

December 28, 2001

Log # 173684
Via Facsimile

To Charitable Bingo Associations

On January 15, 2002, the BC Lottery Corporation will be responsible for the conduct and management of commercial bingo halls in British Columbia, under Section 207 (1) (a) of the *Criminal Code* of Canada

I am writing further to the Solicitor General's October 2, 2001 and November 20, 2001 letters, to provide additional information and instructions regarding:

- An important decision regarding the transfer of proceeds to your member charities;
- Association administration fees;
- Remittance of gaming funds held by Associations as of January 14, 2002 or acquired as a consequence of transition;
- December and January fund distributions; and
- Some frequently asked questions (FAQ's).

Please share this letter and the attachments with your member charities.

Important Decision Regarding the Transfer of Proceeds to Charities

The Minister has asked the Gaming Policy and Enforcement Branch to re-consider the decision to have Associations make EFT payments to each of their member charities, and to consider other options. The Minister wants to ensure the most efficient method is used for those payments. The Minister and Branch will finalize this matter by January 10, 2002, at which time I will advise you of the final decision.

Association Administration Fees

I am pleased to inform you that, in response to feedback from Associations, the Minister has authorized an increase in Association administration fees. Fees have been increased (from 0.25% of gross revenue to a maximum of \$5,000) to 0.5% of gross revenue to a maximum of \$10,000. This amount may not be carried over from one fiscal year to the next and may not exceed \$10,000 at any time. Unused amounts must be distributed annually to member charities. If the decision to have Associations distribute proceeds to member charities stands, this amount will be further increased.

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Remittance of Gaming Funds Held by Associations

Each Association currently holds different categories of gaming revenue and will be receiving additional revenue through transition. To allow for an effective transition to

conduct and management by the Corporation, the following responsibilities and timelines apply to those amounts.

The following gaming proceeds must be distributed to member charities by January 14, 2002:

- Available funds accumulated by bingo associations for marketing initiatives, prize board enhancement, and facility improvements.
- One percent funds accumulated by bingo associations for expenses incurred in carrying out duties, including legal and accounting fees.

Staff from the Management Services Division of the Branch will inform you how the above amounts will be adjusted for final return to member charities. The three options that may apply are:

1. If your Association receives a monthly top-up greater than the amount the Branch determines must be transferred back to member charities, Management Services will deduct the amount sent electronically;
2. If your monthly top-up is less than the amount the Branch has determined must be transferred back to member charities, Associations are required to provide a cheque for the difference; or
3. If your Association does not receive top-up, the Branch will ask you to distribute the amount directly to member charities.

The following gaming proceeds may be retained temporarily by an Association to assist with transition. These amounts will be particularly relevant to self-managed associations that choose to become service providers. All such gaming revenue must be distributed to member charities by March 31, 2003.

- Surplus reserve funds accumulated by bingo associations for operational necessities and capital purchases prior to the introduction of the “top-up” program.
- Funds obtained from the BC Lottery Corporation for the purchase of bingo equipment.
- Funds obtained from the BC Lottery Corporation for the purchase of bingo paper.
- Operating funds, such as petty cash and floats.
- ATM revenues.

To retain eligible funds past January 14, 2002, an Association must:

- Provide written notification to the Management Services Division of its intention to retain eligible gaming funds, and the amounts (by category), past January 14, 2002; and
- Advise Management Services Division when adjustments are to be made to return those retained gaming funds to member charities. All gaming fund adjustments must be completed by March 31, 2003.

Staff from the Management Services Division will work with Association staff and board members to finalize each of these amounts, for each Association, by January 14, 2002.

December and January Fund Distributions

December distributions will proceed as usual, except for available funds, one percent funds and any other adjustments identified by audit staff, which must be reported on the financial statement for December.

As the transition to the Corporation will take place on January 15, 2002, after the last licensed charitable event has concluded, January will be treated as two separate reporting periods, in the following manner.

January 1 -14

By January 25, 2002, each Association or bingo service provider will submit a financial statement and proposed distribution report for the period January 1 to 14, 2002. The facility level guarantee, electronic bingo and top-up will be calculated based on the first 14 days. The Summary of Net Distribution Report and payment will be sent to the Association or bingo service provider by February 15, 2002. Any available funds, one percent funds or other adjustments not yet made, will be made at this time.

January 15 – 31

All reports will go to the BC Lottery Corporation, as required by the Corporation. The Corporation will provide a report on amounts earned at each bingo hall to the Branch. The Branch will calculate the distribution amounts for each charity. Additional procedures will be clarified once the final decision about the distribution of payments to charities is made.

Some Frequently Ask Questions

Attached is a set of frequently asked questions and related answers.

Over the next several months, Branch staff will continue to work with your association and staff to ensure an effective transition. If you have any questions, please contact your regional gaming office.

Sincerely,



Derek Sturko
A/General Manager

Attachment

cc: Vic Poleschuk
President, BC Lottery Corporation

Doug Penrose
Vice-President, BC Lottery Corporation

Marc Sabourin
A/Director, Gaming Proceeds Distribution

Dennis Verge
A/Director, Management Services

Carl Bolton
A/Director, Audit and Compliance

Rick Saville
A/Director, Certification

Sue Birge
A/ Director, Policy, Legislation and Enforcement

Regional Managers