



What are Excess Funds?

Chartered 4-H Clubs and 4-H Groups must retain their nonprofit status. Excess funds can cause a 4-H Club or Group to unintentionally become a private foundation as defined by the IRS. Excess 4-H funds are a 4-H Club or Group's monies that exceed two years of expenses, or \$2,000, whichever is greater. Clubs or groups with less than \$2,000 do not have excess funds.

Determining Excess Funds

Use the following steps to determine if a 4-H Club or Group has excess funds:

1. Take the average of the last three years annual expenses for the 4-H Club or Group (this can be found on the Annual Financial Report). This is the average annual expense. (Example: $\$500 + \$600 + \$1000 = \$2,100 \div 3 = \$700$ is the average annual expense.)
2. Take the average annual expense and multiply it by two. This is to determine the ceiling limit. (Example: $\$700 \times 2 = \$1,400$ is the ceiling limit)
3. If the ceiling limit is less than \$2,000 OR the ending balance on the most recent Annual Financial Report is less than the ceiling limit, the 4-H Club or Group does not have excess funds.

Chartered 4-H Clubs and Groups cannot hold excess 4-H funds unless that money is being saved for a specific programmatic objective AND there is a 5-Year Plan that has been approved by the 4-H Program Educator. If the programmatic objective will take longer than 5 years, the 4-H Program Educator AND the Positive Youth Development Institute Director must grant approval of the plan.

What is a Five-Year Plan?

A 5-Year Plan creates a way for clubs or groups to maintain their nonprofit status. Clubs and groups can use any combination of these three techniques to manage the excess funds:

- Spend excess funds on educational programs
- Transfer excess funds to an endowment fund:
 - Wisconsin 4-H Foundation
 - Other pre-approved foundation or endowment
- Donate funds to another 4-H chartered club or group

The following guidelines have been adopted to help provide guidance to 4-H Clubs and Group that have excess funds:

- A 5-year plan for spending down excess funds must be connected to a specific youth development goal that can be accomplished in 5 years. The plan should have specific steps for each of the 5 years. The goal must not only be what is being purchased but also include what youth will gain as a result.
- The plan should only be updated to spend the money sooner, or to spend more money within the same time frame.
- If new additional funds are acquired, they may be subject to a 5-year plan as well. That money can be added to an ongoing 5-year plan, to be spent within that plan's original 5-year time frame. Or a new and separate 5-year plan could be drawn up.
- For excess funds in existence on July 1, 2022, a plan must be in place, which will be completed as of June 30, 2027.
- If a 4-H Club or Group cannot follow through with its plan within 5 years and does not wish to transfer the money to an endowment fund with the Wisconsin 4-H Foundation, it must request an extension from the Wisconsin 4-H Associate Director.

4-H Program Educators should be notified if a 4-H Club or Group has excess funds and can assist them in developing an appropriate 5-year plan. A sample worksheet that can be used for the written 5-year plan is attached.



UW-MADISON EXTENSION

4-H Excess Funds 5-Year Planning Worksheet

Name of 4-H Club or Group:		Today's Date:
Date for Completion (Must be within 5 years of today's date):		Amount of Excess Funds:
Proposed Project(s) or Activity(ies) including estimated costs:		
Specific Step (add steps as needed)	Deadline	Person Responsible
1.		
2.		
3.		
4.		
5.		
6.		
Submitted By (Volunteer Name):		Date:
Approved By (4-H Program Educator Name):		Date: