



Resource Accountability

4-H Council Handbook Tip Sheet

Importance of Resource Accountability

4-H is a public organization. Funds received from dues, fund-raising, county appropriations, and other sources are 4-H property intended for the benefit of all 4-H participants. No single member, volunteer, or committee owns these funds.

4-H Youth Development Council members can ensure accountability of funds by following basic operating procedures. Council members are obligated to document financial activity in accordance with state law and to follow guidelines from the United States Department of Agriculture, Purdue Extension, and the Indiana 4-H Youth Development Program.

Standard 4-H Council Financial Operating Procedures

Financial guidelines relevant to the 4-H Youth Development Council include:

- Contract with a professional financial advisor to conduct a financial audit of the 4-H Council's records annually.
- The professional financial advisor can be hired to also file the relevant federal forms with the IRS (due May 15th) and state forms with the appropriate State of Indiana government office on an annual basis.
- Bond the treasurer by purchasing a rider to the existing liability insurance policy.
- Consider becoming a nonprofit corporation, which helps to reduce individual liability and increases the financial accountability of the council (<http://www.in.gov/sos/business/2428.htm>).

Basic Accounting Procedures for All 4-H Groups

- Checking/savings accounts are opened with a unique Employer Identification Number (EIN) obtained from the Internal Revenue Service (IRS).
- All 4-H funds shall be kept in an official financial institution.
- Set up the account so that each check requires two signatures of unrelated persons – typically the treasurer and one other officer.
- Funds should be deposited promptly after they have been received. Official, written receipts should include the source of funds, the date, and the name of the person from whom the funds were obtained.
- All financial transactions related to the 4-H unit should take place by check or money order rather than

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- by cash. Debit or credit cards are not approved methods for 4-H units to make financial transactions.
- Money should be spent only for items included in the approved budget or after the 4-H group formally approves an unbudgeted expenditure.
- Maintain a list of receipts and expenses, along with original receipts for purchases.
- Present an updated, accurate Treasurer's report at each meeting.
- Provide an official receipt for each donation received.
- Submit a year-end financial report to the 4-H Youth Development Extension Educator annually.
- File an IRS Form 990 Series return by May 15th annually.
 - Groups that typically earn less than \$50,000 in gross receipts annually file a Form 990N (e-Postcard)
 - Groups that typically exceed \$50,000 in gross receipts annually file a long Form 990 with the assistance of a professional tax preparer.
- Conduct fund-raising program using the 4-H Name or Emblem in compliance with USDA guidelines.
- Maintain copies of all financial records for seven (7) years.
- Establish and follow an approved annual financial budget to track income and expenses.

Tax Exempt Status of 4-H Groups

- All 4-H Clubs and Affiliates which have met the requirements to join the Purdue University Group Exemption Number (PU GEN), 5924, are considered federally tax exempt.
- Federal tax exempt status means the group:
 - Is exempt from paying federal taxes on income received.
 - Can receive donations from individuals/groups who wish to claim a deduction on their federal tax returns.
- Federal tax exempt status does NOT mean the group:
 - Is exempt from paying state sales tax on items purchased.
- Members of the PU GEN who are asked to provide a federal tax determination letter to verify their federal tax exempt status may contact their County 4-H Extension Educator who will relay the request to the State 4-H Office.
- Prior to the PU GEN acceptance, approximately 20 entities had filed for and maintained their own separate 501(c)(3) not for profit status. These entities have the same filing requirements, but cannot obtain a federal tax exemption letter through the State 4-H Office.

Additional Financial Status Information for 4-H Councils and Related 4-H Groups

- Some 4-H Councils and other 4-H Affiliates have chosen to obtain state sales tax exempt status. These entities have additional annual filing requirements with the Indiana Department of Revenue. Seek professional assistance to meet these filing requirements.
- Some 4-H Councils and other 4-H Affiliates have become incorporated with the State of Indiana. To maintain incorporated status, additional annual reporting requirements must be met with the Indiana Secretary of State. Seek professional assistance to meet these requirements.

To learn more about Resource Accountability, please visit the 4-H Youth Development Council Functions section (#5) of the Indiana 4-H Youth Development Council Handbook. (<http://bit.ly/4HCouncilFinance>).