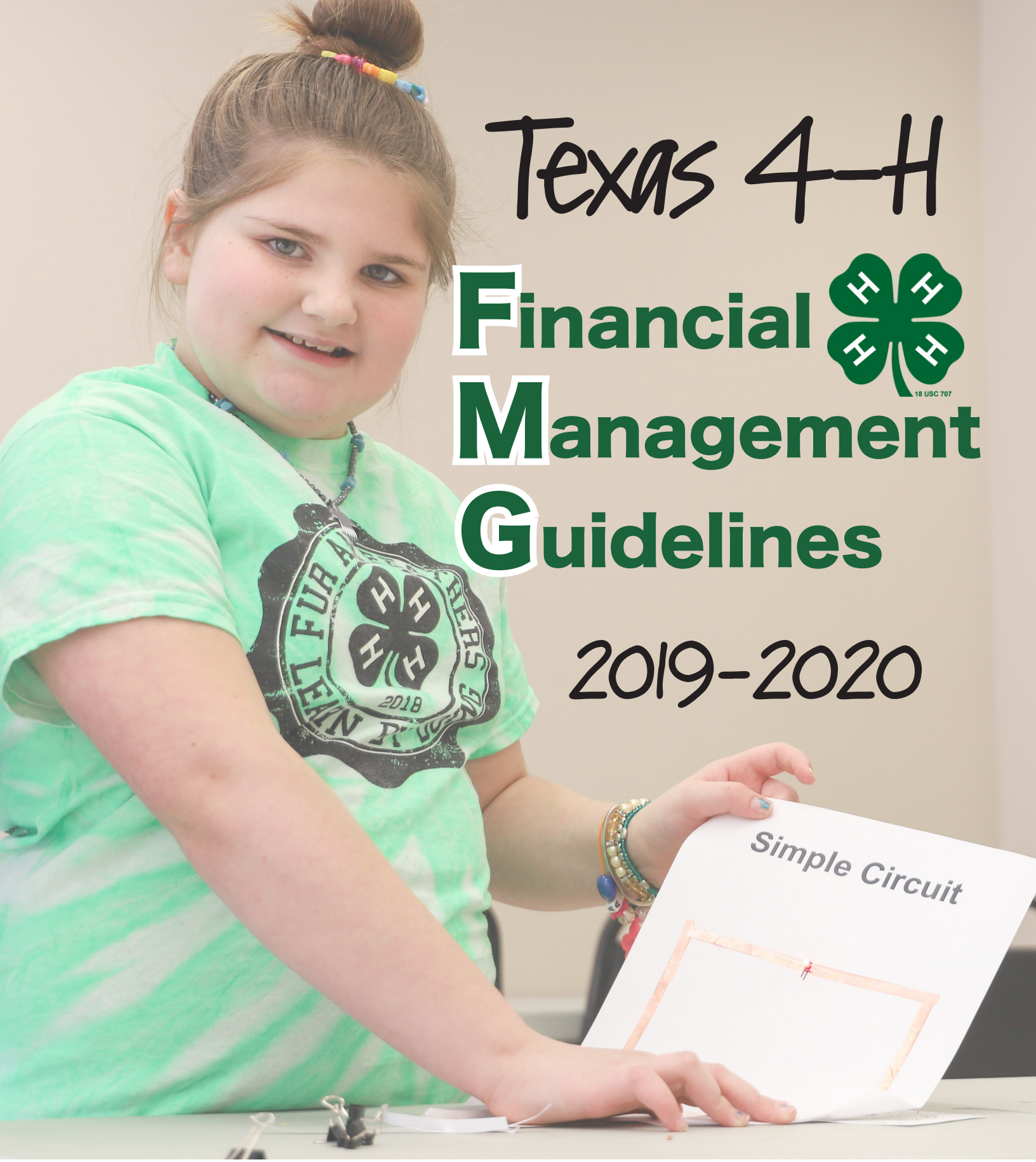

Texas 4-H

Financial Management Guidelines

2019-2020

The members of Texas A&M AgriLife will provide equal opportunities in programs and activities, education, and employment to all persons regardless of race, color, sex, religion, national origin, age, disability, genetic information, veteran status, sexual orientation or gender identity and will strive to achieve full and equal employment opportunity throughout Texas A&M AgriLife.

Texas A&M AgriLife Extension

The Texas 4-H Youth Development Program is supported in many different ways throughout the state. From the countless hours given annually by volunteers to the countless dollars provided to 4-H members through stock shows, fund raisers, and through other giving opportunities.

As a youth development organization that receives financial support from various entities, it is our responsibility as a 4-H Program, County Extension Offices, Extension Agents, Volunteers, 4-H Club officers, and members to ensure that the management of financial funds is handled in the most transparent manner. The Texas 4-H Youth Development Club Financial Management Rules & Guidelines provide rules, guidance, and best practices for Extension Offices, volunteers, and club officers to follow when it comes to the management, accountability, and reporting of 4-H funds.

The management of 4-H club/group funds should be of the utmost priority for the leadership of the 4-H club/ group. To help Texas 4-H Clubs/Groups manage their funds please refer to the document called "4-H Club Financial Management Rules & Guidelines." This publication is the official rules and guidelines for managing 4-H funds within the Texas 4-H Youth Development Program and can be downloaded at: http://texas4-h.tamu.edu.

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Significant changes are highlighted.

Reviewed by Texas 4-H Youth Development Program - March 2019.
Affirmed through Texas A&M AgriLife Extension Service Administrative channels -May 2019.
Document can be downloaded at: http://texas4h.tamu.edu/publications

SECTION 1: GENERAL RULES FOR 4-H CLUBS/GROUPS AND PROCEDURES FOR HANDLING 4-H CLUB FUNDS

Section 1.1: It is the responsibility of the Texas A&M AgriLife Extension Service Director and Assistant Director and state leader for Texas 4-H Youth Development to authorize use of the 4-H name and emblem within the policies of Cooperative Extension and the Secretary of the United States Department of Agriculture. These responsibilities include:

A. Keep records of all 4-H club/groups and/or organizations to which authority to use the 4-H name and emblem has been granted within the county or multi-county area for which the designated agent is responsible.
B. Secure from each organization authorization to use the 4-H name and emblem a periodic report of activities which includes, but not limited to, such things as bylaws, bank statements, annual budgets, and charter applications.
C. Review each 4-H organization's activities to determine that it continues to meet the 4-H objectives for which it was established and that the 4-H name and emblem are used in accordance with the statute.
D. Provide a letter, 4-H Club charter or other certificate authorizing a group or volunteer leader to carry out a program of youth activities using the 4-H name and emblem.

Section 1.2: Texas 4-H clubs/groups are organized exclusively for charitable, educational and scientific purposes including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

A. All clubs/groups shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, of the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170 (c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.
B. No substantial part of any Texas 4-H club/group activities shall be for the purpose of attempting to influence legislation, and no club shall participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

Section 1.3: The responsibilities of the individual 4-H organization are to maintain a record of its activities, contributions received/expended/distributed, and to prepare and keep on file a record of financial transactions.

Section 1.4: Federal law requires that funds raised or given in support of 4-H programs be handled in a manner consistent with the public trust.

Section 1.5: Those responsible for handling funds must do so in an open, responsible and trustworthy manner. Administrators, faculty, staff, club managers and treasurers must be able to carry out their responsibilities as defined in the rules and guidelines and/or club/group bylaws for handling finances and assets.

Section 1.6: There are to be **ZERO PERSONAL TRANSACTIONS** on a 4-H Organization Account (club, county, group, etc.). If this occurs within a 4-H associated account, the County Extension Agent, 4-H Specialist, and District Extension Administrator need to be notified immediately.

SECTION 2: MANAGEMENT OF 4-H CLUB/GROUP BANK ACCOUNTS

Section 2.1: Establishment of 4-H Club/Group Bank Accounts

A. The name "Extension" or "Texas A&M AgriLife Extension Service" should never be listed as owner of the fund account. The owner should be the "_____" 4-H Fund, "4-H Fund." Do not use the word "County" in the name of a 4-H account because it could be mixed in with other county government accounts.
B. All bank accounts and/or securities held by 4-H groups should be associated with an Employer Identification Number (EIN) secured by the specific group or organization.
    a. Use form SS-4 from the IRS to obtain an EIN.
    b. Agents, leaders, parents or members **SHOULD NEVER** use their social security number on a 4-H Account. Those funds will be reported to the IRS under that individual's name.
C. Account Signatures
    a. A 4-H club/group account needs to have two (2) signatures.
    b. Preferably: A club manager and the treasurer. In the event that a bank will not allow a 4-Her to be on the signature card, another **screened volunteer** for that club should serve as the second signature.
        i. The two signatures should **NOT** be from a married couple or a parent and sibling from the same household.
        ii. Two signatures also need to be on each check written from the account.
D. Changes on Account Signatures
    a. Notify the bank immediately in writing of any changes in check signers or persons authorized to withdraw funds from the account.
E. A 4-H club/group should only have one bank checking/savings account. Within that account, the club/group may need to establish in their accounting system sub-accounts for events and/or activities.

Section 2.2: Receiving Funds

A. Record cash receipts immediately upon receipt and deposit on a daily basis.
B. Prepare a list of all remittances received and make comparisons of this list with subsequent bank deposits.
C. Safe combinations and keys to cash boxes or files should be restricted to a minimum number of persons.
D. The person who collects funds and the person who writes checks should not be the same. For example, a county secretary can collect entry fees and then give the money to the treasurer for deposit. Preparing a list of all remittances received in the mail and comparing this list with subsequent bank deposits should be a routine function of the club treasurer and/or financial committee.
E. Detailed records (original invoices and receipts) should be kept on money collected (date collected, from whom, amount collected, purpose).

Section 2.3: Requesting Funds

A. A check request form should be used when requesting funds and kept with account records. A sample check request form is included on page 9.
B. All payments should be made by serially numbered checks. All receipts, checks, orders, etc. should have a pre-numbered sequence which can be accounted for later. Maintain duplicate copies of receipts given to individuals who turn over cash.
C. No checks are made payable to cash.
D. Account signers should caution against writing a check to themselves unless they have adequate documentation to support the payment.
E. All supporting documents are stamped or adequately marked to prevent their reuse.

Section 2.4: Reimbursements

A. Reimbursement claims should be supported by cash register tapes or paid invoices that clearly state the purpose of purchase and from whom the purchase was made.

Section 2.5: Reconciliation of Accounts

A. Bank accounts should be reconciled monthly and any adjustments recorded in the records immediately.
B. Reconciling items should be handled in the month they are discovered.
C. The person who makes any deposits, approves payments, and/or writes checks should not be the one who reconciles the bank statement. Bank statements should be delivered unopened directly to the reconciler.

SECTION 3: RETENTION OF FINANCIAL RECORDS

Section 3.1: Clubs are to retain records based on the IRS guidelines which generally state the retention period runs three years after the date of the return is due or filed, whichever is later.

Section 3.2: Detailed records (original invoices and receipts) should be kept on money collected, from whom, amount collected, purpose) and spent (date spent, who was paid, amount paid and purpose of payment).

Section 3.3: It is the responsibility of the Club Manager(s) and the Treasurer to develop a plan for keeping track of purchases, receipts, and bank statements.

Section 3.4: Per Texas 4-H, Inc. requirement: financial records (annual review of financial accounts and most recent bank statement) should be uploaded to 4-H Connect for Chartering.

SECTION 4: ACCOUNTABILITY

Section 4.1: Checks should be issued to vendors only for payment of approved original invoices which have been submitted with a check request.

Section 4.2: Match the check with receiving documentation or other evidence that the goods or services are complete.

Section 4.3: Reimbursement claims should be supported by cash register tapes or paid invoices. If a receipt has been lost, a written statement, signed and dated by the employee/volunteer can suffice.

Section 4.4: If a prepayment is needed, an initialed statement can be used as support until the item is purchased. The subsequent invoice can be attached later.

Section 4.5: A computer software package with adequate built-in controls is recommended any time a bank account is involved. Commercial products like QUICKEN© or Quick Books are examples. These programs are easy to use and have an excellent support system by the manufacturer. These programs allow you to record and track transactions on accounts and create sub-accounts.

Section 4.6: All checks returned by the bank for insufficient funds should be dealt with immediately and a follow-up record maintained.

Section 4.7: No barter items should be used as payment of amounts owed to outside parties or employees. These transactions must be handled by check.

Section 4.8: All funds must be accountable to the club/group budget that has been presented and passed by the club/group membership. Amendments and/or overages to the club/group budget should be presented at regularly scheduled meetings for approval by membership.

Section 4.9: Chartered 4-H Clubs are empowered to pay reasonable compensation for services rendered and to make payment for the purposes set forth by the club/group.

Section 4.10: No part of the net earnings of any chartered 4-H club shall be used for the personal benefit of, or be distributable to its members, trustees, officers, or other private person. Clubs/groups **SHOULD NEVER** use money from the club/group account or fundraisers to provide payouts to youth for participating in/working certain activities. Instead, the club/group can sponsor youth to participate in other county/district/state or national 4-H activities.

SECTION 5: CASH WITHDRAWALS

Section 5.1: If a club/group withdraws cash funds, the following MUST be done:

A. Reason for withdrawal must be documented (i. e. cash for concession stand). If funds are taken out for a concession stand, there must be record of when money was deposited back into the account.
B. Withdrawal must be made at the bank with a teller only and only by the club manager or treasurer. It is suggested that the club manager or treasurer have the bank teller sign or initial receipt to documentation persons involved in the transaction.
C. If items are purchased with the cash a receipt must submitted.
D. NO checks should ever be written to “Cash.”

Section 5.2: If petty cash is necessary, place it in the hands of a single custodian who is responsible for a set amount of money in the most secure place available. A written log should be maintained of disbursements and a copy should be stored elsewhere. If a theft occurs, a report should be made to authorities and the amount of loss determined by the log. In any case, only a minimal amount should be kept as cash on hand, as more acceptable alternatives exist. There should be a regular financial review of the cash funds.

SECTION 6: CLUB/GROUP DEBIT CARDS

Section 6.1: Due to the risk involved with the use of Debit Cards, the Texas 4-H Youth Development Program recommends the best practice that a 4-H club/group does not possess one and continue to use checks for the purpose of clear and transparent documentation. However, if a club chooses to not follow best practices and assume the risk and utilizes a debit card, the following guidelines must be adhered to:

A. Each club may only have one (1) debit card in the club’s name. Exception: If two clubs share an account, they may have one (1) card per club.
B. All purchases must be charged towards the correct club when reconciling books.
C. It is likely that the bank will require a PIN to be set up if the club is issued a debit card. If this is the case, the debit card should be used as a "credit card" (not requiring a PIN) when making a purchase. This will also require a signature or zip code to be entered for the purchase to be made.
D. There are to be NO cash advances or withdrawals from the account with use of the debit card.
E. If cash is needed for an event, it must be documented and submitted to the treasurer/finance committee. All withdrawals MUST be made at the bank with a teller ONLY. This can only be done by the club manager or treasurer (see section 5 .1. B).

F. Original receipts must be kept for all purchases.
G. Debit card should have the name of the club listed and not a particular person on it.
H. The card must be checked out by anyone using the card. This should be documented through the use of a written log managed by the club treasurer/manager. All charges using the debit card should correspond to a check-out log entry.

Section 6.2: It is the responsibility of the Club Manager(s) and the Treasurer to develop a plan for keeping track of purchases, receipts, and bank statements. This plan should be documented in writing and provided to the County Extension Office.

SECTION 7: ONLINE PAYMENT SYSTEMS (i.e. PayPal, Eventbrite, Etc.)

Section 7.1: The use of online payment services (i.e. Paypal, Eventbrite, etc.) are allowed for use by clubs. However, the guidelines below will need to be followed in order to meet financial management guidelines.

A. Each club may only have one (1) online payment service account for their club. The club manager(s) and the treasurer should be the only people to have access to that account.
B. Personal email accounts should not be utilized in association with these online payment systems. An account specifically for the club needs to be created to be tied to the system, and a preference for a secondary account to be utilized. This email address will need to be provided on the financial review form that is submitted with the club charter application.
C. If a club manager leaves their position, the account password will need to be changed and redistributed to club manager(s) and treasurer.
D. If clubs are receiving funds through an online payment service, it is important to provide a copy of the deposits to the treasurer to maintain with club financial records.
E. These systems should ONLY be used in receiving funds and should not be utilized to make payments.
F. Please note that online platforms have a variety of fees associated with them. You and your clientele will need to be aware of these fees and whose responsibility it is to pay them.

Section 7.2: It is the responsibility of the Club Manager(s) and the Treasurer to develop a plan for keeping track of purchases, receipts, and any statements from the online payment service account. This plan should be documented in writing and provided to the County Extension Office.

SECTION 8: MONTHLY AND ANNUAL FINANCIAL REVIEW

Section 8.1: On a monthly basis the club/group should reconcile all bank accounts.

Section 8.2: In the case there is an issue, they must bring it to the county agent immediately.

Section 8.3: The club/group treasurer is to provide a monthly financial report, including all necessary documentation, at the club/group meeting for review and approval.

Section 8.4: County offices should receive an updated club treasurer's report each month.

Section 8.5: The club manager and treasurer should have a plan for retaining the clubs' bank statements.

Section 8.6: A financial review will be a mandatory part of the Texas 4-H Club Chartering Process and will be required as an upload on 4-H Connect.

Section 8.7: Agents will need to review each club's financial review form and sign it before it is uploaded to 4-H Connect.

SECTION 9: 4-H FUNDRAISING POLICY

The Texas A&M AgriLife Extension Service encourages local club fund-raising because these funds help to add enrichment to 4-H programs. Although few restrictions are applied to local 4-H fund-raising activities, always keep in mind that 4-H has an image and reputation to uphold. Certain activities may be perfectly acceptable in one community, while being taboo in another.

As a general guideline, 4-H should never be connected to any activity which is illegal, or which is contrary to moral standards of the community and/or the program. The amount of funds raised should correspond to the amount of the projected budget. Money raised for awards and recognition should be kept in line with proper youth development principles. (ie: developing a budget that includes $25,000 worth of awards is not necessary to properly recognize youth). Fundraisers must be for the sole and direct purpose to support the youth of the 4-H Program, however, fundraisers should not be done for the sole benefit of an individual in the program. Fundraisers cannot be held under the name of 4-H, with the funds going directly, or indirectly, to other organizations or causes.

Section 9.1: County Extension faculty must approve any fundraising done in the name of 4-H. Any club/group raising money in the name of 4-H must be chartered through the county Extension office.

Section 9.2: Regarding United Way funds, the only restriction is that 4-H clubs and/or county programs may not accept United Way type funds if the local United Way management rules state that "if you accept United Way funds you may not raise additional funds." *Counties or 4-H clubs accepting United Way type funds should only accept these funds if an agreement is reached between the county 4-H program or 4-H Club and United Way that specifically allows for the raising of money in addition to that received from United Way.*

Section 9.3: Online payment services may be utilized for accepting donations. See Section 7.1 for information regarding fees associated with these services. Some of these services may not qualify as a charitable donation even though the 4-H Club is ultimately receiving the funds. Donors should consult their tax professional.

Section 9.4: A chartered 4-H Club/Group can hold as many fundraisers as they wish. However, they must keep in mind that only **TWO** of those fundraisers are state tax exempt. Therefore, if you hold more than two fundraisers, your club/group is responsible for paying sales tax on the products sold.

A. In Texas, a 501c3 group, or charitable/educational/religious organization may:
    a. Hold 2 tax-free sales days, with each day being 24 consecutive hours only.
    b. Can be back-to-back days for 48 hours.
    c. Must be designated tax-free in advance of the fundraiser.
    d. Must notify customers of tax-free sale.

Section 9.5: Raffles and other games of chance are legal methods of raising funds for non-profits in Texas. According to the Attorney General's website here is how clubs should handle raffles. The Charitable Raffle Enabling Act effective January 1, 1990, permits "qualified organizations" to hold up to two raffles per calendar year, with certain specified restrictions.

A. A raffle is defined as the award of one or more prizes by chance at a single occasion among a single pool or group of persons who have paid or promised a thing of value for a ticket that represents a chance to win a prize. There are some notable restrictions:
    a. A qualified organization may hold only two raffles per calendar year and only one raffle at a time.
    b. Raffle tickets may not be advertised statewide or through paid advertisements. Each raffle ticket must state: 1) the name of the organization conducting the raffle; 2) the address of the organization or of a named officer of the organization; 3) the ticket price; 4) a general description of each prize having a value of more than $10; and 5) the date on which the raffle prize(s) will be awarded.

c. No one may be compensated directly or indirectly for organizing or conducting a raffle for selling raffle tickets.

SECTION 10: STATE SALES TAX EXEMPTION

The use and granting of a 4-H Club/Group 501(c)(3) status through Texas 4-H, Inc. only applies to the EXEMPTION OF FEDERAL INCOME TAX, and NOT state sales tax.

Currently, all Texas 4-H clubs/groups are required, by Texas law, to pay state sales tax on any purchase of goods, equipment, and supplies. The only exception to this rule is if a 4-H club/group has applied for, and received, a Texas Sales and Use Tax Permit through the Texas Comptroller of Accounts Office in Austin, Texas. A 4-H club/group is not allowed to use the County Government or other entities Texas Sales and Use Tax Permit to purchase goods, equipment, and supplies. If a 4-H club/group has acquired a Texas Sales and Use Tax Permit on its own then the 4-H club/group is legally responsible for filing all required monthly, quarterly, or yearly documentation directly to the Texas Comptroller of Accounts.

Sales Tax Tip: In many cases when only a few purchases are being made each year, it is much easier to pay the Texas sales tax than applying for and maintaining required documentation and filings. For more information about Texas state sales tax, please refer to the Texas Comptroller of Public Accounts sales tax website at: www.window.state.tx.us/taxinfo/sales/.

SECTION 11: CONFLICT OF INTEREST

No 4-H youth, volunteer, or adult serving in a leadership role for a 4-H club/group, or any of its Committees, shall derive any personal profit or gain, directly or indirectly, by reason of his or her participation with the Texas 4-H Program or any of its clubs/groups. Everyone shall disclose to the County Extension Agent any personal interest which he or she may have in any matter pending before the Texas 4-H Program or any of its clubs/groups and shall refrain from participation in any decision on such matter.

SECTION 12: CLUB/GROUP BYLAWS AND FINANCIAL MANAGEMENT

All chartered clubs/organizations must have a set of by-laws that include provisions related to fiscal accountability, receiving and disbursing funds and the disposition of club/organization assets if the club/organization disbands. All assets, fiscal and property, go to the county 4-H Program in the event that a club/organization disbands. An example of two required bylaw clauses addressing fiscal accountability and club disbandment is stated below:

Section 12.1: Fiscal Accountability Clause: *The 4-H club/group shall adhere to all guidelines related to financial accountability as outlined in the Texas 4-H Youth Development 4-H Club Financial Management Rules and Guidelines.*

Section 12.2: Club Disbandment Clause: *Upon the disbandment of the club, all real property, including money, equipment and land shall become the property of the County 4-H Program for care and disposition and authorizes the Texas A&M AgriLife Extension Service and appropriate county extension agent(s) full rights to access bank records, bank funds, and all other banking authority. This also applies to all inventory and assets acquired by and or owed by this organization.*

The last official duty of the club's manager shall be to affect the transfer of club property and to turn over club records to the county Extension Agent."

ANYWHERE 4-H CLUB

P.O. Box 0101010
Anytown, Texas 12345

SAMPLE PAYMENT REQUEST FORM

4-H PAYMENT REQUEST FORM

Date: _____

Person Submitting Request: _____

Contact Phone Number: _____

Amount Payable: _____

Memo (to appear on check stub): _____

Make check payable to: _____

Payee's address: _____

Payee's city/state/zip: _____

SPECIAL INSTRUCTIONS

If not mailing direct, return to: _____

Event/Project Associated With: _____

Explanation of Expenditure*: _____

**Attach copies of bills, invoices, receipts, and/or vouchers.*

_____ _____

Signature of Person Requesting Payment or Reimbursement — Date

_____ _____

Signature of Club Treasurer — Date

_____ _____

Signature of Club Manager — Date