

3.6.1. FINANCIAL REQUIREMENTS FOR LICENSED LOTTERY EVENTS

All licensees must hold lottery proceeds in designated lottery trust accounts, for the purposes specified in the lottery licence application and approved by the licensing authority. The licensing authority may limit the amount that may be held in the trust account. Lottery proceeds must be used for the purposes approved by the licensing authority and cannot be accumulated for other purposes or over a period of time not approved by the licensing authority.

3.6.2. DESIGNATED LOTTERY TRUST ACCOUNTS

A licensed organization must open and maintain a separate lottery trust account, designated as a trust account by the branch of a recognized financial institution, in the Province of Ontario. The designated lottery trust account must be in Canadian funds. If the licensee (except for a Hall Charities Association in a non-pooling bingo hall) conducts more than one type of lottery event, it may hold either one designated lottery trust account for all lottery proceeds or a separate designated lottery trust account for each type of lottery.

A Hall Charities Association in a non-pooling bingo hall may hold either a separate designated lottery trust account for each type of lottery event to account for all lottery proceeds or a minimum of two (2) designated lottery trust accounts as permitted under the **Financial Management and Administration of Non-Pooling Bingo Halls Terms and Conditions (4244)**.

Licensees that are permitted to accept American currency must also maintain a trust account in American funds, as set out in Section 3.6.5, "Lottery trust accounts for American currency."

If the licensee maintains only one lottery trust account, the licensee must keep a separate ledger for each type of lottery event and for each licence issued. The bookkeeping and accounting requirements for each type of lottery are covered in detail in the licence terms and conditions.

The trust account(s) must:

- be a chequing account;
- require at least two (2) authorizing signatures;
- be held in the name of the licensee, in trust;
- have duplicate deposit slips, with one copy kept for the licensee's records;
- provide monthly statements; and
- include either the return of all cheques with the monthly statements or the return of electronically scanned images of the front and back of each cancelled cheque with the monthly statements.

The fact that it is a trust account must be stated on the face of the cheques. If a licensee's cheques do not currently state this fact, the licensee should ensure that the information is added when cheques are reordered.

The licensee must keep all records for a minimum of four (4) years. In addition to the account information,

the licensee must keep a general ledger of all expenses supported by receipts and/or original invoices.

The following rules apply to lottery trust accounts:

1. The licensee must pay all eligible expenses and disbursements for approved uses of proceeds (except bona fide member expenses) by cheque, or by electronic funds transfer (EFT), where permitted. All expenses must be supported by a receipt and cancelled cheque or EFT report.
See also "3.6.10. Electronic funds transfer (EFT)".
2. The licensee must keep all deposit slips; bank receipts from automatic tellers are not acceptable.
3. The licensee cannot make cash withdrawals.
4. The licensee may pay the bona fide member expenses in cash. The bona fide member must acknowledge in writing that he or she received the reimbursement in cash.
5. The licensee may only make cheques payable to cash when it requires a float for the purposes of conducting and managing lottery schemes, including payments to reimburse bona fide member expenses, prizes or making change.
6. Any interest earned on the trust account must be treated as proceeds of the lottery scheme.
7. The licensee must disburse lottery proceeds by cheque or EFT where approved by the licensing authority.
8. Organizations are not permitted to move funds by any means from the designated lottery trust account(s) into their operating or general account(s).
9. All expenses (except bona fide member expenses) must be paid directly by cheque or EFT from the lottery trust account(s). The movement of funds to another account(s), such as the licensee's general operating account(s), or a head office's bank account(s), would create a loss of accountability for those lottery proceeds and is not permitted.
10. The licensee may make temporary investments in instruments insured by the Canada Deposit Insurance Corporation (CDIC) if it receives prior approval from the licensing authority and maintains a careful audit trail. All principal and interest earned on the investment must be returned to the lottery trust account(s) and used for the licensee's approved charitable purposes. These investments cannot exceed the maximum insured by the CDIC.

See "9.12.1. Lottery trust accounts for bingo events" for further information. For pooling bingo halls, please see "10.8.1. Lottery trust accounts".

3.6.3. START-UP COSTS FOR LOTTERY EVENTS

The licensee must pay start-up costs, also commonly known as "seed money," for the conduct and management of a licensed lottery event from the designated lottery trust account. However, if there are no funds or insufficient funds in the designated lottery trust account the licensee may write a cheque or make an electronic transfer from its general operating account to its lottery trust account to pay for the start-up costs.

Upon completion of the licensed lottery event the licensee must repay the funds by cheque or electronic transfer to its general operating account from its designated lottery trust account. In this instance, the licensing authority must monitor the repayment of the start-up costs and ensure that the repayment is made within an appropriate time period.