

## University of Minnesota Extension Master Gardener Financial Management Guidelines

It is the primary role of Master Gardeners (MG) to provide horticulture education to the citizens of Minnesota through a variety of classes, projects and activities. However, it is recognized that local MG do need to generate and manage financial resources to supplement and support local MG projects and program needs.

As a public program of University of Minnesota Extension it is important that money raised to support local MG programs is handled with the greatest stewardship. Procedures for handling local MG funds should be transparent and follow sound financial management practices. University of Minnesota policies and procedures are a basis for MG financial guidelines.

The guidelines outlined in this document are recommended financial management procedures for local MG programs. They represent standard best practices. If a local MG program does not already have these procedures in place, they should take steps to do so. If local MG programs already have procedures in place, it would be wise to review current procedures in light of these guidelines. In some cases, local MG programs may have established guidelines in addition to these. That is fine. To ensure local MG program financial management guidelines are in compliance or for assistance in reviewing or creating guidelines, contact the State Master Gardener Program Manager.

These guidelines cover four broad areas of financial management:

1. Taking in money
2. Holding money
3. Dispersing money
4. Accounting for money



### **Taking in Money**

1. All transactions where MG receive money, whether by cash or check, should be documented with some form of receipt. Receipts should include the source of the money (such as a garden calendar sale or registration fee for a class), the date, the amount, and, where appropriate, the name of the purchaser. Receipts should be numbered for tracking purposes. Where checks are accepted as receipt of payment, a copy of each check should be made prior to deposit. Receipts are back-up documentation for any bank deposit.
2. When handling and accounting for money there should be a separation of duties. This means one person should receive the money and issue a receipt. Another person should total the money received and verify the

total matches the amount receipted. A separate person should prepare the bank deposit. This provides a system of check points and protects individuals from mistakes. It helps eliminate questions and errors.

It is understood that in smaller programs it can be difficult to separate duties. However, even with small programs, it is important that more than one person be involved in counting money, verifying with receipts and preparing bank deposits. At the very least a local MG executive committee member or MG coordinator review the work if separation of duties is not possible.

3. Checks received should be endorsed for deposit upon receipt. Use a stamp or written endorsement stating "For deposit only \_\_\_\_\_Master Gardener Program"
4. The group treasurer should deposit funds promptly.

### ***Tax deductible donations***

The Master Gardener program is not a 501 (c) 3 organization and therefore cannot issue a tax deductible receipt. However, the State Master Gardener program is finalizing a plan with the Minnesota 4-H Foundation, a 501(c) 3 to serve as a fiscal agent for tax deductible gifts and grants to local Master Gardener programs. This will provide local programs with a mechanism to be eligible to receive tax-deductible donations. The process will provide an easy to use system for taking in and dispersing such funds.

### **Holding Money**

Money generated through sales of goods or services, fees for classes, registrations, etc. to support the local MG program have often been held in County Extension budgets as a designated line item. In recent years, most counties have required non-tax levy dollars to be held in independent, outside program accounts managed by the separate programs. This has required many local MG programs to open checking accounts independent from the County Extension budget. This does create a level of liability risk for the individuals opening an account in the name of the local MG program.

If MG program funds are administered through a County Extension budget there is no need to open a separate account. In this case, follow procedures for holding, dispersing and accounting for funds as required by the county and County Extension office.

If local MG programs open an independent account at a financial institution, these guidelines should be practiced:

1. To open a checking or savings account an IRS Employer Identification Number (EIN) will be required. An EIN number can be obtained online. It is a relatively easy process to obtain this number as an informal nonprofit educational program. See appendix for details.
2. In **NO** case, should a MG program open a MG financial account using an individual's social security number.
3. The permanent address for a local MG account should be the local University of Minnesota County Extension office address.
4. Monthly statements from the financial institution should come to the County Extension office. A copy of the statement should be sent to the designated MG treasurer. A copy should be held at the Extension office. No University of Minnesota or County Extension staff should be responsible for reconciling, otherwise managing the account, or signing checks. The Extension staff person responsible for coordinating/managing the MG program should have "read-only" access right to MG accounts. The Extension Regional Director assigned to a county should also have "read-only" access right to MG program account information. NO Extension staff should be responsible for managing MG program accounts or for signing or co-signer of checks.
5. The designated MG treasurer should reconcile account statements monthly and report account information at each MG meeting.

### **Dispersing MG Program Funds**

These guidelines refer to transactions that disperse, or pay out, MG funds.

#### ***Paying from a checking account:***

1. All financial transactions should be made by check rather than cash to ensure accountability.
2. To help maintain accountability, duplicate check systems are strongly recommended.
3. Accounts should be set up so that all checks require two authorized signatures. In many cases this is the treasurer and one other member of MG volunteer who is a member or officer of the MG leadership team/executive committee. This could also be set up to be the treasurer and any other member of the MG leadership team/executive committee. The authorizing signatures will need to be changed at the financial institution whenever there is a leadership change.
4. All payments from the MG accounts must be in response to a written bill or invoice that clearly states what was billed. The check number and date should be written on the invoice. A copy of the bill or invoice should be kept by the treasure for accounting purposes.

#### ***Paying by Petty Cash:***

The best practice is not to have a petty cash fund however there may be times when it is appropriate to do so. In these cases:

1. Keep petty cash in locked or secured location.
2. Set up the fund by writing a check from the MG account and track it as petty cash.
3. Limit the maximum accumulation to \$25. If the fund becomes greater than \$25, deposit the excess in the MG account.
4. All funds used from and accepted into this fund must be recorded on a petty cash fund ledger. The petty cash fund transactions and balances should be reported as part of regular MG treasurer's reports.
5. Periodic auditing of petty cash fund by a person who does not generally use the fund is recommended.

***Paying by other methods:***

Local MG programs should NOT obtain credit/debit cards; this follows University of Minnesota policy. While the best practice for dispersing funds from MG accounts is by a check, these might be additional options where appropriate:

1. Arrange for the business you purchase from to bill the MG program and pay from an invoice.
2. Purchase a gift card from a business where you will do major purchasing. Limit the amount of the gift card to \$100. Maintain receipts of purchases for documentation. Report on purchases and balance.
3. Purchase a pre-paid major credit card from your financial institution. Limit the credit line here as well. Maintain receipts for documentation. Report regularly on purchases and balance.
4. Some counties may provide a county credit card for a staff member. In this case the county would assume liability for payment. Invoices and receipts would be presented to the MG Program and the MG Program would reimburse the county for expenditures made on that designated card.

**Accounting for Money**

**Budget**

An annual budget prepared for the fiscal year and approved by the local MG program is the guide for good financial stewardship and is a sound practice. A budget should be based on your MG program's goals and project needs. This helps to justify a need for undertaking fund raising efforts as well. When a budget is established it must be approved by the members of the group. It's not necessary to seek group approval for each expenditure if an item is already listed in the budget. If a group doesn't have a budget or items arise that are not part of the budget, each item needs to be presented to the MG group members for approval before payment. This ensures that all expenditures of the MG funds are made with the full approval of the group.

**Reports and Review/Audits**

1. The designated treasurer maintains financial records of money received and expended. Transactions should be backed up by receipts and invoices.

2. The treasurer should regularly report to the MG program, e.g., monthly meetings, quarterly meetings, etc. The report should include income, expenditures, outstanding bills and balances. A specific list of revenue sources and expenditures for each reporting period keeps the financials transparent, regardless of whether or not each expenditure requires approval by the group.
3. An Annual MG Program Financial Report summing up financial activities for the year. Income and expenditures can be grouped by budget categories.
4. Local MG Programs that collect or distribute money should conduct an annual review/audit of all financials. A review/audit prevents misunderstandings, identifies/corrects errors, and protects an outgoing and incoming treasurer
5. The reviewers/auditors should not be related to the treasurer and not directly involved with the managing the MG finances. Creating a small review/audit committee is an excellent method of conducting the annual review/audit of finances.

*September 2007*



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## **Appendix 1**

### **Instructions for Completing IRS Form SS-4 Application for Employer Identification Number**

If you do not have an EIN number you can apply easily online in 5-10 minutes, by phone (1-800-829-4933) or complete IRS Form SS-4 and submit by mail.

To obtain and/or complete the form on-line, go to [www.irs.gov](http://www.irs.gov) . Click on Form is located in menu column on the left. Also, you can find forms and instructions under the "Apply Online" menu section.

Follow the directions below to complete the form. On directions from an IRS agent, the items listed below are the only lines of the SS-4 form you need to complete.:

**#1** Type Group Name – example: "Minnesota Master Gardeners of \_\_\_\_\_ County"

**#3** Type your name using c/o (in care of) – example: c/o Joanne Doe

**#4** Mailing Address - Use County Extension Office address

**#6** Enter County Name

**#9** Type of Entity – Check "Other Non Profit Organization" then specify: informal non-profit educational program

**#10** Reason for applying – Check "Banking Purpose" then specify: checking

**# 18** Complete only if changing a number

**Name and Title** – "Your Name, MG position, such as treasurer, chairman, etc."

**Telephone Number**—Use County Extension Office Number (area code) xxx-xxxx

**Sign and Date**

Appendix 2 – Sample SS-4 form

Form <b>SS-4</b> (Rev. July 2007) Department of the Treasury Internal Revenue Service	<b>Application for Employer Identification Number</b> (For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.) ▶ See separate instructions for each line. ▶ Keep a copy for your records.	OMB No. 1545-0003 EIN
Type or print clearly.	1 Legal name of entity (or individual) for whom the EIN is being requested <b>Master Gardeners of Jones County</b>	
	2 Trade name of business (if different from name on line 1)	3 Executor, administrator, trustee, "care of" name <b>c/o Mary Rodriguez, treasurer</b>
	4a Mailing address (room, apt., suite no. and street, or P.O. box) <b>Jones County Extension, 555 Main Street</b>	5a Street address (if different) (Do not enter a P.O. box.)
	4b City, state, and ZIP code (if foreign, see instructions) <b>Jonesville, MN 55555</b>	5b City, state, and ZIP code (if foreign, see instructions)
	6 County and state where principal business is located	
	7a Name of principal officer, general partner, grantor, owner, or trustee	7b SSN, ITIN, or EIN
	8a Is this application for a limited liability company (LLC) (or a foreign equivalent)? <input type="checkbox"/> Yes <input type="checkbox"/> No	8b If 8a is "Yes," enter the number of LLC members ▶
	8c If 8a is "Yes," was the LLC organized in the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No	
	9a Type of entity (check only one box). Caution. If 8a is "Yes," see the instructions for the correct box to check.	
	<input type="checkbox"/> Sole proprietor (SSN) _____ <input type="checkbox"/> Partnership _____ <input type="checkbox"/> Corporation (enter form number to be filed) ▶ _____ <input type="checkbox"/> Personal service corporation _____ <input type="checkbox"/> Church or church-controlled organization _____ <input checked="" type="checkbox"/> Other nonprofit organization (specify) ▶ <b>informal educational nonprofit</b> <input type="checkbox"/> Other (specify) ▶ _____	
9b If a corporation, name the state or foreign country (if applicable) where incorporated	State _____ Foreign country _____	
10 Reason for applying (check only one box)		
<input type="checkbox"/> Started new business (specify type) ▶ _____ <input type="checkbox"/> Hired employees (Check the box and see line 13.) <input type="checkbox"/> Compliance with IRS withholding regulations <input type="checkbox"/> Other (specify) ▶ _____ <input checked="" type="checkbox"/> Banking purpose (specify purpose) ▶ <b>checking</b> <input type="checkbox"/> Changed type of organization (specify new type) ▶ _____ <input type="checkbox"/> Purchased going business _____ <input type="checkbox"/> Created a trust (specify type) ▶ _____ <input type="checkbox"/> Created a pension plan (specify type) ▶ _____		
11 Date business started or acquired (month, day, year). See instructions.	12 Closing month of accounting year	
13 Highest number of employees expected in the next 12 months (enter -0- if none). Agricultural _____ Household _____ Other _____	14 Do you expect your employment tax liability to be \$1,000 or less in a full calendar year? <input type="checkbox"/> Yes <input type="checkbox"/> No (if you expect to pay \$4,000 or less in total wages in a full calendar year, you can mark "Yes.")	
15 First date wages or annuities were paid (month, day, year). Note. If applicant is a withholding agent, enter date income will first be paid to nonresident alien (month, day, year) . . . . . ▶		
16 Check one box that best describes the principal activity of your business. <input type="checkbox"/> Construction <input type="checkbox"/> Rental & leasing <input type="checkbox"/> Transportation & warehousing <input type="checkbox"/> Health care & social assistance <input type="checkbox"/> Wholesale-agent/broker <input type="checkbox"/> Real estate <input type="checkbox"/> Manufacturing <input type="checkbox"/> Finance & insurance <input type="checkbox"/> Accommodation & food service <input type="checkbox"/> Wholesale-other <input type="checkbox"/> Retail <input type="checkbox"/> Other (specify) _____		
17 Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided.		
18 Has the applicant entity shown on line 1 ever applied for and received an EIN? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," write previous EIN here ▶ _____		
Third Party Designee	Complete this section only if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.	
	Designee's name	Designee's telephone number (include area code) ( )
Designee	Address and ZIP code	Designee's fax number (include area code) ( )
Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.		Applicant's telephone number (include area code) ( )
Name and title (type or print clearly) ▶ <b>Mary Rodriguez, Master Gardeners of Jones County treasurer</b>		Applicant's fax number (include area code) ( )
Signature ▶ <i>Mary Rodriguez</i>	Date ▶ <i>1/1/2011</i>	
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.		Cat. No. 16055N Form <b>SS-4</b> (Rev. 7-2007)

