

# Financial Operations Overview – Part II



## Extension Business Operations

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Property

# Equipment Policies

- Guiding Policy
  - UK BPM E-12-3  
<https://www.uky.edu/ufs/sites/www.uky.edu.ufs/files/bpm/E-12-3.pdf>
- Equipment Inventory Requirements
  - Maintain control of all items of furniture, equipment, vehicles and other moveable property regardless of cost.
  - Control and record the location of property.
  - Complete the annual physical inventory of property in the possession of, or under the supervision of, the office by the assigned deadline.

# Equipment Policies

- Equipment Inventory Requirements
  - Report surplus or obsolete property.
  - Report lost, stolen, and destroyed equipment items.
  - Maintain reasonable precautions in protecting all property (capital and non-capital) regardless of value.
  - Ensure any equipment kept offsite for an extended period of time is documented.
  - Ensure that county owned equipment is not utilized for personal use or financial gain.

# Capital Equipment

- Definition:
  - Items purchased that have a useful life of one year or more
  - Moveable equipment costing above a specific dollar threshold (consult with fiscal court for your specific threshold)
  - Buildings and building improvements costing above a specific dollar threshold (consult with fiscal court for your specific threshold)
  - Land at cost (or fair market value if donated)
- \$5,000 is a common capital asset threshold
  - County capitalization thresholds may differ from county to county depending on local requirements

# Minor Equipment

- Definition:
  - Items purchased that are non-expendable and have a useful life of 2 years
  - Items that retain their identity as a separate and identifiable item
  - Items costing between \$100 and the county capitalization threshold (as per State Local Finance Officer requirements)
- Minor equipment items would not be depreciated but must be tracked and inventoried on an annual basis

# Federal Excess Property

Vehicles, heavy equipment, farm equipment, office furniture, lab equipment, tools and various consumable supplies are among the types of property received.

## Requirements:

1. Consult with CAFE FEPP Coordinator for all acquisitions, transfers and disposals.
2. Acquire FEPP for immediate and direct use in approved NIFA programs.
3. Provide additional justification for acquisitions at the request of the FEPP Coordinator.
4. Follow USDA and Federal regulations for accountability, control, and disposal of FEPP.
5. Report FEPP no longer needed for your program.
6. Ensure property records and supporting information is available for reviews.
7. Never use FEPP for personal use.

# Annual Inventory Verification

- Annual Inventory Verification
  - In accordance with University policy and Commonwealth of Kentucky regulations, all capital equipment must be physically counted annually.
  - Each office is responsible for completing its annual inventory.
  - All pertinent inventory lists must be verified and documented.



# Annual Inventory Verification

- Inventory lists in county offices may include:
  - District Board owned capital equipment
  - District Board owned minor equipment
  - UK owned capital equipment (if applicable)
  - UK owned minor equipment (if applicable)
  - Federal excess property (if applicable)
- Each list will be maintained separately and annually verified by the fiscal contact

# County Vehicles

- All UK employees and certified volunteers permitted to drive county vehicles must have a University of Kentucky Motor Vehicle Record (MVR) on file with UK Risk Management.
- Boards should understand any personal usage of vehicles can be considered a fringe benefit by IRS definition. It is the responsibility of the board to understand the IRS regulations upon the implementation of policies and track them for changes.
- Boards should be knowledgeable of and carry insurance policies for all county owned vehicles and consideration should be given to the types and amounts of coverages needed.
- All UK employees permitted to drive county vehicles must utilize the KERS County Vehicle Mileage Records System and record miles driven, destinations and business purpose on a daily basis.

# County Vehicles

It is strongly recommended that the EDB maintain a **county vehicle policy in writing** which should address the following:

- Authorized drivers of vehicles (to include volunteers if necessary)
- Insurance requirements (to include volunteers if necessary)
- Personal use of vehicles
- Storage of vehicles
- Check-out procedures
- Commute Rule & De Minimis use
- Stewardship of the vehicles
- Vehicle purchase procedures
- Maintenance of vehicles
- Fueling of vehicles
- Mileage logs for vehicles
- Cleaning of vehicles
- Safe operation of vehicles
- Accident protocols
- Logos and branding of vehicles
- Proof of insurance and registration documents
- Use of official plates

# Property Disposition

- Property disposals must be completed as follows:
  - **University of Kentucky owned property:** All equipment or furnishings on the UK inventory and bearing a UK property decal must be returned to UK for disposal.
  - **County owned property:** The County Extension District Board has the authority to dispose of property acquired by the board under advisement by the local County Attorney. Other county-owned property can be disposed of with approval of the appropriating body that acquired the property. Disposals should be documented in the minutes of the meeting where it is approved. Keep all documentation that pertains to the disposal of any property.
  - **Federal Surplus Property:** must be returned to the Federal Surplus Property Office at UK for disposal.

*Note: Any lost or stolen equipment must be reported to the appropriate authorities and documented before removal from any inventory list.*

# Questions



# Annual Budget

# Budget Guidelines

- Development of County Extension budgets is the responsibility of all agents, the County Extension Council and Extension District Board (in counties that have a board).
- Before January 31, agents should work together in consultation with the District Director, to identify budget needs. These budget needs should include travel, agent and support staff salary adjustments, equipment, supplies, facilities and programs costs.
- Extension District Boards are required by KRS 164.655(8) to file their budget with the county judge executive by April 15 of each year.

# Budget Guidelines

- Following agent discussions, preliminary budget conversations need to be held with the County Extension Council. If the county has an Extension District Board, the council should develop budget recommendations to be used by the district board KRS 164.655(8).
- If an Extension District Board is organized without a tax, the County Extension Council and District Board should make plans to obtain appropriations from the fiscal court.
- It is recommended that a budget review should be conducted by County Extension Council, following budget approval. The purpose of this review is for the council to understand the final budget and disposition of funds and to determine the board's response to their recommendations KRS 164.655(8).



# Budget Guidelines

- The annual budget guidelines document will be distributed to county offices and posted to the Extension Business Operations website. This document provides detailed information regarding the following items:
  - Base Agent Contributions
  - Support Staff Wages
  - Employee Benefits Costs
  - Base Program Costs
  - Travel Costs
  - Professional Improvement Costs
  - Program Support Costs
  - Marketing & Postage
  - Budget & Reporting Deadlines

# County Property Tax Rates

- Counties with established taxing districts, must meet to set tax rates each fall.
- Every year the State Local Finance Officer calculates a compensating tax rate and a 4% increase tax rate for each county.
- The COMPENSATING RATE produces:
  - The same amount of revenue estimated to be produced by the prior year's adopted rate, and
  - Revenue from new property.
- The FOUR PERCENT (4%) INCREASE RATE:
  - Four percent more revenue than the calculated compensating rate would produce.

# County Property Tax Rates

- Once worksheet calculations arrive from Frankfort/Lexington, a District Board meeting to set the tax rates for the upcoming year is held.
- Submit rates to fiscal court & file with county court clerk. If your county is taking the 4% rate, you only have 45 days to hold a hearing and submit your paperwork.
- Any proposed rate exceeding the compensating rate requires the hearing process pursuant to KRS 68.245(5)(a)(b). In addition to the hearing process, any proposed rate in excess of the 4% rate is subject to recall.

# Budget Forms

- County offices must use the annual budget forms (Microsoft Excel format) that are found on the Extension Business Operations website.
- These forms are used to collect all pertinent budget information for the county office for a given fiscal year (July 1 – June 30).
- These forms provide: the budget plan, program support budgets, 5 and 10 year plans, schedule of disbursements, the required memorandum of agreement that must be signed by the appropriate individuals (District Director, District Board Chair or County Extension Council President), budget amendment tab, year end actuals tab, and DLG summary form

# Budget Forms

- The budget draft should be completed by March 15 and submitted to the respective business analyst for review
- Once the business analyst finalizes the draft with the county, it will be initialed and move on the district director for a final review.
- Once final approval is given from the district director, the county should present the approved, business office initialed, excel file to their board.
- These steps should all be completed before final discussion and approval with the District Board.

# Budget Forms

- The DLG summary tab should be submitted to the fiscal court/county judge executive by April 15<sup>th</sup>
- All signed documents (3 copies of the schedule of disbursements and memorandum of agreement, and one copy of program support budgets) and finalized Excel budget file should be returned to the district director by May 1<sup>st</sup>.
- The budget forms document can be found at:  
<http://cafebusinesscenter.ca.uky.edu/county-moa>

# Reserve Funds and Investment Planning

- Extension District Boards may over time acquire excess funds from the carryover of tax dollars, donations, or gifts. It is essential to properly manage and plan for those funds in a way that is consistent with the Extension purpose and mission. Extension Boards are not for-profit entities, so a clear purpose and plan should be in place for all funds. Reserve funds are funds in excess of the annual operating budget.
- Forms of Reserve Funds
  - Reserve funds are funds that would be designated for contingency needs. It is recommended that a reserve fund be held in an amount equal to six to twelve months of recurring operating expenditures.
  - Capital improvement funds are funds that would be designated for capital improvements.
  - Equipment Funds are funds that would be designated for equipment purchases.

# Reserve Funds and Investment Planning

- Funds received by Extension Districts are considered public funds when the District takes possession of said funds. The investment of donations, interest, bequests, etc., must all be handled in the same way as tax dollars. All Investments should adhere to KRS 66.480. Each board should have adopted a written investment policy as described in KRS 66.480(3).
- Boards should strive to ensure that all funds in banking institutions and investment vehicles remain at levels which allow them to be fully FDIC insured or covered by comparable coverages. Examples include, savings, checking, money market, CDs and other low risk investment vehicles.
- When funds are being accumulated for specific purposes, such as building projects boards should seek a safe investment vehicle or account which can generate interest. Non-interest bearing accounts are not recommended for long term holding of funds.



# Reserve Funds and Investment Planning

- Any monies over one year's operating funds should be held in the capital improvement fund or equipment fund.
- All Extension District Boards must develop written plans for the expenditure of all reserve funds. These plans would include a 5 year plan and a 10 year plan.
- Reserve bank and investment accounts must be reconciled on a monthly basis (or on a per statement basis) by the fiscal contact for the office.
- The District Board should approve movement of funds between institutions or investment vehicles. Boards should also approve movement of funds into or out of funds such as capital improvement, reserves, and/or equipment funds. These decisions should be reflected in minutes.
- Expenditure of funds should be approved by the board or follow the approved board budget for those funds. Always consider purchase and bid requirements before spending funds.

# Questions



# Accounting & Financial Systems

# Bookkeeping

## Guiding policies:

- KRS 46.010: <https://apps.legislature.ky.gov/law/statutes/statute.aspx?id=22508>
- CES Manual: <https://ces-manuals.ca.uky.edu/content/money-handling-procedures>

An auditable electronic bookkeeping system should be maintained which classifies and accumulates financial information in a logical manner.



# Bookkeeping

- Quickbooks Online
  - Fully functional accounting software system
  - Will allow for:
    - Standardized accounting processes across the state
    - Standardized reporting for all stakeholders
    - Better support for the EDB Treasurer in the management of local tax funds
  - We have built the Chart of Accounts with the end in mind
    - Using required reporting as our starting point

# Bookkeeping

- Quickbooks Online

- QBO continues to receive system improvements & updates
  - QBD functionality is being rolled into the online system
- Multiple ways to receive money in and send money out
  - We are currently using/training on the simplest methods for each
- Some features of QBO will not be used (e.g. payroll)
- Some features may be used in the future (invoices, payments, sales receipts)

# Bookkeeping

- Options for general bookkeeping and/or accounting of funds may include:
  - Office support/program staff may do the bookkeeping for the District Board. The support staff would work under the supervision of the county fiscal contact.
  - Fiscal Contact agents should also be involved in the bookkeeping and accounting of funds.
  - Outsourcing of accounting and check writing to bonded professionals. (i.e. Accountants, bonded bank personnel, county treasurer)

# Master Data

- Chart Of Accounts

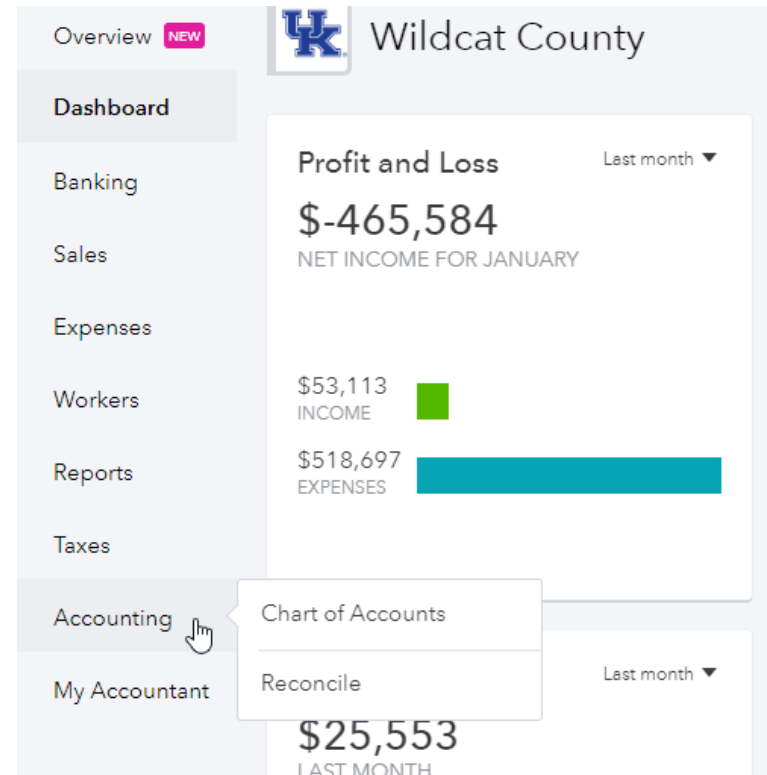
- Extension Business Operations (EBO) has developed a standard chart of accounts for use with the recommended accounting software.
- This chart of accounts is generic enough to allow for customization by county offices with guidance from EBO.
- Any changes or updates to the standard chart of accounts must be reviewed by EBO before they are made to ensure the changes do not impact the standardized financial reports.



# Master Data

## Chart of Accounts

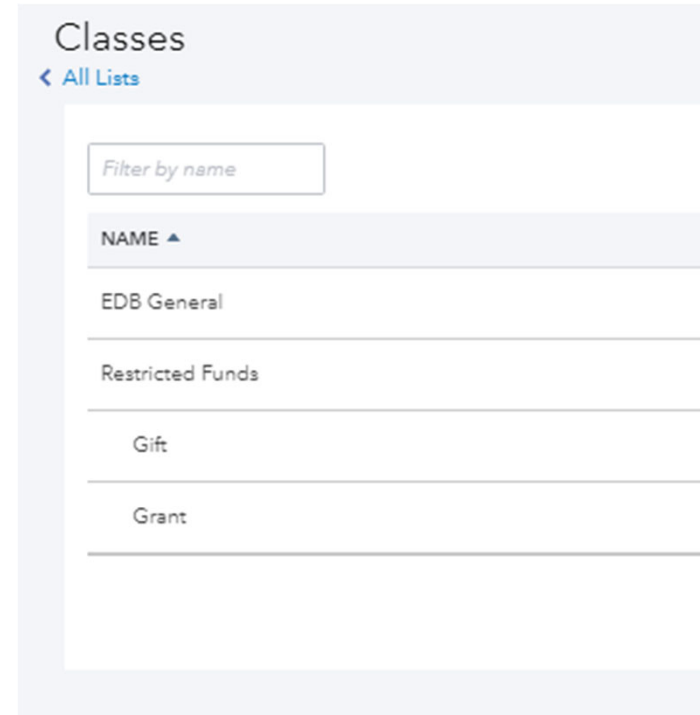
- 1XXXX – Assets
- 2XXXX – Liabilities
- 3XXXX – Equity/Reserves
- 4XXXX – Income
- 5XXXX – Expenses
- 6XXXX – Expenses



# Master Data

## Classes

- We will use classes to separate the EDB General Fund from other Restricted Funds (gifts, grants, programs, etc)
- A **class is required with all transactions** and you will receive a warning message if one is not selected.
- If **classes are needed, contact EBO** and we will set them up for you as necessary.



The screenshot shows a web interface titled "Classes" with a back arrow and "All Lists" link. Below is a search bar labeled "Filter by name". A table lists fund categories: "NAME" (header), "EDB General", "Restricted Funds", "Gift", and "Grant".

NAME ▲
EDB General
Restricted Funds
Gift
Grant

# Master Data

## Other types of Master Data

- Vendors
  - Vendors are people or companies that you pay money to, such as a store, utility, landlord, or subcontractor who does work for you.
- Customers
  - Customers are people or companies that you receive money from, such as a sheriff's office, county clerks' office, individuals from the community, etc.

# Reconciliations

- Conduct periodic reviews of cash activities, including reconciliations, to determine that all systems are functioning as intended and that all applicable policies and procedures are being followed.
- Reconciliation should be completed by someone other than person receiving and/or depositing cash (it is strongly recommended that the fiscal contact complete the reconciliations)

# Reconciliations

- Each account should be reconciled to a bank statement each month.
- EDB accounts should be reconciled in accounting system.
- Bank statement will provide all cleared transactions for the month.
- Statement will be matched against accounting system entries.

1Wildcat County	
11501 District Board Main Checking Account, Period Ending 11/30/2018	
RECONCILIATION REPORT	
Reconciled on: 01/15/2019	
Reconciled by: Woody Adams	
Any changes made to transactions after this date aren't included in this report.	
Summary	USD
Statement beginning balance.....	1,641,372.53
Checks and payments cleared (1).....	902.40
Deposits and other credits cleared (1).....	0.00
Statement ending balance.....	1,640,470.13
Register balance as of 11/30/2018.....	1,640,470.13
Cleared transactions after 11/30/2018.....	0.00
Uncleared transactions after 11/30/2018.....	40,470.13
Register balance as of 01/15/2019.....	1,600,000.00

# Reconciliations

- If a transaction has cleared the bank, it will be marked as reconciled.
- If the transaction is not on the statement, it will not be marked.
- Once the account is reconciled the difference will be \$0.00
- Any unreconciled balance must be researched to clear the discrepancy.
- Fiscal contact and bookkeeper should monitor all outstanding items.
- Reconciliation reports should be signed and dated by the fiscal contact and presented to the treasurer. The treasurer may also wish to sign and date the report.

1 Wildcat County	
11501 District Board Main Checking Account, Period Ending 11/30/2018	
RECONCILIATION REPORT	
Reconciled on: 01/15/2019	
Reconciled by: Woody Adams	
Any changes made to transactions after this date aren't included in this report.	
Summary	USD
Statement beginning balance	1,641,372.53
Checks and payments cleared (1)	-902.40
Deposits and other credits cleared (1)	0.00
Statement ending balance	1,640,470.13
Register balance as of 11/30/2018	1,640,470.13
Cleared transactions after 11/30/2018	0.00
Uncleared transactions after 11/30/2018	-40,470.13
Register balance as of 01/15/2019	1,600,000.00

# Reconciliations

- During the reconciliation process we also recommend reviewing a “Transaction Detail By Account” report and verifying balances by classes as well as part of the monthly process.

1 Wildcat County									
TRANSACTION DETAIL BY ACCOUNT									
May 1-20, 2020									
DATE	TRANSACTION TYPE	NUM	ADJ	NAME	CLASS	MEMO/DESCRIPTION	SPLIT	AMOUNT	BALANCE
▼ 100 EDB General Fund									
05/11/2020	Check	1000009	No	Some County	100 EDB General Fund		11501 District Board Main Ch...	250,000.00	250,000.00
05/14/2020	Refund	10019	No		100 EDB General Fund	Refund Of Overpayment For ...	11501 District Board Main Ch...	-50.00	249,950.00
05/17/2020	Expenditure		No	County Clerks Office	100 EDB General Fund		11002 Capital Improvement ...	500.00	250,450.00
Total for 100 EDB General Fund								\$250,450.00	
▼ 601 Grant									
05/07/2020	Deposit		No	QuickBooks Team	601 Grant		11501 District Board Main Ch...	1,500.00	1,500.00
05/14/2020	Deposit		No	QuickBooks Team	601 Grant		11501 District Board Main Ch...	1,500.00	3,000.00
Total for 601 Grant								\$3,000.00	

# Financial Reporting

- In order to **maintain consistency across all county offices** and to ensure our stakeholders are receiving the same financial information, the following is a list of the **recommended financial reports** with associated due dates:

Report	Audience	Due Date
Budget vs. Actual Report	EDB/Treasurer	Monthly
Transaction Detail Report	EDB/Treasurer	Monthly
Statement of Financial Position	EDB/Treasurer	At least quarterly
Statement of Activities by Class	EDB/Treasurer	At least quarterly
Annual Budget Report	EDB/Treasurer	Annually



# Financial Reporting

- Standard Reports
- Custom Reports
- Management Reports

The screenshot displays a web application interface for financial reporting. On the left is a sidebar menu with options: Overview (marked NEW), Dashboard, Banking, Sales, Expenses, Workers, Reports (highlighted with a mouse cursor), Taxes, Accounting, and My Accountant. The main content area is titled 'Reports' and features three tabs: Standard (marked 1), Custom reports (marked 2), and Management reports (marked 3). A search bar on the right says 'Find report by name'. Below the tabs, there are two sections: 'Favorites' and 'Business overview'. The 'Favorites' section lists 'Account List', 'Balance Sheet', and 'Budget Overview', each with a green star icon and a three-dot menu. The 'Business overview' section lists various reports like 'Audit Log', 'Balance Sheet Comparison', 'Balance Sheet Detail', 'Balance Sheet Summary', 'Balance Sheet', 'Budget Overview', and 'Budget vs. Actuals', each with a star icon (some green, some grey) and a three-dot menu. On the right side of the 'Business overview' section, there is a list of reports including 'Profit and Loss Comparison', 'Profit and Loss Detail', 'Profit and Loss year-to-date comparison', 'Profit and Loss by Class', 'Profit and Loss by Customer', 'Profit and Loss by Month', and 'Profit and Loss'.

# Guidelines for Audits

- KRS 65A.030 establishes the **audit reporting requirements** for Extension Districts with a **three-tier system**. This system is defined by an Extension District's total annual revenues. The three tiers are as follows:

Annual Revenues	Audit Requirements
>\$500,000	Audit every year
\$100,000 - \$499,999	Audit every 4 years
<\$100,000	Attestation Engagement ever 4 years

It is **recommended** that a different firm handle the District Board audit, if already handling the bookkeeping.

# Guidelines for Audits

- When an entity submits their first audit/attestation engagement, they officially start their four-year clock to submit their next audit/attestation.
- An entity has 12 months to complete the audit/attestation process.
- Once the audit/attestation has been received from the CPA, the district has two weeks to submit to DLG.
- Results of the audit/attestation must be reviewed with the District Board and documented in the minutes of the Board meeting.
- The audit should also be presented to the County Extension Council and District Director.
- Any recommendations from the audit should be addressed by the District Board and minutes should be sent to the appropriate District Director.

# Month-End Process

- The following actions **must** be completed at the conclusion of each month:
  - Reconcile **all** bank accounts & classes
  - Reconcile any **petty cash or change funds**
  - **Review monthly transaction details report** to ensure all transactions are posted to the correct month and line item
  - **Review budget vs. actual report** to ensure all line items are within budget
  - **Review source documentation** to ensure all required signatures and business purpose descriptions are noted
  - **Verify that transactions** for that month **have all supporting documentation uploaded and attached** in the accounting system.

# Questions



# Volunteer Groups

# Options for Handling of Funds

- Tax-Exempt Status
  - Governmental Exemption
    - Exempt status via District Boards (KRS 164.620)
  - 501(c)3 Exemption
    - Entities may choose to be their own 501(c)3 organization
- Each Extension entity will fall under one of the four plans for handling funds
  - Option A: Entity controls funds in Entity bank account
  - Option B: Program Council controls funds in Program Council bank account
  - Option C: EDB controls funds in EDB bank account
  - Option D: 501(c)3 organization

# Options for Handling of Funds

- Option A

Entity maintains control of funds: Entity maintains bank account; Program Council provides general oversight

Entity	Program Council	District Board
Maintain Entity EIN	Maintain Council EIN	Donor Letter provided by DB
Maintain Entity Bank Account	Maintain Council Bank Account	
Annual Budget	Annual Budget	
Annual Financial Report	Annual Financial Report	
Annual Audit (Audit Committee)	Annual Audit (Audit Committee)	
UK Financial Procedures	UK Financial Procedures	



# Options for Handling of Funds

- Option B

Funds handled centrally by Program Council; Funds tracked separately and electronically; Officers of Entity and Agent provide general oversight

Entity	Program Council	District Board
Maintain control of finances	Maintain Council EIN	Donor Letter provided by DB
Will <b>NOT</b> have a bank account	Maintain Entity & Council Bank Accounts	
Annual Budget	Annual Budget	
UK Financial Procedures	Annual Financial Report	
Submit vouchers, receipts, deposits to Council Treasurer	Annual Audit (Audit Committee)	
	UK Financial Procedures	

# Options for Handling of Funds

- Option C

All funds handled centrally by District Board; Funds tracked separately & electronically; Officers of Entity and Agent provide general oversight

Entity	Program Council	District Board
Maintain control of finances	Maintain control of finances	Maintain Entity, Program & DB Bank Account
Will <b><u>NOT</u></b> have a bank account	Will <b><u>NOT</u></b> have a bank account	Annual Budget
Annual Budget	Annual Budget	Annual Financial Report
UK Financial Procedures	UK Financial Procedures	Audit according to KRS
Submit vouchers, receipts, deposits to DB Treasurer	Submit vouchers, receipts, deposits to DB Treasurer	UK Financial Procedures
		Donor Letter provided by DB

# Options for Handling of Funds

- Option D – 501(c)3 Organization
  - Exempt from federal tax
  - Most common non-profit organization
  - Mandatory for gaming
    - Raffles, lotteries, or other forms of gaming as fund-raising
  - Council/Entity remains a program of the Land Grant Institution
  - Maintains own bank account
  - Maintains own EIN
  - Sign Memorandum of Understanding with Director of Cooperative Extension Service

# Options for Handling of Funds

- Option D – 501(c)3 Organization
  - Annual Budget, Annual Financial Report, Annual Audit
  - Follow UK Financial Guidelines
  - File copies of IRS 990
  - File copies of IRS letter of determination
  - County Program Council
  - County Extension Council
  - Extension District Board
  - Director of Extension
  - Provide acknowledgment letters to donors

# Options for Handling of Funds

- Option D - 501(c)3 Organization
  - Benefits
    - Tax deductibility of donations
    - Access to grant funds
    - Income and property exemptions
  - Seek guidance from a local tax professional when applying.



# Financial Accountability Guidelines

- All entities must provide:
  - Financial Transparency
  - Financial Accountability
  - Group Oversight
  - Adherence to UK/CES business procedures
  - Electronic recordkeeping\*

\*Recommended with annual income greater than \$250



# Financial Accountability Guidelines

- General Guidelines
  - Administration of all volunteer-led groups will be in accordance with their organization's bylaws.
  - All groups must link to a Program Council and the Program Councils must link to the County Extension Council and Extension District Board.
  - Each group handling funds will have sole responsibility for all funds and assets of the entity and will follow administrative regulations established by the Kentucky Cooperative Extension Service.
  - Each group must determine the source from which the group will derive tax-exempt status as previously described.
  - No Extension employee shall have signatory authority over any assets of the volunteer-led group.

# Financial Accountability Guidelines

- General Guidelines
  - If an entity has \$250 annual income or more, an electronic bookkeeping system such as QuickBooks should be used to keep financial records.
  - Financial records must be maintained by the treasurer of the group or by an Extension employee in the Extension office.
  - All groups that have an average monthly balance of \$100 or more should have their funds in a financial institution.
  - When the group's funds are held in a financial institution, the account should be opened in the name of the group, using their Employer Identification Number (EIN).
  - Under no circumstances should the account be opened in the name of an individual or using an individual's Social Security number.



# Financial Accountability Guidelines

- General Guidelines
  - All funds not placed in a bank account should be held in a secure location.
  - The group should consider requiring dual signatures for expenditures over a pre-set amount if the group handles large amounts of money.
  - The appropriate officer of each group must prepare the following: an annual budget, periodic financial statements, an annual financial report and an annual audit report
- Maintain Segregation of Duties in:
  - Receiving Funds; Making Deposits; Writing Checks; Reconciliation of the account

# Maintaining Auditable Records

- **Records must be kept as follows:**
  - **Auditable Records:** Auditable records are to be maintained for all transactions. Auditable records describe the business purpose of a transaction and provide support that the transaction occurred as stated.
  - **Bookkeeping:** An electronic bookkeeping system should be maintained which classifies and accumulates financial information in a logical manner (recommended for groups with over \$250 income annually).
  - **Annual budget:** An annual budget must be developed and kept on file with anticipated income, expenditures, and account balances.
  - **Groups should examine and audit the financial statement balances, assets and the established accounting system.**
  - **Groups are to generate an annual financial report, which summarizes all financial transactions (income and expenses) for the year and all account balances at the end of the year. This report should be compiled at the end of each program year by the treasurer.**

# Maintaining Auditable Records

- **Revenues (Money In):**
  - Follow Cash Handling policies and procedures.
  - Acknowledge all money received with a written receipt.
  - The receipt should be prepared in triplicate, with the original given to the client, a copy filed with deposit records and a copy maintained in receipt book.
  - If a receipt is voided, the original receipt and associated copies should be kept in the receipt book.
  - If a member/representative of a group turns in money collected from several people, one receipt may be written directly to that member if documentation is attached to the receipt listing: (1) individuals from whom the money was collected; and (2) the amount collected from each.
  - Funds should be deposited according to Extension administrative regulations.

# Maintaining Auditable Records

- **Expenditures (Money Out):**
  - Follow Purchasing and Disbursements policies and procedures.
  - Financial commitments and expenses should be made in accordance with the policies established by the organization and the approved budget.
  - The “Payment Voucher” and attached documents will become a permanent part of the treasurer’s records. This documentation should be filed in a manner allowing easy retrieval and should be maintained for the current year and three additional years.
  - All checks are to be signed by the appropriate officer(s) of the group. An individual is not to sign a check until sufficient documentation, funds are available, and the check has been filled out in its entirety.
  - When a check is voided, the check should be marked “void” and attached to the check stub.
  - All checking account transactions are to be recorded in the check register at the time the transaction occurs. Entries are to be dated and be as detailed as possible showing the name of payee or deposit source and purpose of the expense.
  - All check registers are to be reconciled with the bank statement monthly at the time it is received. These reconciliations are to be documented.

# Sales Tax Exemption

- Each entity should make purchases using tax-exemption.
- Obtaining a County Extension Council and/or District Board tax exempt number should not be confused with obtaining 501(c) status. A purchase exemption number is obtained from Kentucky Department of Revenue and the 501(c) status is a Federal IRS designation for non-profit and charitable groups (i.e.: Extension Homemakers, 4-H Council and Clubs).
- Entities should not share numbers, nor use another groups number.
- Staff and volunteers making purchases on behalf of a tax-exempt entity must use the tax exemption for all purchases.

# Gaming and Raffles

- As per KRS 238.535, any charitable organization conducting charitable gaming in Kentucky shall be licensed by the department.
- There may be exemptions from licensing requirements depending on the tax-exempt status of the organization and the amount of gross receipts.
- Any charitable organization exempt from the process of applying for a license, shall notify the Kentucky Department of Charitable Gaming in writing, on a simple form issued by the department, of its intent to engage in exempt charitable gaming and the address at which the gaming is to occur.
- Refer to KRS 238.535 or the Kentucky Department of Charitable Gaming for detailed guidance.
  - DCG Website: <http://dcg.ky.gov/Pages/default.aspx>

# Donor Acknowledgement

- Since contributions to tax-exempt organizations may be deductible, the exempt organization has a responsibility to acknowledge gifts/donations/contributions in the appropriate way.
- Extension related groups are encouraged to acknowledge every contribution.
- Donations of over \$250 must be given a written receipt, letter of thanks, email message, or form created for this purpose.
- For contributions to a government exempt entity, a letter from the entity receiving the donation is to be sent acknowledging the contribution.
  - (See “Sample letter to Acknowledge Donation”)
- It is a good idea to enclose a copy of the letter from the Extension District Board that confirms the entity's association with the District Board and their tax-exempt status.
  - (See "Draft Letter to Confirm Tax Exempt Status of Extension District Board".)
- For contributions to a 501(c)3 entity, a letter from the tax-exempt group is to be sent to the donor acknowledging the donation.

# Donor Acknowledgement

- Donor Acknowledgement Letter should Include:

**(Note: Sample letter provided on CES website)**

- Donor's name and the date the gift was received.
- Amount of the monetary gift or a description of the item donated.
  - If the gift is not monetary (such as supplies, equipment or property other than real estate), the group should only verify the receipt of the donation and not assign any value to the gift. It is the responsibility of the donor to determine the fair market value of the gift.
- Must have approval from the Dean of the College of Agriculture to accept gifts of real estate.
- Name and address of the organization receiving the gift.
- A statement on whether goods or services were provided in return for the contribution.
  - If the donor received something in return, then only the amount over the value of the benefit can be considered a contribution and deducted on tax forms.



# Audit Committee

- Each group is to have its financial statements, related books and records audited each program year by either an Audit Committee or a CPA.
- Audit results and reports should be filed with the appropriate entities.
- Audit Committee Guidelines
  - Review each month's bank statements
  - Examine all voided checks
  - Total all funds received
  - Total all deposits
  - Total all expenditures
  - Examine Annual Financial Report
  - Check beginning totals and ending totals against income and expenses
  - Check Inventory
  - Complete Audit Checklist and Report

# Audit Committee

- Annual Audit Committee Report
  - Group Name
  - Fiscal Year End
  - Checklist of items reviewed
  - Notes regarding any issues or concerns found by committee
  - Notes regarding any recommendations made by committee
  - Certification of audit committee
  - Signatures of audit committee

## Audit Committee Checklist and Report

Club/Group: \_\_\_\_\_ Financial Year End: \_\_\_\_\_  
 Checking Account Number: \_\_\_\_\_  
 Bank: \_\_\_\_\_ Address: \_\_\_\_\_  
 Audit Date: \_\_\_\_\_

Persons authorized to sign on checking account:

Name: \_\_\_\_\_ Address: \_\_\_\_\_  
 Name: \_\_\_\_\_ Address: \_\_\_\_\_

Bank records are in the possession of: \_\_\_\_\_  
 Name: \_\_\_\_\_ Address: \_\_\_\_\_

### Checklist of Documents Viewed by the Committee

<input type="checkbox"/> Annual Budget	<input type="checkbox"/> Receipts/Bills/invoices for all expenses with attached Reimbursement/Payment Request Form
<input type="checkbox"/> Canceled checks and deposit slips	<input type="checkbox"/> Bank Statements
<input type="checkbox"/> Treasurer's reports	<input type="checkbox"/> Annual Financial Report
<input type="checkbox"/> Receipts for all income	<input type="checkbox"/> Inventory Records
<input type="checkbox"/> Deposit Forms w/documentation (if applicable)	

The audit committee found the following conditions:

\_\_\_\_\_

The audit committee makes the following recommendations:

\_\_\_\_\_

This certifies that the audit committee has reviewed the record keeping and financial balances and finds them:  
 (check one box)

- ☐ in order  
☐ in order upon implementation of recommendation  
☐ requiring further review and action

Signatures of audit committee:

Name: \_\_\_\_\_ Address: \_\_\_\_\_

Name: \_\_\_\_\_ Address: \_\_\_\_\_

Name: \_\_\_\_\_ Address: \_\_\_\_\_

Name: \_\_\_\_\_ Address: \_\_\_\_\_

# Questions



# Sponsored Projects

# Applying for Grants

- Must be consistent with the purpose and goals of the Cooperative Extension Service.
- Discussion a local level to gain support from EDB, CEC, or Program Council.
- Discuss office needs (space or personnel) with staff.
- Develop a budget including all costs (personnel needs, program materials, office operating expenses, etc.)
- Grants greater than \$5,000 – District Director Approval
- If a grant calls for hiring of a new employee – CAFÉ Dean and Director of Cooperative Extension must approve PRIOR to submission.
- **DO NOT USE THE UNIVERSITY OF KENTUCKY'S EIN for county office grant applications.**

# Cost Share

- If the grant requires an agency match, the District Director and appropriate Assistant Director must be involved.
- Agents do not have the authority to commit the value of their own time or other agency resources as a match.
- The use of local tax funds for the purpose of cost share should be consistent with the intended purpose and budgeting of funds.
- District Directors should be consulted when cost share considerations are given with the intended use of public funds.

# Post-Award Grants Management

- A separate fund or account should be established in order to track the grant funds. Grant funds may be handled by the District Board, County Extension Council or Program Council.
- Implementation of the grant must stay within the approved budget.
- The District Board Treasurer or Program Council Treasurer pays all bills.
- An accounting of the grant funds is prepared on a regular basis (monthly, quarterly, annually) according to the agreement with the grantor.
- Funds to pay personnel costs are to be transferred to UK.

# Post-Award Grants Management

- Any equipment that can be purchased under the grant will be inventoried and maintained by the county Extension office according to the agreement with the grantor.
- An agreement on how to give credit to Extension and the grantor needs to be made in advance.
- At the end of the grant period, a final report of program accomplishments and a financial accounting is prepared and submitted to the grantor.



# Questions

