

APPENDIX 8

CHARITIES

Index

- ◆A Guide to Charitable Gaming in Ontario
 - ◆Eligibility and Use of Proceeds
 - ◆Conferences and Workshops
- ◆Sample application letter for Category 1 Status Non-Profit/Charitable Organization (Brant/Brantford)
- ◆Break Open Ticket Lottery - Terms and Conditions (See appendix 12)
- ◆Court Ordered donations

A GUIDE TO CHARITABLE GAMING IN ONTARIO

What is “charitable gaming” and how is it regulated in Ontario?

“Charitable gaming” refers to lottery schemes permitted by a licence under the Criminal Code (Canada). Typically these may include bingos, raffles, break open tickets and social gaming events held by charitable and religious organizations. Charitable organizations are regulated by licensing policies and the terms and conditions of the licences issued by the province or municipalities under authority of an Order-in-Council. The commercial sector of the charitable gaming industry is regulated by the *Gaming Control Act, 1992* and Regulations.

Who can get a licence to conduct a lottery scheme?

Canada’s Criminal Code permits charitable and religious organizations to conduct a lottery scheme to raise funds pursuant to a licence being issued. Organizations must have a demonstrated charitable or religious mandate to qualify. The courts have determined that the term “charitable” refers to organizations which provide programs for:

- a) the relief of poverty;
- b) the advancement of education;
- c) the advancement of religion;
- d) other charitable purposes beneficial to the community.

The following pre-requisites are mandatory to be considered eligible for a lottery licence:

- **Organizations must have been in existence for at least one (1) year before being considered eligible for lottery licences.**
- **The organization must have a place of business in Ontario, demonstrate that it is established to provide charitable services in Ontario and use proceeds for objects or purposes which benefit Ontario residents.**

The primary purposes of an organization are determined by considering:

- The mandate of the organization as set out in its incorporation documents or documents stating the organization’s objects;
- The objects of the organization as described in its application for licence;
- The services which have actually been provided by the organization to the community.

What types of charitable and religious organizations are eligible?

Types of organizations in the four categories of charitable mandate include those providing for:

1. The Relief of Poverty

Organizations providing assistance to:

- the sick and dying;
- disabled persons;
- the homeless;
- victims of crime;
- rehabilitating young offenders and parolees;

Funds may be provided to individuals or families where relief is a short-term or one-time payment intended to relieve an exceptional or unusual condition or circumstance. (e.g. helping a family whose house has burnt down).

b) The Advancement of Education

To be eligible, an organization must provide public programs which:

- are geared to scholastic and vocational training for individuals and lead to a recognized diploma or certificate, or
- advance a recognized field of knowledge which leads to an accredited degree, diploma or certificate, and
- do not include professional development.

Examples of organizations that could be eligible:

- elementary and secondary public and Roman Catholic separate schools
- accredited colleges and universities
- private schools registered with Revenue Canada as a charitable organization
- parent/teacher associations or other groups which are non-profit entities and which support one of the above types of institutions
- scholarship or bursary funds registered with Revenue Canada as a charitable organization.

c) The Advancement of Religion

Religious organizations must demonstrate that programs and services assist in the delivery of religious services and programs to the community. A religious body is considered charitable when its activities serve religious purposes for the public good. Other activities that advance religion include:

- organizing and providing religious instruction, and performing pastoral and missionary work; and
- establishing and maintaining buildings for worship and other religious use.

iv. Any Purpose Beneficial to the Community

To qualify an organization must demonstrate that:

- it is operated on a not-for-profit basis, and its purposes include charitable or religious objects,
- its services are offered to a significant portion of the public, and,
- the proposed use of proceeds are consistent with its mandate.

Eligible organizations include those with mandates in:

- culture and arts;
- health and welfare;
- physical education;
- community support;
- youth sports where the majority of players are under 18;
- service to the community (service clubs).

What lottery schemes does the Province licence?

The province licences the following events:

- Bingo events with prize boards over \$5,500;
- Super jackpot games;
- Ticket raffle lotteries for total prizes over \$50,000;
- Lotteries held in conjunction with another gaming event licensed by the provincial office including break open tickets at bingo events;
- Provincial break open ticket lotteries;
- All lottery schemes conducted in unorganized territories;
- All lottery schemes at a designated Fair or Exhibition;
- Social gaming events.

What lottery schemes to municipalities licence?

A Municipality may issue licences to conduct the following lottery schemes:

- Bingo events with prize boards \$5,500 and under;
- Media bingo events;
- Ticket raffle lotteries for total prizes \$50,000 and under;
- All break open ticket lotteries not licenced by the provincial office;
- Bazaars.

How does my organization apply for a lottery licence?

- Determine what type of lottery scheme your organization intends to conduct;
- Obtain the appropriate application form from your local municipal office or the province;
- Complete the form according to the instructions on the form and the policies provided by the municipal office or as set out in the guide for that lottery event.

Do I have to include anything with the application form?

First time applicants should, in addition to the materials required with the application as identified in the licensing policies, provide the following information or documents:

- A copy of its articles of incorporation or constitution and/or by-laws;
- A copy of its budget or financial statements for the preceding and coming years;
- Any other information that will assist in determining the charitable nature of the objects and purposes. This could include an annual report, charitable number for income-tax purposes, the fact that it meets the reporting requirements of the Charities Accounting Act;
- The proposed use of proceeds must be consistent with the primary objects and purposes of the organization which must be of a charitable nature consistent with at least one of the four classifications of charitable purposes.

How will my application be evaluated?

The following questions may be used to determine the eligibility of the applicant:

- Does the organization qualify as a charitable or religious organization?
- Is the organization established to provide charitable services in Ontario and use

- proceeds for objects or purposes which benefit Ontario residents?
- Does the organization restrict its mandate to any segment of the community?
 - Does a significant portion of the community benefit by the fund raising of the applicant?
 - Is the applicant properly organized such that it is separate from any other organization? i.e. legally, financially, organizationally.
 - Has the applicant been in operation for at least one (1) year and have a proven charitable mandate? If not, it is not eligible.
 - Are there at least 3 persons who will assume full responsibility for the operation and conduct of the event?
 - What will the proceeds of the licenced event be used for and is the intended use consistent with the classification?
 - Does the organization have a place of business in Ontario?

What types of organizations are not charitable for lottery licensing purposes?

- social clubs;
- professional associations, unions, employee groups;
- elected representative groups including municipal, regional, provincial and federal governments;
- government ministries, agents or bodies;
- political lobby groups;
- political parties;
- adult hobby groups;
- private sports clubs (e.g. golf/curling);
- adult sports teams.

If one of these groups wish to raise funds to donate to charities, it must become recognized as a charitable organization with an established charitable mandate, either through incorporation or by constitution and by-laws, and apply for lottery licences to be used for projects or donations that are consistent with its charitable mandate.

What is the *Gaming Control Act, 1992*, and who does it affect?

The *Gaming Control Act, 1992* is an Act to regulate the individuals and businesses who supply goods, services and equipment to charitable and religious organizations that have been licenced to conduct lottery schemes. The Act provides, among other things, for:

- registration of businesses and individuals as suppliers (e.g. all bingo halls where more than one event is conducted per week, manufacturers of break open tickets and bingo paper etc.) and gaming assistants.

- the types of gaming premises, services and equipment that can be provided;
- the regulation of registrants.

The Regulations under the *Act* prescribe the manner in which things are to be done including:

- Exempting persons or classes of persons from registration;
- Defining classes or types of registrants
- Fees payable.

Where do I find the provincial office?

Alcohol and Gaming Commission of Ontario
Gaming Registration & Lotteries
20 Dundas Street West, 7th Floor
Toronto, Ontario M5G 2N6

Phone: (416) 326-8700
Toll Free in Ontario: 1-800-522-2876
FAX: (416) 326-8711

Where can I get a copy of the *Gaming Control Act, 1992* and the Regulations?

Published copies of the *Gaming Control Act, 1992* and Regulations may be purchased at:

PUBLICATIONS ONTARIO

To order publications in Toronto

call: 326-5300

from other communities in Ontario

call: 1-800-668-9938

or write to:

Publications Ontario
5th Floor, 880 Bay Street,
Toronto, Ontario
M7A 1N8

Prepayment is required for priced publications. Make cheques payable to the Minister of Finance. Master Card and Visa are accepted.

This fact sheet contains an outline of policies and procedures and is intended to be an information document. For regulatory requirements, please refer to the *Gaming Control*

Act, 1992, the Regulations under the *Act* and the Terms and Conditions of licences issued. For copies of the policies and procedures, please contact your municipal office or the provincial licensing office.

November 1998.

Eligibility and Use of Proceeds

How an organization can use the funds raised by a lottery will be determined by the use of proceeds category under which the organization is placed. The three categories of eligible organizations may use the proceeds of lotteries for differing purposes which, in themselves, must be consistent with the objects and purposes of the organization.

CATEGORY 1: NON-PROFIT-CHARITABLE ORGANIZATIONS

A CATEGORY 1 ORGANIZATION, A TRUE CHARITY, MAY USE LOTTERY PROCEEDS FOR ANY PURPOSE INCLUDING SALARIES, THAT IS CONSISTENT WITH ITS MANDATE.

This category includes only those organizations, whether incorporated or not, which have objects and purposes that are exclusively and wholly charitable. There cannot be a mixture of charitable and non-charitable purposes. The organization is recognized by the Public Trustee and/or Revenue Canada as being “charitable” and it is complying with the reporting requirements under the *Charities Accounting Act* or is completing a Public Information Return under the *Income Tax Act*.

This policy applies regardless of whether the organization operates under Federal or Provincial letters of incorporation. Although a charity may be incorporated federally, if it intends to operate in Ontario, it must nevertheless comply with all provincial statutes concerning charities. Therefore, all organizations requesting a Category 1 grouping for use of proceeds must be able to support their application with information of having met the reporting requirements under the Charities Accounting Act or the Income Tax Act within their previous fiscal year.

This type of organization is able to use funds for any use that is consistent with the objects and purposes of the organization. These uses may include salaries, administrative costs and other direct operating expenses. The uses should only be monitored to the extent that the lottery proceeds are being used for the benefit of residents of Ontario.

Organizations that would fit in this category include:

- Cancer Society
- Kidney Foundation
- C.N.I.B.
- Charitable Foundations

NOTE: "EVERY CRIME STOPPERS PROGRAMME RAISING FUNDS THROUGH GAMING, SHOULD APPLY TO BE RECOGNIZED AS A CATEGORY 1. CHARITABLE ORGANIZATION.

To do so, you must follow all provincial requirements which for the present are:

- demonstrate acceptance and approval by federal tax authorities;
- demonstrate approval by Ontario's Public Guardian and Trustee of your objects as set out in your Letters Patent, By-Laws and/or Policies;
- the objects that you use must be wholly charitable;
- you must demonstrate that you meet the accounting requirements.

Attached is a sample application letter used by Brant-Brantford for your consideration."

CATEGORY 2: NON-PROFIT-NOT-CHARITABLE ORGANIZATIONS WHICH RAISE FUNDS FOR OTHER CHARITABLE AND RELIGIOUS ORGANIZATIONS OR PURPOSES.

(Example, Service Clubs)

This category includes only those organizations, whether incorporated or not, which have objects and purposes that are both charitable and not-charitable and that raise money for projects beneficial to the community. These organizations include service clubs and branches of the Royal Canadian Legion.

CATEGORY 3: NON-PROFIT-NOT-CHARITABLE ORGANIZATIONS WHICH RAISE FUNDS FOR THEMSELVES FOR PURPOSES BENEFICIAL TO THE COMMUNITY

(Minor Sports Associations; Athletic Clubs for Youth, Library Boards, etc.)

Organizations in this category include those with objects and purposes for the relief of poverty, the advancement of education, the advancement of religion, culture and the arts, health and welfare, and for athletic clubs and associations.

VERIFY APPROVED PURPOSES

The application for a lottery licence should be reviewed to verify that the organization intends to use the proceeds from a lottery event for the purposes consistent

with its mandate and its use of proceeds category. Where an organization licensed to conduct a lottery event wishes to use proceeds raised from the event for any purpose which was not approved on the original application for licence, the following procedure must be followed:

- The organization must submit a written request to the applicable licensing authority setting out the reasons for the amendment.
- The request must also outline in detail, the purposes for which the proceeds wish to be used.
- Under no circumstances may proceeds be used for purposes other than those approved on the licence application unless prior written authorization is received from the licensing authority.

CONFERENCES AND WORKSHOPS

In broad terms, gaming proceeds may not be used for the payment of expenses associated with attending conferences or workshops. However, there are certain circumstances where conferences or workshops could constitute a charitable purpose. In order to use funds for this purpose, the organization must demonstrate that attendance at the conference would provide a significant charitable and community benefit.

Programs or workshops which directly provide education for youth, for example.

- Summer French programs
- Youth leadership courses

could qualify as a charitable disbursement. As well, where the conference or workshop is directly related to the charitable services provided by the organization it may constitute a charitable purpose. Eligible expenditures include training of volunteers to fulfil the charitable mandate of the organization, for example:

- Big Brothers
- Halfway House volunteers
- Rape Crisis Centre counsellors (volunteers)

Where the conference or workshop serves solely as a personal development or where the membership of the organization only benefits, community benefit cannot be justified. Examples of the types of conferences which would not qualify as a charitable expenditure include:

- Professional development/upgrading for nurses, teachers, lawyers, etc.,

- Conferences for service clubs.

In order to determine whether the conference constitutes a charitable purpose, the following questions should be asked:

- Is the conference/workshop directly related to the charitable mandate of the organization?
- Will attendance at the conference result in personal or public benefit?
- What, exactly, is the charitable benefit which would accrue to the community?

(On Crime Stoppers Brant-Brantford Inc. letterhead)

September 30, 1994

Ms. Lydia Boni
Gaming Control Officer
Ontario Gaming Control Commission
1099 Bay Street, 2nd Floor
Toronto, Ontario
M5S 2B3

Dear Ms. Boni:

This letter is further to your telephone conversation on September 29, 1994, with our Administrative Assistant Maureen Kelly. As Maureen stated, there seems to be some confusion as to which charity classification the Brant-Brantford Crime Stoppers Program is assigned.

It was our understanding that as a Non-Profit Charitable organization which has both a Revenue Canada Registration Number (0700666-59-14) as well as two numbers provided by the Public Trustee's Office (File #T008364-89 and Corporation #304403) that we should be categorized as a Class 1 charity.

It was also our understanding, that all Crime Stoppers Programs in Ontario would fall within a Class 1 categorization with the appropriate documentation.

Could you please review the enclosed package which contains our Letters Patent, Financial Statements, Budgets, as well as letters in regard to Revenue Canada and our Incorporation.

Mr. Wilf Coulson, Clerk for the City of Brantford, is requesting that our Program File reports disclosing in detail how our Program is spending the Nevada funds. These reports must be filed each time we apply to the City for a Nevada licence. Mr. Coulson also insists that our Program is a Class 3 Charity.

Once you have reviewed the closed package and it is your determination that our program is a Class 1 charity, would you please forward a letter to our Program so that we may have your decision in writing. I am also asking that you forward a copy of your finding directly to Mr. Coulson at Brantford City Hall, 100 Wellington Square, Brantford, Ontario N3T 2M3.

As well, our program would prefer to file reports regarding our Nevada Fund expenditures with the Public Trustee as opposed to the City Clerk. Could you please provide our Board of Directors with guidance concerning this question.

If you have any further questions, please do not hesitate to contact me. Thank you in advance for your assistance.

Sincerely,

(Signed by R. Sciannella)

Ron Sciannella
Treasurer

RS/mk
Enclosure

Ethical Fundraising & Financial Accountability Code

Introduction

This Ethical Fundraising & Financial Accountability Code has been developed by the Canadian Centre for Philanthropy, in consultation with charity leaders throughout Canada. Its primary purpose is to assure donors of the integrity and accountability of charities that solicit and receive their financial support.

Charities that adopt this Ethical Fundraising & Financial Accountability Code commit to fundraising practices that respect donors' rights to truthful information and to privacy. They also commit to manage responsibly the funds that donors entrust to them, and to report their financial affairs accurately and completely.

Donors or prospective donors who have questions or concerns about fundraising activities should contact the charity on whose behalf the funds are being solicited. Charities that adopt the Ethical Fundraising & Financial Accountability Code are committed to deal with such queries promptly and fairly. The Charities Division of Revenue Canada also provides information and receives complaints about registered charities at 1-800-267-2384.

This Ethical Fundraising & Financial Accountability Code complements the professional codes of ethics and standards of practice to which many fundraisers individually adhere (such as those of the National Society of Fund-Raising Executives, the Association for Healthcare Philanthropy, the Canadian Association of Gift Planners, and other national, provincial or sectoral organizations).

N.B.: There are some forms of revenue-raising for which official receipts are not issued for income tax purposes (such as charitable gaming, product sales, some events organized to benefit a charity, etc). These activities may involve additional ethical considerations that are not addressed in this Ethical Fundraising & Financial Accountability Code.

In order to be recognized by the Canadian Centre for Philanthropy as

having adopted this Ethical Fundraising & Financial Accountability Code, a charity's governing board must pass the following motion as a formal resolution:

"[Name of charity] hereby adopts the Canadian Centre for Philanthropy's Ethical Fundraising and Financial Accountability Code as its policy. In so doing, members of the governing board commit to being responsible custodians of donated funds, to exercise due care concerning the governance of fundraising and financial reporting, and to ensure to the best of their ability that the organization adheres to the provisions of the Code. It is hereby confirmed that each member of the governing board has received a copy of the Ethical Fundraising & Financial Accountability Code and that a copy will also be provided to each person who is subsequently elected to the governing board."

Charities that adopt the Code may be added to the list on this website by contacting:
Canadian Centre for Philanthropy, 425 University Avenue,
Suite 700, Toronto, Ontario M5G 1T6
fax: (416) 597-2294, e-mail: gfloyd@ccp.ca

A. Donors' Rights

1. All donors (individuals, corporations, and foundations) are entitled to receive an official receipt for income tax purposes for the amount of the donation. Donors of non-monetary eligible gifts (or gifts-in-kind) are entitled to receive an official receipt that reflects the fair market value of the gift. (Note: "Eligible gifts" are defined in Revenue Canada Interpretation Bulletin IT-110R2 or its successor. Some common gifts, such as donations of volunteer time, services, food, inventory from a business, etc. are not eligible to receive official tax receipts.) The charity's governing board may establish a minimum amount for the automatic issuance of receipts, in which case smaller donations will be receipted only upon request.
2. All fundraising solicitations by or on behalf of the charity will disclose the

charity's name and the purpose for which funds are requested. Printed solicitations (however transmitted) will also include its address or other contact information.

3. Donors and prospective donors are entitled to the following, promptly upon request:

the charity's most recent annual report and financial statements as approved by the governing board;

the charity's registration number (BN) as assigned by Revenue Canada;

any information contained in the public portion of the charity's most recent Charity Information Return (form T3010) as submitted to Revenue Canada;

a list of the names of the members of the charity's governing board; and

a copy of this Ethical Fundraising & Financial Accountability Code.

4. Donors and prospective donors are entitled to know, upon request, whether an individual soliciting funds on behalf of the charity is a volunteer, an employee, or a hired solicitor.

5. Donors will be encouraged to seek independent advice if the charity has any reason to believe that a proposed gift might significantly affect the donor's financial position, taxable income, or relationship with other family members.

6. Donors' requests to remain anonymous will be respected

7. The privacy of donors will be respected. Any donor records that are maintained by the charity will be kept confidential to the greatest extent possible. A donor has the right to see his/her own donor record, and to challenge its accuracy.

8. If the charity exchanges, rents, or otherwise shares its fundraising list with other organizations, a donor's request to be excluded from the list will be honoured.

9. Donors and prospective donors will be treated with respect. Every effort will be made to honour their requests to:

- limit the frequency of solicitations;
- not be solicited by telephone or other technology;
- receive printed material concerning the charity.

10. The charity will respond promptly to a complaint by a donor or prospective donor about any matter that is addressed in this Ethical Fundraising & Financial Accountability Code. A designated staff member or volunteer will attempt to satisfy the complainant's concerns in the first instance. A complainant who remains dissatisfied will be informed that he/she may appeal in writing to the charity's governing board or its designate, and will be advised in writing of the disposition of the appeal. A complainant who is still dissatisfied will be informed that he/she may notify the Canadian Centre for Philanthropy in writing.

B. Fundraising Practices

1. Fundraising solicitations on behalf of the charity will:

- be truthful;
- accurately describe the charity's activities and the intended use of donated funds; and
- respect the dignity and privacy of those who benefit from the charity's activities.

2. Volunteers, employees and hired solicitors who solicit or receive funds on behalf of the charity shall:

- adhere to the provisions of this Ethical Fundraising & Financial Accountability Code;
- act with fairness, integrity, and in accordance with all applicable laws;

adhere to the provisions of applicable professional codes of ethics, standards of practice, etc.

cease solicitation of a prospective donor who identifies the solicitation as harassment or undue pressure;

disclose immediately to the charity any actual or apparent conflict of interest; and

not accept donations for purposes that are inconsistent with the charity's objects or mission.

3. Paid fundraisers, whether staff or consultants, will be compensated by a salary, retainer or fee, and will not be paid finders' fees, commissions or other payments based on either the number of gifts received or the value of funds raised. Compensation policies for fundraisers, including performance-based compensation practices (such as salary increases or bonuses) will be consistent with the charity's policies and practices that apply to non-fundraising personnel.

4. The charity will not sell its donor list. If applicable, any rental, exchange or other sharing of the charity's donor list will exclude the names of donors who have so requested (as provided in section A8, above). If a list of the charity's donors is exchanged, rented or otherwise shared with another organization, such sharing will be for a specified period of time and a specified purpose.

5. The charity's governing board will be informed at least annually of the number, type and disposition of complaints received from donors or prospective donors about matters that are addressed in this Ethical Fundraising & Financial Accountability Code.

C. Financial Accountability

1. The charity's financial affairs will be conducted in a responsible manner, consistent with the ethical obligations of stewardship and the legal requirements of provincial and federal regulators.

2. All donations will be used to support the charity's objects, as registered with Revenue Canada.

3. All restricted or designated donations will be used for the purposes for which they are given. If necessary due to program or organizational

changes, alternative uses will be discussed where possible with the donor or the donor's legal designate. If no agreement can be reached with the donor or his/her legal designate about alternative uses for a restricted or designated donation, the charity will return the unexpended portion of the donation. If the donor is deceased or legally incompetent and the charity is unable to contact a legal designate, the donation will be used in a manner that is as consistent as possible with the donor's original intent.

4. Annual financial reports will:

be factual and accurate in all material respects;

disclose:

- A - the total amount of fundraising revenues (receipted and non-receipted);
- B - the total amount of fundraising expenses (including salaries and overhead costs);
- C - the total amount of donations that are receipted for income tax purposes (excluding bequests, endowed donations that cannot be expended for at least 10 years, and gifts from other charities);
- D - the total amount of expenditures on charitable activities (including gifts to other charities);

identify government grants and contributions separately from other donations; and

be prepared in accordance with generally accepted accounting principles and standards established by the Canadian Institute of Chartered Accountants, in all material respects.

5. No more will be spent on administration and fundraising than is required to ensure effective management and resource development. In any event, the charity will meet or exceed Revenue Canada's requirement for expenditures on charitable activities. (In general, section 149.1 of the Income Tax Act requires all charities to spend at least 80 percent of their receipted donations (excluding bequests, endowed donations that cannot be expended for at least 10 years, and gifts from other charities) on charitable activities; in addition, charitable foundations are required every year to expend 4.5 percent of the value of their assets in support of charitable programs.)

6. The cost-effectiveness of the charity's fundraising program will be

reviewed regularly by the governing board.

Footnotes:

1. Total of amounts from lines 100, 102 and 113 of T3010 (Revenue Canada's Registered Charity Information Return, 1998)
2. Amount from line 123 of T3010 (1998)
3. Amount from line 906 of T3010 (1998)
4. Total of amounts from lines 120 and 121 of T3010 (1998)

**BREAK OPEN TICKET LOTTERY
TERMS AND CONDITIONS**

BREAK OPEN TICKET LOTTERY

Terms and Conditions

DEFINITIONS

BINGO SPONSORS ASSOCIATION means an association formed by licensees conducting regular bingo events within a bingo hall. The purpose of the association is to assist organizations in administering bingo events, the sale of break open tickets, super jackpot games and other licensed games within the bingo hall for its members.

BONA FIDE MEMBER means a member in good standing of the licensee who has other duties, beyond conducting lotteries, within the organization. 'Members of convenience' whose only duty is to assist with the break open ticket lottery are not considered bona fide members.

BOOKS AND RECORDS means documents outlining financial details of lottery events and includes, but is not limited to, ledgers, sub ledgers, cheque books, cheque stubs, deposit books, deposit slips, bank statements, cancelled cheques, receipts, invoices and control sheets.

DIRECTOR means the Director under the *Gaming Services Act, 1992*.

LICENSEE means an organization which has been issued a licence to conduct a lottery under Section 207 of the Criminal Code which includes a Bingo Sponsors Association.

LICENSING AUTHORITY means the Director under the *Gaming Services Act, 1992*, or a municipal council.

PROVINCIAL BREAK OPEN TICKET LICENCE means a licence issued to an organization with a demonstrated provincial mandate authorizing the sale of break open tickets at one location within each municipality across the province.

Any break open ticket licence issued is subject to the following terms and conditions and may be subject to audit and investigation by the licensing authority. A breach of any term and condition can result in the cancellation or suspension of the licence or in criminal prosecution.

It is a condition of each licence that:

1. GENERAL

The licensee shall be responsible and accountable for the overall management and conduct of the break open ticket lottery.

The licensee shall control and decide all operational, administrative and staffing requirements related to the conduct of the break open ticket lottery.

The licensee shall comply with all federal, provincial and municipal laws including the *Criminal Code of Canada* and the *Gaming Services Act, 1992*, and Regulations.

The licensee shall conduct the break open ticket lottery in accordance with the information supplied on the application and approved by the licence.

Each licence shall be displayed at the premises where break open tickets are being sold.

2. BINGO SPONSORS ASSOCIATIONS

Licensees selling break open tickets in conjunction with bingo events at a Class A and Class B bingo halls as defined under the *Gaming Services Act, 1992*, and Regulations shall do so only as a member of a Bingo Sponsors Association.

The Bingo Sponsors Association shall be responsible for:

- a) administering and supervising the sale of break open tickets;
- b) completing and filing the required financial report on the results of the event;
- c) keeping all required records and administering the lottery trust account;
- d) ensuring that proceeds raised are distributed on a pro rata basis to all members participating in the Bingo Sponsors Association.

The Bingo Sponsors Association shall open a separate, designated lottery trust account to administer the break open ticket lottery in accordance with Section (9) of these terms and Conditions.

Break open tickets shall not be sold during any bingos which are being conducted by organizations which are not members of the association which administers break open ticket sales.

3. STAFFING

The licensee shall designate at least one bona fide, active member to be in charge of and responsible for the conduct of the break open lottery. In the case of a bingo sponsors association, a minimum of two bona fide members shall be designated. The designated member(s) in charge shall be at least 18 years of age and be responsible for:

- a) supervising all activities related to the conduct of the break open ticket lottery;
- b) completing and filing the required financial report on the results of the event;
- c) ensuring that all terms and conditions of the licence and any additional conditions imposed by the licensing authority are complied with;
- d) keeping all required records and reconciling all deposits made into the designated lottery trust account.

The licensee may use the services of a person to assist in the conduct of break open ticket lottery provided the person is registered under the *Gaming Services Act, 1992*, and Regulations or is otherwise exempt.

Where the break open tickets are being sold in conjunction with bingo events through a bingo sponsors association, the licensee shall have the option of:

- a) using bona fide members of the licensee to administer the entire event including ordering and selling the break open tickets, or;
- b) using the services and employees of the bingo hall owner/operator to assist in the conduct of the break open ticket lottery.

4. CONDUCT OF THE EVENT

The licensee shall purchase break open tickets only from the registered gaming supplier(s) as approved in the application for licence.

The licensee shall provide the gaming supplier with a true copy of the licence issued when ordering or purchasing tickets.

The licensee shall be responsible for ensuring the payment of all prizes.

The licensee shall ensure that break open tickets are kept secure.

5. TICKET REQUIREMENTS

The following information must appear on each ticket:

- a) the licence number;
- b) the name (or abbreviation) of the licensee;
- c) the price of the ticket;
- d) the name of the manufacturer;
- e) the serial number of the ticket.

Tickets shall not bear any coupon, promotional or advertising material unless it is promoting the licensee and is approved by the licensee.

6. TICKET SALES

No person directly involved in or responsible for the conduct of the break open ticket lottery shall purchase a ticket related to that lottery.

The licensee shall not allow any person apparently under the age of 18 to purchase a ticket. The licensee shall ensure that a sign outlining this requirement is posted at the premises where break open tickets are being sold.

The licensee shall only sell tickets which have been approved for sale by the Director.

A licensee may sell break open tickets from any location on the premises indicated on the licence.

Except where provided for in Section 12 of these terms and conditions, Canadian currency, only, shall be accepted as payment for the purchase of any break open ticket. All prizes shall be paid in Canadian currency only.

The licensee shall only sell tickets from a transparent container which is large enough to hold at least one and one-half (1-1/2) full units of break open tickets. Tickets in the container shall be thoroughly mixed but shall not be pre-bundled.

The container shall be kept in view of the purchasers at all times.

Ticket purchasers shall not remove tickets from the container.

- a) The licensee shall, at the very minimum, reconcile cash and tickets at the end of the licensing period by selling the last unit of tickets from a given licence completely before stating sales of tickets for a new licence.

- b) The licensee may, however, reconcile cash and tickets at more frequent intervals during the licensing period.

All break open tickets shall be opened by the purchaser at the premises stated on the licence and all winning tickets shall be exchanged for cash on the day of sale. The licensee shall prominently display a sign stating this requirement at the location where the tickets are being sold.

All winning tickets shall be defaced by the seller at the time of prize payout by punching a hole through the winning window.

Break open tickets shall be sold by a cash transaction only.

7. PROCEEDS AND EXPENSES

The net proceeds derived from the conduct of the break open ticket lottery shall be used for the charitable or religious objects or purposes in Ontario as specified and approved in the application for licence.

All Prizes and expenses incurred as a result of conducting the break open ticket lottery shall be deducted and paid out from the gross receipts derived from the break open ticket lottery. The licensee shall not use monies from any other source to pay for expenses related to the break open ticket lottery.

Expenses shall be directly related to the conduct of the break open ticket lottery.

Total expenses, not including the licence fee shall not exceed the following:

a) LICENSEES SELLING TICKETS FROM THEIR OWN PREMISES

Total expenses, including shortages and all taxes, but not including the licence fee, shall not exceed 10% of the gross receipts derived.

b) LICENSEE SELLING TICKETS THROUGH A REGISTERED BREAK OPEN TICKET SELLER (THIRD PARTY LOCATION)

- i. Total expenses, including all taxes but not including the licence fee, shall not exceed thirteen and one half (13-1/2) % of the gross receipts derived.

- ii. The licensee may pay a maximum sales commission of 5% of the gross receipts derived to the registered break open ticket seller (third party location).
- iii. The licensee may pay a maximum fee at 4% of the gross receipts derived to a registered gaming service supplier.
- iv. Any shortages incurred are the responsibility of the break open ticket seller and shall be deducted from the sales commission.
- v. The licensee has the option of receiving its proceeds from the sale of break open tickets at the time the tickets are delivered for sale to the break open ticket seller.

c) LICENSEES SELLING TICKETS IN CONJUNCTION WITH BINGO EVENTS

- i. Total expenses, including all taxes but not including the licence fee and taxes but not including the licence and the provisions in paragraph 7, 4c)iv), shall not exceed 10% of the gross receipts derived.
 - ii. Where the licensee provides bona fide members to sell tickets and administer the event, and does not use the services and employees of the bingo hall owner/operator, a maximum of 3% of the gross receipts derived by be paid to the bingo hall owner/operator for storage and clean-up costs.
 - iii. Any shortages incurred as a result of the bingo hall owner/operator or its employees shall be deduced from the fee paid to the bingo hall owner/operator.
 - iv. Bingo sponsor's associations may use a maximum of 1% of the gross receipts to pay for bookkeeping and administrative costs associated with the sale of break open tickets.
- a) Each expense shall be individually calculated and paid separately by cheque, drawn on the designated lottery trust account described in Section (9). The licensee shall pay each gaming supplier separately.
 - b) Honorariums may however be paid by cash provided they are supported by a receipt.

8. BOOKS AND RECORDS

The licensee shall obtain invoices for all tickets purchased and retain all invoices for a period of no less than four (4) years.

The licensee shall obtain receipts for each expense incurred.

The licensee shall maintain a detailed record of how profits from the break open ticket lottery were disbursed.

The licensee shall maintain books, records and other documents in support of all financial reports or statements. These records shall be kept up to date and be retained for no less than four (4) years.

9. BANKING AND FINANCIAL

The licensee shall open and maintain a separate designated lottery trust account to administer all funds related to the conduct of lottery events. The licensee shall have the option of:

- a. Opening and maintaining one designated lottery trust account to administer all lotteries conducted by the licensee, or;
- b. Opening and maintaining separate designated lottery trust accounts for each type of lottery conducted by the licensee.

Each designated lottery trust account shall be maintained in the name of the licensee, in trust and shall have the following features:

- a. Cheque writing privileges and monthly statements issued;
- b. All cheques returned with monthly statement.

Any interest accrued on the lottery trust account shall be used for the charitable purposes of the licensee.

In administering the lottery trust account, the licensee shall

- a. Appoint a minimum of two signing officers, who must be bona fide members of the

- licensee, to administer the account and write cheques;
- b. Deposit into the account all monies derived from the operation of any and all lottery events. Monies shall be deposited as soon as it is practical to do so;
 - c. Ensure all withdrawals are made by cheque;
 - d. Ensure cheques are written only for the payment of the expenses incurred in the conduct of the lottery and the donation of net proceeds for the charitable purposes approved on the application for the licence.

The licensee shall not:

- a.
 - i. Where only one designated lottery trust account is maintained, deposit monies received from any source other than lottery events conducted by the licensee into the designated trust account, or;
 - ii where a separate designated trust account for break open ticket lotteries has been established, deposit monies received from any other source in the designated break open ticket lottery account.
- b. Transfer funds from the designated lottery trust account into an operating or general account of the licensee;
- c. Close the designated lottery trust account until all monies have been noted to approved charitable purposes and a report has been submitted to the licensing authority.

Where only one designated lottery trust account is maintained, the licensee shall maintain ledgers outlining financial details of each lottery event conducted including proceeds derived from each, expenses paid in the conduct of each lottery event, and a list of how proceeds have been disbursed.

- a. Where break open tickets are sold in conjunction with bingos as part of a bingo sponsors association, the net proceeds derived from the sale of break open tickets shall be periodically disbursed to all licensees participating in the lottery.
- b. The division of proceeds shall be made on an equal basis based on the number of bingo events held by each member within the bingo hall.
- c. Licensees which receive a portion of the proceeds from the break open ticket lottery shall deposit their share into their designated lottery trust account. Proceeds

so received shall be used only for the purposes listed and approved on the concurrent regular bingo application.