



Minnesota Gambling Control Board

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Standards for Licensed* 501(c)(3) Organizations and 501(c)(4) Festival organizations

Licensed* 501(c)(3) organizations and 501(c)(4) festival organizations that make expenditures for their program services under code A1 have two options.

Option A: TRANSFERS TO GENERAL FUND: To be eligible to transfer gambling funds to its general fund for its primary purpose, the organization must have expended 30% or less of its total general fund expenditures for fund-raising, management, and general costs for its most recent two fiscal years.

Option B: PAY DIRECT TO VENDOR OR RECIPIENT: An organization that does not transfer gambling funds to its general fund is not required to meet the 30% or less requirement for general fund expenditures.

*Licensed by the Minnesota Gambling Control Board to conduct lawful gambling

Annual Report to Board

On an annual basis, the organization must report to the Board the total percent of general fund expenditures the organization made in its most recent two fiscal years for:

- fund-raising costs as defined in board rule; and
- management and general costs as defined in board rule.

This pertains only to 501(c)(3) organizations and 501(c)(4) festival organizations that made or propose to make transfers to its general fund under code A1.

See next page for definitions of fund-raising and management and general costs.

See page 4 for the reporting form used and instructions on calculating and reporting the percentage.

Operating Standards

30% Standard:

The organization's total general fund expenditures for fund-raising, management, and general costs for its most recent two fiscal years must be 30 percent or less.

Board Determines Qualification

The Gambling Control Board will determine whether an organization meets the standards, and will notify the organization in writing.

Standards met: If the Board determines that an organization meets the standards, then any contribution made by the organization to itself (transfer to general fund) under code A1 must be related to the primary purpose of the organization.

Standards not met or reported: If an organization did not report the percentage or the Board determines the organization does not meet the standards, then any contribution made by the organization under code A1 (for its program services) must be:

1. paid directly from the gambling checking account to the vendor or recipient, i.e. not transferred to its general account; and
2. related to its program services, that do not include fund-raising, management, and general costs.

Other LPE Allowed

Whether your organization meets the operating standards, your organization may make other lawful purpose contributions that are allowed under Minnesota Statutes 349.12, subdivision 25 for:

- code A-1 to other 501(c)(3)'s or 501(c)(4) festival organizations, and
- codes A-2 to A-25.

IRS Standards

The definitions of fund-raising costs and management and general costs contained in Board rule are based on IRS standards and instructions for nonprofit organizations.

Fund-raising Costs

"Fund-raising costs" means the total general fund expenses incurred in soliciting gifts, grants, and other contributions and includes:

- publicizing and conducting fund-raising campaigns or special events;
- soliciting contributions from foundations or other organizations or government grants;
- preparing and distributing fund-raising manuals, instructions, and other related materials;
- conducting special events that generate contributions;
- allocating a portion, if any, of expenses and salaries for the organization's chief officer and that officer's staff that pertain to fund-raising activities; and
- conducting fund-raising meetings.

For purposes of this definition, fund-raising costs does not include lawful gambling allowable expenses.

Management and General Costs

"Management and general costs" means the total general fund expenses incurred for the function and management of the organization and includes:

- salaries and expenses of the organization's chief officer and staff, excluding any portion that is allocated to fund-raising or program services;
- meetings of directors or similar groups, committees, and staff but does not include expenses for fund-raising or specific program service meetings;
- general legal services;
- accounting and auditing;
- general liability insurance;
- office management and personnel;
- preparation of annual reports; and
- investment expenses.

For purposes of this definition, management and general costs does not include general fund expenses for the direct conduct of fund-raising activities or program services, and does not include lawful gambling allowable expenses.