



FINANCIAL MANAGEMENT AND ADMINISTRATION OF POOLING BINGO HALLS TERMS AND CONDITIONS

APRIL 2019



Alcohol and Gaming Commission of Ontario

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These terms and conditions apply to Hall Charities Associations and licensees who conduct and manage charitable gaming events in bingo halls where proceeds are pooled.

DEFINITIONS

CDTA—short form of “consolidated designated trust account,” which means an account designated as a trust account by the financial institution in which it is held by an HCA, into which are deposited the proceeds derived from events conducted and managed pursuant to lottery licenses, in accordance with these terms and conditions.

EFT—short form of “electronic funds transfer,” which means a system of technology that allows for pooled lottery proceeds to be transferred securely by electronic means from the Hall Charities Association’s lottery trust accounts to its member organizations’ lottery trust accounts.

HCA—short form of “Hall Charities Association,” which means an association formed by all the licensees conducting bingo and other lotteries within a bingo hall or other charitable gaming site.

OLG—short form of “Ontario Lottery and Gaming Corporation,” a Crown agency responsible for conducting and managing games of chance, such as Lotto 6/49.

Operator—licensed operator of a bingo hall or other gaming site who is registered under the *Gaming Control Act, 1992*.

(1) GENERAL

- 1.1 The Hall Charities Association (HCA) shall act on behalf of its member organizations who were or are licensed to conduct and manage charitable gaming events in the bingo hall.
- 1.2 The HCA must manage the bingo prize board being awarded to ensure that, on average, calculated in the relevant time period, the prize board for bingo games does not exceed the percentage prescribed by the Registrar.

(2) PROCEEDS AND EXPENSES

- 2.1 The payment of prizes, reimbursement of out-of-pocket expenses and fees and other charges must be made from the proceeds of the charitable gaming events conducted in the bingo hall.
- 2.2 The member organizations of the HCA must deposit their share of proceeds received from the HCA into their designated lottery trust account.
- 2.3 The HCA must not exceed the expense levels prescribed by the Registrar. In the event of non-compliance, the HCA must provide the licensing authorities with a written explanation and a plan to bring its expenses into compliance.
- 2.4 The HCA must disburse the net proceeds derived from charitable gaming events on a monthly basis to its member organizations based on the number of charitable gaming events held by each member organization at the bingo hall.

(3) BOOKS AND RECORDS

- 3.1 The HCA must keep a copy of the reports prepared by its member organizations as required by ***"Section 5.2"***.
- 3.2 The HCA must open a consolidated designated trust account (CDTA) on behalf of its member organizations to administer all the funds derived from charitable gaming events conducted in the bingo hall. The CDTA must have the following features:
 - a) cheque writing privileges and monthly statements issued;
 - b) all cheques or electronic images of backs and fronts of cheques must be returned with the monthly statement; and
 - c) all cheques or other withdrawals require the signature of at least two (2) signing officers who must be bona fide members of two (2) different member organizations of the HCA.
- 3.3 The HCA must provide details of the CDTA account to the licensing authorities.
- 3.4 For each CDTA the HCA must maintain at a minimum the following general ledger accounts:

- a) a consolidated designated trust account;
- b) a revenue account for each type of lottery;
- c) a prize account for each type of lottery;
- d) an account for the allocation of five (5) per cent of break open ticket gross wager to the member organizations of the HCA, allocated prior to the calculation of the share of charitable gaming event revenue to go to the Operator of the bingo hall ("Operator");
- e) an account for the Operator's share of proceeds from licensed lotteries;
- f) an Operator's revenue clearing account;
- g) an account for licence fees for each type of lottery;
- h) an administrative expense account for each type of lottery;
- i) a Marketing Fund account;
- j) a bank charges account;
- k) a bookkeeping expenses account;
- l) an audit or accounting expenses account;
- m) an account for the reimbursement of out-of-pocket expenses of bona fide members; and
- n) a disbursement account for member organizations who are members of the HCA.

3.5 In addition to a general journal, the HCA must prepare a daily revenue journal. At minimum, the daily revenue journal must contain the following information:

- a) date and time of the charitable gaming event;
- b) name of the licensee;
- c) gross receipts for each type of lottery conducted;

- d) prizes awarded for each type of lottery conducted;
- e) licence fee;
- f) out-of-pocket expenses paid by each licensee;
- g) overages or shortages incurred by each licensee;
- h) the actual amount of cash deposited, supported by a deposit slip, for each type of lottery conducted.

The financial information set out in each daily revenue journal must be totaled at the end of each month and posted to the general ledger.

- 3.6** The bank reconciliation must be completed at the end of each month after the receipt of the CDTA bank statement. All deposits must be verified and any cheques or disbursements must be reviewed. All items must be accounted for on the bank statement.
- 3.7** Four (4) bona fide members of different licensees that are member organizations of the HCA must be designated to administer the CDTA.
- 3.8** The bank reconciliation must be reviewed and approved monthly by at least two (2) bona fide members of different licensees that are member organizations of the HCA.
- 3.9** The HCA must submit to the licensing authorities the monthly summary reports.
- 3.10** The licensee and HCA must ensure that all withdrawals from their respective designated lottery trust accounts or CDTAs are made by cheque or by electronic funds transfer, for the payment of expenses as permitted by the Registrar or for the use of net proceeds as approved in the application for licence.
- 3.11** The licensee and HCA must ensure that there are no transfers between any designated lottery trust account or a CDTA and a general operating account.

(4) ELECTRONIC FUNDS TRANSFER (EFT)

- 4.1** Licensees must decide in accordance with their constitution and subject to agreement with their financial institution whether to implement electronic funds transfer (EFT). EFT may be used:
- a) by an HCA to pay for expenses, to deposit monies into its account or to distribute net proceeds derived from the conduct of charitable gaming events to its member organizations; and
 - b) by a licensee to pay for expenses, to deposit monies into its account, or to distribute net proceeds derived from the conduct of lotteries to eligible recipients.
- 4.2** The licensee or HCA, in consultation with its financial institution, must determine a maximum amount that may be transferred electronically from each designated lottery trust account or CDTA over a specified period of time.
- 4.3** In the case of an HCA, it must obtain written authorization from each member organization that is agreeing to the use of EFT. Each participating member organization is responsible for providing to the HCA its banking information, approved by two (2) authorized signing officers for each designated lottery trust account to receive funds electronically.
- 4.4** If the HCA or licensee wishes to pay expenses or distribute the net proceeds derived from the conduct of charitable gaming events by EFT, the HCA or licensee must obtain the payee's banking information and retain it on file.
- 4.5** The licensee or the HCA must ensure that its financial institution's EFT system has the following capabilities:
- a) cryptographic security provided by the financial institution;
 - b) audit capability that records all changes made to the designated lottery trust account or CDTA EFT file so that changes made cannot be hidden or accounts deleted without leaving an audit trail;
 - c) electronic dual authorization;
 - d) automatic electronic confirmation of funds transferred sent to a bona fide member; and
 - e) backup capabilities and utilities for audit purposes.

- 4.6** a) The HCA must designate four (4) bona fide members to administer EFT funds and be signing officers for the HCA. The four (4) bona fide members must be representatives of four (4) different member organizations of the HCA.
- b) Each licensee must designate at least three (3) bona fide members to administer EFT funds and be signing officers for the licensee.
- 4.7** Licensees and the HCA must use software applications provided by or software required by their financial institution to create EFT files and transfer funds electronically.
- 4.8** The licensee or the HCA must ensure that sufficient funds are available in the account prior to executing any transfer.
- 4.9** The licensee or the HCA must submit EFT files on a regular basis to its financial institution.
- 4.10** The transfer of funds must be authorized electronically by two (2) of the bona fide members designated to administer EFT.
- 4.11** The EFT file must be submitted to the financial institution within two (2) business days of creating the file to execute EFTs. The licensee or the HCA must retain a record confirming the transfer of funds.
- 4.12** The licensee or the HCA must obtain reports from the financial institution summarizing the file information. At a minimum the reports must provide:
- a) the number of accepted and rejected payments and the dollar value of each;
- b) a returned items report that lists any payments that were returned and why the transactions were returned, including the dollar value of each; and
- c) a redirected transaction report that identifies payments intended for closed branches or other financial institutions.
- 4.13** The licensee or the HCA must ensure that within three (3) business days of receipt, the reports received from the financial institution are reviewed and signed by one (1) of the bona fide members designated to administer EFT who did not sign the original authorization for the transfer of funds. The signing officer must prepare a summary setting out any discrepancies in the report received from the financial

institution and present it to the licensee's or HCA's Board of Directors at a meeting to be held within 90 days.

(5) REPORTING REQUIREMENTS

- 5.1 a) The HCA must reconcile the CDTA and make available a report to its member organizations on a monthly basis. The reporting period must cover the entire month.
- b) Each licensee must reconcile its designated lottery trust account and provide a report to its Board of Directors on a monthly basis. The reporting period must cover the entire month.
- 5.2 Licensees must provide the HCA at the end of each charitable gaming event with a financial report detailing the results of each charitable gaming event. At minimum, the report must include:
- a) gross receipts and prizes from bingo
- b) gross receipts and prizes from break open tickets
- c) licence fees; and
- d) reimbursement of out-of-pocket expenses.
- 5.3 The HCA must provide the licensing authorities and the Registrar with a **Charitable Gaming Summary Report (4224)** for each monthly period. The report shall be due 30 days following month end and must include the following information:
- a) gross receipts for each type of lottery conducted;
- b) prizes for each type of lottery conducted;
- c) licence fees for the month;
- d) reimbursement of out-of-pocket expenses for each event;
- e) total deposits for the period;
- f) shortages by event;

- g) Marketing Fund information;
- h) administrative expenses;
- i) H.S.T.;
- j) other revenues attributed to the Operator (including commissions from the sale of Ontario Lottery and Gaming Corporation [OLG] products, food and beverage sales; revenues from any other goods or services provided to customers and such other revenues that arise from players being present, including revenues from advertising);
- k) amount paid to the Operator net of HCA share of other revenues (described above);
- l) amount available to member organizations of the HCA; and
- m) a list of member organizations of the HCA and the shares provided to each.

Upon request, the report must be accompanied by copies of bank statements, deposit slips, copies of cheques written to member organizations of the HCA and a paper record for all EFTs.

- 5.4** The HCA must provide the licensing authority with a financial statement verified by an independent financial accounting firm on a yearly basis, in accordance with section 5815 of the *CPA Canada Handbook, "Auditor's Reports on Compliance with Agreements, Statutes and Regulations."* The financial statements must be signed on behalf of the HCA's Board of Directors and provide details of all charitable gaming events administered by the HCA. The financial statements must cover the HCA's fiscal year.
- 5.5** Member organizations of the HCA shall be responsible for any shortages incurred as a result of that member organization's operation of a charitable gaming event and must be indicated on the financial report. Shortages incurred as a result of the Operator or its employees will be the responsibility of the Operator and must be paid to the member organization conducting the charitable gaming event and must be included as part of the net deposit for that event.
- 5.6** The HCA Administrator must ensure that licensees are able to provide payment of the prize board for each charitable gaming event conducted.

- 5.7** The licensee must provide the licensing authority with a monthly report verified by the licensee's Board of Directors, setting out all expenses paid from the proceeds derived from the charitable gaming event, as prescribed by the Registrar. The monthly report must be filed within 30 days of the end of the month covered by the report.
- 5.8** The HCA must, and where a licensee is required to do so, the licensee must file its financial statements with the licensing authority within 180 days after the fiscal year end.
- 5.9** Each licensee must file with the licensing authorities the compliance reports required by the terms and conditions within 180 days of its fiscal year end.
- 5.10** The HCA must make available to its member organizations copies of all reports filed with the licensing authority immediately after they are filed.

(6) CALCULATION OF NET REVENUES AND REVENUE SHARING

- 6.1** The HCA must obtain from the Operator, and the Operator must provide, on a monthly basis, financial reports setting out the revenues earned within the bingo hall by the Operator or any third party with whom the Operator has a contract or who the Operator permits to provide goods and services for sale to players within or adjacent to the bingo hall, from all sources, including the commission from the sale of OLG products, food and beverage sales, including concessions operated by the Operator or by a third party, revenues from any other goods or services provided or sold to players and such other revenues that arise from players being present, including revenues from advertising.
- 6.2** The licensee and HCA must ensure that the financial report to the HCA is signed by the Operator or an authorized signing officer verifying that the report is accurate.
- 6.3** The HCA may require the Operator, at the Operator's expense, to provide and the Operator must provide, copies of its filings in respect of the HST to confirm the hall revenues. Where the Operator does not sell the goods or services to the players directly, the HCA must require the Operator to maintain, or obtain from the person who has it, sufficient documentation about any such sales, and the Operator must provide the said information, to satisfy the HCA that it can confirm the information provided by the Operator about any such sales.

- 6.4** If the HCA is not satisfied with the financial information or documentation supplied to it by the Operator, the HCA must report its concerns to the Registrar.
- 6.5** All revenues derived from the operation of the bingo hall, including from any lottery within the bingo hall, the commission from the sale of OLG products, food and beverage sales, including concessions operated on behalf of the Operator by a third party and revenues from any other goods or services provided to players must be divided in accordance with Sections 6.6, 6.7 and 6.8.
- 6.6** Once the HCA is satisfied with the financial information supplied to it by the Operator in accordance with 6.1, the HCA must calculate the Operator's share of charitable gaming event revenue as follows:
- a) Deposits into the CDTA (add back in any shortages that are the licensee's responsibility and out-of-pocket expenses paid),
 - b)
 - i. less eight (8) to 10 per cent of the Win from bingo directed to the Marketing Fund, based on a decision made by the member organizations of the HCA, which must be administered in accordance with **Pooling Bingo Halls: Advertising and Marketing Guidelines (6183)**, and
 - ii. less the difference between 10 per cent of the Win from bingo and the percentage of the Win from bingo directed to the Marketing Fund based on the decision made by the member organizations of the HCA; or
 - iii. less 10 to 12 per cent of the Win from bingo directed to the Marketing Fund, based on a joint decision made by the member organizations of the HCA and the Operator of the bingo hall, which must be administered in accordance with **Pooling Bingo Halls: Advertising and Marketing Guidelines (6183)**;
 - c) less five (5) per cent of the gross wager from the sale of break open tickets directed to the consolidated designated trust account;
 - d) plus bingo hall revenue as reported in 6.1;
 - e) equals Net Proceeds.
- 6.7** The Net Proceeds must be divided as follows:
- a) 55 per cent to the Operator
 - b) 45 per cent to the HCA for distribution to its member organizations.

- 6.8** Payments from the HCA of the Operator's share of charitable gaming event revenues must be offset by the amount of the HCA's share of revenues described in 6.1, including the commissions from the sale of OLG products, food and beverage sales, revenues from any other goods or services provided to customers and such other revenues that arise from players being present including revenues from advertising.
- 6.9** If the HCA is satisfied with the information and documentation provided by the Operator of the bingo hall, payments from the HCA to the Operator must be made on a monthly basis. If the HCA is not satisfied with the information or documentation provided by the Operator, no payments must be made by the HCA to the Operator until additional information or documentation is provided to the HCA's satisfaction.
- 6.10** All HCA expenses must be individually detailed and made available to member organizations of the HCA.
- 6.11** Each member organization of the HCA may choose to provide reimbursement of out-of-pocket expenses to its bona fide members. The funds to cover this expense must be deducted from the licensees' share of proceeds referred to in 6.12.
- 6.12** After the payment of all allowable expenses, the HCA must divide the remaining proceeds on a pro-rata basis to member organizations of the HCA based on the number of charitable gaming events conducted by each member during the reporting period. Each member's share must be reduced by the amount of shortages incurred by them.
- 6.13** The HCA and the HCA Administrator must comply with any Directive prescribed by the Registrar, and each licensee must ensure that the HCA and the HCA Administrator comply with any such Directive, directing the HCA or the HCA Administrator not to make any payment to the Operator or to reduce any such payment by the amount specified by the Registrar in the Directive.

(7) AMERICAN CURRENCY

- 7.1** Only licensees that conduct bingos from border cities where the majority of bingo players are American may accept American currency for the payment of bingo paper.
- 7.2**
- a) An HCA whose member organizations accept American currency must maintain a separate CDTA in American funds for the purpose of depositing all funds received in American currency and replenishing the float required in American funds. The account must meet all other requirements of these terms and conditions.
 - b) No withdrawals, by cheque or otherwise, shall be made from this account except as provided for in these terms and conditions.
- 7.3**
- a) The maximum amount that may be on deposit in the American account at any time must not exceed the licensee's estimated prize board.
 - b) Deposits in excess of the estimated prize board (including interest) must be withdrawn and deposited into the CDTA in Canadian currency.
- 7.4** The distribution of gross receipts in American currency must be in accordance with the provisions set out herein. Where American currency is accepted, gross receipts must be adjusted as follows:
- Total gross receipts in Canadian dollars (+) total gross receipts in American dollars (+) the premium paid on American dollars (-) the premium on the prizes paid in American currency.
- 7.5**
- a) When deducting prizes from the adjusted gross receipts, there must be no premium included that may have been applicable to the prizes paid in American currency.
 - b) Expense calculations must be based on the adjusted gross receipts.
 - c) All expenses must be paid in Canadian currency only, drawn on the Canadian CDTA.
- 7.6** For the purposes of calculating the adjusted gross receipts, the daily "buying" exchange rate set by the chartered banks must be used. This information must be obtained from the HCA Administrator on a daily basis.

- 7.7** All players purchasing bingo paper in American currency must be paid prizes in American currency and may be paid from the cash proceeds or from the American CDTA.

RELATED DOCUMENTS

- **Charitable Gaming Events Conducted and Managed In Pooling Bingo Halls—Terms and Conditions (4241)**
- **Pooling Bingo Halls: Advertising and Marketing Guidelines (6183)**
- **Lottery Licensing Policy Manual, chapter 10, “Bingo—In Pooling Bingo Halls”**
- **Charitable Gaming in Pooling Bingo Halls** (AGCO website page)