

# Washington State Gambling Commission

Non-Profit Adjusted Cash Flow  
and  
Significant Progress



**Mission Statement:**

***“Protect the Public by Ensuring  
That Gambling is Legal & Honest”***

Presented by  
Allen Esparza, CFE  
Special Agent – Financial Investigations Unit

# Purpose

- Ensure that funds are available for stated purpose.
- By example, show how these requirements are currently applied



# Authority

## **RCW 9.46.010 “Legislative declaration”**

*Fund raising for the promotion of bona fide charitable or nonprofit organizations is in the public interest ...*



# Authority

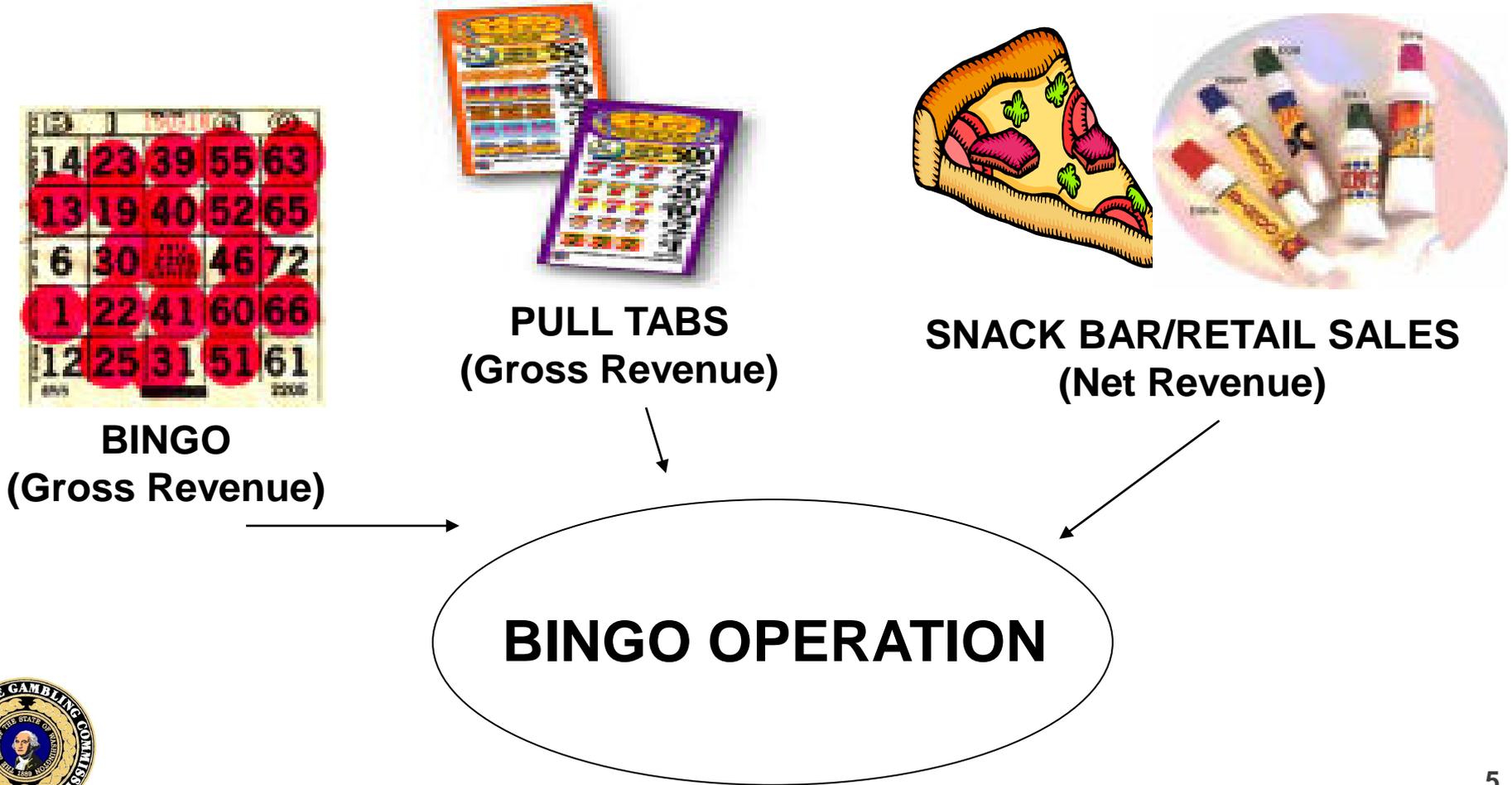
## WAC Rules:

- **230-10-365:** Defining adjusted cash flow
- **230-10-370:** Adjusted cash flow limits
- **230-10-375:** Failing to meet a positive cash flow
- **230-10-380:** Relief reduction for minimum adjusted cash flow



# Bingo Operation

**WAC 230-10-365** “Bingo operation” is defined as bingo games and all associated activities.



# Activity Report



102090

WASHINGTON STATE GAMBLING COMMISSION, P.O. BOX 42400, OLYMPIA, WA 98504-2400

SEATTLE JUNIOR HOCKEY ASSN  
7016 220TH ST SW

Date: 4/30/2013  
Client No: 00-04339  
County: SNOHOMISH

01-01670 Class I  
05-02334 Class N  
City: 13

MOUNTLAKE TERRACE, WA 98043

**NONPROFIT COMBINED QUARTERLY ACTIVITY REPORT**

2013-1

THIS REPORT COVERS THE PERIOD  
1/1/2013 - 3/31/2013

ATTENTION: Submit report even if you had no activity.

All amounts are in whole dollars.

**DUE DATE: 04/30/2013**

FINANCIAL INFORMATION	PUNCHBOARDS/PULL-TABS	BINGO
(1) GROSS GAMBLING RECEIPTS	\$442,641	\$796,732
(2A) PRIZES PAID - CASH	\$328,667	\$590,424
(2B) PRIZES PAID - MERCHANDISE	\$0	\$1,726
(3) NET GAMBLING RECEIPTS	\$113,974	\$204,582
(4) COST OF GAMES/SUPPLIES	\$20,621	\$13,109
(5) LOCAL GAMBLING TAX	\$11,398	\$5,115
(6) CASH OVER/SHORT <input checked="" type="checkbox"/> Over <input type="checkbox"/> Short	\$679	\$685 <input type="checkbox"/> Over <input checked="" type="checkbox"/> Short
(7A) OCCUPANCY - BUILDING DEPRECIATION	\$144	\$259
(7B) OCCUPANCY - RENTAL INCOME DONATED OR USED		\$0
(8) EQUIPMENT DEPRECIATION	\$163	\$397
(9) OTHER EXPENSES	\$63,080	\$121,413
(10) TOTAL EXPENSES	\$94,727	140,978
(11) NET GAMBLING INCOME	\$19,247	\$63,604
(12) INVENTORY - NUMBER OF GAMES		
(A) On Hand Beginning of QTR	106	(C) Removed From Play During QTR
(B) Purchased During QTR	580	(D) On Hand End of QTR
		578
(13) DONATED BINGO PRIZES		\$0
(14) ACCRUED BINGO PRIZES BALANCE		\$2,350
(15) NET INCOME FROM RETAIL SALES ACTIVITIES		\$4,143
(16) NET INCOME FROM DRAWINGS		\$0
(17) NET INCOME FROM AMUSEMENT GAMES		\$0
(18) TOTAL BINGO ATTENDANCE THIS QUARTER	15,124	(19) TOTAL NUMBER OF SESSIONS HELD THIS QUARTER
		143

SIGNATURE AND VERIFICATION - I declare under the penalties of perjury that this report (including any accompanying statements or lists) has been examined by me and to the best of my knowledge and belief is true, correct and complete.

Name Ric Newgard  
Title Director of Gaming

Daytime Phone 425-776-1900  
Date 04/30/2013



# Seattle Junior Hockey 2013

License Year 1/1/2013 - 12/31/2013				
YEAR-QUARTER	2013-1	2013-2	2013-3	2013-4
BINGO NET GAMBLING INCOME	63,604	48,010	20,646	-8,722
PULL TAB NET GAMBLING INCOME	19,247	16,058	10,250	10,223
NET INCOME FROM RETAIL SALES	4,143	4,685	4,280	1,670
NET INCOME FROM DRAWINGS	-	-	-	-
NET INCOME FROM AMUSEMENT GAMES	-	-	-	-
DEPRECIATION OF BUILDINGS-BINGO	259	281	261	155
DEPRECIATION OF BUILDINGS-PT	144	133	116	67
DEPRECIATION OF EQUIPMENT - BINGO	397	471	726	2,086
DEPRECIATION OF EQUIPMENT - PT	163	153	229	807
CASH FLOW BY QUARTER	87,957	69,791	36,508	6,286



# Administrative Action

- If two consecutive negative quarters in same license year, summary suspension
- Staff communicates with licensee immediately after first negative quarter is identified



# Cash Flow Requirements

- **WAC 230-10-370:** Annual Adjusted cash flow requirements
  - Above \$1,500,000 up to \$2,500,000; 3% of gross receipts
  - Above \$2,500,000 up to \$3,500,000; \$30,000 plus 4% of gross receipts
  - Above \$3,500,000 up to \$4,500,000; \$70,000 plus 5% of gross receipts
  - Above \$4,500,000; \$120,000 plus 6% of gross receipts



# Requirements

\*

3%

4%

5%

6%

\$0  
to  
\$1.5 million

\$1.5 million  
to  
\$2.5 million

\$2.5 million  
to  
\$3.5 million

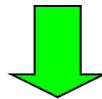
\$3.5 million  
to  
\$4.5 million

Over  
\$4.5 million



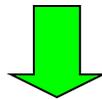
\$0

+



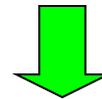
\$30,000

+



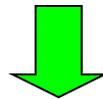
\$40,000

+



\$50,000

+



\$60,000

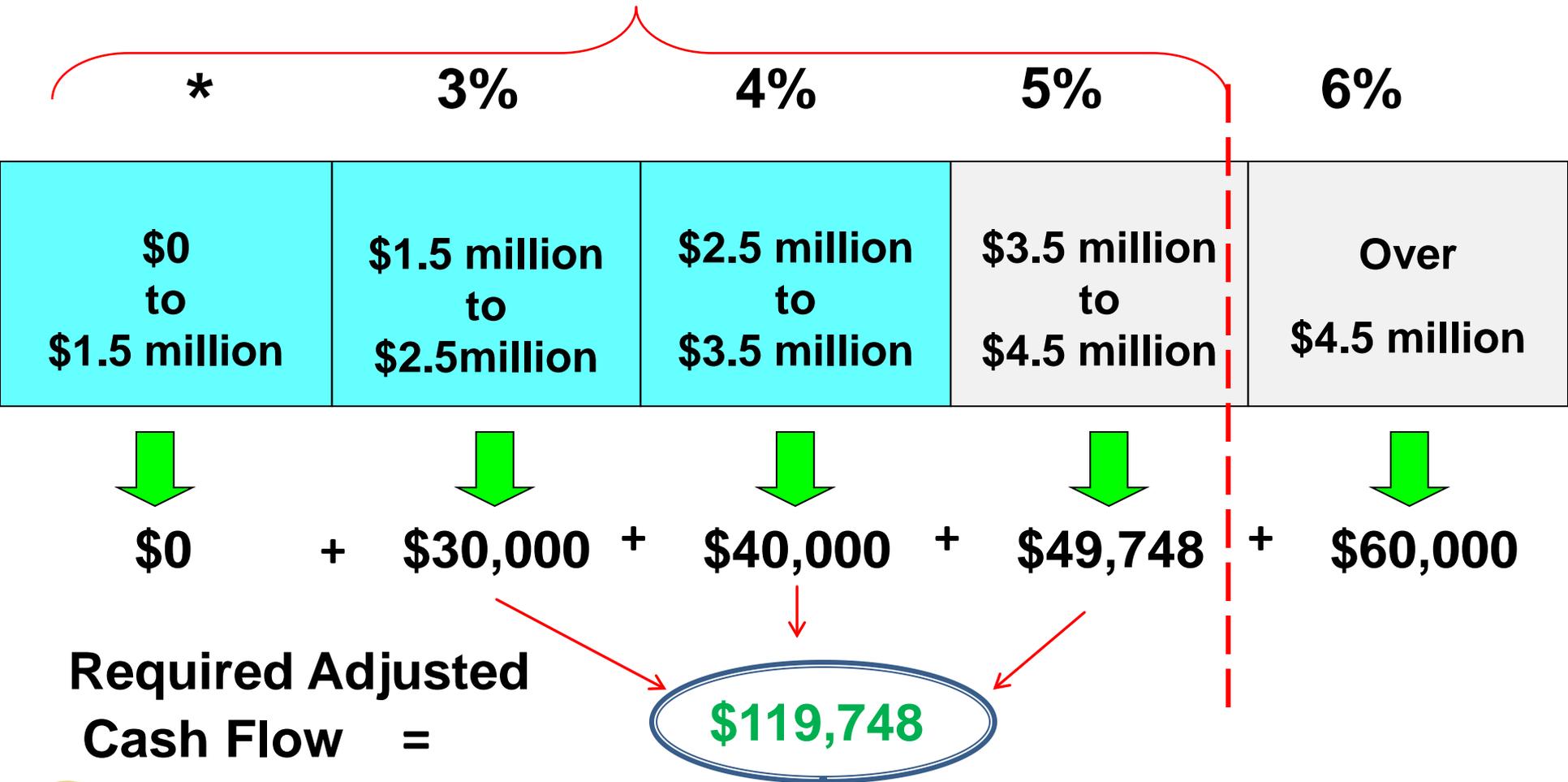


# Seattle Junior Hockey 2013

License Year 1/1/2013 - 12/31/2013					ANNUAL
YEAR-QUARTER	2013-1	2013-2	2013-3	2013-4	VALUES
BINGO NET GAMBLING INCOME	63,604	48,010	20,646	-8,722	123,538
PULL TAB NET GAMBLING INCOME	19,247	16,058	10,250	10,223	55,778
NET INCOME FROM RETAIL SALES	4,143	4,685	4,280	1,670	14,778
NET INCOME FROM DRAWINGS	-	-	-	-	-
NET INCOME FROM AMUSEMENT GAMES	-	-	-	-	-
DEPRECIATION OF BUILDINGS-BINGO	259	281	261	155	956
DEPRECIATION OF BUILDINGS-PT	144	133	116	67	460
DEPRECIATION OF EQUIPMENT - BINGO	397	471	726	2,086	3,680
DEPRECIATION OF EQUIPMENT - PT	163	153	229	807	1,352
CASH FLOW BY QUARTER	87,957	69,791	36,508	6,286	200,542
PT / BINGO GROSS RECEIPTS	1,239,373	1,140,605	1,080,376	1,034,620	4,494,974
REQUIRED CASH FLOW	36,862	30,936	27,769	25,481	119,748
DIFFERENCE BETWEEN REQUIRED	51,095	38,855	8,739	-19,195	79,494
CASH FLOW AND ACTUAL CASH FLOW	OK	OK	OK	OUT	OK



# Requirements



# Relief Available

- 49% gambling tax credit available every year
- 25% relief is currently & automatically granted by Director, but is only available every 5 years



# Summary

- Cash flow is measured quarterly
- Cash flow is measured annually
- 49% gambling tax credit available every year
- 25% relief is currently & automatically granted, but is only available every 5 years





**Questions?**



# Significant Progress Purpose

- To ensure non-profit licensees are spending the required amount on providing program services
- By example, show how these requirements are applied



# Authority

## **RCW 9.46.0209 “Bona fide charitable or nonprofit organization”**

*An organization must demonstrate to the commission that it has made significant progress toward the accomplishment of the purposes of the organization*



# Authority

## WAC Rules:

- **230-07-015:** Regulatory group assignments
- **230-07-020:** Making significant progress
- **230-07-025:** Additional requirements for “significant progress”



# Authority

## WAC Rules:

- **230-07-030:** Defining “functional expenses”
- **230-07-035:** Defining “program service expenses”
- **230-07-040:** Defining “supporting service expenses”





# Support Service Expenses

- **WAC 230-07-040:** Defining “supporting service expenses”
  - **“Supporting Services”** - expenses related to activities essential to the general operation of the organization’s programs, but are not directly identifiable to a specific program



**Bookkeeping**



**Management**



**Office Rent**



**Legal Fees**



# Program Service Expenses

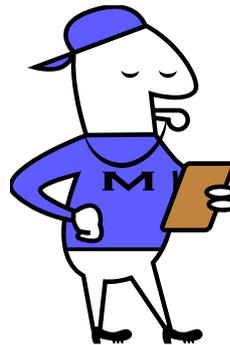
- **WAC 230-07-035:** Defining “program service expenses”
  - **“Program Services”** - expenses relating to providing care, support, or assistance to individuals, and/or sponsoring or conducting activities that directly relate to the organization’s stated purposes



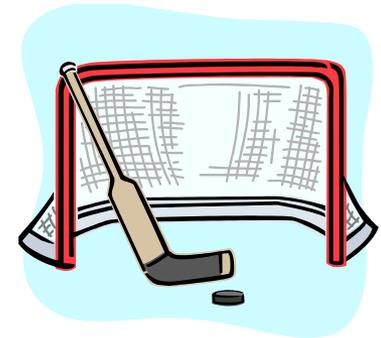
**Equipment**



**Referees**



**Coaches**



**Ice Rink Rental**

# Significant Progress

- Under \$1,500,000 must spend at least 51% of Net Gambling Income on Program/Support Services combined
- Over \$1,500,000 must spend at least 60% of Net Gambling Income on Program/Support Service Expenses combined
  - (no more than 35% on Support Service portion)
- These rules ensure progress toward stated purpose
- Organizations must use a substantial portion of their available resources for providing program services



# 60% Test

- **WAC 230-07-025:** Additional requirements for “significant progress”

**60% Test – Ensures Net Gambling Income Expended on Program/Support Service Expenses combined**

*“Net Gambling Income” - all gross receipts from any gambling activity, less any prizes that were awarded and expenses incurred*





# Seattle Junior Hockey

## Expenses 2013

	Program Services	Supporting Services	Total Expenses
Management Salaries		\$148,775	\$148,775
Accounting Fees		\$6,760	\$6,760
Other Support Services		\$9,776	\$9,776
Ice Rink Rental	\$477,491		\$477,491
Other Program Expenses (coaches, equipment, etc.)	\$389,484		\$389,484
Totals	\$866,975	\$165,311	\$1,032,286



# Example: Seattle Junior Hockey 2013

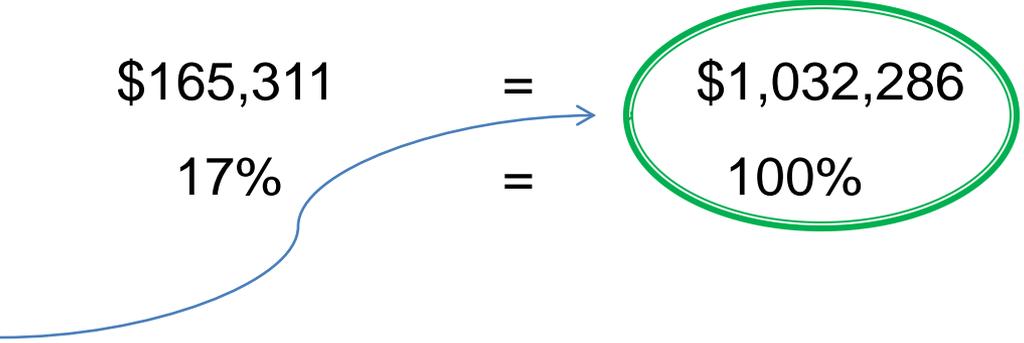
	BINGO PULL-TABS RAFFLES
Gambling Gross Receipts	\$4,494,974
Prizes Paid	(\$3,593,403)
Net Gambling Receipts	\$901,570
Salaries	(\$304,337)
Rent	(\$92,208)
Taxes	(\$99,139)
Utilities	(\$34,076)
Supplies	(\$123,061)
Equipment Rental	(\$81,445)
Other Expenses	(\$93,240)
Net Gambling Income	\$155,141 *

\*Net Gambling Income  
= \$155,141  
X 60%  
= \$93,084

Total that must be spent on  
Program/Support Service  
expenses

# Compliance Test

Program Services + Supporting Service = Total Expenses

$$\begin{array}{r r r r r r r} \$866,975 & + & & \$165,311 & = & & \$1,032,286 \\ 83\% & + & & 17\% & = & & 100\% \end{array}$$


**In compliance:** Based on example, needed to spend at least \$93,084 to be in compliance.



# 35% Test

- **230-07-025:** Additional requirements for “significant progress”

## 35% Test - Ensures Program Efficiency

- Use no more than 35% of total expenses to provide supporting services



# Compliance Test

Program Services + Supporting Service = Total Expenses

$$\begin{array}{rccccccc} \$866,975 & + & \$165,311 & = & \$1,032,286 \\ 83\% & + & 17\% & = & 100\% \end{array}$$


**In compliance:** Less than 35% of combined expenses were spent on Support Services



# Summary

- Adjusted Cash Flow affects only 8 current licensees.
- Significant Progress affects all Non-profit licensees
  - Funds must be spent on stated purpose (60% test)
  - Funds must be spent primarily for direct costs, not overhead costs (35% Test)





**Questions?**

