

Chapter 230-07 WAC

CHARITABLE AND NONPROFIT RULES

WAC

230-07-001	Defining "charitable or nonprofit licensee."
230-07-005	Defining "licensees," "licensee," "organizations," and "organization."
230-07-010	Use of gambling proceeds.
230-07-015	Regulatory group assignments.
230-07-020	Making "significant progress."
230-07-025	Additional requirements for "significant progress" for Groups IV and V.
230-07-030	Defining "functional expenses."
230-07-035	Defining "program service expenses."
230-07-040	Defining "supporting service expenses."
230-07-045	Obtaining a waiver for significant progress requirements.
230-07-050	Defining "excessive reserves."
230-07-051	Accumulating excessive reserves.
230-07-055	Prorating expenses when gambling funds are not kept separate.
230-07-060	Independent management structure required.
230-07-065	Group III, IV, and V management control system.
230-07-070	Defining "direct relatives."
230-07-075	Conflicts of interest.
230-07-080	Qualification reviews for Groups III, IV and V.
230-07-085	Compensating gambling management and operations personnel.
230-07-090	Keeping and depositing all gambling funds separate from other funds.
230-07-095	Fund-raising events and members only raffles exempt from deposit requirements.
230-07-100	Special banking exemption for Point Roberts Peninsula.
230-07-105	Safeguarding prize inventory.
230-07-106	Insuring prizes.
230-07-110	Supervision requirements.
230-07-115	Duties of charitable or nonprofit gambling managers.
230-07-120	Notifying us of changes in responsibilities of charitable or nonprofit gambling managers.

RECORDKEEPING FOR LOWER VOLUME LICENSEES

230-07-125	Recordkeeping requirements for lower volume charitable or nonprofit organizations.
------------	--

RECORDKEEPING AND ACCOUNTING STANDARDS

230-07-130	Additional recordkeeping for charitable or nonprofit licensees.
230-07-135	Recording gifts.
230-07-140	Minimum accounting records for Class D and above bingo licensees and licensees with combined activities over five hundred thousand dollars.

REQUIRED ANNUAL REPORTS

230-07-145	Reporting annual progress.
230-07-150	Financial statements required for Groups III, IV, and V.
230-07-155	Reporting annual activity for raffles, amusement games, Class A, B, or C bingo, or combination licenses.
230-07-160	Reporting annual activity for agricultural fairs.

WAC 230-07-001 Defining "charitable or nonprofit licensee." In this section of the rules, "charitable or nonprofit licensees" means the same as a bona fide charitable or nonprofit organization as defined in RCW 9.46.0209.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-001, filed 4/24/07, effective 1/1/08.]

WAC 230-07-005 Defining "licensees," "licensee," "organizations," and "organization." (1) In this chapter of the rules, "licensee" and "licensees" means those charitable or nonprofit organizations which we require to be licensed to conduct gambling activities.

(4/13/10)

(2) In this chapter, "organization" and "organizations" means:

(a) Licensees; and

(b) All bona fide charitable or nonprofit organizations conducting unlicensed gambling activities authorized by chapter 9.46 RCW.

[Statutory Authority: RCW 9.46.070. 07-21-116 (Order 617), § 230-07-005, filed 10/22/07, effective 1/1/08; 07-10-032 (Order 609), § 230-07-005, filed 4/24/07, effective 1/1/08.]

WAC 230-07-010 Use of gambling proceeds. (1)

Except qualified agricultural fairs, charitable or nonprofit organizations must use all net income from gambling activities remaining after paying necessary expenses of operating the gambling activities exclusively for the lawful purpose(s) of the organization stated on the organization's license application.

(2) Licensees may conduct a gambling activity for the charitable benefit of specific person(s) whom the licensee has listed as recipient(s) of the proceeds, or a specified portion of the proceeds, if licensees obtain approval from us before they conduct the activity.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-010, filed 4/24/07, effective 1/1/08.]

WAC 230-07-015 Regulatory group assignments. (1)

We assign charitable or nonprofit licensees to regulatory groups based on the annual gross gambling receipts for their combined licensed activities.

(2) Licensees must comply with requirements applicable to the regulatory group to which we have assigned them. The regulatory groups are:

(a) Group I	Combined annual gross receipts up to three hundred thousand dollars.
(b) Group II	Combined annual gross receipts up to one million dollars.
(c) Group III	Combined annual gross receipts up to three million dollars.
(d) Group IV	Combined annual gross receipts up to five million dollars.
(e) Group V	Combined annual gross receipts over five million dollars.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-015, filed 4/24/07, effective 1/1/08.]

WAC 230-07-020 Making "significant progress."

Charitable or nonprofit licensees must make "significant progress" toward their stated purpose. They have made "significant progress" when they have:

(1) Complied with all requirements set forth in their bylaws and articles of incorporation; and

(2) Actively engaged in providing services to the public or their members during the fiscal year under review, and the

[Ch. 230-07 WAC—p. 1]

services directly relate to the stated purposes of the organization; and

(3) Held elections to select officers at least once in the previous two years; and

(4) Held a general membership meeting to conduct the business of the organization at least once in the previous two years; and

(5) Used a substantial portion of the licensee's "available resources" for providing program services during the fiscal year under review. For purposes of this section, "available resources":

(a) Include the income generated by or from:

(i) The net of all activities used to raise funds, including net gambling income; and

(ii) Grants, gifts, and contributions from private sources; and

(iii) Public support.

(b) Does not include:

(i) Funds generated in periods other than the fiscal year under review; or

(ii) Funds that are raised or contributed from outside the organization for purposes of purchasing land or capital assets or to endow future operations when those funds are specifically identified by the board or contributors as restricted and separately recorded in the organization's records; or

(iii) Net income from the sale of assets; or

(iv) Fees paid by members or the public to receive services or to participate in specific activities. (Example: Fees to attend a swimming lesson or event.) These fees must be classified as a reduction to both program service and supporting service expenses on a pro rata basis and as a reduction to resources available for providing services in the fiscal year. (Example: In the chart below, licensee X has revenue of five thousand dollars. They must calculate the pro rata reduction by adjusting the total by the percentages of support services, program services expenses, and functional expenses.)

(6) This rule will be effective for fiscal years ending on or after December 31, 2009.

Revenue					
Fees paid by public					\$5,000
Calculation:					
Expenses	Unadjusted Amount	% of Total	Pro Rata Reduction Fees Paid by Public (\$5,000)	% of Total	Adjusted Amount
Support Service Expense	\$35,000	32%	(\$1,591)	32%	\$33,409
Program Service Expense	\$75,000	68%	(\$3,409)	68%	\$71,591
Functional Expenses	\$110,000	100%	(\$5,000)	100%	\$105,000

[Statutory Authority: RCW 9.46.070. 09-19-080 (Order 661), § 230-07-020, filed 9/17/09, effective 10/18/09; 07-10-032 (Order 609), § 230-07-020, filed 4/24/07, effective 1/1/08.]

WAC 230-07-025 Additional requirements for "significant progress" for Groups IV and V. In addition to meeting the significant progress requirements for Groups I, II, and III, Group IV and V charitable or nonprofit licensees must also prove they:

(1) Expended at least sixty percent of net gambling income earned in the licensee's most recently completed fiscal year on "functional expenses" to operate the organization's programs; and

(2) Used no more than thirty-five percent of total functional expenses to provide supporting services. If licensees used more than fifty percent of total program services expenses to provide program services through indirect methods (those which are external to the organization), such as grants, contributions, and/or scholarships, then supporting services expenses must not exceed twenty percent of functional expenses.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-025, filed 4/24/07, effective 1/1/08.]

WAC 230-07-030 Defining "functional expenses." "Functional expenses" means those expenses a charitable or nonprofit licensee incurs toward accomplishing its stated purpose(s). Functional expenses include both "program services" and "supporting services."

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-030, filed 4/24/07, effective 1/1/08.]

WAC 230-07-035 Defining "program service expenses." (1) "Program service expenses" means those expenses relating to providing care, support, or assistance to individuals, or sponsoring or conducting activities that directly relate to the licensee's stated purpose(s).

(2) We consider "program service expenses" services the licensee provided:

(a) Directly through programs to the public or the licensee's members; or

(b) Indirectly through:

(i) Contributions to individuals or to other service-providing organizations; or

(ii) Funding scholarships; or

(iii) Sponsoring activities directly related to any organizational purposes.

(3) We consider soliciting new members or volunteers, or announcements and publications intended to educate the public about specific services or programs to be program service expenses.

(4) Expenses allocated to more than one service must be divided out according to their function. Licensees must document the methods of allocation and make them available for our review.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-035, filed 4/24/07, effective 1/1/08.]

WAC 230-07-040 Defining "supporting service expenses." (1) "Supporting service expenses" means those expenses relating to activities that are essential to the general operation of the licensee's programs, but which are not directly identifiable to a specific program. Supporting service expenses typically include:

- (a) Management; and
- (b) General overhead; and
- (c) Any expenses related to soliciting contributions.

(2) We consider the following supporting service expenses:

(a) Wages and benefits for persons involved in the general operation of the organization, such as:

- (i) Executive directors and other management; or
- (ii) Support personnel like secretaries, receptionists, and bookkeepers; and

(b) Expenses related to:

(i) Providing an administrative office, including rent, depreciation, interest, utilities, taxes, insurance, and supplies; and

(ii) General management functions of the organization such as planning and budgeting, recruiting and training staff, and purchasing and distributing materials; and

(iii) Scheduling and conducting board, committee, and membership meetings; and

(iv) Publicizing the general organization; and

(v) Outside supporting services such as accounting, audit, and legal; and

(vi) Soliciting contributions or grants; and

(vii) Any net loss from nongambling fund-raising activities.

(3) Supporting service expenses do not include items which are unusual and infrequent in nature, for example, repairs from a fire.

(4) Expenses allocated to more than one service must be divided out according to their function. Licensees must document the methods of allocation and make them available for our review.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-040, filed 4/24/07, effective 1/1/08.]

WAC 230-07-045 Obtaining a waiver for significant progress requirements. (1) If a charitable or nonprofit licensee is unable to demonstrate that it has made significant progress, the licensee may request, in writing, a waiver for all, or a portion, of the requirements.

(2) In the waiver request, the organization's board must:

(a) Acknowledge that it is aware of the circumstances; and

(b) Show it has taken steps to correct the situation which prevented compliance; and

(c) Show it has approved a plan that addresses delivery of program services in the future; and

(d) Show that the organization expended at least twenty-five percent of its net gambling income to provide program services in the period under review. We may consider the purchase of nondepreciable assets for program purposes as part of this percentage.

(4/13/10)

(3) When deciding to approve or deny a waiver, we consider whether the licensee:

(a) Had a temporary inability to comply due to unusual circumstances; and

(b) Is reserving funds to start or expand specific programs in the future; and

(c) Used a substantial amount of capital assets that are not subject to depreciation or amortization to provide program services, for example, fully depreciated building or equipment; fully amortized leasehold improvements; assets which are not normally depreciated, such as land used for athletic fields, riding areas, or parks; and

(d) Conducted a substantial portion of its services through volunteers.

(4) If we deny the waiver, the licensee may request a brief adjudicative hearing before an administrative law judge under the provisions of Title 230 WAC and chapter 34.05 RCW.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-045, filed 4/24/07, effective 1/1/08.]

WAC 230-07-050 Defining "excessive reserves." (1) "Excessive reserves" means the total amount of the licensee's cash, cash equivalents, and other assets that would not normally be associated with providing programs or fund-raising activities is greater than the sum of:

(a) The licensee's current liabilities, which means debts due within one year; plus

(b) Total functional expenses during the most recently completed fiscal year; plus

(c) The average net income or loss from combined gambling and retail sales conducted in conjunction with gambling activities for a three-month period. This average is calculated by dividing annual net gambling and retail sales income or loss by four.

(2) However, we may approve the exclusion of funds reserved to start or expand specific programs from the computation of excessive reserves.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-050, filed 4/24/07, effective 1/1/08.]

WAC 230-07-051 Accumulating excessive reserves. A charitable or nonprofit organization must not accumulate excessive reserves. Organizations accumulating excessive reserves may be deemed as organized primarily for purposes of gambling. Reserves must be computed by using the financial data most recently filed with us. Funds transferred to an endowment or specifically restricted trust fund will not be treated as excessive reserves if the following restrictions are met:

(1) The endowment or dedicated trust fund is either legally irrevocable or restricted in a manner that approval is required by a majority of the membership prior to use or transfer of the endowment or dedicated trust principal; and

(2) The funds are expressly dedicated for funding new programs, capital projects, or to endow service-providing activities; and

(3) The funds are saved according to a plan that includes the amount to be reserved, the purpose for which the funds are being reserved, and the estimated time the reserves will be used; and

[Ch. 230-07 WAC—p. 3]

(4) The plan is approved by the organization's officers or board of directors and documentation for the endowment or trust fund is submitted to us for review and approval; and

(5) The total amount of net gambling income that is transferred to endowment or trust funds may exceed two million dollars only if the organization petitions the director to exceed this limitation and the director approves the petition. The director may disapprove with written comments or approve a modified level based on facts presented. The director's decision may be appealed to the commission. Appeal of this decision will be heard at a regular public meeting of the commission. The commission's decision shall be final. Petitions for relief must include:

- (a) The reason for the request, including whether the increased reserves are for charitable or nonprofit purposes and planned timelines for use; and
- (b) The total amount of reserves requested; and

- (c) The impact on programs if the petition is denied; and
- (d) Alternative sources of funding available.

[Statutory Authority: RCW 9.46.070. 08-03-062 (Order 623), § 230-07-051, filed 1/14/08, effective 2/14/08.]

WAC 230-07-055 Prorating expenses when gambling funds are not kept separate. When charitable or nonprofit organizations do not keep gambling income separate from all other income of the organization, the amount of net gambling income required to provide functional expenses in the fiscal year under review must be the pro rata portion of net gambling income compared to the total net revenue from all sources. (Example: In the chart below, Organization X has revenue of five thousand dollars. They must calculate the pro rata reduction by adjusting the total by the percentages of support services, program services, and functional expenses.)

Revenue					
Fees paid by public					\$5,000
Calculation:					
Expenses	Unadjusted Amount	% of Total	Pro Rata Reduction Fees Paid by Public (\$5,000)	% of Total	Adjusted Amount
Support Service Expense	\$35,000	32%	(\$1,591)	32%	\$33,409
Program Service Expense	\$75,000	68%	(\$3,409)	68%	\$71,591
Functional Expenses	\$110,000	100%	(\$5,000)	100%	\$105,000

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-055, filed 4/24/07, effective 1/1/08.]

WAC 230-07-060 Independent management structure required. (1) Charitable or nonprofit organizations and their officers or board of directors have an affirmative responsibility to conduct gambling activities according to the legislative intent in chapter 9.46 RCW.

(2) Organizations must develop and maintain an independent management control system that ensures they:

- (a) Create an operating environment that makes it possible to implement the policies of the officers or board of directors; and
- (b) Supervise and operate gambling activities according to gambling laws and our rules; and
- (c) Protect all assets of the organization from misuse or embezzlement; and
- (d) Use gambling proceeds solely to advance the purposes of their organization.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-060, filed 4/24/07, effective 1/1/08.]

WAC 230-07-065 Group III, IV, and V management control system. Charitable or nonprofit licensees assigned to Groups III, IV, and V must develop and implement a management control system that:

- (1) Is overseen by an independent group of officers or board of directors who have been elected by a process in which all full and regular members have a single vote; and
- (2) Includes written policies which set the responsibilities of and establish the scope of authority delegated to officers, board of directors, and employees; and

(3) Includes affirmative management and accounting controls to ensure that all funds and other assets directly or indirectly obtained with gambling proceeds are protected from misuse, are dedicated solely to the purposes of the organization, and do not inure to the private use of any person. For purposes of this section, we do not consider the following uses of gambling proceeds inurement:

- (a) Providing program services to members or the public; or
- (b) Costs for necessary expenses, including salaries or wages for services to perform the purposes of the organization. Salaries or wages paid to members, officers, board of directors, or their direct relatives, are not inurement if they are necessary, reasonable, and an independent management system makes the decision to pay them; and

(4) Includes a planning process to set goals for uses of gambling proceeds and allows the officers or board of directors to monitor progress toward those goals. Organizations reserving funds in endowments or trust funds must have a formal business plan or budget outlining uses of those funds; and

(5) Includes a system of internal accounting controls designed to reduce errors, minimize the risk of embezzlement, and safeguard assets. The licensee's officers or board of directors must implement procedures to monitor established controls for compliance. The internal accounting control system must include at least:

- (a) Management approval for expenditures; and
- (b) Access to assets is restricted to those individuals management authorizes; and

(c) Recording procedures for all transactions in accordance with generally accepted accounting principles (GAAP). Licensees must record transactions with enough detail to maintain accountability for assets; and

(d) Periodic comparison of recorded assets to physical assets and reconciliation of all differences. "Reconcile" means the licensee must compare the two balances, resolve any differences, and document the comparison and the differences in writing. Licensees must keep the reconciliation as part of their records.

(6) Is documented and available for our review.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-065, filed 4/24/07, effective 1/1/08.]

WAC 230-07-070 Defining "direct relatives." "Direct relative" means spouses, parents, grandparents, uncles, aunts, children, siblings, nieces, or nephews, whether by blood, adoption, or marriage.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-070, filed 4/24/07, effective 1/1/08.]

WAC 230-07-075 Conflicts of interest. (1) Charitable or nonprofit organizations have an independent operating environment when their officers or board members and supervisory level employees have completely separated their personal interests from the interests of the organization.

(2) If individual officers or board members acknowledge potential conflicts of interest and abstain from voting on issues that directly or indirectly affect their personal interest, the organization is operating independently.

(3) The governing board of the organization must review any potential conflicts of interest involving supervisory level employees. They must record all discussions or balloting regarding potential conflicts of interest in the official meeting minutes.

(4) We will presume organizations lack an independent operating environment if the governing board fails to approve and document in the official meeting minutes any of the following by the officers, board members, or supervisory level employees:

(a) Receiving, directly or indirectly, financial or personal benefit from the organization or share in gambling proceeds of the organization; or

(b) Supervising, directly or indirectly, or having decision-making authority over transactions that may result in direct or indirect financial or personal benefit to:

(i) Their direct relatives; or

(ii) Persons with whom they maintain a common household; or

(iii) Persons with whom they have a business relationship; or

(c) Allowing others, directly or, through lack of action, indirectly, to receive or share in the gambling proceeds of the organization.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-075, filed 4/24/07, effective 1/1/08.]

WAC 230-07-080 Qualification reviews for Groups III, IV and V. (1) We may review charitable or nonprofit licensees assigned to Group III and may prepare a summary

(4/13/10)

of the organization's qualifications for the commissioners' review.

(2) We will review licensees assigned to Group IV and V and prepare a summary of the organization's qualifications for the commissioners' review at a public meeting every three years. At least one representative from the organization must attend the meeting when staff presents their qualification review.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-080, filed 4/24/07, effective 1/1/08.]

WAC 230-07-085 Compensating gambling management and operations personnel. (1) Charitable or nonprofit licensees must not base compensation for any employee taking part in the management or operation of the gambling activities on a percentage of the receipts or income derived from the operation of the gambling activity.

(2) Licensees must pay employees taking part in the management or operation of gambling activity a wage that is reasonable under the prevailing local wage scale for comparable employment. Wages greater than the local prevailing wage create a presumption of a violation.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-085, filed 4/24/07, effective 1/1/08.]

WAC 230-07-090 Keeping and depositing all gambling funds separate from other funds. Charitable or nonprofit licensees must protect all funds generated from gambling activities and keep these funds separate from their general funds.

(1) Licensees must:

(a) Keep a separate gambling receipts account(s) in a recognized Washington state bank, mutual savings bank, or credit union; and

(b) Deposit only gambling receipts into that account. Licensees may deposit receipts from nongambling activities operated in conjunction with bingo games into the gambling receipts account if the licensee keeps detailed receipting records of the nongambling receipts; and

(c) Deposit all gambling receipts first into the account before spending or transferring them into other accounts, except for prize pay outs; and

(d) Deposit funds received from commercial amusement game operators operating amusement games on their premises in the licensee's gambling receipts account no later than the second banking day after they receive the receipts; and

(e) Make all deposits of net gambling receipts from each activity separately from all other deposits, and keep the validated deposit receipt as a part of their records. Deposit receipts are a part of the applicable daily or monthly records and licensees must make them available for our inspection; and

(f) Deposit all net gambling receipts which they are holding, pending pay out:

(i) From bingo, no later than the second banking day after they receive them. Licensees may withhold bingo receipts from deposits for "jar," "pig," or other special game prizes if the total of all such prize funds does not exceed two hundred dollars, enter the amount withheld each session in the bingo daily record, and record the reconciliation of the special game fund on the bingo daily record. "Reconcile"

[Ch. 230-07 WAC—p. 5]

means the licensee must compare the two balances, resolve any differences, and document the comparison and the differences in writing. Licensees must keep the reconciliation as part of their records; and

(ii) From raffles (Class E and above) and amusement games (Class D and above), at least once each week; and

(iii) From punch board and pull-tabs, including cost recovery for merchandise prizes awarded, no later than two banking days after they remove the board or series from play; and

(g) Record the Washington state identification number assigned to the punch board or pull-tab series and the amount of net gambling receipts on the deposit slip/receipt. Licensees may record the number and the receipts on a separate record if they record the bank validation number and maintain the record with the deposit slip/receipt; and

(2) These requirements do not apply to organizations who:

(a) Conduct only one or more of the following activities:

(i) Raffles under the provisions of RCW 9.46.0315;

(ii) Bingo, raffles, or amusement games under the provisions of RCW 9.46.0321;

(iii) Class A, B, or C bingo game;

(iv) Class A, B, C, or D raffle; or

(v) Class A, B, or C amusement game; and

(b) Do not have any other license(s) from us.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-090, filed 4/24/07, effective 1/1/08.]

WAC 230-07-095 Fund-raising events and members only raffles exempt from deposit requirements. Bona fide charitable or nonprofit organizations that conduct only fund-raising events or members only raffles and have no other gambling licenses are exempt from having a separate gambling receipts account, but they must:

(1) Make no expenditures, other than for prizes, until the receipts have been deposited;

(2) Deposit all net gambling receipts within two banking days; and

(3) Keep the validated deposit receipt with their gambling records.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-095, filed 4/24/07, effective 1/1/08.]

WAC 230-07-100 Special banking exemption for Point Roberts Peninsula. Charitable or nonprofit licensees that conduct activities on Point Roberts Peninsula, Washington, may deposit funds in British Columbia branches of Canadian banks. Licensees must provide us and their Canadian bank a written release for us to have unrestricted access to the licensee's Canadian bank records and the Canadian bank must provide written confirmation of its intent to honor the licensee's release.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-100, filed 4/24/07, effective 1/1/08.]

WAC 230-07-105 Safeguarding prize inventory. (1) Charitable or nonprofit organizations must safeguard and prevent misuse or misappropriation of all assets, including

[Ch. 230-07 WAC—p. 6]

items purchased, or donated, to use as prizes for gambling activities.

(2) Licensees must maintain an inventory control record for each item purchased or donated to use as prizes for gambling activities in the format we require.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-105, filed 4/24/07, effective 1/1/08.]

WAC 230-07-106 Insuring prizes. (1) We prohibit basing contracts for prize insurance on a percentage of the gambling activity.

(2) We allow prize insurance based on a flat fee or monthly fee.

[Statutory Authority: RCW 9.46.070. 07-21-116 (Order 617), § 230-07-106, filed 10/22/07, effective 1/1/08.]

WAC 230-07-110 Supervision requirements. Charitable or nonprofit organizations must closely supervise all persons involved with the conduct of gambling activities to ensure that they follow all gambling laws and rules.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-110, filed 4/24/07, effective 1/1/08.]

WAC 230-07-115 Duties of charitable or nonprofit gambling managers. Charitable or nonprofit gambling managers must:

(1) Be knowledgeable of the laws and rules that relate to the operation of the gambling activities and the restrictions on the use of funds made from gambling activities for which they are responsible; and

(2) Supervise the gambling activity, including all secondary activities, such as retail sales, conducted along with gambling activities; and

(3) Ensure:

(a) The business premises are maintained in a safe condition and persons participating in the activity are reasonably protected from physical harm; and

(b) Fair and equal participation by players in gambling activities; and

(c) All records are completed and correct; and

(d) All funds are disbursed or invested according to the directions of the officers or governing board and are used solely to further the charitable or nonprofit purpose(s) of the organization; and

(4) Protect:

(a) The public from fraud; and

(b) The organization from players or workers committing illegal acts; and

(c) All gambling assets of the organization from misuse or theft; and

(5) Safeguard funds or other assets made from gambling and secondary activities for which he or she is responsible until directly deposited in the organization's bank account.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-115, filed 4/24/07, effective 1/1/08.]

WAC 230-07-120 Notifying us of changes in responsibilities of charitable or nonprofit gambling managers. (1) A charitable or nonprofit organization must notify us in writing when a gambling manager:

(a) Has been assigned primary responsibility for operating any gambling activity or disbursing funds; or

(b) Has terminated employment or responsibilities.

(2) Individuals required to be licensed under WAC 230-03-235 must immediately submit a license application.

(3) Licensees assigning gambling managers who do not require a license under WAC 230-03-145(4) must notify us in writing within ten days of changes in responsibilities by submitting:

(a) The full name and date of birth of the gambling manager; and

(b) The date the gambling manager was assigned new responsibilities or the date employment or responsibilities terminated; and

(c) A full description of the change in duties or responsibilities; and

(d) The highest ranking elected officer or the individual assigned the responsibility of supervising the gambling manager must sign the notification.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-120, filed 4/24/07, effective 1/1/08.]

RECORDKEEPING FOR LOWER VOLUME LICENSEES

WAC 230-07-125 Recordkeeping requirements for lower volume charitable or nonprofit organizations. (1) Organizations operating without a license under RCW 9.46.0315 or 9.46.0321 and lower volume charitable or nonprofit licensees must keep a set of permanent monthly records of the gambling activities. Lower volume licensees include:

(a) Fund-raising events;

(b) Bingo (Classes A, B, and C);

(c) Raffles (Classes A, B, C, and D);

(d) Amusement games (Classes A, B, C, and D); and

(e) Card games (Classes A, B, and C).

(2) The monthly records must include, at least:

(a) The gross receipts from each activity;

(b) The total amount of cash prizes actually paid out;

(c) The total of the cost to the licensee of all merchandise prizes actually paid out for each activity;

(d) A summary of all expenses related to each of the activities; and

(e) The net income received from the activity, the purpose(s) for which the net income was raised, and the amount paid to each recipient.

(3) Licensees must keep these records for three years from the end of the license year for which the record was created.

(4) Organizations operating under RCW 9.46.0315 or 9.46.0321 must maintain their records for one year.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-125, filed 4/24/07, effective 1/1/08.]

RECORDKEEPING AND ACCOUNTING STANDARDS

WAC 230-07-130 Additional recordkeeping for charitable or nonprofit licensees. (1) Charitable or nonprofit licensees, except agricultural fairs, must maintain

records which clearly show how the licensee used or disbursed the funds from each licensed activity. These records must provide an audit trail satisfactory for us to verify that the funds were used for the licensees' stated purpose(s). These records must include, at least, canceled checks for the disbursements.

(2) Charitable or nonprofit licensees must keep these records for three years from the end of the license year for which the record was created.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-130, filed 4/24/07, effective 1/1/08.]

WAC 230-07-135 Recording gifts. Charitable or nonprofit licensees must keep a written record for each gift which they have given to customers with an actual cost over one hundred dollars. Authorized "gifts" are defined in WAC 230-06-035. The record must include:

(1) How they selected the recipients;

(2) The number of gifts; and

(3) The total cost of each gift.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-135, filed 4/24/07, effective 1/1/08.]

WAC 230-07-140 Minimum accounting records for Class D and above bingo licensees and licensees with combined activities over five hundred thousand dollars. Class D and above bingo licensees and licensees who are authorized for more than five hundred thousand dollars gross gambling receipts from combined gambling activities during any fiscal year must keep accounting records necessary to document all receipts, costs, and disbursements, including, at least, those related to gambling activities.

Requirements for accounting records

For these accounting records, licensees must:

(1) Conform to generally accepted accounting principles (GAAP) except as modified by other commission rules; and

(2) Include, at least:

(a) A cash disbursements journal and/or check register;

(b) A cash receipts and/or sales journal;

(c) A list of all assets the licensee paid for;

(d) A listing of all liabilities;

(e) A complete general ledger system; and

(f) A list of all donated items valued at more than two hundred fifty dollars; and

(g) Bank statements, related deposit slips, and canceled checks or facsimiles of canceled checks; and

Donated items

(3) Document donated items. Licensees must:

(a) Use the fair market value at the time of donation;

(b) Add items to the list no later than thirty days after receiving them;

(c) Remove items when they no longer have legal ownership; and

(d) Not remove an item from the list, even if it has become obsolete or completely depreciated, until management has completed and documented appropriate review. A depreciation schedule for all capitalized items is sufficient; and

(e) Add items to the list when they convert items from gambling merchandise prize inventory to licensee use. This list must include, at least:

- (i) A description of the item;
- (ii) The date purchased, acquired by donation, or converted from the gambling prize pool;
- (iii) The cost at the time of purchase or, if donated, the fair market value at the time received; and
- (iv) The date and method of disposition of the item; and

Method of accounting

- (4) Use the accrual method of accounting; and
- (5) The cash, modified cash, or tax basis accounting methods may be used only if that method accurately represents the licensee's financial position, the results of operations, and the licensee does not have substantial liabilities or expenses, such as depreciation or amortization expenses, which require a current outlay of cash; and

Expenditures for nongambling activities

(6) Sufficiently document all expenditures relating to nongambling activities in order to provide a satisfactory audit trail and to allow us to verify that the funds were used for the licensee's stated purpose(s); and

Expenditures for gambling activities

(7) Sufficiently document all of the licensee's expenditures relating to gambling activities. Canceled checks or facsimiles of canceled checks, and bank statements are not sufficient documentation for expenditures without additional support. Licensees must provide additional support for expenditures, including:

- (a) Invoices or other supporting documents from commercial vendors or service agencies with at least:
 - (i) The name of the person or entity selling the goods or providing the services;
 - (ii) A complete description of goods or services purchased;
 - (iii) The amount of each product sold or services provided;
 - (iv) The price of each unit;
 - (v) The total dollar amount billed; and
 - (vi) The date of the transaction.
- (b) Documentation, in the form of checks and other written records of disbursements in excess of twenty-five dollars made directly to individuals who do not furnish normal, business type, invoices or statements. The written records must indicate at least:
 - (i) The name of the person receiving the payment;
 - (ii) The amount;
 - (iii) The date; and
 - (iv) The purpose; and

(8) Document allocated expenditures that relate to more than one function to the various functions. Licensees must document their methods of allocation and make them available for our review; and

Capitalizing assets

(9) Include a capitalization policy based on materiality and expected life of operating assets. To determine a minimum level for capitalizing assets, licensees must:

- (a) Capitalize and depreciate, or amortize over the useful life of the asset, any assets of more than two thousand dollars that have a useful life of more than one year; and
- (b) Capitalize and depreciate, or amortize over sixty months, beginning with the first month that bingo games are conducted, preoperating start up costs related to bingo games of more than six thousand dollars; and
- (c) Amortize, over a period not longer than the life of the lease, any leasehold improvements related to gambling activities that are more than six thousand dollars. Licensees may extend the amortization period to include any lease option periods if the licensee's management states a reasonable expectation that they will use the lease option; and
- (d) Charge all unamortized leasehold improvements as an expense of the gambling activities in the year that the lease expires.

[Statutory Authority: RCW 9.46.070. 08-03-062 (Order 623), § 230-07-140, filed 1/14/08, effective 2/14/08; 07-10-032 (Order 609), § 230-07-140, filed 4/24/07, effective 1/1/08.]

REQUIRED ANNUAL REPORTS

WAC 230-07-145 Reporting annual progress. Charitable or nonprofit licensees in Groups III, IV, and V must report annually their progress toward meeting their stated purpose in the format we prescribe.

(1) The report must explain the type and scope of activities which licensees conducted during their last annual fiscal accounting period; and

(2) The report must include, at least:

- (a) A brief history of the licensed organization, including its stated charitable or nonprofit purpose(s); and
- (b) A written statement setting out their goals for meeting their stated charitable or nonprofit purpose(s) in the future; and

(c) The number of full and regular members; and

(d) A list of contributions, scholarships, grants, or sponsorships made during the period. This list must include:

- (i) The name of each organization or individual receiving a contribution from the licensee. The licensee may use the phrase "individual contribution" in place of the recipient. If the recipient is not named in the report, the licensee must maintain records to verify and identify the recipient of each individual contribution; and
- (ii) Whether funds awarded were from gambling income or other funds;

(e) Gross income from all nongambling activities and the source of the income; and

(f) The revenue and expenses for any nongambling sales activities, presented separately, when conducted primarily in conjunction with gambling activities; and

(g) Total expenses for both charitable or nonprofit services; and

(h) The percentage or extent to which the licensee used net gambling income for charitable as distinguished from nonprofit purposes; and

(i) The details of any loans, contracts, or other business transactions with related parties that accumulatively exceed one thousand dollars during the period. "Related parties" means officers, board members, key employees, or members of the licensed organization, including direct relatives of each; and

(3) The report must be submitted no later than one hundred twenty days following the end of the organization's fiscal year.

(4) We may grant an organization additional time to submit the report if a written request is received before the due date. The president of the organization must sign any request for additional time and include a statement explaining the hardship causing the delay, and the expected date the required report(s) will be submitted.

[Statutory Authority: RCW 9.46.070. 10-09-021 (Order 666), § 230-07-145, filed 4/13/10, effective 7/1/10; 07-10-032 (Order 609), § 230-07-145, filed 4/24/07, effective 1/1/08.]

WAC 230-07-150 Financial statements required for Groups III, IV, and V. (1) In addition to information required in WAC 230-07-145, charitable or nonprofit licensees in Groups III, IV, and V must also submit complete financial statements prepared in accordance with generally accepted accounting principles (GAAP).

(2) Licensees in Groups IV and V must have the financial statements prepared by an independent certified public accountant.

(3) The statements and all required disclosures or footnotes no later than one hundred twenty days following the end of the licensee's fiscal year.

(4) The financial statements must include:

(a) A statement of financial position;

(b) A statement of activities. This statement may be presented in a consolidated form if licensees provide the details of each component as supplemental information. Licensees must present revenue and expenses for each activity separately as follows:

(i) Each gambling activity; and

(ii) Retail sales conducted in conjunction with gambling activities;

(c) A statement of cash flows;

(d) A statement of functional expenses;

(e) In addition to all disclosures required by GAAP, the financial statements must disclose the following:

(i) Loans to or from officers, board members, and employees: We will not consider employee salary advances of five hundred dollars or less as loans. Details of all terms, including interest rates and payment schedules, must be disclosed;

(ii) All civil penalties, fines, bribes, or embezzlements incurred or discovered during the period; and

(iii) An explanation of any adjustments made to prior period capital accounts or net asset balances;

(f) An explanation of material differences between amounts reported on gambling activity reports and the financial statements.

(5) We may require additional information to ensure completeness of the information reported.

(6) We may grant an organization additional time to submit the information required if a written request is received

(4/13/10)

before the due date. The president of the organization must sign any request for additional time and include a statement explaining the hardship causing the delay, and the expected date the required report(s) will be submitted.

[Statutory Authority: RCW 9.46.070 and 34.05.353. 08-11-037 (Order 626), § 230-07-150, filed 5/14/08, effective 7/1/08. Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-150, filed 4/24/07, effective 1/1/08.]

WAC 230-07-155 Reporting annual activity for raffles, amusement games, Class A, B, or C bingo, or combination licenses. (1) Raffle, amusement game, Class A, B, or C bingo, or combination licensees must submit an annual report of all their activities in the format we require.

(2) We must receive the completed report in our office postmarked no later than thirty days following the expiration of their license(s).

(3) The highest ranking officer or his/her designee must sign the report.

(4) If the licensee has someone else prepare the report, then the preparer must include his/her name and phone number on the report.

(5) Licensees that operate retail sales activities in conjunction with bingo games must report the net income from those retail sales activities.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-155, filed 4/24/07, effective 1/1/08.]

WAC 230-07-160 Reporting annual activity for agricultural fairs. (1) Charitable or nonprofit licensees who operate bingo, raffles, and/or amusement games only at agricultural fairs and other special properties and permittees as defined in WAC 230-03-015 who operate bingo under another's license at agricultural fairs and other special properties must submit an annual report of all their activities in the format we require.

(2) We must receive the completed report in our office postmarked no later than thirty days following the expiration of the license year.

(3) Permittees operating under another's license must provide the licensee with all information about the permitted operation that is needed by the licensee to complete the annual activity report not less than ten days before the time that we require the licensee to file his or her report.

(4) The highest ranking officer or his or her designee must sign the report. If the licensee has someone else prepare the report, then the preparer must include his or her name and phone number on the report.

[Statutory Authority: RCW 9.46.070. 07-10-032 (Order 609), § 230-07-160, filed 4/24/07, effective 1/1/08.]