

**238.550 Standards for management and accounting of funds -- Reports -- Charitable gaming expenses.**

- (1) All adjusted gross receipts from charitable gaming shall be handled only by chairpersons, officers, or employees of the licensed charitable organization.
- (2) Within two (2) business days after the completion of a charitable gaming event or session, all gross receipts and adjusted gross receipts shall be deposited into one checking account devoted exclusively to charitable gaming. This checking account shall be designated the "charitable gaming account," and the licensed charitable organization shall maintain its account at a financial institution located in the Commonwealth of Kentucky. No other funds may be deposited or transferred into the charitable gaming account.
- (3) All payments for charitable gaming expenses, payments made for prizes purchased, and any charitable donations from charitable gaming receipts shall be made from the charitable gaming account and the payments or donations shall be made only by bona fide officers of the organization by checks having preprinted consecutive numbers and made payable to specific persons or organizations. No check drawn on the charitable gaming account may be made payable to "cash," or "bearer," except that a licensed charitable organization may withdraw start-up funds for a charitable gaming event or session from the charitable gaming account by check made payable to "cash" or "bearer," if these start-up funds are redeposited into the charitable gaming account together with all adjusted gross receipts derived from the particular event or session. Checks shall be imprinted with the words "charitable gaming account" and shall contain the organization's license number on the face of each check. Payments for charitable gaming expenses, prizes purchased, and charitable donations may be made by electronic funds transfer if the payments are made to specific persons or organizations. The department may by administrative regulation adopt alternative reporting requirements for charitable gaming of limited scope or duration, if these requirements are sufficient to ensure accountability for all moneys handled.
- (4) A licensed charitable organization shall expend net receipts exclusively for purposes consistent with the charitable, religious, educational, literary, civic, fraternal, or patriotic functions or objectives for which the licensed charitable organization received and maintains federal tax-exempt status, or consistent with its status as a common school, an institution of higher education, or a state college or university. No net receipts shall inure to the private benefit or financial gain of any individual.
- (5) Accurate records and books shall be maintained by each organization exempt from licensure under KRS 238.535(1) and each licensed charitable organization for a period of three (3) years. Department staff shall have access to these records at reasonable times. Licensed charitable organizations and exempt organizations shall maintain their charitable gaming records at their offices or places of business within the Commonwealth of Kentucky as identified in their license applications or applications for exempt status. An exempt organization shall submit a yearly financial report in accordance with KRS 238.535(2), and failure to file this report

shall constitute grounds for revocation of the organization's exempt status.

- (6) All licensed charitable organizations that have annual gross receipts of two hundred thousand dollars (\$200,000) or less and do not have a weekly bingo session shall report to the department annually at the time and on a form established in administrative regulations promulgated by the department.
- (7) All other licensed charitable organizations shall submit reports to the department at least quarterly at the time and on a form established in administrative regulations promulgated by the department.
- (8) Failure by a licensed charitable organization to file reports required under this chapter shall constitute grounds for revocation of the organization's license or denial of the organization's application to renew its license in accordance with KRS 238.560(3). Reports filed by a licensed charitable organization shall include but shall not be limited to the following information:
  - (a) All gross receipts received from charitable gaming for the reporting period, classified by type of gaming activity;
  - (b) The names and addresses of all persons who are winners of prizes having a fair market value of six hundred dollars (\$600) or more;
  - (c) All expenses paid and the names and addresses of all persons to whom expenses were paid;
  - (d) All net receipts retained and the names and addresses of all charitable endeavors that received money from the net receipts; and
  - (e) Any other information the department deems appropriate.
- (9) No licensed charitable organization shall incur charitable gaming expenses, except as provided in this chapter. No licensed charitable organization shall be permitted to expend amounts in excess of prevailing market rates for the following charitable gaming expenses:
  - (a) Charitable gaming supplies and equipment;
  - (b) Rent;
  - (c) Utilities;
  - (d) Insurance;
  - (e) Advertising;
  - (f) Janitorial services;
  - (g) Bookkeeping and accounting services;
  - (h) Security services;
  - (i) Membership dues for its participation in any charitable gaming trade organization; and
  - (j) Any other expenses the department may determine by administrative regulation to be legitimate.
- (10) No licensed charitable organization shall expend receipts from charitable gaming activities nor incur expenses to form, maintain, or operate as a labor organization.

**Effective:** July 15, 2010

**History:** Amended 2010 Ky. Acts ch. 24, sec. 544, effective July 15, 2010. -- Amended 2007 Ky. Acts ch. 120, sec. 1, effective June 26, 2007. -- Amended 2000 Ky. Acts ch. 374, sec. 12, effective July 14, 2000. -- Amended 1998 Ky. Acts ch. 232, sec. 11, effective April 1, 1998. -- Amended 1996 Ky. Acts ch. 331, sec. 10, effective April 10, 1996. -- Created 1994 Ky. Acts ch. 66, sec. 11, effective March 16, 1994.