Questions and Answers from NYS 4-H Clubs and Taxes Webinar 3/2011

1. So clubs are filing a 990 or no?
   a. A few clubs are required to file, (these have been notified separately) most clubs do not have to file.

2. Is there a template for the MOU between clubs and the local association?
   a. Yes, on the website in word so it is customizable to the association and it is also at the end of this presentation.

3. Would advisory groups that raise their own funds need to run financials through associations too?

4. Affiliates that derive tax exempt status from the association with an MOU and are not a separately organized 501( c)(3) are subject to the same thresholds as clubs. So if they regularly have a balance of $2,500 or greater or more than $7,500 in transactions per year, their cash accounts including financial activity needs to be on the books of the association. However, 4-H affiliated organizations who have obtained their own tax exempt status directly from the IRS need only to submit to the association annual financial reports.

5. Should we be asking for monthly bank statements or just annual reports?
   a. You should get a club’s monthly banking statements. For an affiliate an annual report should suffice, it would be an association decision.

6. Who approves the new club bank account? Which Association staff member?
   a. This is the association’s decision. Some say the ED or Board will do it, but in any case the bookkeeper needs to be aware of it.

7. Oswego received notice from IRS that clubs may need to file. Do we ignore this? They do not have bank accounts.
   a. Please call Adam directly about this.

8. If we run transactions through the Association, can club leaders make deposits and withdrawals; or is this all done by the Association staff?

9. If the books have been turned over to the association, ie. if this is a large club that does more than $7,500 in transactions or has $2,500 as a balance then they would need to work with the Association on that.

10. Please go over the difference between a club and affiliate.
    a. An affiliate is a stand-alone group: ie. a county foundation, a committee, a leader’s association. A club is a chartered group of 5 youth from 3 or more families that regularly holds meetings, elects officers; the traditional club model is an activity of the association.

11. How do we know if we are not told they have applied for an EIN and if they have started an account?
    a. We hope the clubs are responsible to you, reporting what they are doing with their financials and it should say on the audit and annual report. New bank accounts should have CCE also in the name. (see pg 4-2 – should be in name of CCE)
12. Will clubs that already have bank accounts without the association name, be required to change at some point?
   a. No, as far as we know the new banking requirements only apply to brand new clubs. The accounts that are grandfathered in, are fine as long as they are being audited and the audits are reported each year.

13. Clubs need to have an outside audit done? And pay for an outside audit?
   a. Clubs don’t need to have an outside audit done, but since the clubs are an activity of the association auditors will be looking at those audit reports, so the audit should cover the clubs. There is a yearly audit done that is in our 4-H financial guidelines, that is an internal audit so it is a volunteer, an adult, or someone the president picks to make the club audit. An outside audit is completely different process something a 501c3 does to make sure they make sure the books are up to date and not running afoul with the IRS and that is done differently in every county. It’s a [club or affiliate] fairly simple audit but may want to include it in a leader training or orientation so that they know right at the start of the year.

14. I may have missed this – but can you explain what you mean when you say “clubs who are grandfathered in are just fine”?
   a. That refers to a club that is in existence that has an account that has _____ 4-H Club on the account. At this time we don’t say that those accounts need to be closed and reopened saying ie. “CCE of Orange County” on the account. But everyone still needs to do audits and report them to the Association.

15. Is that the case with an affiliate (if the Association doesn’t get annual audit)?
   a. Yes, affiliates with MOU’s need to do audits and turn those in.

16. Groups/clubs that are associated with agencies and school are they considered affiliates? Are we responsible for their club accounts?
   a. If they are chartered clubs that’s handled one way. If they are an affiliate they need an MOU

17. If the Association does not have an annual outside audit, will Ed Dwyer by incorporating clubs into his annual compliance audit?
   a. He may choose to look through the club’s annual financial report as part of a compliance review.

18. Can the Association make the decision to make the clubs close and reopen their accounts with the Association name?
   a. I don’t see the need to as long as you are getting the monthly statements.
   b. How would we be able to keep track otherwise?
      i. It won’t be a problem if you are getting the monthly statements.

19. Do all clubs need an MOU, regardless of their bank account status?
   a. Clubs don’t need MOUs; I believe you are referring to affiliates so an affiliate that is not raising money, for example: say it’s a planning committee that is comprised of CCE employees. That is an activity of the association they don’t need an MOU. If they are fundraising, banking, you need an MOU for them to use the clover.
   b. MOU website: [http://nys4h.cce.cornell.edu/staff/program/Pages/Affiliates.aspx](http://nys4h.cce.cornell.edu/staff/program/Pages/Affiliates.aspx)
20. Will you provide this PowerPoint presentation?
   a. I have recorded this and it will be posted on our clubs webpage.

21. What additional examples can you provide where a club would ask to sign a contract?
   a. Clubs taking a trip, chartering a bus, going to a group event and making special
      arrangements for the club, having a display on main street, facilities and room use
      agreement, fund raising contracts

22. Association check signer: Can it be a staff member or does it need to be a board member?
   a. Association decision, as long as the bookkeeper is aware of it.

23. Do we continue to charter clubs?
   a. Absolutely, if they are of the traditional model they need a charter to act as a club.

24. Would an affiliated organization that is incorporated be required to sign an MOU as well?
   a. Sure if they have an affiliation with 4-H then they would. The MOU is the relationship
      with that affiliate and allows them to use the 4-H Name and Emblem.
   b. If a 4-H affiliated organization, whether incorporated or not incorporated, wants to be
      exempt from federal income tax under the extension Association then it must sign an
      MOU.

25. What do we do with completed “Permission to Raise Funds in the Name of 4-H” requests?
    Where do these need to be filed, and how long do we need to keep them?
    a. 3 years but we will have to get back to you. The bookkeeper should keep records of
       them. They can be kept in a digital format.

26. If a club is going to be using another facility or room use agreement or a rental event. Do all of
    those contracts need to go to the Association?
    a. Yes, because ultimately you are liable for them.
    b. In regard to room use agreements – don’t forget that they must be run by PW Wood

27. Just to clarify, all 4-H clubs and affiliates must have an MOU with the Association?
   a. Clubs don’t need an MOU they need a charter. Affiliates need an MOU.

28. Is there an updated treasurer book?
   a. You are not required to use that; you can use spreadsheets and excel now.
      Unfortunately we are not in the business of distributing club materials anymore so the
      one we have is what we have and I don’t see it getting updated.
   b. Is the treasurer book pdf-ed and online?
      i. It is now (3/28/11)

29. Do we charter Cloverbud groups (4 youth) and Family 4-H groups?
   a. Yes you charter cloverbuds. Independent members do not get a charter but do get a
      specialized offer to use the 4-H name but then they would operate as individual 4-H
      members.
   b. How are single member families counted on ES-237 then if they’re not chartered or charter
      pending?
      c. They are in a special category

30. Are clubs tax exempt?
   a. 4-H clubs are activities of Associations and Associations are tax exempt organizations.
      But they don’t have sales tax exempt status to purchase things such as for fundraisers.
31. If there a group, should have a charter but a family they are considered a group but they don’t need to be a charter?
   a. They don’t meet the requirements for a traditional club so therefore they can exist but they can’t be chartered.
32. If MOU’s give you use of the clover, emblem, and name what is the benefit for being chartered?
   NYC doesn’t have family based clubs all of our groups are attached to organizations and schools. So what is the benefit for being one or the other?
   a. To use the 4-H name and emblem they need an MOU or a charter. If they are a CCE school group and the name 4-H isn’t in there then they don’t need either. But 4-H is the youth development arm of CCE.
   b. It seems like less paperwork to be an affiliate?
      i. It’s really not a choice. A club has 5 or more members from 3 different families, hold regular meetings, and elect officers, they have a charter. In your case you could go either way because they are affiliated with other groups. We will follow up individually.
   c. But could they wear a 4-H t-shirt?
      i. The 4-H mall has 4-H t-shirts we would encourage individual members to wear.
   d. Can Independent 4-H members raise funds in the name of 4-H?
      i. No
      ii. Families and independent members are welcome to participate in 4-H activities, however IRS and National 4-H Policies prohibit 4-H families or independent members as a tax-exempt entity, and from raising funds for their specific family group or members.
33. If you have existing chartered clubs – and they change their name – how do I go about changing that charter?
   a. Send an email to Adam who will send you a new charter and change their name in Access 4-H.
34. Can you repeat the definition of affiliate?
   a. Stand alone organizations who can use the 4-H name and emblem with permission of CCE. The way that they have that permission is by having an MOU on file with the Association that spells out what they are going to do with the name and emblem and what the Association is going to do for them in return.
35. If a club wants to raise funds in the name of their 4-H Club, should the letter be produced through the Association with letterhead? (If a club goes to a local store asking for donations, etc)
   a. Spell that out in request to raise funds in the name of 4-H. You should be aware of every fundraising activity in the county whether they have your letterhead or not.
36. What are afterschool groups considered since they are not chartered?
   a. Generally those are an activity of the Association, it’s different in every county.
   b. A 4-H afterschool club that is enrolled as a group at an independent facility would be an affiliate. Correct?
i. You will determine if they are a traditional 4-H club they can be chartered but if they are not a traditional club they may be an affiliate. But there are cases where they could be an activity of the Association, like when an Educator goes to teach at an after school event so they wouldn’t be either. (group enrollment)

37. Existing club bank accounts are allowable without any approval process?
   a. That is up to you as long as they are doing their annual audits and reporting.

38. Would a fair board be considered an affiliate if it is composed primarily of volunteers?
   a. That may be an activity of the Association if it is mainly volunteers, so it is CCE staff working with volunteers to put on a Youth Fair, more so than an affiliate.

39. An affiliate may be only adults, is that correct?
   a. That is not correct. A teen council would be an affiliate.
   b. Then a leaders association that is comprised of staff and volunteers is not considered an affiliate. Correct?
      i. It would be an affiliate.
   c. What is a difference between them and a fair board?
      i. I assume, the leaders association is raising funds.

40. Can you clarify if a Teen Council is an affiliate or a club?
   a. Would be a club if they were a traditional 4-H club (officers, meetings etc.), but if they don’t then they could be considered an affiliate.
   b. Why is a teen council a club and a leaders association an affiliate?
      i. A teen council can be a club because they are 4-H age youth and leaders associations are adult volunteers.