

A woman wearing a riding helmet, a dark t-shirt, jeans, and cowboy boots is leading a white horse in a field. The sun is low on the horizon, creating a warm, golden glow and lens flare effects. The horse is walking towards the left. In the background, other riders and horses are visible in a fenced area.

CHARTERING AND FINANCIAL MANAGEMENT GUIDE



THE UNIVERSITY OF ARIZONA
Cooperative Extension





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Cooperative Extension

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The University of Arizona Cooperative Extension 4-H Youth Development Club Chartering and Financial Management Guide

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SECTION 1 — Overview

1.1 Using the UACE 4-H Youth Development Club Chartering and Financial Management Guide

The University of Arizona Cooperative Extension (UACE) 4-H Youth Development Club Chartering and Financial Management Guide is an abbreviated set of rules, guidelines, and implementation procedures for 4-H volunteers to utilize to successfully manage clubs and resources in the University of Arizona Cooperative Extension 4-H youth development program.

Questions surrounding the content of this handbook should first be addressed to your county-based 4-H youth development professional.

1.2 4-H Policy

4-H policy provides a consistent framework for 4-H programs throughout the state. Policy is created to ensure that 4-H programming is consistent, fair, and legal.

Failure to follow policy could result in the loss of authorization to use the 4-H name and emblem or potential dismissal from the 4-H program as deemed appropriate by the University of Arizona Cooperative Extension administration.

Funds handled at the club level must comply with Arizona 4-H youth development policy and federal policy. *See Section 4: Financial Management for details.*

1.3 4-H Club Educational and Youth Development Principles

4-H Club money must support the education mission of the 4-H program. A 4-H club:

- Uses experiential learning – learning by doing – as a primary teaching approach.
- Must provide the Eight Critical Elements of positive 4-H Youth Development: <https://nifa.usda.gov/resource/essential-elements-4-H>
- Includes planned opportunities to learn and apply the life skills of leadership, citizenship, community service, and public speaking.
- Provides individual project experiences to take a youth's spark to mastery in science, technology, engineering, and math (STEM); citizenship; and healthy living.
- Provides programs, curricula, and procedures that are based in research and are developmentally appropriate.
- Provides members and volunteers access to land-grant university resources and to county, state, and national 4-H opportunities.
- Fosters youth-adult partnerships that encourage active involvement and participation by youth and adults.
- Provides 4-H member participation that leads to positive youth development outcomes, called thriving. The 4-H Thriving Model explains how 4-H program quality contributes to youth development: <https://health.oregonstate.edu/thriving-model>

SECTION 2 – Charters For Clubs, Committees, And Councils

2.1 Organizational Charters

All Arizona 4-H clubs, committees, and councils (“4-H groups”) must be chartered. Groups must renew their charter annually by submitting the annual financial reports. Failure to meet the requirements can result in the charter being revoked or denied by the Arizona 4-H office.

If a 4-H group has been long established and verification of a valid charter is not available, issuance of a new charter is recommended.

A 4-H charter is required before any 4-H group can:

1. Use the 4-H name and emblem
2. Fundraise as a 4-H group

To apply for a charter, new club leaders must submit the Arizona 4-H Charter Packet to the county-based 4-H youth development professional. The packet is available at: <https://extension.arizona.edu/sites/extension.arizona.edu/files/mblock/4h-charter-application-packet2019.pdf>.

2.2 4-H Group Names

Any organization that functions for the purpose of furthering 4-H objectives and programs and has been formally authorized to use the 4-H name and emblem by the appropriate representative of Cooperative Extension must have names that:

- Are specific to the 4-H group either through a unique name or by identifying the county or location. Examples: Share-N-Win 4-H Club (unique name); Calvert County 4-H Horse Club (generic name with county)
- Contain the word “4-H” in the name (applies only to newly chartered groups)
- Are not overtly religious or represent the beliefs of one denomination over another
- Do not imply that membership is limited or exclusive
- Are not offensive or generally seen as demeaning to any group protected by equal opportunity regulations

2.3 IRS Compliance

Any group that wants to obtain a bank account must obtain an Employer Identification Number (EIN) from the IRS. In addition, groups are required to file annual financial documents with the local county Cooperative Extension office. The county Cooperative Extension office will submit all group documents to the Arizona 4-H Youth Foundation. See *Section 4.3: EIN Applications*.

2.4 Constitution and Bylaws

All 4-H groups must have a constitution and bylaws. This document outlines the makeup of the 4-H group. It describes how the group operates, what offices are elected, when they are elected and the duties of each office. A current copy of the constitution and bylaws must be kept on file in the county Cooperative Extension office and/or in the 4-H membership management system.

Templates can be found in the charter packet.

2.5 Dissolution Clause

In accordance with laws governing nonprofit organizations, if a 4-H group disbands, all funds in the group treasury and any other property can only be given to another 4-H entity, such as the Arizona 4-H Youth Foundation or the county 4-H office, not to individuals in the group. See *Section 4.4: Account and Money Handling Procedures, Handling Fund from Disbanded Groups*.

SECTION 3 – Financial Management

3.1 Financial Management Overview

Those who raise funds under the 4-H name and emblem are ultimately accountable and responsible for their appropriate use. Under U.S. Department of Agriculture and the University of Arizona guidelines, the county Cooperative Extension office is authorized to monitor such accounts and request audit reviews of all transactions related to finances in 4-H groups operating under the 4-H name and emblem.

Volunteers or others responsible for handling 4-H funds can be removed for misappropriation, inadequate reporting, or mismanagement of such funds.

Any 4-H group that raises funds must have an authorized checking account opened with an IRS EIN (Employer Identification Number). The Arizona 4-H Youth Foundation serves as the 501(c)(3) umbrella organization in Arizona, and the EIN will be provided to the AZ4-HYF for tax purposes.

The group must be accountable to the Cooperative Extension office for the proper use of such funds. The group is also responsible to the Arizona 4-H Youth Foundation and must report annually using the correct charter and financial forms.

It is extremely important that all 4-H groups show the source or donor of any money they have raised and how it is disbursed. Funds raised in the name of 4-H must be carefully accounted for and used only in direct support of the 4-H program, and appropriate records must be maintained.

3.2 Tax-exempt Status for 4-H Groups

Tax Exempt status for all 4-H groups in Arizona is held by the Arizona 4-H Youth Foundation 501(c)(3). The AZ4-HYF is the umbrella organization for tax purposes. See *Section 3.4 IRS Compliance*.

Formally authorized 4-H groups are exempt from paying federal income tax on funds raised on behalf of 4-H or to support educational programs. The tax-exempt status addresses only federal income tax and does not provide exemption from any state or local taxes, such as hotel tax, property tax, sales tax, or other taxes.

All 4-H groups' revenues and expenditures (collected through the Annual 4-H Club/ Group Financial Report) will be reflected on the IRS Form 990 nonprofit tax return filed by the AZ4-HYF. In addition, any single donation in the amount of \$5,000 or greater must be reported to the AZ4-HYF as it affects the IRS Form 990 nonprofit tax return.

If a 4-H group receives a donation (monetary or in-kind), and the donor would like an official receipt to be used for tax purposes, the group should contact the AZ4-HYF with the name and address of the donor and the amount of the donation. The AZ4-HYF will provide the donor with the appropriate letter.

3.3 EIN Applications

4-H groups are required to obtain an Employer Identification Number (EIN) from the IRS for banking purposes only. The group must provide their EIN to the county Cooperative Extension office utilizing the charter application, and they must provide the EIN to the financial institution with which they do business. Personal Social Security Numbers (SSN) are used to apply for the EIN. See *Section 3.4: IRS Compliance*.

3.4 Account and Money Handling Procedures

Many 4-H groups raise money to support club activities through the collection of enrollment fees or by holding specific fundraisers. Because 4-H is an educational nonprofit organization authorized through the USDA, several procedures must be followed when working with a 4-H group treasury. The key point to remember is the ability to show and prove proper accountability.

Money Handling Procedures

1. Each club/group maintaining funds (on hand or having material assets) must have a club checking and/or savings account. Accounts must be associated with the proper EIN
2. Youth participants will be permitted and are required to handle money matters and serve as elected treasurers. This can be a great learning experience. Youth treasurers may need guidance from a volunteer, but this can be given and still permit maximum participant involvement.
3. All accounts require a minimum of two, preferably four, authorized signers on the bank account. Authorized signers must not be from the same family. The persons with signature authority (non-UA employees) are bonded under the Arizona 4-H Youth Foundation. University liability does not cover volunteer/member mishandling/absconding of money.
4. All checks are required to have two signatures.
5. Debit, credit, or electronic transfers of money (i.e. Venmo or Paypal) are not permitted on any account.
6. Pre-numbered duplicate copy receipts must be issued for all money at the time it is received. The duplicate copy must be kept for seven years.
7. Cash collections should be under the control of two people.
8. All cash and checks received must be deposited in the bank, intact and on a timely basis.
9. All disbursements should be made by check and supporting documentation must be kept for each disbursement.
10. A Treasurer's book and a Secretary's book should be completed by every 4-H club every year. A yearly inventory of all physical assets should be documented in the club treasurer's book.
11. Minimal treasury balances are preferred unless funds are being raised for an authorized major project or endowment. Groups may only maintain two years' worth of the traditional group operating expenses. Long-range fundraising is discouraged for the following reasons:
 - a. 4-H membership is fluid. Each year, groups lose some members and gain some new ones. Therefore, those who raised the money should benefit from it.

- b. Group leadership can also change, and there have been instances where a sum of money was abandoned in a bank account due to lack of continuity.
 - c. 4-H is considered a nonprofit organization and therefore, comes under IRS regulations which also discourage a carry-over of funds, unless those funds are established endowments.
 - d. There must be a plan for the use of carry-over funds. If the group is saving for a major project or endowment, the money should be given to the project or endowment annually. The major project or endowment must be approved by the county-based 4-H youth development professional.
12. Expenditures are to be authorized only by group members for group purposes by vote of the membership that is notated in the Secretary's minutes. Never allow one person to control the treasury, not even the group's leader.
 13. 4-H group leaders or volunteers are not allowed to submit proposals for funding without approval from the county-based 4-H youth development professional and a vote from the group.
 14. 4-H group assets are the property of the University of Arizona. As such, 4-H group money cannot be used to buy real estate or assets to be donated to another organization. Assets purchased to be used by the 4-H program must be deeded to the University. Groups that wish to purchase assets must first consult with their county 4-H youth development professional who must then consult with their county extension business manager to obtain a university tag.
 - a. Example: A club should not use their money to buy items like trailers or pens that will be donated to another organization. If the club would like to support this effort, they can volunteer in support of the other organization's fundraising campaign.
 15. 4-H groups are not to own property (land or buildings). 4-H groups cannot become involved in purchasing real property or in building club houses, etc. This does not include items such as meeting flag sets and routine consumable supplies essential for operating a club. Items used for instructional purposes, such as portable sewing machines, are also acceptable. However, careful thought as to management of the equipment should be considered prior to securing it. If items such as these are secured, all of the groups' members should benefit from it, and the purchase must be voted on and noted in the Secretary's minutes.
 16. A designated county-based 4-H youth development professional may be listed on the bank signature card for any 4-H group account for the purpose of accessing account information and accountability. It is the policy of Cooperative Extension that employees of the University of Arizona do not have the authority to sign checks and should not. Special circumstances may require a professional's signature on 4-H group accounts to provide access to information or to close an account due to a group's failure to comply with financial reporting requirements or suspected mishandling of funds. Signature authority on any checking or savings account rests with the designated volunteers/members.

End-of-Year Financial Report for All Groups

1. An annual financial record review of all group financials, including a list of tangible group assets, must be completed. Club leaders must compile and submit their financial data to their county extension office by the county's deadline.

- a. The individuals who conduct the financial record review cannot be the treasurer, an account signatory, or a parent/guardian of the treasurer or of an account signatory. The reviewers do not have to be certified CPA's or accountants.
2. IRS Form 1099: Any payment of club funds to an individual or business over \$600 must be accompanied by a 1099 form. If an individual wins a prize valued over \$600, a 1099 will need to be completed. The Arizona 4-H Youth Foundation must be notified of all 1099 forms completed. For more details, visit: <https://www.irs.gov/forms-pubs/about-form-1099-misc>

Handling Funds from Disbanded Groups

1. Any 4-H group that disbands with money left in its account must distribute those funds as stated in the group's financials and dissolution statement within a minimum of one month after disbanding. All funds in the group treasury and any other property must be dispersed to a 4-H or Arizona Cooperative Extension entity. See *Section 3.6: Dissolution Clause*.
2. When a 4-H group is disbanded, the Arizona 4-H Youth Foundation must be notified so that the EIN number can be canceled for the group.

Handling Funds in Groups That Split Up

1. If a group decides by a vote of the youth membership to divide itself (for example, because it has become too large), creating more than one recognized and properly chartered club or group, the funds from the original group must be evenly disbursed, based on membership, in each group. Dollars are not to be distributed to individual members or leaders.
2. If a portion of the group membership voluntarily decides to leave an existing group and form a new group, the members of the old group may choose, by voting, to provide the new group with a portion of the funds from the original group. However, any sub-group that decides to leave an existing group is not automatically entitled to any funds from the original group. Leaving an existing group to start a new group relinquishes any claim to funds from the original group, regardless of the amount of previous fundraising efforts provided by individual members. 4-H monies do not belong to individuals.

3.5 4-H Council Finances

4-H councils, under the authority of the designated 4-H youth development professional, shall be held accountable for all funds raised in their name. Like all 4-H groups, 4-H councils must have their financial accounts reviewed each year.

The 4-H council, in cooperation with the county-based 4-H youth development professionals, should establish an annual balanced budget. The budget must be approved by the county-based 4-H youth development professional. Project, activity, curriculum, and development committees with accounts should establish budgets that become part of the council budget. At the end of the year, a financial summary of the income and expenses against the budget should be prepared. The budget and financial summary will be kept on file in the county Cooperative Extension office.

3.6 Grants and Donations

Grants and donations are often received for the benefit of education programs for 4-H. 4-H groups can receive donations and fundraising revenues. These funds are generated and managed by the 4-H group and must be reported on the annual financial report. Any single donation in the amount of \$5,000 or greater must be reported to the AZ4-HYF to be included on the IRS Form 990 nonprofit tax return list of donations (name, address, and amount).

3.7 Fundraising

4-H groups may secure funds to support their goals and activities through such activities as a sale of items. Volunteers must request approval for their fundraising plans on amounts over \$100 from the county-based 4-H youth development professional (found here: <https://extension.arizona.edu/sites/extension.arizona.edu/files/attachment/4h-club-committee-fundraising-approval.pdf>).

Approval is necessary to ensure compliance with federal laws pertaining to the "Use of The Name and Emblem." 4-H may not be viewed as endorsing any particular company or product.

It is the responsibility of the 4-H group to follow Arizona state laws in obtaining any required licenses or permits, such as food permits.

4-H groups that sell items may still be responsible for collecting state, county, and local sales tax and submitting those funds to the appropriate entities.

Critical elements for fundraising regulations and guidelines include:

1. Fundraising programs using the 4-H name and emblem may be carried out for specific educational purposes. Such fundraising programs and 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 Cooperative Extension office (local, county, state, or national level).
2. All monies received from 4-H fundraising programs, except those necessary to pay reasonable expenses, must be expended to further the 4-H educational programs.
3. Private support monies should be:
 - a. Given and used for priority educational purposes.
 - b. Accounted for efficiently and fully.
4. Fundraising groups properly authorized to use the 4-H name and emblem are to be held accountable to the 4-H program granting authorization. There must be a definite plan to account for funds raised prior to authorization. Such a plan should be within the policy guidelines of the state for handling funds.
5. Any use of the 4-H name and emblem is forbidden if it exploits the 4-H program, its volunteer leaders, 4-H youth participants, or the USDA, Cooperative Extension, land-grant institution, or their employees.
6. The 4-H name and emblem shall not be used to imply endorsement of commercial firms, products, or services. In connection with 4-H fundraising purposes, the following disclaimer statement must be used on products or services offered for sale:

“A portion of the sales price of this product or service will be used to promote 4-H educational programs. No endorsement of the product or service by 4-H is implied or intended.”

For detailed information about the use of the 4-H name and emblem, visit: <https://nifa.usda.gov/sites/default/files/resource/fy-2019-4-h-name-emblem-use-guide-20191108.pdf>

3.8 Animal Sales (Livestock or Small Stock)

Money and management of livestock sales cannot be handled by 4-H or Arizona Cooperative Extension entities, including the Arizona 4-H Youth Foundation.

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Delivered by University of Arizona Cooperative Extension, Arizona 4-H empowers young people across the state with the skills they need to lead for a lifetime. Youth collaborate with caring adult mentors to lead hands-on projects in areas like science, health, agriculture and citizenship. Mentors provide a positive environment where youth learn by doing.

Arizona 4-H serves more than 100,000 youth and is delivered in every county—through in-school and after-school programs, school and community clubs and 4-H camps.

Learn more at extension.arizona.edu/4H

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