

Eligible uses of proceeds must be:

- in themselves charitable and advance the charitable purposes or objects of the organization;
- used for the direct delivery of the charitable purposes or objects of the organization; and
- directed toward specific segments of the Ontario community or residents of Ontario with a common need.

A licensing official must determine the eligible uses of proceeds on a case-by-case basis. To determine which of the organization's ongoing costs are eligible, the licensing official should review the proposed budget against the organization's stated mandate. **Only those costs that relate directly to the delivery of its eligible programs should be approved as eligible uses of lottery proceeds.**

Eligible Uses of Lottery Proceeds: (Under Youth Development and Sports Club Category)

The licensing authority may approve eligible organizations in this category to use lottery proceeds for the following purposes:

- salaries or wages for qualified instructors who are not members of the organization or the Board of Directors;
- uniforms, program supplies and equipment;
- the publication and distribution of material which is integral to the organization's charitable activities;
- volunteer training (not personal certification programs)
- safety equipment and supplies;
- necessary, qualified competition officials, where competitions are integral to the organization's mandate and activities; and
- direct costs for travel within Ontario for direct program delivery (third party commercial receipts must be provided, as no mileage costs for personal automobiles or other motor vehicles are allowed).

In addition to using lottery proceeds for the direct delivery of its eligible programs, an organization may also use lottery proceeds to pay some of the administrative expenses of those programs. To be considered an eligible use of lottery proceeds, these expenses must be essential for the direct delivery of the organization's charitable objects. The licensing authority must give prior approval to requests to use lottery proceeds for administrative expenses on a case-by-case basis.

The licensing official may limit the use of proceeds to only those expenses that relate to the direct delivery of programs.

The licensing authority must monitor the use of lottery proceeds to ensure they are used as approved, for expenses related to the direct delivery of the eligible charitable services, for the benefit of Ontario residents.

Direct Expenses vs. Indirect Expenses

Eligible organizations must provide very detailed information concerning their proposed use of lottery proceeds. Because many organizations do not have wholly charitable purposes or objects, it is sometimes difficult to determine whether a proposed use of proceeds can be considered a charitable purpose. In broad terms, proceeds may be used to offset the expenses that are integral to the charitable functions

of the organization. These are known as direct expenses. A direct expense includes any expense that directly helps to fulfill the organization's charitable mandate.

Organizations have costs that may be classified as direct or indirect expenses. A curling club that runs a youth program as a charitable function, in addition to its adult program, has costs that may be considered as direct or indirect depending on the program for which they are incurred. The cost of ice time necessary to deliver the youth program is eligible as a direct expense if it can be isolated from the cost for the adult program. If the cost of the ice time required for the youth program cannot be determined and isolated, it is not an eligible use of lottery proceeds.

Indirect expenses include the group's general operating costs such as salaries, administration, rent, or utility expenses such as heat and hydro. Indirect expenses are not generally considered essential for the delivery of the charitable purpose and therefore may not be eligible uses of proceeds.

The licensing authority may approve these expenses if the applicant meets all of the following requirements.

- The need for the expense is justified as an integral part of the eligible charitable purposes or objects and activities.
- Salaries and wages may only be approved if the expertise level and time required cannot reasonably be provided by a volunteer.
- Salaries and wages must be reasonable and geared to the expertise and hours needed to do the work.

INELIGIBLE USE OF PROCEEDS

A proposed use of lottery proceeds is ineligible if:

- it provides a personal benefit or gain to the members of the applicant organization;
- it supports tourism or other purely economic benefits;
- it advances a particular political issue;
- it enhances lands and buildings owned and/or operated by a government;
- it is a responsibility that has traditionally been fulfilled by a government; or
- it funds activities that do not fall within one of the four charitable classifications.

POLICIES: INELIGIBLE USE OF PROCEEDS

Eligible organizations may not use the proceeds from lottery licenses for:

- the cost of political lobbying and/or advocating a particular view on a political issue, including the cost of staffing, publication materials and advertising;
- fundraising activities, including wages for a fundraiser and the cost of promotional materials;
- administrative or other activities that are not integral to the direct provision of the organization's charitable mandate;
- the provision of services for which the organization receives government funding or which the organization is required, by law, to provide;
- legal fees/costs incurred by the organization or its board;
- volunteer recognition;
- foreign aid, out-of-province aid or aid to non-Ontario residents;
- accounting fees, except as provided by the terms and conditions of the lottery licence;
- out-of-pocket expenses for volunteers to participate in a licensed lottery event, except as permitted under the terms and conditions of the lottery licence;
- academic and sports awards and trophies;
- construction, renovation or improvement of buildings owned by or on land owned by the Government of Canada, the Province of Ontario or municipalities; and
- any activity that does not fall into one of the four charitable classifications.