually, regardless of cash balance amount.
- The cash balance and financial transactions for receipts and disbursements shall be included on the books of the extension association when the cash balance normally averages $2,500, regardless of the totals for receipts and disbursements.
- When either threshold has been met, a 4-H club shall turn over to the association the checkbook and any documents to establish the account. All further receipts and disbursements shall be recorded on the books of the association, using the same policies and procedures applying to any other bank account.
IX. RESPONSIBILITIES
4-H clubs and affiliated organizations must:

- Maintain records for all financial transactions, documenting the nature and purpose for each transaction.
- Prepare an annual statement of cash receipts and cash disbursements and submit it to the Extension Association Educator for the extension association (see Tool L-18 for sample format).
- Maintain records for all contributions received by the organization.
- Submit an annual report (refer to Tool 6-C for an example) to the Extension Association Educator detailing programs, events and activities.
- 4-H clubs are discouraged from participating in any activities generating unrelated business income, but should the club generate any they should report it annually in writing to the program director by January 15th of the next year. 4-H clubs shall not file IRS Form 990-T, Exempt Organization Business Income Tax Return.
- 4-H clubs shall notify the Program Director of any charitable contributions received by the clubs. The notification shall be in writing. The extension association shall acknowledge these charitable contributions in writing.
- 4-H clubs or affiliated organizations may not use the extension association's sales tax exemption number for purchases. Clubs may not apply to NYS for sales tax exemption numbers, since the volunteer leadership for clubs changes frequently, which may result in loss of control over the sales tax exemption number.

X. Fundraising
Prior to beginning a fund raising activity, the 4-H club must obtain permission to raise funds. A written request should be submitted to the Extension Association Educator describing the nature of the fundraising activity and how the club intends to use the funds. (See Tool L-20 for a 4-H club or group fund raising checklist guide and request form.)

Fundraising activities may be conducted on an individual club basis or in conjunction with other local clubs. Financial activity for fund raisers jointly conducted by several area clubs/groups (such as cookie sales, fair booths, 4-H kit sales, etc.) must be included in the extension association's financial records.

The following are recommended cash control procedures for clubs or groups to use when cash or checks are collected:

- Door-to-door sales -- as the club or a group member receives cash for a sale, a sales summary form must be completed. All cash and a copy of the sales summary form are to be given to the chairperson responsible.

- Fair Booth -- cash collected should be under the control of two people whenever possible, particularly when it is not practical to issue receipts. For example, at the end of each day
cash taken in at a fair booth should be counted by two people and a cash summary sheet prepared (see Tool L-21 for sample format). Use of a cash register is advised.

**NOTE:** Sales tax need not be collected on sales made door to door; however, sales tax **must** be collected if a table or booth is set up at a shop, store, or at a fair. Refer to F.O.R.M. Code 1203: Collection and Payment of State Sales Tax.

On a timely basis, all cash and checks received from the club or group's sales or fair booth must deposited using one of the following methods:

- deposited to the extension association bank account and a copy of the deposit slip and sales or cash summary sheet given to the Association Finance Administrator;

- given to the extension association, along with the cash or sales summary sheet, for deposit into the extension association’s bank account,

- deposited to the club’s or group’s bank account with a copy of the deposit slip given to the Treasurer.

**XI. OPERATING PROCEDURES**

**Club Records – Minutes and Treasurer’s Reports**
At each meeting, the Club Secretary is to keep accurate minutes of meetings and activities, including the Treasurer's report. At least once a month the Secretary is to read the minutes of the previous meeting and activity, for approval by members.

The elected Treasurer is to report at each business meeting the amount of money collected, the amount of bills paid since the last meeting, and the current balance in the treasury. This information is recorded by the Secretary in the minutes.

The volunteer leader of the club or group is to ensure that the Treasurer understands his/her responsibilities. These responsibilities are defined in the treasurer's record book (see Tool L-20).

**Cash Control**
Procedures described in F.O.R.M. Code 1102: Cash Controls, apply to extension associations and to 4-H club and affiliated organizations. The following are some basic controls.

- It is recommended that each club or affiliated organization work with the Extension Association Educator to develop the best strategy for safe guarding funds.
• If a checking account **does** exist, the volunteer leader is to ensure that:
  - deposits are made in a timely manner;
  - another club member, not the treasurer, is elected to reconcile the monthly bank statements with the treasurer's book;
  - all payments of bills made by the club or group are to be made by check, and with supporting documentation (bills, statements, packing slips, etc.). All bills are marked canceled as they are paid;
  - the volunteer club leader is to be the co-signor for checks written on behalf of the club. The member authorized as the check signer reviews the supporting documentation for each check.

• If a checking account **does not** exist, the volunteer leader is to ensure that:
  - another club member, not the treasurer, is elected to reconcile the cash, receipts, and bills with the treasurer's book on a monthly basis;
  - cash is adequately secured and safeguarded;
  - all payments of bills made by the club or group are to be made with supporting documentation (bills, statements, packing slips, etc.). All bills are canceled as they are paid.

Every club or group handling funds should make use of an audit committee to examine and verify the accounts of the club or group at the end of the year. The chairman of the committee should make an audit report (Tool L-19) to the club or group and file a written statement with the elected Secretary to be a permanent record in the club's or group's minutes. An audit committee prevents misunderstandings and protects the outgoing and incoming Treasurers of the club or group. Such a committee is usually appointed by the President of the club or group at the time the books are to be audited.

**Club Balance**
A 4-H club or affiliated organization should not carry balances exceeding $750 into the new fiscal year. Funds are intended to be used for programming purposes not to accumulate excessive cash balances. If, however, a club expects to utilize the funds for specific programs or activities in the next year, then it may request to carry the balance over to the next fiscal year. The request should be submitted to the Extension Association Educator, including a list of planned events explaining how funds will be used. The Extension Association Educator will review the request with the Association Executive Director to determine whether the funds should remain with the club.

**Disbursements for Personal Services and Reimbursements**
- Clubs must work with the extension association to pay anyone for personal services.
- Clubs may reimburse members and leaders for expenses authorized by the club.
XII. Dissolutions of 4-H Club or Affiliated Organization

When 4-H clubs disband, any remaining assets, such as equipment, property and bank accounts, must be relinquished to the extension association.