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ANNUAL
CHARITY
GAME
TICKET
GUIDE

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Introduction

The purpose of this guide is to assist nonprofit organizations in understanding the responsibilities associated with an Annual Charity Game Ticket License. This guide also provides helpful hints on ways to ensure that all proceeds from the sale of charity game tickets are accounted for properly.

It is important to read and become familiar with the Charity Game Ticket Rules and directives. Remember, this is only a guide and some items in the rules are not covered in this guide. Please visit our website at www.michigan.gov/cg for a complete set of rules and other information related to the sale of charity game tickets.

General Overview

Charity game tickets are break-open tickets or pull tabs, where perforated windows are peeled back to expose symbols that determine whether or not a prize has been won.

A qualified organization may obtain an Annual Charity Game Ticket License for a location operated for the regular use of its members. Ticket sales can only occur between the hours of 8 a.m. and 2 a.m. at the location listed on the license.

A qualified organization may obtain a Special Charity Game Ticket License to sell tickets at a location other than the one listed on their Annual Charity Game Ticket License.

Once the organization obtains the license they may purchase charity game tickets from a supplier licensed by the bureau. For a list of licensed suppliers, visit our website at www.michigan.gov/cg .

Organizations that sell charity game tickets may be subject to federal Unrelated Business Income Tax (UBIT), Excise tax, and/or Stamp tax. To find out if these taxes apply to your organization, contact the IRS at 877.829.5500 or access the IRS website at www.irs.gov .

Licensee Responsibilities

Who is responsible for the conduct of your charity game ticket program

The principal officer of your organization is responsible for ensuring that your charity game ticket program is conducted in accordance with our rules. He or she is the highest ranking elected official of your organization and may be referred to as governor, president, commander, or another title determined by your bylaws.

Principal officer's responsibilities

- Overseeing the chairperson's duties.
- Ensuring proper controls are in place.
- Ensuring all proceeds are deposited in a timely manner.
- Reviewing the game records for accuracy.
- Completing the Charity Game Ticket Reconciliation (Annual Charity Game License) form.
- Signing all financial statements.

Your organization is required to designate a chairperson to manage your charity game ticket program. The chairperson must be a member of the organization for at least six months. He or she is responsible for managing the daily operations either by completing the work them self or by overseeing the work of others.

Chairperson's responsibilities

- Stocking the ticket machine.
- Balancing the start cash used for redeeming tickets.
- Destroying redeemed tickets.
- Securing unsold tickets.
- Securing charity game ticket proceeds until they are deposited.
- Conducting weekly physical inventory counts.
- Completing the weekly game records.
- Depositing all proceeds at least once each week.

Ticket Sales and Redemptions

Selling charity game tickets

Most organizations sell tickets using vending machines; however, some organizations choose to sell their tickets from a jar.

Vending machines require that the chairperson or designee stock the machine with tickets and secure any cash removed from the machine. When managed properly, vending machines offer more security for your cash and charity game tickets than jar sales.

Who can buy tickets

Anyone 18 years or older may purchase charity game tickets with the following exceptions:

- Worker - A worker may not purchase or play charity game tickets on any day they participate in the operation of the charity game ticket program. A worker is a volunteer that may donate their time to the organization or may receive a nominal amount, as described in the Charity Game Ticket Rules, for participating in the operation of the charity game ticket program.
- Employee - Employees may never play charity game tickets purchased from the organization by which they are employed. A person is considered an employee if they receive a W-2 from your organization.

Paying prizes

Your organization is required to redeem winning tickets purchased at your location in accordance with the time limit (minimum of 14 days) established in your house rules. It is recommended that you post the serial numbers of any games in play near the person or persons responsible for redeeming your tickets. This will help ensure that you only pay prizes for the winning tickets sold by your organization. Tickets should be defaced at the time prizes are paid to reduce the chance of tickets being redeemed more than once.

Controls and Accountability

Placing controls on the charity game ticket program and maintaining accountability of your inventory and cash can save your organization thousands of dollars in losses.

What controls need to be in place

The principal officer and chairperson should ensure the following controls are in place to maintain integrity. Various officers of the organization should conduct random reviews of these controls.

- Limit access to the keys. The fewer people with access to the ticket machine the better. Anyone with access to the office could have access to the keys for the machine, safe, or bank bags.
- Verify serial numbers of tickets being redeemed for large prizes. Keep a current list of serial numbers of games being sold near each cash register so ticket redeemers (e.g., bartenders) can quickly verify the large prize winners.
- Keep start cash consistent. Start cash should be established at a set amount that is sufficient for redeeming winning tickets.
- If start cash needs to be increased, a check should be written for the additional funds.
- Keep all charity game ticket money separate from other money.
- At the end of each ticket redeemer's shift, the chairperson should conduct an independent reconciliation of the ticket redeemer's transactions. The value of the tickets redeemed *plus* the ending cash should *equal* the start cash.
- The chairperson should destroy redeemed tickets *immediately* after the ticket redeemer's transactions have been reconciled. For a quick method, throw the tickets into a bucket of water.
- The calculated deposit from the Charity Game Ticket Accountability (Annual Charity Game License) form should be the actual amount deposited.
- Deposit charity game ticket proceeds at least once a week.
- At the time the deposit is prepared, take a physical inventory of all tickets and complete the Charity Game Ticket Accountability (Annual Charity Game License) form.

How can the principal officer ensure accountability

The best way to know if your organization is receiving all the cash it should from the sale of charity game tickets is to complete the Charity Game Ticket Reconciliation (Annual Charity Game License) form each quarter. This form should be completed by someone other than the chairperson or record keeper.

- Obtain the Charity Game Ticket Reconciliation (Annual Charity Game License) form. This can be downloaded from our website at www.michigan.gov/cg or you can request a copy by calling our main number at 517.335.5780.
- At the beginning of a quarter, count all tickets. Enter last quarter's ending ticket count as the Beginning Inventory and enter today's ticket count as Ending Inventory on the reconciliation form.
- If you didn't count tickets last quarter, enter today's ticket count in the Beginning Inventory column on the reconciliation form. Wait until next quarter to continue.
- Collect all Charity Game Ticket Accountability forms for the quarter.
- Total all Ticket Sales and total all Prizes from the accountability forms for the quarter and compare to the financial statement.
- Enter the total Ticket Sales and total Prizes into the Charity Game Ticket Reconciliation form.
- Collect all charity game ticket invoices for the quarter.
- Total the charity game tickets purchased for each game using the invoices for the quarter. Enter each total in the Purchases column on the reconciliation form.
- Complete the calculations on the reconciliation form.
- Compare the Ticket Sales and Prizes from the Reconciliation Column Totals line with the Totals from Financial Statement line. Record the Difference.
- If you find significant discrepancies during this review, report the difference to your inspector.

House Rules

The licensee shall establish and adhere to house rules for the sale of charity game tickets. At a minimum, the house rules must contain:

- The licensee's name.
- The license number.
- The time limit for redeeming charity game tickets (which must be at least 14 days from the date the last ticket in the box was sold).
- The effective date of the house rules.

The licensee must post these house rules in a conspicuous place.

Secondary Games of Chance

A secondary game of chance is where players may choose to enter a drawing instead of claiming their prize on a winning ticket. An organization can conduct this type of drawing provided it's conducted in accordance with the Charity Game Tickets (Secondary Game of Chance) directive (available on our website at www.michigan.gov/cg). Some of the requirements are:

- Players must write their name and phone number on the ticket and place it in the designated receptacle.
- The organization must post rules stating the day and time of the drawing, which tickets and winning amounts can be used, and a claim period for someone to collect their prize (not to be less than 14 days from the date of the drawing).
- The player listed on the ticket drawn shall receive the total value of all tickets entered into the drawing.
- The winner's name, drawing date, and amount won must be posted for the duration of the claim period.

Game Records

Charity Game Ticket Accountability (Annual Charity Game License) – This form is used to record ticket sales, prize payouts, ticket inventories and deposits. This should be completed once a week when the deposit of ticket proceeds is prepared and a complete physical inventory of tickets is taken. One or more deposits may be made during the week, however, the final deposit must be made at the same time the form is completed and the physical inventory is taken. The record keeper and the chairperson must sign this form.

Workers Service Record – This form is used to verify the payment of workers. It should be completed on a weekly basis and kept with the Charity Game Ticket Accountability form verifying the payment or non-payment of workers for the week. If no workers have been compensated, indicate “0” in the Amount Paid column. The chairperson and a witness must sign this form.

Disposition of Promotional Items Received From Supplier – Use this form if you receive any promotional merchandise from your charity game ticket supplier. The principal officer must sign this form.

Charity Game Ticket Financial Statement – Each quarter this form is used to report financial activity related exclusively to the Annual Charity Game Ticket license. Financial statements are due January 10th, April 10th, July 10th, and October 10th. The principal officer must sign this form.

Charity Game Ticket Reconciliation (Annual Charity Game License) – This form is recommended to assist the principal officer in conducting an independent review of the charity game ticket program. This form should be completed by someone other than the chairperson or record keeper.

Forms, rules, and directives can be downloaded from our website at www.michigan.gov/cg or you can request a copy by calling our main number at 517.335.5780.

Computerized Forms

The Charity Game Ticket Accountability (Annual Charity Game License) form is now in a computerized format. It is available on our website, by e-mail, or diskette. Simply enter the required information and the form performs the calculations for you.