

Financial Guidelines for **Affiliated Groups**

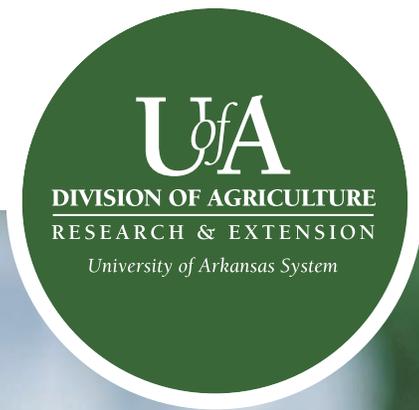


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Financial Guidelines for Affiliated Groups

The University of Arkansas, Division of Agriculture - Cooperative Extension Service (UACES) has a responsibility to conduct its programs in such a way as to maintain the public trust and safeguard the positive image of the organization. Because so many UACES programs are delivered in conjunction with local volunteers, it is imperative that all parties understand their roles and responsibilities regarding UACES program-related activities.

The University of Arkansas, Division of Agriculture - Cooperative Extension Service (UACES) has a long, positive history with Master Gardeners Groups, 4-H Clubs, 4-H Organizations and Foundations, and the Extension Homemakers Council, a 501(c)(3) organization. Volunteers are essential elements in the success of these UACES programs. Volunteers assist UACES in carrying out its mission and operate under the oversight and control of UACES. Without these volunteers, related UACES programs would lose much of their stature and effectiveness.

Background

Recent events require that UACES clarify and communicate its relationship with affiliated organizations used to deliver its programs. These events include the decision by the United States Department of Agriculture (USDA) to cease providing federal income tax exempt status to 4-H clubs through their affiliation with USDA. In addition, it has become clear that only gifts with purely donative intent should be deposited in UACES-related foundations. Funds generated through the provision of UACES programs must be deposited in UACES accounts. This position has been taken by auditors in relation to audits of other state agencies and can be found in audit reports published by the Division of Legislative Audit. Finally, and most importantly, UACES Administration wants to ensure that programs and related funds are handled consistently by its affiliated groups throughout the state. Therefore, the remainder of this document defines the relationship between UACES and its affiliated organizations and delineates responsibilities as it relates to the operation of those organizations

Relationship with Affiliated Organizations

Incorporated Organizations

Affiliated organizations that have incorporated with the Arkansas Secretary of State's Office and/or have obtained separate 501(c)(3) status from the Internal Revenue Service are legally separate (private) entities that are not considered extensions of the core UACES organization. Therefore, these entities have their own management and operational guidelines. However, to use the University of Arkansas program materials or logos, the entities must have a current, legally-executed Memorandum of Understanding with UACES. This MOU will describe the relationship between UACES and the private entity, as well as the roles and responsibilities of each. (Extension Homemakers, as well as 4-H and Master Gardener Foundations fit into this category.)

Note: Whether activities of these private entities are exempt from sales or income tax are questions to be addressed by each such entity. UACES management takes no responsibility for determining or defending such status and will not provide legal, tax, or accounting services of any kind.

Unincorporated Organizations

The University of Arkansas, Division of Agriculture - Cooperative Extension Service (UACES) views unincorporated Master Gardener Groups and 4-H Clubs (hereinafter referred to solely as “Groups”) as extensions of the UACES core organization. Therefore:

1. Group personnel and activities must follow UACES guidelines as outlined in this document and elsewhere in UACES literature.
2. UACES management must approve Group officers and members and can, if necessary, remove persons from office and/or membership. The designated group officer shall submit officers and members list to Staff Chair for approval.
3. Master Gardener and 4-H Groups enjoy the same federal income tax exempt status as UACES. This means that Group funds are exempt from taxation and no financial reporting to the IRS is required.
4. Group volunteers must follow the procedures outlined in this document, including those for handling cash and making expenditures.
5. Group volunteers must act in a professional manner consistent with the educational mission of the University of Arkansas, Division of Agriculture - Cooperative Extension Service.
6. Group volunteers must comply with all federal and state laws and regulations pertaining to volunteer organizations and must adhere to all civil rights laws, including open access to membership and programs.
7. For all monies generated through fund-raising activities that are deposited in Group (private) accounts, volunteers must provide UACES with periodic reports of financial activities, including a prescribed set of year end reports.
8. Group fundraising activities are not considered unrelated business income, because these activities do not constitute a regularly conducted trade or business and would otherwise be exempt from reporting and taxation because the activities are conducted by uncompensated volunteers.

Types of Funds

Public Funds – Programmatic money

Programmatic money is revenue generated through efforts often as a result of UACES personnel planning, supervising, and/or conducting UACES programs, including many Master Gardener and 4-H activities. Programs that generate funds in this category are typically educational in nature.

Public funds:

- **Must** be deposited in UACES bank accounts, such as county depository accounts or the UACES general operating bank account.
- **Must** be expended in accordance with state laws, such as purchasing and sales tax regulations, and UACES policies.
- **Must** be managed and reported according to UACES policies.

Private Funds – Non-programmatic money

Non-programmatic revenue is money generated from activities other than those directly related to the delivery of UACES programs and the fulfillment of its mission. Activities in this category are often fund-raising in nature and are often planned supervised and/or conducted by Extension personnel. Examples include (but are not limited to) money derived from donations, local dues, fundraising activities, or fees collected to support social activities of group members. Because these funds are generated in the name of UACES-related organizations, some financial oversight by, and reporting to, UACES is required. However, because these funds are generated by private donations or fundraising, they are not required to be managed or expended under the laws of the State of Arkansas.

Non-programmatic money:

- **May** be maintained in local Group bank accounts administered by Group officers or may be deposited in the County Depository Account.
- **May** be deposited in the Agricultural Development Council of the University of Arkansas, a 501(c)(3) organization and/or a 4-H or Master Gardener Foundation, or the County Depository Account. Funds deposited in private foundations must be attributable to donations, without any specific performance or reporting required.

Note: Deposits of federal, state or other public funds in private accounts are prohibited. Also, note that fees may be assessed by private foundations.

All public and private funds raised in the name of a group, belong to the group program, not to an individual or group of individuals. It is imperative that the funds be used only for appropriate and authorized purposes.

Examples of Public and Private Funds*

Funds Deposited in UACES Accounts – Public / Programmatic	Funds Deposited in Group Accounts - Private / Non-programmatic
Gifts / Donations / Memorials, if tax receipt required	Gifts / Donations / Memorials, if no tax receipt required
Calendar Sales	Bake Sales
Conference/Seminar Fees Collected	Cookbook Sales
Garden Tour Fees Collected	Garden Tool Sales
Training Registrations & Fees Collected	Local Dues
	Plant Sales
	Proceeds from Fundraising Activities
	Proceeds from Raffles
	Proceeds from T-shirt Sales
	Social Activity Fees Collected

*Call Financial Services for classification of activities not listed

Handling of Funds (other than grants)

For clarity, the following terms will be used to distinguish between both where funds are accounted for and where they are maintained for banking purposes.

- **Group Bank Account** – Local checking account maintained by Group volunteers to manage non-programmatic (private) funds.
- **County Depository Account** – Local or central bank account maintained by UACES personnel, primarily used to manage programmatic money.
- **UACES Master Gardener/4-H Group Quicken Account** - Accounting record (not bank account) in Quicken used to track funds generated by activities that are considered educational in nature, but heavily organized and/or delivered by Group volunteers. Examples include Master Gardener plant sales and calendar sales. Funds accounted for in this way may have previously been deposited in Group bank accounts.

Receipts & Deposits

Funds Collected by Group Volunteers

1. Groups must develop and document procedures for handling the collection and disbursement of non-programmatic funds. At a minimum, those procedures must include the following:
 - Group personnel should issue receipts and/or maintain a list of participants for all non-programmatic funds collected.
 - The receipt or participant list should identify the source or purpose of the funds, amount, date, and payment method (cash, check, money order). (Do not use the official receipt book furnished by UACES for receipt of funds that will not be deposited into a UACES bank account.)

- Funds should be adequately safeguarded and deposited regularly, with cash on hand kept to a minimum.
 - A Record of Deposit form may be completed and should match the deposit slip that is sent to the Group bank with the money. This form is not required but recommended as a best practice.
 - All documentation should be retained for four years after the date of the transaction.
2. If Group volunteers collect **programmatic** funds, the Group Treasurer should complete a Record of Deposit form and forward the form, money, and all documentation to the county office for deposit.
 - Note: If the Staff Chair prefers, the Group Treasurer may prepare the deposit, take it to the bank, and submit the validated deposit bank slip along with the Record of Deposit form and related documentation to the county office.
 3. ***In most cases, only one UACES Master Gardener Quicken Account and one 4-H Quicken Group Account will be established for each Group within a county. Therefore, if a Group desires more detailed records, it is the responsibility of the Group Treasurer to maintain that information.***

Form & Link: [Record of Deposit Form](#)

Funds Collected by UACES Office

1. Office Support Personnel maintain a receipt book furnished by the UACES and issue receipts for all programmatic money collected.
 - (A receipt from this book should be issued ONLY for funds being deposited in a UACES bank account. See County Quicken Accounts Procedures Manual.)
2. Programmatic money should either be sent to Financial Services to be deposited into the UACES operating bank account or should be deposited by the County Office Personnel into the county depository account in accordance with the County Quicken Accounts Procedures Manual.
3. If **non-programmatic** funds that are to be deposited in the Group bank account are collected by UACES personnel, a Record of Deposit form should be completed and a copy of the form should be forwarded with the funds to the Group Treasurer for deposit. Also, it is recommended that a separate receipt book be used to receipt these monies.

Form & Link: [Record of Deposit Form](#)

Expenses/Check Writing

Purchases & Reimbursements

1. If expenses are to be paid or reimbursed from the UACES Master Gardener/4-H Quicken Group Account, there must be sufficient funds available to support the expenditure. Because reimbursements are limited to available funds, volunteers and UACES personnel should verify account balance prior to making purchases for which they will seek reimbursement.
2. Reimbursement cannot be made for any personal items.
3. To spend money from the UACES Master Gardener/4-H Quicken Group Account, the Group Treasurer or President should submit a Check Request form and appropriate supporting documentation to the County Office Support Person.
4. The requestor of the check and the Staff Chair (or other UACES official) signs the Check Request form.
5. The County Office Support Person prepares a check and submits the check along with supporting documentation to the Staff Chair for signature. Checks issued from the UACES State Office will follow normal check writing procedures.
6. Volunteers and UACES personnel seeking reimbursement for expenses must have proper receipts for payments made in support of authorized program and/or Group activities.
7. ***Note: Purchases and reimbursements made from UACES accounts must follow all State of Arkansas and UACES purchasing guidelines. Group volunteers should follow sound purchasing practices and report all purchasing activities to UACES through the required year-end reports. All expenditures should be supported by proper receipts which are maintained by the Group for four years and available for review at any time during that period.***
8. Expenses to be paid from the Group bank account should follow Group cash disbursement guidelines, including check writing/signing guidelines.
9. Use Fund Number 13823 to order supplies and other items that are to be charged to the County Quicken Account.
10. If a purchase of approximately \$5000 or more is to be paid by an UACES account, then contact the UACES purchasing office at 501-671-2296.

Form & Link: [UACES Check Request Form](#)

Form & Link: [FINANCE-214 Furnishing Meals & Refreshments](#)

Form & Link: [TRAV-229 Travel Authorization for Non-Extension Employees and Guests](#)

Vendor Accounts

If a Group desires to set up an account with a local vendor, the following guidelines should be followed:

1. The name on the account should be the name of the Group, i.e. XYZ Master Gardeners.
2. Do not use the University of Arkansas Cooperative Extension Service name on the account.
3. Vendor accounts can be paid from the UACES Master Gardener/4-H Group Quicken Account if UACES/State purchasing guidelines are followed and sufficient funds are available.
4. Vendor accounts can be paid from LRSO through normal purchasing procedures.

Form & Link: [FINANCE-214 Furnishing Meals & Refreshments](#)

Purchases of Property

1. In order to ensure proper accounting and management, Group funds should not be used for items costing \$500 or more without prior consultation with the local County Extension Agent.
2. Property purchased and/or maintained (or disposed of) by Group volunteers should be reported annually as part of the year-end financial reporting package.

Form & Link: [Annual Group Property/Inventory Report](#)

Sales Tax

Sales Tax on Purchases

1. Unless otherwise directed, all purchases made by Master Gardener Groups, except items to be resold to the public, must include the payment of appropriate sales tax.
2. Purchases of items to be resold to the public do not require the payment of sales tax. UACES has a certificate from the state signifying its exemption from the payment of sales tax on these items. (Note: This exemption is for State sales tax only and has no bearing on federal income tax rules.)
3. Purchases of tangible goods or services in support of 4-H activities are exempt from State sales tax per Arkansas Gross Receipts Regulation GR-31.

Sales Tax on the Sale of Goods or Services

1. Sales of goods or services to the public require the collection of sales tax unless otherwise directed by the LRSO. This includes the sale of calendars, cookbooks, clothing, etc., unless sales occur no more than three times per year.
2. **Note: Volume sales are NOT exempt from sales tax unless the purchaser produces a current State of Arkansas Exemption Certificate. If sales tax is not collected, the purchaser's Sales Tax Exemption number should be documented and available upon request.**

Public/Programmatic Funds	Collect Sales Tax
Calendar Sales	Yes
Clothing (unless sold to public more than 3x yr.)	No
Conference/Seminar Fees Collected	No
Cookbook Sales	Yes
Garden Tool Sales	Yes
Garden Tour Fees Collected	No
Plant Sales (unless sold to public more than 3x yr.)	No
Training Registrations & Fees Collected	No

***Call Financial Service for sales tax determination for activities not listed.**

3. All sales tax collected by Group personnel should be identified separately on Record of Deposit form and remitted to the County Extension Office for further processing and payment to the State.

- If sales tax is not collected separately, sufficient information must be provided to the Office Support Person to calculate and remit the tax to the LRSO.
4. County Extension Office Support Personnel should account for and remit sales tax to the LRSO in accordance with the County Quicken Accounts Procedures Manual. Financial Services will remit the sales tax to the State.

Form & Link: [Certificate for Sales Tax Exemption from State of Arkansas](#)

Form & Link: [GR-31 Exempting 4-H Clubs from the payment of sales tax](#)

Form & Link: [GR-39 Arkansas Gross Receipts Tax Regulations](#)

Form & Link: [Record of Deposit Form](#)

Month End Reconciliation Procedures

1. County Office Support Personnel will reconcile county Quicken accounts in accordance with the County Quicken Accounts Procedures Manual.
2. County Office Support Personnel will prepare a Quicken report of the UACES Master Gardener/4-H Group Quicken Account activities and balances and submit it to the Group Treasurer.
3. County Office Support Person will work with the Group Treasurer to resolve differences between UACES balances and Group balances, if any.
4. The Group Treasurer will follow Group guidelines as they relate to any required month-end reporting related to the Group Bank Account.

Year End Reports and Procedures

1. Group must complete reports within 60 days of financial year end
 - Annual Group Financial Report:
 - Statement of Income & Expenses
 - Statement of Assets, Liabilities, and Equity
 - Group Guidelines of Cash Handling Procedures
 - Annual Group Property/Inventory Report
2. Peer Review should be complete within 90 days of program year end
 - Peer Review of Group Financial Records: Cover Sheet
 - Peer Review of Group Financial Records: Report
3. All year-end documents should be sent to the UACES Office of the CFO by the deadlines described above.

Form & Link: [Annual Group Financial Report: Statement of Income & Expenses](#)

Form & Link: [Annual Group Financial Report: Statement of Assets, Liabilities, and Equity](#)

Form & Link: [Annual Group Property/Inventory Report](#)

Group Guidelines of Cash Handling Procedures

Form & Link: [Peer Review of Group Financial Records: Cover Sheet](#)

Form & Link: [Peer Review of Group Financial Records: Report](#)

Review of Financial Records

1. Group Financial records must be reviewed annually by one of the following methods:
 - Peer review – use UACES-provided forms
 - Independent certified public accountant
2. Groups with annual revenue greater than \$50,000 should contact the CFO of UACES to determine if an independent audit is required.

Peer Review of Group Financial Record: Guidelines for Committee

The peer review committee should be composed of at least two members. The purpose is to review the accounting records and financial statements prepared by the treasurer for accuracy and reasonableness. Committee members should not include the treasurer, anyone related to the treasurer or anyone who signs checks, approves expenditures or is involved in any way in the financial affairs of the group.

Annual procedures for peer review committee at end of program year:

1. Check each month's reconciled bank statement and canceled checks. Make sure the ledger postings are current and complete.
2. Examine all voided checks. If a voided check is not on file, verify that the check has not cleared the bank.
3. Total all funds received. Verify that cash receipts were written and that funds received were listed on the ledger reports.
4. Total all deposits made to the bank account. This total should equal the total of all funds received.
5. Total all expenditures. Verify that a written bill is on file for each expenditure. Verify all expenditures were paid by check, not in cash.
6. Examine the Annual Group Financial Report. Verify that the amounts listed agree with the amounts in the treasurer's ledger reports, the total in the check register and the bank statements.
7. The treasurer's total balance at the beginning of the year plus all funds received, minus all expenditures, must equal the treasurer's total balance at the end of the year.
8. Examine the Annual Group Property/Inventory Report and make sure that all property/equipment has been properly accounted for and documented. A letter or receipt should be on file for each gift received, documenting donor, date, value and any restrictions placed on the donation by the donor.
9. Review prior year's report and determine if appropriate follow up actions were taken.
10. Complete forms and send to the UACES Office of the Chief Financial Officer within 90 days of the financial year end.
 - Peer Review of Group Financial Records: Cover Sheet
 - Peer Review of Group Financial Records: Report

Record Retention

1. Unless otherwise instructed, Groups should retain records for a period of four years after the transaction date.
2. UACES personnel should retain records in accordance with UACES guidelines.
3. At the end of the required retention period, records should be destroyed by shredding.

Other Activities & Considerations

Dissolution of a Group

1. Distribute funds to another UACES program within the county.
2. Distribution of funds must be approved by the Staff Chair.

Gifts

1. Although UACES Groups have the same tax exempt status as UACES, to ensure proper accounting, reporting, receipting, and acknowledgement, all gifts must be reported to the County Extension Office.
2. Group volunteers are not authorized to issue tax deductible receipts.
3. All cash gifts, for which donors request a tax receipt, must be deposited in a UACES bank account.
4. The Director of Financial Services should be notified when a donation is restricted for a specific purpose.
5. The Staff Chair should ensure that all gifts are properly acknowledged
6. Examples of tax deductible gifts include:
 - Cash
 - Gifts in kind - Tangible items that are directly used or 'consumed' in a sanctioned project or educational outreach effort (including plants, seed, soil, supplies and equipment, books or other printed resources, food, etc.)

Form & Link: Sample Gift Acknowledgement Letters

[For Cash Gifts Received No Goods or Services Provided](#)

[For Cash Gifts Received Goods or Services Provided](#)

Form & Link: Sample Gift Acknowledgement Letters

[For Noncash Gifts Received – No Goods or Services Provided](#)

[For Noncash Gifts Received – Goods or Services Provided](#)

Form & Link: [U of A Division of Agriculture Noncash Gift Notification Form](#)

Form & Link: [W-9 Request for Taxpayer Identification Number and Certification](#)

Grants

1. A grant is a contribution requiring performance by recipient.
2. All grants and agreements require administrative approval.
3. Grant funds are not allowed to be deposited into the county Quicken bank account, but can be deposited and expenditures made through normal purchasing procedures through Financial Services.
4. For more information concerning Extension grant policies and procedures, please refer to:
<http://intranet.uaex.edu/policy/programmanagement/grants.asp>

Form & Link: [FINANCE-214 Furnishing Meals & Refreshments](#)

Raffles

1. UACES has a license to conduct raffles.
2. Contact the Office of the CFO for reporting requirements prior to engaging in any raffle-related activities.

Volunteer Immunity

UACES Policy Number: C.E.S.P. 3-38

Summary: Describes liability protection for volunteers in connection with official actions.

Volunteers are covered under the Arkansas Volunteer Immunity Act of 1987. Volunteers are not to be held civilly liable for their acts or omissions in carrying out their authority and responsibilities as volunteers if such acts or omissions were performed in good faith and did not constitute gross negligence. There is an exception when the volunteer is covered by a policy of insurance, in which case liability is limited to the amount of the coverage provided.

<http://www.arkleg.state.ar.us/assembly/1987/R/Acts/970.pdf>

<http://intranet.uaex.edu/policy/programmanagement/volliably.asp>

Appendix

Forms and Sample Documents

Annual Financial Report

[Annual Group Financial Report: Statement of Income & Expenses](#)
[Annual Group Financial Report: Statement of Assets, Liabilities, and Equity](#)
[Annual Group Property/Inventory Report](#)
[Peer Review of Group Financial Records: Cover Sheet](#)
[Peer Review of Group Financial Records: Report](#)

Checks & Deposits

[UACES Check Request Form](#)
[Record of Deposit Form](#)
[Insufficient Check Sample Letter](#)

Expenses & Check Writing

[FINANCE-214 Furnishing Meals & Refreshments](#)
[TRAV-229 Travel Authorization for Non-Extension Employees and Guests](#)

Gifts

Sample Gift Acknowledgement Letters
[For Cash Gifts Received No Goods or Services Provided](#)
[For Cash Gifts Received Goods or Services Provided](#)
Sample Gift Acknowledgement Letters
[For Noncash Gifts Received – No Goods or Services Provided](#)
[For Noncash Gifts Received – Goods or Services Provided](#)
[U of A Division of Agriculture Noncash Gift Notification Form](#)
[W-9 Request for Taxpayer Identification Number and Certification](#)

Grants

[Internal Grant Approval Form Template FINANCE-312](#)

County Quicken Procedures Manual

Sales Tax

[Certificate for Sales Tax Exemption from State of Arkansas](#)
[GR-31 Exempting 4-H Clubs from the payment of sales tax](#)
[GR-39 Arkansas Gross Receipts Tax Regulations](#)

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