

4-H and Other Checking Accounts using USU's Tax Exempt Status

August 1, 2016

Standard Operating Procedure

Those consulted: Kevin Kesler and representatives from the state 4-H office and select county faculty (4-H); Bryan Arnell, Branden Blanchard and Carol Ann Downs (Business Services); Dan Christensen (Controller); Ken White and Brian Higginbotham (Extension Administration); Mica McKinney and Ryan Brady (Office of General Counsel).

History: Several years ago it was determined that it could be appropriate and advantageous for 4-H clubs to create checking accounts using USU's TIN Number. At the time, it was determined if the dollar amount of these checking accounts were de minimis in nature they would not need to go through the University Accounting process. Bank statements were to be turned into the Controller's Office for inclusion in USU's financial statements. No additional checks and balances were put into place at that time.

Concerns: Recently, Business Services noted that some checking accounts were being used for purposes unrelated to original intent without adhering to current USU policies or procedures. Additionally, some of these checking accounts had grown quite large and had exceeded the expected de minimis balance. After several discussions with Extension Administration, the Controller, Risk Management, and General Counsel, it has been determined that changes are not only warranted but needed. Extension benefits from the liability and risk coverage of USU, as well as potential immunities provided to USU as a state entity. However, in order to maintain this coverage and potential immunities, USU must be able to show that USU has both administrative and financial control over its programs and services. USU management over incoming and outgoing funds is a critical element for establishing this control.

4-H Clubs: Effective September 1, 2016, USU will no longer allow checking accounts to be set up using USU's EIN. Traditional 4-H clubs may operate their clubs without running their funds through the University as long as the following criteria are met:

1. All funds collected are spent for club operations and are de minimis in nature.
2. Funds collected by the club are not donations; that is, the club may collect costs and fees to cover direct expenses for a specific activity.
3. Funds are not held for more than 30 days.
4. Funds are not used to support overnight travel.
5. Funds are not used for academic or programmatic scholarships.

In the event that a 4-H club cannot meet the criteria above then the funds must be deposited into a USU index and all transactions will flow through USU's accounting system.

Extension/4-H entities (e.g., councils, associations, etc.): These checking accounts should be closed immediately and rolled into a USU index. All deposits and transactions must follow USU's policies and procedures. These indices must be managed by a USU employee.

Non Extension/4-H entities: USU employees and 4-H volunteers are free to participate and serve in non 4-H/Extension entities. Notwithstanding the participation of USU employees or 4-H members, if entities

are not legally affiliated with USU they should not use USU's EIN. These entities can and do act independently of USU and should therefore operate independently. They should receive donations directly from their donating organizations. USU will not serve as a flow-through entity. Donations received by USU and/or collected in the name of 4-H/Extension must be deposited into a USU index.

Donations : Any donations, including fundraisers, collected in the name of USU, Extension, 4-H, etc. should be routed through the University's Advancement Office and be deposited into a USU index.

Conclusion: We are hopeful that these changes will not only protect USU's assets but also the employees and volunteers that work so diligently. We hope the following FAQs will be helpful as you implement these changes.

FAQs:

- Why are checking accounts being closed?
 - To mitigate the risk to USU, employees and volunteers.
- Do all checking accounts need to be closed?
 - Yes. All accounts need to be closed by December 31, 2016.
- What happens to the funding that has been raised and currently is in a checking account?
 - The money needs to be rolled into a USU index where it can be used to support 4-H/Extension programming. Funds that are de minimis in nature should be spent and the checking account should be closed.
- How do volunteers make purchases using the funding put into a University index?
 - All purchases made from a USU index will follow USU's policies and procedures. Purchases can be made using a PCard or Requisition. The indices will be managed by a USU employee (e.g., county agent, county director) and the volunteers can coordinate with the employee to make the needed purchases.
- How does a volunteer get reimbursed for program related purchases?
 - A volunteer will be treated the same as any USU employee. A valid, detailed receipt must be submitted for processing reimbursements.
- How does USU pay people right after an event like judges, medical staff etc.?
 - There are many different options here. One potential option is to have a change fund that is tracked and accounted for by a USU employee. Another option is to send a check directly to the recipient. We will address these on a case-by-case basis.
- Who can direct payments or expenditures from a USU index?
 - The USU financial manager submits and approves all transactions for the index.
- At what level of funding do volunteers need to put the money into a USU index?
 - There is not a set dollar threshold but there are 5 criteria outlined above. Even if the amount could be considered de minimis, all funds need to go into a USU index if they will be carried over month to month, will be used for overnight travel, or will be used for academic or programmatic scholarships. Also, all donations to USU and/or a USU 4-H entity should be put into a USU index.
- What is the definition of de minimis?
 - The Merriam-Webster dictionary defines de minimus as: "lacking significance or importance: so minor as to merit disregard."
- What happens if a volunteer, club, or council refuses to close their checking account and/or will not put funds into a USU index?

- The State 4-H Office will revoke the charter of the club and pull the membership of any volunteer who doesn't comply with 4-H approved practices and USU policies.
- Should funds from a junior livestock show be put into a USU index?
 - Depends if it is a 4-H show or a non 4-H show. Funds that are for a non 4-H show (which may include other groups in addition to 4-H) should be deposited into a separate account unaffiliated with USU.
- How will youth receive awards/livestock sale money from a non 4-H show?
 - That's up to the non 4-H entity and the show committee/council.
- What can the funds put into a USU index be used for?
 - These funds can be used to support 4-H/Extension related activities as long as they follow University policies and procedures.
- What steps do we take to close the checking accounts?
 - Volunteer and USU employees should work with their bank. In cases where a USU index is needed, a USU employee will need to be identified as the financial manager for the index. The money from the checking account should be submitted to that financial manager and deposited into an appropriate USU index.
- What steps does a group take to set up their own EIN?
 - USU employees should not provide legal or tax advice. Governmental websites such as www.irs.gov provide instructions on how to create an EIN.