



4-H MONEY MATTERS FACT SHEET 7

EXCESS FUNDS AND A 5-YEAR PLAN

April 2012

Excess Funds

Background:

- 4-H Clubs and Groups must practice financial policies that retain their nonprofit status and prevents them from accidentally falling into a private foundation status with the IRS. This is the primary purpose for the policy on excess funds and the 5 year plan.
- UW-Extension is asking all 4-H Clubs and Groups/Committees to use a cash accounting method. 4-H Clubs and Groups are expected to be raising money for the next fiscal year, while spending money that was raised in the previous fiscal year. This means that a 4-H Club and Group may have obligations to pay for expenses that have not been fulfilled, while it is taking in cash receipts for fundraising. (For additional background, see [IRS Publication 538](#).)

What are Excess Funds?

- Wisconsin 4-H Club and Group's may have funds to cover the current year's projected expenditures plus one additional year's expenditures in their accounts OR \$1,000 whichever is greater.
- A 4-H Club or Group must determine its individual one year's annual projected expenditures. To compute this figure, take the average the 4-H Club or Group's last 5 year's annual expenditures. This is the 4-H Club or Group's target number or their annual projected expenditure. The formula for projected expenditures:
 - $\text{Projected Expenditure} = \text{Sum of last 5 year's actual expenditures divided by 5}$
(Example: $\$500 + \$600 + \$1000 + \$400 + \$500 = \$3,000 \div 5 = \$600$ as the annual projected expenditure)
- At no time during the fiscal year can a 4-H Club or Group hold over 2 times the projected expenditures OR \$1,000, whichever is greater in the sum total of all of their financial accounts. The formula for the ceiling limit or maximum for all financial accounts follows:
 - $\text{Ceiling limit or maximum sum all accounts during the fiscal year} = 2 \times \text{projected expenditure}$
(Example: $\$600 \times 2 = \1200 is the ceiling limit for the sum of all accounts throughout the year)
- Once a 4-H Club or Group exceeds the limit, the Club or Group must work with the 4-H Youth Development Educator to develop a 5-year plan to spend down the excess funds or to transfer the excess funds to an endowment fund with the Wisconsin 4-H Foundation or other pre-approved foundation or endowment. (Financial policies A. 4. Option B or D)
- Examples:
 - If a 4-H Club or Group's annual projected expenditure is \$50,000, it cannot have any more than \$100,000 in a total sum of ALL of their financial accounts at any time during the fiscal year. (This includes checking, savings, money market, CD's, etc.) If the sum of all their financial accounts is \$102,000, they would need to communicate with the 4-H Youth Development Educator for assistance to develop a 5- year plan to spend down plan the \$2,000 or the development of an endowment plan with the Wisconsin 4-H Foundation. If they choose to have an endowment or long term investment with another financial organization, they must seek written approval from the 4-H Youth Development Program Director and UW-Extension Director of Budget and Fiscal Operations prior to opening any fund.
 - If a 4-H Club or Group has projected annual expenditures of \$500 or less, the 4-H Club or Group may always have up to \$1,000 in its bank accounts without having to make a 5-year plan or transfer that money to an endowment fund with the Wisconsin 4-H Foundation.
- If the 4-H Club or Group is saving for a specific programmatic objective, an overage of the ceiling limit is approved IF a preapproved programmatic plan is in place. The plan must be accomplished within 5 years of its development and approval. This plan needs to be in writing. Approval is granted from the 4-H Youth Development Educator. Extensions of the 5-year-plan implementation will not be approved.

What is a 5-Year Plan?

- A 5-year plan for spending down excess funds must relate to an actual and specific youth development goal that can be accomplished in five years. The 5-year plan should have specific steps that can be accomplished in each of the five fiscal years it encompasses. The goal must not only be what is being purchased but include what the youth will actually gain as a result of the funds being disbursed.
- If, after the first year of the plan, a group is not taking the actions laid out in the plan, steps should be taken to move the funds to an endowment fund with the Wisconsin 4-H Foundation or other pre-approved foundation or endowment. (Wisconsin 4-H Youth Development Policies/Financial policies A. 4. Option B or D).

- The plan should only be updated to spend the money sooner, or to spend more money within the same time frame. If groups cannot complete their plan within the scheduled five years, steps should be taken to move the funds to an endowment fund with the Wisconsin 4-H Foundation.
- If new excess funds become available that may be subject to a 5-year plan, that money can be spent on an ongoing 5 year plan, within that plan's original 5 -year time frame. Otherwise a new and separate 5-year plan should be drawn up for that money.
- It is recommended that 5-year plans actually be developed for a shorter time frame such as 2 or 3 years, especially, if there are serious contingencies in the plan that might delay its implementation. Examples would include the requirement of approval from an outside unit of government, the cooperation of an outside contractor, or the availability of a certain material or resource.
- As to excess funds in existence on July 1, 2012, a plan must be in place, which will be completed as of June 30, 2017.
- If a club does not believe that it can follow through with its 5-year plan or transfer the money to an endowment fund with the Wisconsin 4-H Foundation, it should make an application to 4-H Youth Development Program Director and the Director of Budget and Fiscal Operations pursuant to the policy to find another option.

Actions Needed

- Volunteers in leadership roles with 4-H Clubs and Groups should be aware of their financial situation. This includes:
 - 4-H money is being handled appropriately as per the Wisconsin 4-H Youth Development Financial policies
 - Knowledge of the 4-H Club or Groups annual projected expenditure limit
 - Ensure that their fiscal accounts are within the allowable fund limits
 - If their funds fall into excess funds, begin an appropriate 5-year plan based on a specific youth development objective that will spend down the excess funds or put into an approved endowment fund. Initial 5-year plans are due by July 1, 2012.
- 4-H Youth Development Educators should be aware of the 4-H Clubs and Groups that have excess funds in their accounts and assist them in developing an appropriate 5 year plan. This can be done through communication with volunteers and review of the 4-H Annual Financial Reports that are part of the 4-H Charter Renewal process. Educators can ask for support and assistance from District Liaisons, 4-H Youth Development Associate Program Director or 4-H Youth Development Program Director.

A sample worksheet that can be used for the written 5-year plan is attached.

For More Information

- [Wisconsin 4-H Youth Development Policies](http://www.uwex.edu/ces/4h/resources/policies/index.cfm) These include the financial policies. (http://www.uwex.edu/ces/4h/resources/policies/index.cfm)
- [Money Matters Website](http://www.uwex.edu/ces/4h/clubs/money.cfm) (http://www.uwex.edu/ces/4h/clubs/money.cfm) Includes tools to assist in handling 4-H money.
- 4-H Club Teaching Materials <http://www.uwex.edu/ces/4h/clubs/meetings.cfm>
- [Financial Management Website](http://www.uwex.edu/ces/4h/resources/mgt/financial.cfm) (http://www.uwex.edu/ces/4h/resources/mgt/financial.cfm)
- [4-H National Headquarters](http://www.national4-hheadquarters.gov/) (http://www.national4-hheadquarters.gov/) provides the national 4-H policies including the regulations regarding use of the 4-H Name and Emblem.

Additional [4-H Money Matters Fact Sheets](http://www.uwex.edu/ces/4h/clubs/money.cfm) (http://www.uwex.edu/ces/4h/clubs/money.cfm)

- 4-H Money Matters Fact Sheet 1: 4-H Money Basics
- 4-H Money Matters Fact Sheet 2: Financial Accountability
- 4-H Money Matters Fact Sheet 3: Managing 4-H Money
- 4-H Money Matters Fact Sheet 4: Fund Raising
- 4-H Money Matters Fact Sheet 5: Audits for 4-H Clubs and Groups
- 4-H Money Matters Fact Sheet 6: Annual Financial Report

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4-H Excess Funds 5-Year Plan

Name of 4-H Club or Group: _____

Today's Date: (M/D/Y): _____

Amount of Excess Funds that Must Be Spent Down or Invested: _____

Specific Youth Development Goal:

Date for Completion of Disbursement of Excess Funds (This must be within 5 years of today's date):

Specific Steps to Accomplish Goal:

Specific Step (add steps as needed)

Date to be Accomplished

Person Responsible

Specific Step (add steps as needed)	Date to be Accomplished	Person Responsible

Submitted By

4-H Volunteer

Today's Date

Approved By:

4-H Youth Development Educator

Today's Date