



# 4-H Council Financial Management Manual

Policies, Procedures and Guidelines  
for Maintaining Financial Accountability  
by 4-H Councils in Nebraska Counties

University of Nebraska–Lincoln  
Cooperating with the Counties and the U.S. Department of Agriculture

Approved by Charles A. Hibberd, Dean & Director  
Date, October 2014

## Contents

<b>Introduction.....</b>	<b>3</b>
<i>Sources of Funds to Support 4-H Programs .....</i>	<i>3</i>
<b>ROLES AND RESPONSIBILITIES.....</b>	<b>4</b>
<i>4-H Council.....</i>	<i>4</i>
<i>Extension Board .....</i>	<i>5</i>
<i>Relationship Between 4-H Councils and Extension Boards .....</i>	<i>5</i>
<i>University of Nebraska–Lincoln Extension .....</i>	<i>5</i>
<i>UNL Extension County-Based Employees.....</i>	<i>5</i>
<i>Relationship Between UNL Extension and 4-H Councils.....</i>	<i>5</i>
<b>FINANCIAL RESPONSIBILITIES.....</b>	<b>6</b>
<i>Financial Management.....</i>	<i>6</i>
<i>Types of Revenue for 4-H Councils .....</i>	<i>6</i>
<i>Records Retention .....</i>	<i>8</i>
<i>The Concept of a Revolving Fund.....</i>	<i>8</i>
<b>SETTING UP AND MANAGING A 4-H COUNCIL ACCOUNT .....</b>	<b>9</b>
<i>Setting up the 4-H Council Checking Account .....</i>	<i>9</i>
<i>Assigning Responsibilities and Separating Duties.....</i>	<i>10</i>
<i>Conducting and Approving Financial Transactions.....</i>	<i>10</i>
<i>Deposits/Cash Receipts.....</i>	<i>10</i>
<i>Disbursements/Expenditures.....</i>	<i>12</i>
<i>Signature Cards .....</i>	<i>13</i>
<i>Signing of Checks.....</i>	<i>13</i>
<i>Reconciliation.....</i>	<i>13</i>
<i>Personnel Employment Requirements .....</i>	<i>14</i>
<i>Training and Resources.....</i>	<i>14</i>
<i>Conduct of Annual Financial Reviews .....</i>	<i>14</i>
<i>Reporting .....</i>	<i>15</i>
<i>4-H Council Funds in Interest-Bearing Accounts .....</i>	<i>15</i>
<i>Budget Preparation and Control.....</i>	<i>15</i>
<i>Guidelines on Property.....</i>	<i>17</i>
<i>Tax Exempt Status of the 4-H Council .....</i>	<i>17</i>
<b>Appendix 1 .....</b>	<b>18</b>
<i>Invoice to Initiate Payment for Goods or Services Rendered by the 4-H Council for the Benefit of an Outside Organization or Agency .....</i>	<i>18</i>
<i>Reimbursement Request for Use of Personal Funds .....</i>	<i>19</i>
<i>4-H Council Fund Disbursement Approval Form .....</i>	<i>20</i>
<i>Committee Budget Request Form .....</i>	<i>21</i>
<i>Inventory Record.....</i>	<i>22</i>
<i>Sample Council Budget .....</i>	<i>23</i>

## Introduction

The purpose of this manual is to provide a document that contains necessary financial management information and guidance. The manual is intended to assist the 4-H Councils in their responsibility for the accountability of all funds under their purview. In addition to accountability, there is a need to standardize procedures and practices. The policies, principles and guidelines identified are intended to be responsible, while at the same time, reasonable and practical. It is expected that the leadership of the 4-H Council will adhere to this manual in the day-to-day operations of the 4-H Council.

This manual was developed specifically for 4-H Councils. In addition, this document should assist the Extension Boards, the University, and all faculty and staff in meeting the conditions of sound financial management appropriate to a 4-H Council.

Several factors contributed to the development of this manual. Paramount among those is the increasing demand for financial accountability and management information. Some major financial problems have occurred and must be avoided in the future. Standard and fiscally sound procedures that meet Best Business Practices as well as county, state and federal standards must be in place to maintain accountability.

It is not anticipated that the manual will answer all questions due to the complexity of financial management at the local level and the assumption that additional issues and questions will evolve. For any questions or issues not addressed in this manual, please contact the cognizant Research and Extension Director. Changing conditions may require revisions to the manual. Any revisions must be approved by the Dean and Director of the UNL Extension Division or the Director's designee

### Sources of Funds to Support 4-H Programs

- a. State and Federal Government – Tax funds from the United States Department of Agriculture and the University of Nebraska–Lincoln support UNL Extension personnel who develop and deliver 4-H programs at the state and local levels. In some cases, grant programs supported by these entities may provide funds to conduct special 4-H educational programs.
- b. County Government – Property tax revenue managed by the County Board of Commissioners/Supervisors may be allocated to support 4-H. In some cases, the county may choose to fund UNL Extension Assistant positions. In all cases, the County Board of Commissioners/Supervisors provides property tax revenue in the form of an Extension Budget to help support 4-H programs.
- c. Extension Board – Based on the Interlocal Agreement with each county unit, the Extension Board is charged with the management of the Extension Budget provided by the County Board of Commissioners/Supervisors.
- d. County-Based UNL Extension – UNL Extension manages a UNL Extension Educator Account in each county/multi-county unit. Funds in these accounts are generated by UNL Extension professionals through fee revenue, small grants or donations and are to be used to support educational programming. Typically, a portion of these funds would be identified and used for 4-H/Youth Development programs.
- e. 4-H Council – Donations and fund-raising revenues are generated and managed by the 4-H Council.

## ROLES AND RESPONSIBILITIES

### 4-H Council

The 4-H Council in any county has four major functions:

1. Program Planning,
2. Policy Making,
3. Resource Development including the preparation of an annual budget,
4. Linkages, Accountability and Overall Governance.

The volunteers who serve on 4-H Councils are assigned the task of determining the needs of the 4-H youth in the county and determining how to meet those needs in collaboration with University personnel. The 4-H Council needs money and resources to conduct these functions and help develop interesting and worthwhile educational programs and activities. Fund raising may be a major activity for the Council and means the Council may go to the community for help and support.

4-H is a publicly owned program, supported by tax funds, with a name and logo (the 4-H Clover) protected by federal law. Therefore, funds donated to 4-H or to programs and activities under the name of 4-H must receive the same accountability as required in the handling of public or tax funds. It is required that 4-H Councils maintain their own checking account separate from the UNL Extension Educator Account. The 4-H Council Treasurer is responsible for expending funds as authorized by the 4-H Council. The 4-H Council Treasurer may work with UNL Extension office staff on the 4-H Council bookkeeping.

Because the 4-H Council is the recipient of these funds, it is essential that the Council manage these funds in a responsible and accountable manner. The 4-H Council should be as transparent as possible in all business including the release of information to the public. Generally, the funds raised by the Council are handled by the 4-H Council Treasurer with assistance and support from the Council Finance Committee. Minimum requirements for handling 4-H funds include:

1. Documentation of all receipts and disbursements
2. Internal control procedures that protect the funds and those who handle the funds.
3. Regular reports of the status of all 4-H funds.
4. UNL Extension employees and 4-H Council members should be sensitive to the confidentiality of financial information which they deal with in carrying out the duties of their positions.
5. Every effort should be made to avoid any potential conflict of interest issues.

What is a conflict of interest?

A conflict of interest arises when a board or a staff member is in a situation where his/her decision making may be impaired by personal, financial, or other business concerns that may not promote the best interest of the organization. A conflict of interest may be real or perceived. Both can have detrimental effects for the organization or its reputation. It is impossible to avoid all conflicts of interest. They are natural. They are not illegal. But they must be managed every single time. The board must ensure it has drafted strong conflict-of-interest policy with disclosure and recusal guidelines and that this policy is enforced without failure.

## **Extension Board**

The Extension Board serves in an advisory capacity to UNL Extension in the development and delivery of educational programs to benefit local residents. In addition, the Extension Board is responsible to the County Board of Commissioners/Supervisors for the proper expenditure and reporting of county tax funds.

The Extension Board, in its advisory capacity to UNL Extension, should fulfill its administrative role relative to the 4-H Council financial activity through receipt of regular financial reports. The Extension Board should keep in mind that these funds were developed by 4-H Council volunteers to support educational programs. As such, the 4-H Council will decide how to expend these funds.

## **Relationship Between 4-H Councils and Extension Boards**

The 4-H Council is accountable to the Extension Board for policies, decisions and actions taken. The 4-H Council will be a liaison to the Extension Board providing regular updates on Council activities and will assist the Extension Board in their role of advising the overall UNL Extension program.

## **University of Nebraska–Lincoln Extension**

The Dean and Director of Extension is responsible for all UNL Extension organizational and programmatic activities in the state of Nebraska. In Nebraska, much of this responsibility is delegated to the State 4-H Program Administrator who is responsible for the 4-H Youth Development unit. Administrative responsibility is further delegated through the four Research and Extension Directors located across the state. Each Research and Extension Center also has business personnel who provide information and expertise on best business practices to all UNL Extension organizations.

## **UNL Extension County-Based Employees**

UNL Extension provides an UNL Extension Educator to serve as Unit Leader for each county or multi-county UNL Extension unit. Unit Leaders, as defined by the Interlocal Agreement, are responsible for all UNL Extension programming in their assigned county(ies). In some cases, these responsibilities may be delegated to other Educators or Assistants who have significant responsibility for 4-H educational programming. All UNL Extension faculty and staff are expected to practice sound financial management and adhere to the policies and procedures defined in this document.

## **Relationship Between UNL Extension and 4-H Councils**

The UNL Extension Division of the Institute of Agriculture and Natural Resources is that component of the University of Nebraska–Lincoln with the role of cooperating with county government and the United States Department of Agriculture as provided in the act of Congress of May 8, 1914. As such, UNL Extension is responsible for insuring proper policies and procedures are followed by the 4-H Councils for their programmatic activities.

4-H Councils are entrusted with budget development and financial transactions of funds under their purview. The Council, with proper management and accounting procedures, has the

discretionary authority to expend funds to benefit 4-H educational programming.

UNL Extension does not intend to control the expenditure of 4-H Council funds as long as said funds are used to benefit educational programs for youth and volunteers. Similarly, the 4-H Council should not expect to control the expenditure of funds in UNL grant or revolving accounts.

## FINANCIAL RESPONSIBILITIES

### Financial Management

What is financial management? The word financial refers to money matters. Management means the act, art or manner of managing, or handling, controlling, directing, etc. Two management tools are essential. The first is budgeting and the second is accounting.

A budget is a plan of financial operations for some future period. It is an attempt to preview operating results before the actual transactions occur. Budgeted expenditures may need to be adjusted during this future period to balance changes in income for that period.

Accounting is a system of recording, analyzing and explaining financial accounts. True accounting goes beyond the recording of transactions (bookkeeping) to include the use of data, their analysis and interpretation. Three major functions take place in this process:

1. Recording (systematic record of transactions),
2. Classifying (sorting various transactions into related groups or categories), and
3. Summarizing (a report or statement).

Being accountable begins with a good system of reconciling money received and expended. The 4-H Council Treasurer has oversight responsibility for this function. This recording of transactions will be accomplished through cash receipts and disbursement journals documented in a software program. The minimum software requirement for the 4-H Council account will be Quicken7 Deluxe. The local UNL Extension Office will provide clerical support to administer the Quicken accounting program for the 4-H Council.

### Types of Revenue for 4-H Councils

The 4-H Council is authorized to generate revenue to support awards, scholarships, travel or other 4-H Council activities. Revenue to support these activities can come from a variety of sources. It is important that the 4-H Council have an intended and declared purpose for fund-raising efforts. UNL Extension tax funds cannot be used for ribbons, medals, certificates, cash premiums, trips, scholarships, camp facilities or camp personnel. Private dollars must be used for these purposes. Following are a list of *possible* income sources for 4-H Councils, not all Councils may generate these types of funds and some may generate others not listed.

**Enrollment fees may be used to facilitate the 4-H program. The preference is that the fees are collected by the Extension office and deposited into the UNL 4-H Extension Educator Account however these fees may also be collected by the 4-H Council. It is important that the 4-H Council clearly define the purpose and use of these enrollment fees. In cases where the 4-H Council collects the money, the Extension Program in each county will bill the 4-H Council for appropriate expenses to include program materials.**

This is important because the UNL Extension Office must be reimbursed for the actual cost of program materials distributed.

**Fund-raising** efforts typically constitute the primary source of revenue for the 4-H Council account. Examples include food stands, merchandise sales, car washes, etc. The Council is expected to provide oversight for these activities to ensure that the activity has reasonable potential to be profitable and that the inventory and the funds can be managed appropriately. 4-H Council members or their designees must oversee all fund-raising activities. Organizations or individuals should not ask or expect 4-H groups to sell items to benefit a specific product or individual, therefore taking advantage of the 4-H name. In certain cases, the sale of merchandise by 4-H can be a distinct community service where the product contributes to the educational program. In such cases, the Council should secure approval from the local UNL Extension Office. The UNL Extension Office may wish to consult with the 4-H Youth Program Administrator.

**Grants** are provided by organizations that require programmatic outcomes and restrict expenditures. All grants from federal or state agencies and large grants (>\$1,000) to the 4-H/Youth Development program should be managed through the University of Nebraska–Lincoln Office of Sponsored Programs or Nebraska 4-H Foundation. Any exceptions to this policy must be approved in writing by the Research and Extension Director. If the grant requires hiring of personnel or specific financial or program reporting, the use of UNL Sponsored Programs is required. Each UNL Extension District Office has a Financial Support person who can provide assistance in the management of grant funds.

**Small Grants** (< or equal to \$1,000) from sources other than federal or state agencies may be processed through the 4-H Council checking account. It is expected that the award will equal expenses at the completion of the activity.

**Gifts** are given without restrictions. Gifts to the 4-H Council may be tax deductible depending on their intended use. Large gifts should be made through the Nebraska 4-H Foundation or University of Nebraska Foundation for this purpose. Funds received as gifts intended for the local 4-H program, should be handled by the local 4-H Council. Large gifts may require the use of the Nebraska 4-H Foundation depending on the IRS ruling on tax-exempt status of local 4-H Clubs and Councils. In this regard, it will be necessary to be aware of the most current IRS rules and dollar limits.

**Foundations** are funds on which interest only is used each year in support of scholarships or programs and must be carefully invested. 4-H Councils are not authorized to create a foundation for the purpose of receiving gifts and grants to carry out programs of UNL Extension. Existing Foundations whose sole purpose is to benefit 4-H are encouraged to transfer those funds to the Nebraska 4-H Foundation. The Nebraska 4-H Foundation can invest funds for the 4-H Council. An annual interest payment based upon current interest rates less a processing fee will be returned to the Council upon request. The Nebraska 4-H Foundation is a 501(C)(3) organization recognized by the Internal Revenue Service as exempt from Federal Income Tax. Gifts to the Foundation are tax deductible. The 4-H Council account should not be used as a pass-through for foundation donations. In situations where gifts of property are given the donors should be notified that gifts of property may be liquidated for cash for the program.

The **Nebraska 4-H Foundation** offers a County Designated Fund designed to provide Nebraska county 4-H programs an opportunity to invest funds in a well-established, professionally managed investment portfolio. A simple agreement is drawn between the county 4-H Council and the Nebraska 4-H Foundation stipulating the terms of the relationship. For more information contact the Nebraska 4-H Foundation.

There are some definite advantages to the 4-H Councils that use the Nebraska 4-H Foundation:

1. Has tax exempt status to protect the donor.
2. Completes and files all required federal reports.
3. Maintains complete accounting records.
4. Provides charitable giving expertise (services and workshops).
5. Provides annual audit of funds.
6. Handle all sizes of gifts.
7. Interface with the University.

### **Records Retention**

All records must be kept in a safe place for the current year and the previous seven years. Those handling 4-H funds need to be sensitive to the confidentiality of financial information. For example, while records of all donor contributions must be kept, respect the donor's wishes when it comes to publicity surrounding donations.

A safe or an equivalent secure place should be available to store change fund, stamps and very important documents. Other documents including financial, payroll and personnel should be maintained in filing cabinets, which can be locked and are preferably fire resistant. Electronic back-ups of all financial documents should be conducted monthly and filed or placed in a secure location.

### **The Concept of a Revolving Fund**

From a management perspective, the 4-H Council fund is a revolving fund. Programs processed through a revolving account are expected to approximately breakeven (revenues are equal to or slightly greater than expenses). In other words, revenues are collected to cover predetermined costs and the two offset one another. Over time the 4-H Council account could have a positive balance resulting from effective project management. However, this balance should not be allowed to accumulate without a spending plan to support future programs of a similar nature or subject matter. The 4-H Council in consultation with the Unit Leader should determine an appropriate continuing balance.

When setting fees and rates for 4-H Council programs, it will be necessary to plan for losses, bad debts, unsold inventory, etc. At the same time, the fee should not be set so high as to attempt to cover up poor management, provide donations, or profit. The 4-H Council is responsible for proper planning and analysis of projected expenses and revenues. A project budget worksheet is recommended for major activities. See Appendix 4.

It is improper to build up or supplement the 4-H Council fund by shifting tax funds into it. For example, the purchase of publications has been requested and budgeted on county tax funds. The publications are sold and the proceeds deposited in the 4-H Council account. This is not using the 4-H Council fund appropriately as a revolving account since the expense associated with the purchase of the publications should be offset by the deposit from the sale of the publications. If the publications have been purchased with tax money and the proceeds not

deposited back to the tax account, then tax funds have been, in effect, shifted to the 4-H Council account for a use other than that originally approved by the UNL Extension Board. Either the proceeds should be returned to the county treasurer (general tax fund) or the publications should be purchased initially through the 4-H Council account.

## SETTING UP AND MANAGING A 4-H COUNCIL ACCOUNT

### Setting up the 4-H Council Checking Account

1. The name on the 4-H Council checking account shall be “4-H Council in XXXXX County(ies)”. This account is to be used solely for 4-H Council funds. An essential procedure is the requirement that there be **only one checking account for each county’s use in receiving and disbursing 4-H Council funds.**

An application has been submitted to the IRS by the Nebraska 4-H Foundation to provide a General Exemption Number (GEN). When the IRS issues the GEN, 4-H Councils and 4-H Clubs that have applied for the GEN will be notified.

There is a Federal Tax Identification Number, commonly know as an Employer Identification Number (EIN), assigned to the Nebraska 4-H Foundation that identifies that office as the “parent” entity for 4-H Clubs and Affiliated 4-H Organizations. These numbers are available for reference when addressing tax exemption status questions about 4-H clubs and affiliated 4-H organizations. The 4-H Council should apply for their own Federal Tax ID Number also referred to as an Employer Identification Number (SS-4). Applications can be made on line at: (<http://www.irs.gov/businesses/small/index.html>).

2. Program/Committee Sub-Accounts - It is required that the internal recordkeeping system of the 4-H Council be designed so records can be maintained within a single checking account. Within this account, program/committee sub-accounts should be kept to track specific dollars as they relate to a particular program/committee. 4-H club accounts are exempt from this rule, but all other dollars raised in the name of 4-H must either be held within the account of the 4-H Council **OR** within the UNL Extension Educator Account held by the local county UNL Extension office. Each sub-account should be defined with the following information: 1) a clearly defined purpose, 2) typical use of funds, 3) normal sources of funding and 4) typical entries that would affect the activity of this sub-account. In addition the personnel responsible for funds in each account should be clearly identified. This description will be maintained in the office and routinely updated to assist the user in the proper posting of transactions and to help those in financial reviews.
3. All funds residing in the 4-H Council account must pertain to 4-H Council programs and be under the management control of the Council. The 4-H Council is not allowed to provide financial management for any other organization. In addition, any use of the 4-H Council for pass through dollars should be carefully considered; questions about this function should be directed to the Research and Extension Director.
4. Bonding a Treasurer – Councils that handle large sums of money (in excess of \$25,000) should bond the Council Treasurer.

## Assigning Responsibilities and Separating Duties

Internal control is best achieved by separation of duties in relation to the receipt and disbursement of funds. Therefore, it is best to have one person responsible for deposits and a different person responsible for writing checks. No pre-signed checks or signature stamps may be used on checks. A monthly reconciliation of the checking account with the bank statement must be conducted. **This should be completed by someone different than the person writing checks and the person depositing money.**

## Conducting and Approving Financial Transactions

Determine the appropriate person(s) for the following:

1. Signature Authority-The 4-H Council should approve the names on the signature card and must be noted in the Council minutes. The signature card should be reviewed annually and when a person designated on the card separates from the position, the signature card must be updated immediately.
2. Cash Handling and Deposits
3. Reconciling (direct recipient of unopened monthly bank statements)
4. Establish a Budget and Finance Committee.

These assignments should be approved by a majority of the 4-H Council membership at a public meeting of the Council.

These actions should be recorded in the permanent minutes of the Council.

Changes in these responsibilities should occur immediately following officer elections or immediately when an officer leaves the Council.

## Deposits/Cash Receipts (Objectives of deposits cash receipts)

\*Assure that all money due to the 4-H Council is received.

\*Assure that the proper entries have been made on the pertinent accounting records.

\*Assure that all cash receipts were appropriately deposited or otherwise safeguarded.

### Ideal Conditions for Cash Receipts

Cash is a liquid asset and must be handled diligently. Excess and unnecessary cash puts the 4-H Council and its members in questionable situations. Cash increases the risk of loss, fraud and embezzlement.

1. Cash-receiving activities are centralized in as few hands as possible.
2. Cash receipts are supported by other records. All money (cash, checks, etc.) received is documented on a receipts form. One suggested method would be the use of a pre-numbered, receipt book. This receipt form should provide: 1) name, 2) date, 3) item or activity, 4) amount received (with sales tax identified where applicable), and 5) method of payment. If a transaction is voided, this should be noted by writing VOID across the original and carbons of the receipt form with the reason for voiding the transaction. If individual receipts are not used, a log should document the same information required on the receipt form.
3. People receiving cash have no access to accounting records. Incoming money is controlled by people other than those having access to cash or the accounting records.
4. The first person receiving any money should document the source and amount of money received.

5. All checks are made or endorsed payable to the 4-H Council.
6. All cash receipts are deposited intact or otherwise safeguarded until deposited. Large sums of cash should be counted and verified by two persons.
7. When depositing funds a duplicate deposit slip should be maintained as an office record. Each check deposited should be listed separately on the deposit slip. If payments are combined on a log such as during registration, the log should be attached to the office file copy of the deposit slip. If there is some other form of supporting documentation it can be attached to the deposit slip.
8. All receipts should be deposited into this single checking account a minimum of once per week, preferably within two business days of receipt for large deposits. The actual number of deposits made per week will be a function of the amount and level of activity of the particular 4-H Council.
9. Cash should only be issued for one of two reasons: (1) When the primary function is to sell goods or services on behalf of the 4-H Council. (2) When the 4-H Council is hosting or sponsoring an event that requires making change for the cash transactions of the event. Cash cannot be used to reimburse staff or member expenditures, pay invoices or provide a refund (i.e. prepaid registrations).
10. The 4-H Council can authorize the use of cash for only one reason: a Change Fund for use at activities/fundraisers, including a food stand. Change Funds are used to make change for cash business transactions. Petty cash funds are not allowed. To minimize the handling of cash, the 4-H Council should consider approval of these funds only when necessary. If approved, the funds must be managed in accordance with the procedures and guidelines in this handbook.

***Questions to Consider Regarding your Council's Cash Receipt Procedures***

- ✓ Are printed, prenumbered receipt forms used and properly accounted for?
- ✓ Is a restrictive endorsement placed on incoming checks as soon as received, i.e., "For deposit only"?
- ✓ Are cash receipts satisfactorily recorded by the individual designated to receive cash?
- ✓ Are all duplicate copies made of receipts given to individuals who give cash?
- ✓ Are all checks made or endorsed payable to the 4-H Council?
- ✓ Are cash overages or shortages, if any, recorded on the books?
- ✓ Are cash receipts great enough to warrant the treasurer be bonded? (Over \$25,000) If so, is the treasurer adequately covered?
- ✓ Are rents, dividends, interest or similar revenues adequately controlled so that their non-receipt would be noted and investigated?
- ✓ Are cash receipts normally deposited intact and without delay?
- ✓ Are the adequate physical facilities to safeguard cash in the possession of authorized individuals?
- ✓ Are safe combinations and keys to cash boxes or files restricted to a minimum number of people?
- ✓ Are bank deposits certified by a duplicate deposit slip or entry in a passbook?
- ✓ Are checks returned by the bank for insufficient funds controlled and a follow-up maintained?

**Disbursements/Expenditures** (Objectives of cash disbursement procedures)

\*Assure that disbursements are justified, are properly supported by evidence and that value has been received.

\*Assure that disbursements were made only with proper authorization.

\*Assure that the proper entries were made on the pertinent accounting records.

*Ideal Conditions for Cash Disbursements*

1. All disbursements are made by check.
2. All checks are signed with original authorized signatures (signature stamp not acceptable).
3. No presigned checks are allowed.
4. No checks are made payable to cash.
5. All checks are prenumbered. No counter checks are permitted.
6. All disbursements are properly substantiated. Supporting documents include evidence of purchase, receipt and approval.
7. All such supporting documents are canceled in a manner that assures they cannot be reused.
8. The use of charge accounts is discouraged. If used, charge accounts should be authorized by the Council for a specific period of time. Itemized invoices are required from vendors.
9. Those authorized to sign checks are to be bonded, particularly if annual receipts total more than \$25,000. Cash receipts and disbursements journals must be maintained to record financial transactions. Transactions will normally consist of expenditures (checks written) and receipts (checks and cash deposited into a checking account). **All receipts and disbursements must be processed through the checking account. Never pay a vendor directly out of cash received!**
10. Whenever possible, program expenses should be paid directly from the 4-H Council account. Employees and volunteers who pay expenses with personal funds should submit proper documentation prior to reimbursement (Appendix 2). Employees should also recognize that this reimbursement must be appropriate and authorized. As such, personal reimbursements are not guaranteed.
11. No checks should be disbursed until acceptable documentation is presented to authenticate the claim. The claim should be signed or initialed by the individual authorized to approve the payment and indicate approval date, program, and business purpose. The invoice should be marked to identify the check number, date paid and amount. All documentation including cleared checks and electronic copies, deposit slips and transaction authorizations should be maintained for a minimum of seven years plus the current year.
12. The 4-H Council must comply with IRS guidelines. The current IRS guidelines require that a 1099 be prepared for certain payments totaling \$600 or more to any entity or individual.
13. The 4-H Council must comply with IRS guidelines. Small tax-exempt organizations, such as 4-H Councils, Clubs and affiliated 4-H organizations, which previously were not required to file IRS returns because they earned less than \$25,000 will now be required to file an annual electronic notice called an e-Postcard <http://epostcard.form990.org/>.

If the 4-H Council, Club or affiliated 4-H organizations raises:

1. More than \$25,000 – they are still required to file Form 990, Return of Organization Exempt From Income Tax or Form 990-EZ, Short Form Return of Organization Exempt from Income tax.
2. Less than \$25,000 but more than \$0 – they are required to file Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required to File Form 990 or 990-EZ.

3. \$0 – but plan to raise funds in the future and wish to retain inclusion under the Nebraska 4-H Foundation Group Exemption Number – they are required to file Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required Form 990 or 990-EZ.
4. \$0 – and have no plans to raise funds – they are not required to file.

#### **Questions to Answer about your Council's Disbursement Procedures**

- ✓ Are printed, prenumbered checks used and properly controlled?
- ✓ Are voided checks properly held for inspection?
- ✓ Is the signing of checks in advance prohibited?
- ✓ Are checks presented for signature (or bills presented for payment) accompanied by approved invoices, and evidence of receipt and acceptance of goods or services?
- ✓ Does the 4-H Council authorize all bank accounts and check signers? Is the authorization noted in the minutes?
- ✓ Do the signers of checks make adequate investigation before signing?
- ✓ Do procedures provide for immediate bank notification when a check signer leaves the service of the Council?
- ✓ Are volunteers prohibited from using cash receipts to make cash disbursements?
- ✓ Is the supply of blank checks adequately controlled?
- ✓ Are checks prepared by a treasurer and authorized by the Council?
- ✓ Are there established conditions under which cash disbursements are made?
- ✓ Are all paid invoices stamped or adequately marked to prevent their reuse?
- ✓ Are vouchers or purchase orders prepared for all expenditures?
- ✓ Are bank accounts reconciled by a person who does not sign checks, or handle or record cash?
- ✓ Are bank statements delivered unopened directly to the reconciler?
- ✓ Is the sequence of check numbers accounted for when reconciling the bank accounts?
- ✓ Are endorsements on canceled checks examined carefully, incidental to the reconciliation of the bank account?
- ✓ Are paid checks scrutinized for suspicious and irregular features?
- ✓ If there are cash funds that are not needed in the day-to-day working checking account:
  - \*Are they kept in a separate account requiring the signature of an official to make a withdrawal?
  - \*Is the account receiving a reasonable rate of interest?
  - \*Is the account insured and/or supported by sufficient collateral?
- ✓ Is there adequate control over postage costs?

#### **Signature Cards**

At least two signatures of 4-H council members are required.

#### **Signing of Checks**

Two signatures of 4-H Council members are required for all routine business. Additional people can be included on the signature card and can be authorized by the 4-H Council to sign checks if the two 4-H Council members are not available. This might include a bank official or 4-H program supporters that would be available to sign a check in a timely manner. A person associated with the UNL Extension Office can't be included on the signature card.

#### **Reconciliation**

A monthly reconciliation of the checking account with the bank statement must be conducted. **This should be completed by someone different than the person writing checks and the**

**person depositing money.** It is recognized that it can be difficult to separate duties. If enough volunteers cannot be found to perform these functions, the 4-H Council should work with the Unit Leader and/or the Research and Extension Director to develop an alternative solution. This reconciliation should include the check register as well as the Quicken record. In the reconciliation process, all deposits and payments must be cross-referenced with appropriate documentation (receipts, disbursement approvals and check register). Any uncleared checks should be noted and appropriate follow-up actions implemented. Any discrepancies in the final balance must be corrected before the reconciliation is declared complete. The person reconciling the Bank Statement should document on the statement the date reconciled and by whom.

### **Personnel Employment Requirements**

In some situations, the 4-H Council may decide to employ either full-time or part-time employees to conduct special programs or activities such as food stands, day camps, summer recreation programs, etc. As an employer, the 4-H Council becomes responsible for all state and federal employment laws, such as:

- ✓ Federal and state income tax withholding and remittance
- ✓ Social Security withholding
- ✓ Workman's Compensation Insurance
- ✓ Federal and state fair labor requirements
- ✓ Equal Opportunity laws
- ✓ Federal and State Unemployment Taxes
- ✓ W-2 reports to employee, Federal and state government

Youth labor laws restrict the type of work minors may do and the hours they may work. For more information, contact:

Nebraska Department of Labor, Division of Safety  
301 Centennial Mall South  
Box 9502  
Lincoln, NE 68509-5024

Two publications that may be of interest are:

- ✓ "Guide for the Employment of Minors", U.S. Department of Labor
- ✓ "A Message to Youth Workers about the Fair Labor Standards Act as Amended in 1977", U.S. Department of Labor publication #1236

### **Training and Resources**

Best business practices should be followed at all times. Best management financial practices can be found at: <http://www.extension.unl.edu/web/extension/empresources> State 4-H office personnel will provide leadership by training all county staff and 4-H Council members. The relevant District 4-H Coordinator, with support and input from the Research and Extension Directors and State 4-H Program Administrator will serve as the initial resource for best practices. New and revised account operating policies and procedures will be communicated to county offices on a regular basis.

### **Conduct of Annual Financial Reviews**

Annually, the financial records of the 4-H Council should be reviewed by someone removed from the actual operations. A CPA, an officer of the bank or a financial review committee may be used. Always conduct a financial review when transferring responsibility from one person to another for the protection of both parties.

The purpose of a financial review is to check procedures as defined by the 4-H Council/4-H Club Financial Management Manual and the accuracy of the account. It is not a check for fraud, although fraud will be reported if found. Account records should be clear so a financial review committee or anyone can understand the financial transactions.

The financial review committee should submit to the Council a written report, signed by the committee, on the condition of the financial records.

### **Reporting**

Often the workings of the 4-H Councils depend on the funds available. Therefore a Treasurer's report should be submitted to the Council monthly or at each meeting if meetings are not held each month. At a minimum the report should include all receipts and disbursements, beginning and ending balances, and should be signed by the Treasurer.

An annual financial report should be prepared at the close of the fiscal year. This report should include:

1. Beginning account balance
2. All receipts and expenditures for the period
3. Bank justification
  - Bank statement balance
  - Deposits made, but not on the statement (add to balance)
  - Outstanding checks (deduct from balance)
  - Bank balance adjusted for outstanding deposits or checks
  - Report on all investments including accumulated interest

This report should be given to the Extension Board and the 4-H Council.

### **4-H Council Funds in Interest-Bearing Accounts**

It is appropriate to use an interest bearing checking account for 4-H Council funds and all funds should be in an approved FDIC insured account.

### **Budget Preparation and Control**

The 4-H Council is expected to prepare an annual budget for planning purposes. The budget is a statement of the expected financial condition of the Council for the coming year. It is based on information gathered from all other committees and provides guidelines for the short-term. The Finance and Budget Committee develops the budget in keeping with the purpose, philosophy and long-term goals of the organization, sets appropriate objectives and identifies steps to achieve them.

Since the budget establishes future expectations largely on past performance and present resources, it is provisional in nature. Unexpected circumstances such as changes in donors or expenses may affect the budget. This means that the budget must be flexible enough to reflect change without losing effectiveness in dealing with controllable events.

**Specific Functions of a Finance and Budget Committee:**

- ✓ Prepare a budget for the year and a plan to manage investments for the organization.
- ✓ Report on the financial condition and financial results of the operations of the Council.
- ✓ Prepare a budget sheet.
- ✓ Prepare an annual financial review.

**Procedure for Preparing a Budget:**

## a. Assemble Requests

Ask each 4-H committee to request the funds needed for its activities. The requests should list how the money will be spent, how much income is estimated from the activities and any additional amount needed from the Council.

***Sample Committee Budget Report Form Appendix 4***

## b. Estimate 4-H Council Income

For historical reference, the Finance and Budget Committee should review the records of funds raised in previous fund-raising events. List similar kinds of fund-raising events planned for the coming year and estimate projected income. The total estimated income is then added to the current balance in the 4-H Council's treasury to show total estimated available funds for the coming year. Income from investments should be included.

## c. Write Suggested Budget

Writing the budget is a matter of matching expected income to expected expenses. When all requests are received, compare the expense total to the best estimate of the Council's income. If the estimated expense is greater than expected income, some adjustments must to be made. Possible choices include:

- reduce amounts being requested for some activities (check with committees)
- utilize some of the Council's cash reserve (if available)
- suggest a larger fund-raising program (Finance and Budget Committee should support this suggestion)

***Sample Council Budget Appendix 6***

## d. Approve Budget

The final step in building a budget is for the 4-H Council to approve it. Budget approval gives the committees the authority to spend up to the budgeted amount for activities approved by the Council. It gives the Treasurer authority to write checks up to the amounts stated in the budget. Committees are notified as to the approval or denial of their budget requests.

### **Guidelines on Property**

The 4-H Council may hold title to any property. This may include items such as buildings or equipment. As title holder the 4-H Council is responsible for all legal obligations, liability, insurance, etc. To determine all legal obligations, consult with an attorney or legal advisor before acquiring such property.

Keep an inventory of all property and equipment over \$100. Establish a check-out system for equipment borrowed or used by others and label as 4-H Council property. **An inventory review should be conducted yearly by the County Unit Leader.**

Property such as equipment, motor vehicles and other non-expendable materials purchased with 4-H Council funds are 4-H Council property. As 4-H Council property, disposal of such must follow 4-H Council policy.

### **Tax Exempt Status of the 4-H Council**

**4-H Councils and clubs are not sales tax exempt in the State of Nebraska.**

All sales to 4-H clubs, 4-H members, 4-H leaders or individuals purchasing materials, regardless of intended use, are taxable and sales tax must be collected and remitted to the state. This includes purchases made with the intent to donate the materials to a tax exempt entity. Additionally, sales made to agencies **affiliated** with a tax-exempt organization are taxable. For a sale to be tax exempt, the purchaser must provide a sales tax exempt certificate and the purchase must be paid for by that tax-exempt organization.

It is not appropriate to process 4-H Council expenditures through UNL Extension County revolving accounts to avoid paying state sales tax.

## Appendix 1

### Example

#### Invoice to Initiate Payment for Goods or Services Rendered by the 4-H Council for the Benefit of an Outside Organization or Agency

Note: Invoice should be printed on original 4-H Council letterhead or may be Quicken-generated

### INVOICE

Date	Vendor	Category	Amount
		Total Expenditures	

I certify that the expenses listed above were incurred while working on the \_\_\_\_\_ project. Supporting invoice documentation is attached. Please send reimbursement to the address listed above.

---

President, XXX County 4-H Council

**Appendix 2**  
**Reimbursement Request for Use of Personal Funds**  
**(Employee/Volunteer Non-Travel Expense Voucher)**

This form is used to request that a check be written. An employee or volunteer completes the form and attaches appropriate documentation (i.e. vendor invoice, receipt or some valid evidence that personal funds were expended). The 4-H Council, after reviewing, can authorize the request. A check is issued using 4-H Council guidelines.

<b>4-H COUNCIL EXPENSE VOUCHER</b>		Telephone No.
		E-Mail
<b>P A Y E E</b>	Full Name of Claimant (Employee)	Attach receipts for all expenses.
	Address	
	City, State, Zip	
Date	List Miscellaneous Items	\$ Amount
		0.00

I claim reimbursement from the 4-H Council fund for the above expenses incurred by me in the line of duty and declare that the above statement of them is a true account of such expenses for which payment has not been made heretofore by the 4-H Council Fund.

**APPROVED**  
by

Signature of Claimant	Date	Signature of Unit Leader
NOTE AREA	Program	\$ Amount

### Appendix 3

#### 4-H Council Fund Disbursement Approval Form

Attach the receipt, invoice or documentation by vendor.

Requestor \_\_\_\_\_ Date \_\_\_\_\_

Vendor \_\_\_\_\_

Description \_\_\_\_\_

Business Purpose \_\_\_\_\_

Amount \_\_\_\_\_

4-H Council Approval \_\_\_\_\_

Date Paid \_\_\_\_\_ Check # \_\_\_\_\_

**Appendix 4**

**Committee Budget Request Form**

Name of Committee: \_\_\_\_\_ Date: \_\_\_\_\_

Project Name: \_\_\_\_\_

Purpose of Project:

Brief Description of Project:

Committee Contact Person: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Council Liaison: \_\_\_\_\_

Staff Contact: \_\_\_\_\_

Budget Needed: Amount Requested from Council \_\_\_\_\_

Amount from other Sources \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Total \_\_\_\_\_

Income: Estimated Income from the Activity:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Expenses: Itemize How Money will be Spent:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Committee Budget Council Action:

Date of Council Action: \_\_\_\_\_ Budget Request: Approved \_\_\_\_\_ Denied \_\_\_\_\_

Amount Approved by Council: \_\_\_\_\_

Reason Request was Denied: \_\_\_\_\_



## Appendix 6

### Sample Council Budget

Proposed 4-H Council Budget for Year \_\_\_\_\_

	Actual Year <u>03</u>	Estimated Year <u>04</u>	Actual Year <u>04</u>	Estimated Year <u>05</u>
<b>Income</b>				
Carry-over from previous year	190.00	360.00	360.00	_____
Light Bulb Sales	400.00	500.00	465.00	_____
Food Stand Concessions	850.00	900.00	825.00	_____
Donations	900.00	500.00	750.00	_____
Anticipated Interest	20.00	15.00	17.25	_____
<b>Total Income</b>	<b>\$2360.00</b>	<b>\$2275.00</b>	<b>\$2417.25</b>	_____
 <b>Expenditures</b>				
Stipend Volunteer Expenses	115.00	175.00	200.00	_____
Leader Banquet Recognition	25.00	25.00	25.00	_____
<u>Meals &amp; Travel Expense for State</u>				
Council Training Program	100.00	75.00	75.00	_____
Speech Contest	75.00	75.00	65.00	_____
Music Contest	100.00	100.00	100.00	_____
4-H Camp Scholarships	200.00	200.00	150.00	_____
Big Red Camp Scholarships	300.00	300.00	240.00	_____
<u>4-H Awards &amp; Recognition</u>				
Program	100.00	125.00	125.00	_____
State Fair	75.00	75.00	65.00	_____
Operating Funds	50.00	50.00	45.00	_____
Volunteer Newsletter	50.00	60.00	55.00	_____
County Awards Program	250.00	275.00	250.00	_____
Resource Tapes	50.00	100.00	75.00	_____
Donation NE State 4-H Foundation	200.00	250.00	250.00	_____
Insurance	250.00	250.00	242.00	_____
<b>Total Expenses</b>	<b>\$2000.00</b>	<b>\$2135.00</b>	<b>\$1877.00</b>	_____