

WASHINGTON STATE GAMBLING COMMISSION
CHARITABLE/NONPROFIT ORGANIZATION
ANNUAL QUALIFICATION GUIDELINES
(WAC 230-07-145)

Organization Name _____ Fiscal Year Ended _____

Address _____

These guidelines will assist in preparing the information to be included in your fiscal year end qualification and financial report, to be submitted each year, four months after the end of the fiscal year. If you need assistance or have questions, please call the **Financial Investigations Unit** at **1-800-345-2529, ext 3559**.

NARRATIVE INFORMATION *Attach a detailed narrative report* describing how your organization made progress toward your stated purpose during the year. This is also your opportunity to highlight accomplishments. In addition, please answer the following questions:

- a. How many persons received charitable or nonprofit services provided by your organization?
General Public _____ Members _____

- b. How many volunteers provided program services and how many hours did they work?
Number of Volunteers _____ Total Number of Hours _____

- c. How many employees were paid to provide program services?
Full-Time Employees _____ Annual Hours Worked _____
Part-Time Employees _____ Annual Hours Worked _____
Full-time Equivalent (FTE's) _____

- d. What is your organization's primary service area(s)? _____

- e. Does your organization have written guidelines for the following personnel actions?
If yes, please include a copy if not previously submitted.
Starting salaries and increases Yes _____ No _____
Hiring and firing authority Yes _____ No _____
Vacation, paid sick leave, medical/dental coverage Yes _____ No _____

- f. How many board members and officers did your organization have as of the fiscal year end date?
Board Members _____ # of Meetings Held _____ Officers _____

- g. How many active voting members did your organization have as of the fiscal year end date? _____

FINANCIAL STATEMENTS. (WAC 230-07-150) requires that financial statements are prepared in accordance with generally accepted accounting principles. Organizations that have been issued gambling licenses that authorize the organization to generate combined annual gross gambling receipts of \$3,000,000 or more are required to have their financial statements prepared by a licensed certified public accountant. However, if your organization is authorized annual gross receipts under \$3,000,000, the Commission will accept internally prepared statements.

Note: You must separately identify the revenues and related expenses of each gambling activity and any retail sales activity associated with your gambling activities. Additionally, you must separately identify program and administrative expenses.

The financial statements, at a minimum, require the following:

(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.

Please note the following functional expense definitions (WAC 230-07-030) and references:

Program Expenditures: Expenses incurred by providing care, support, or assistance to individuals, and/or sponsoring or conducting activities that directly relate to your stated purpose as required by WAC 230-07-035.

Support Service Expenses: Expenses not directly identified with any one program or fund raising activity but are necessary to the conduct of those programs/activities and to your organization's existence as stipulated by WAC 230-07-040.

ATTACHMENTS Please submit the following:

Attachment A, Donation/Contribution List: Submit a list of donations, contributions, scholarships, and sponsorships made to individuals and/or outside charitable and nonprofit organizations. This list should contain the following details: date of contribution, complete name of recipient, and the amount donated. The total of this listing should agree with the total donations per your financial statements.

Attachment B, Related Party Transactions Report: Submit a list of the related party transactions that accumulatively exceeded \$1,000 for the year as defined by WAC 230-07-145(9). Examples: officer or board member was paid for providing contracted services; loans to and from officers, members, and employees. Please be sure to list the dollar amounts involved.

Attachment C, Excessive Reserves Calculation Worksheet: WAC 230-07-050 & WAC 230-07-051 state that an organization cannot have excessive reserves unless the organization received an exemption granted by the Director. Please analyze your situation and compliance with this rule.

Attachment D, Comparison of Quarterly Activity Reports to Financial Statements – Bingo, Punchboard/Pulltab, Amusement Games: Explanation of material differences between your Quarterly Activity Reports and Financial Statements, listed separately for each activity, as required by WAC 230-07-150 (4f)

Attachment E, Allocation Method Used for Joint Expenses: Explanation of the allocation method used to allocate joint costs as required by WAC 230-07-140(8). Please provide an explanation of the allocation methods used for gambling and other expenditures that relate to more than one function, i.e., program service expenses, supporting service expenses, etc.

Attachment F, Compensation Information:

Was anyone compensated more than \$40,000 during the last fiscal year? Yes _____ No _____

Was any part-time employee compensated more than \$20 per hour? Yes _____ No _____

Were any officers or board members compensated during the fiscal year? Yes _____ No _____

****If you answered yes to any of the previous questions, please complete *Attachment F* for each person.****

Attachment G, Program Services Compliance Analysis Calculation Worksheet: Although this form is not required, it is offered as a monitoring aid for your organization's use.

NAME AND TITLE OF PREPARER (PLEASE PRINT) _____

SIGNATURE _____ DATE _____

PHONE # _____ FAX# _____

BEST DAYS AND TIMES TO CONTACT _____

EMAIL ADDRESS _____

Excessive Reserves Calculation Worksheet

WAC 230-07-051

ORGANIZATION NAME: _____
 FISCAL YEAR ENDED _____

WAC 230-07-051 Excessive Reserves: The organization shall not accumulate excessive reserves in the form of cash or other assets which *are not directly related to its organizational purposes*. Organizations which have excessive reserves may be deemed as being organized primarily for the purposes of gambling and may no longer qualify for licensure.

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.

STEP 1: LIST CASH AND OTHER ASSETS FROM THE BALANCE SHEET

- | | | |
|----|----------------------------------|----------|
| 1. | Cash | \$ _____ |
| 2. | Securities (Stocks, Bonds, etc.) | _____ |
| 3. | Certificates of Deposit | _____ |
| 4. | Money Market Funds | _____ |
| 5. | Demand Deposits | _____ |
| 6. | Other Assets** | _____ |

TOTAL CASH AND OTHER ASSETS \$ _____

**Other assets include any non-liquid, long-term investments or assets which would not be normally associated with providing program services or fund raising activities.

STEP 2: EXCLUDED FUNDS.

These funds must meet the following criteria to be exempted from the excessive reserve calculations:
 The endowment or specifically dedicated trust fund must be either legally irrevocable or restricted in such a manner that approval is required by majority of the membership **prior** to the use or transfer of the principle. Gambling Income transferred to endowments cannot exceed \$2,000,000; The funds are expressly dedicated for funding new programs, capital projects, or to endow program services; The funds are saved according to a plan; The plan is approved by the Commission's director.

- | | | |
|----|--|----------|
| | Enter Amount Approved by Director | \$ _____ |
| 1. | Endowment Principle Derived From Gambling Proceeds | _____ |
| 2. | Endowment Principle Derived From Non-Gambling Proceeds | _____ |
| 3. | Endowment Derived From Investment and Interest Income | _____ |
| | TOTAL EXCLUDED FUNDS | \$ _____ |

STEP 3: DETERMINE AVERAGE GAMBLING NET INCOME

Bingo Net Income \$ _____
PB/PT Net Income _____
Other Gambling Net Income _____
Related Net Income ** \$ _____

**Related Net Income includes snack bar, dauber, or any retail sales activity conducted in conjunction with gambling activities.

TOTAL GAMBLING NET INCOME \$ _____

Divide total gambling net income (total Step #3) by 4 to determine average gambling net income for a three-month period.

AVERAGE GAMBLING NET INCOME \$ _____

STEP 4: EXPENSES & INCOME CALCULATION

1. Excluded Funds (Step 2) \$ _____
2. Average Gambling Net Income (Step 3) _____
3. Current Liabilities (Balance Sheet) _____
4. Total Program and administrative Support Expenditures _____

TOTAL EXPENSES & INCOME \$ _____

STEP 5: EXCESSIVE RESERVES & INCOME CALCULATION

1. Total Cash and Other Assets (Step 1) \$ _____
Minus
2. Total Expenses & Income (Step 4) _____

TOTAL RESERVES \$ _____

If the total is negative, the organization does not have excessive reserves.

If the total is positive, the organization has excessive reserves.

**Washington State Gambling Commission
Charitable/Nonprofit Annual Qualification
Compensation Information**

Per WAC 230-07-085 please complete this form for each person, copying additional forms as needed.

Organization Name _____

Location _____ Fiscal Year Ended _____

Name _____

Job Title _____

Job Description and minimum qualifications _____

Supervised by _____ Title _____

Annual base compensation (If part time employee, hourly wage) \$ _____

Pensions (Contributions made by the organization) \$ _____

Total Compensation \$ _____

Number of total hours for the year _____

Number of persons directly supervised _____

Number of full-time equivalents (FTE's) directly supervised _____

Is this person directly involved in operating or managing gambling activities? Yes No

If yes:

What is the percentage of time spent on gambling activities? _____%

What is the percentage of Total Compensation paid from gambling funds? _____%

Does this person hold a gambling license? Yes No

Does this person have other employment? Yes No

If yes, please list job title, employer, and compensation received. _____

Attachment F

Program Services Compliance Analysis Calculation Worksheet (Optional Use)

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

Charitable or nonprofit licensees in Groups IV and V 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 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 licensees' "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.)

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

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.

STEP 1: DETERMINE TOTAL GAMBLING NET INCOME

- | | | |
|----|-------------------------------------|----------|
| 1. | Bingo Net Income | \$ _____ |
| 2. | Punchboard/Pulltab Net Income | _____ |
| 3. | Amusement Game Net Income | _____ |
| 4. | Raffle/Fundraising Event Net Income | _____ |
| | TOTAL GAMBLING NET INCOME | \$ _____ |

STEP 2: MULTIPLY TOTAL GAMBLING NET INCOME BY 60%

- | | | |
|----|------------------------------------|----------|
| 1. | Total Gambling Net Income (Step 1) | \$ _____ |
| 2. | Multiply by .60 | |
| | 60% OF TOTAL GAMBLING NET INCOME | \$ _____ |

STEP 3: COMPUTE TOTAL NET REVENUES RECEIVED FROM ALL SOURCES

- | | | |
|----|---|----------|
| 1. | Fundraising Net Income (including Gambling) | \$ _____ |
| 2. | Public Support Revenues | _____ |
| 3. | Grants, Gifts, and Contributions | _____ |
| | TOTAL NET REVENUES | \$ _____ |

STEP 4: DIVIDE TOTAL NET GAMBLING INCOME BY TOTAL NET REVENUES RECEIVED FROM ALL OTHER SOURCES

- | | | |
|----|---|----------|
| 1. | Total Gambling Net Revenues (Step 1) | \$ _____ |
| 2. | Divide Total Gambling Net Revenues By Total Net Revenues (Step 3) | |
| | TOTAL | \$ _____ |

STEP 5: DETERMINE TOTAL FUNCTIONAL EXPENSES

- | | | |
|----|---------------------------|----------|
| 1. | Direct Program Services | \$ _____ |
| 2. | Indirect Program Services | _____ |
| 3. | Administrative Expenses | _____ |
| | TOTAL FUNCTIONAL EXPENSES | \$ _____ |

STEP 6: DETERMINE THE AMOUNT OF NET GAMBLING INCOME USED FOR FUNCTIONAL EXPENSES

- | | |
|--|----------|
| Multiply Total Functional Expenses by Step 4 Total | \$ _____ |
|--|----------|

STEP 7: DETERMINE IF TOTAL FUNCTIONAL EXPENSES EQUAL OR EXCEED RESULTS OF STEP 6.

Compare the results of Step 6 with Step 2. To be in compliance, Step 6 must be equal to or greater than Step 2. If out of compliance, please refer to WAC 230-08-255 for guidance.
