



Charity Lotteries in Canada

An examination of charities holding mega lotteries in Canada

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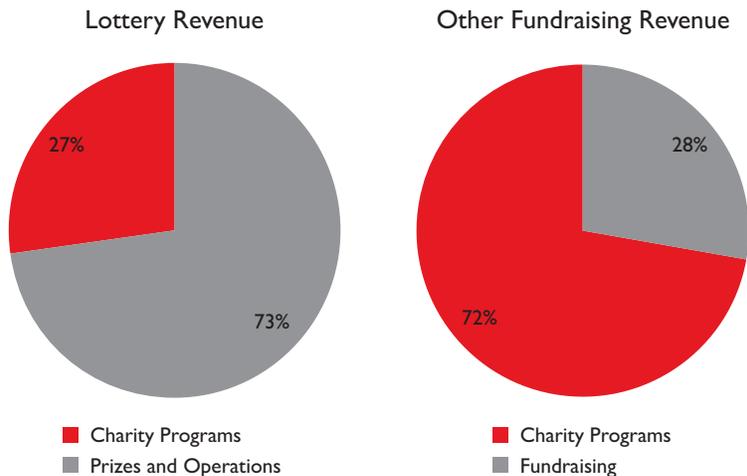
Rachel Greiner

This report was created to help donors understand that the purchase of charity lottery tickets should be viewed primarily as entertainment, not as a donation.

For more information on Canadian charities, please visit our website at www.charityintelligence.ca or call 416.363.1555.

Executive Summary

- Charity lottery ticket buyers should consider charity lotteries primarily as entertainment and not as a substitute for donations, due to the relatively small portion of revenue retained by the charity.
- Our survey of 30 major charity lotteries in Canada showed that, on average, 27% of each dollar of ticket revenue is retained for funding charity programs; the remainder is used to pay for prizes and for marketing and operational expenses. By way of comparison, the average amount of donations retained from other fundraising methods by the same charities was 72%.
- Only 5 of 30 studied lotteries were more efficient than the government lottery average of 31% in retaining revenue to fund programs.
- While some charity lotteries advertise relatively high odds of winning prizes, average prize payout amounts are usually less than those of major government lotteries.
- Charity lotteries provide charities with a source of unrestricted funds, allowing the charities to freely fund their operations, and they can help to raise the profile of the charities with their associated marketing.



Revenue breakdown based on three most recent years of data for 30 selected charities

“It is important to acknowledge that although gambling is used clearly for fund development and revenue generation, it is not philanthropy and should not be positioned as such. It is a business initiative with risks and benefits directed towards a specific purpose.”

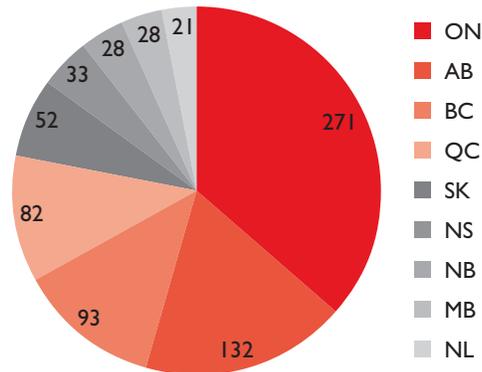
– Dr. David Korn,
University of Toronto

Charity lotteries in Canada

Charities have long used gambling as a way to earn money to support their charitable programs. In fact, gambling was once the sole domain of charities or religious organizations until provincial governments launched their own gambling corporations, after realizing how lucrative gaming could be. Charitable gaming has come a long way from the simple bingo hall and 50/50 ticket, although these certainly still exist. "Mega-raffles" – those with revenues over \$1m – are more common than ever and lotteries such as the Princess Margaret Hospital Lottery and Canadian Cancer Society Lottery are virtually household names in Canada.

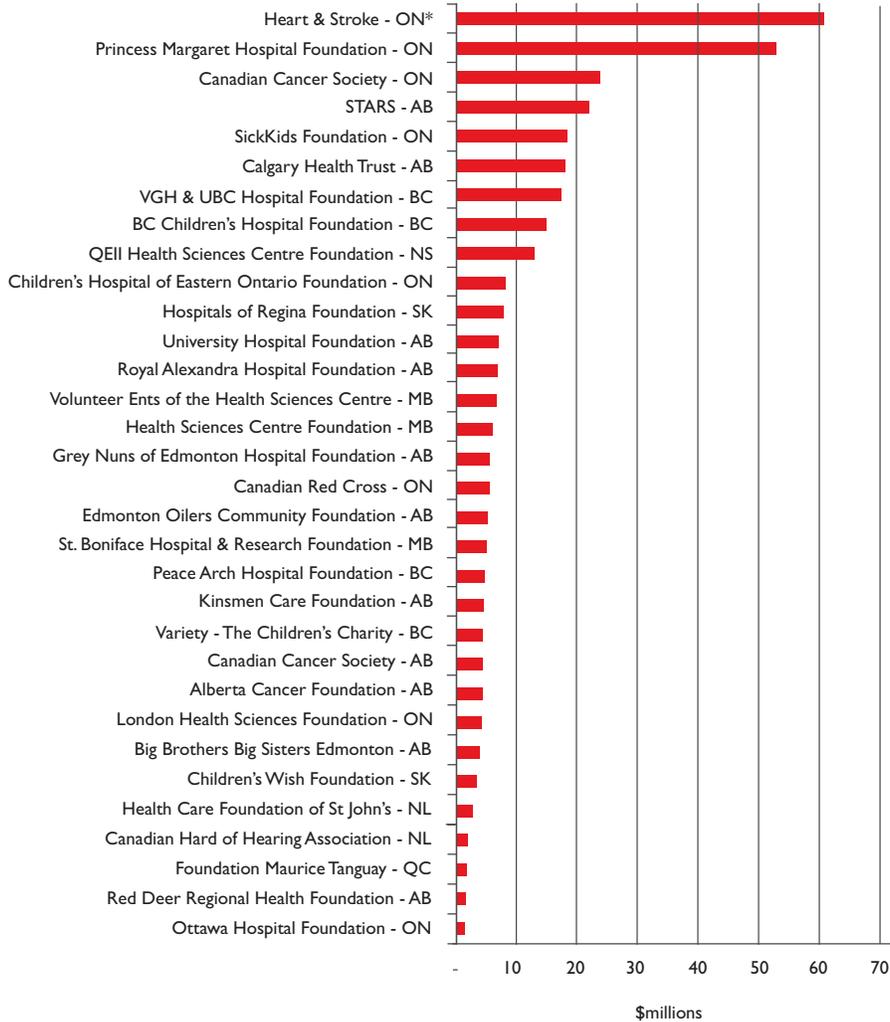
In 2011, 16,962 charity lotteries were licensed for operation Canada-wide and this number includes only the larger lotteries that required provincial rather than municipal licensing. Charity Intelligence estimates total revenue from all charity lotteries Canada-wide in excess of \$750m, with net funding available to the charities (lottery revenue less all costs for prizes, marketing and lottery operations) of \$200m. Although this is but a fraction of the \$2 billion that government lotteries earned in profit, it is still an important revenue stream for charities. Moreover, lottery profits are typically an unrestricted source of funding, meaning that charities can use the money to support programs at their own discretion, without needing to spend the funds for a pre-determined purpose, as is often the case for charitable donations.

FIGURE I. Charitable Lottery Revenue, 2011 (\$millions)¹



¹ Source: AGCO, AGLC, Service Nova Scotia, MGCC, BC Gaming Policy and Enforcement Branch, CPRG. Gross revenue for SK, QC, NB and NL estimated based on Canadian Partnership for Responsible Gaming net revenue figures using 2011 average of 30% going to the charity.

FIGURE 2. Average Ticket Revenue (\$millions) for Canadian Charity Lotteries (3 Most Recent Available Years)



*Note: 2012 data for Heart & Stroke includes consolidated national data

Despite their benefits, lotteries do have some drawbacks that are important to consider. Firstly, charity lotteries are not guaranteed to be profitable for the charity. In fact, in 2011 in British Columbia, 2% of the charities actually lost money in operating lotteries. The most striking case is that of the Royal Columbian Hospital Foundation. After selling only 44,000 out of a maximum of 120,000 tickets, the charity lost \$3.3m in its first attempted vacation home lottery. From our sample of 30 major lotteries, the only two examples of lotteries operating at a loss were Peace Arch Hospital and Community Foundation which did not hold its annual lottery in 2010 but brought it back in 2011, reporting a loss in fiscal 2012 of \$746k on gaming revenues of \$4.0m and the joint Royal Alexandra Hospital Foundation and University Hospital Foundation's Dream Away Lottery that lost \$1.6m on \$4.4m of revenues in 2011, its only year of operation. As well, in fiscal 2010, both the New Brunswick and Newfoundland divisions of

Lotteries have been attributed to helping finance major government projects including the building of the Great Wall of China, making repairs to Rome under Emperor Augustus Caesar, and in the 15th Century, lotteries were held in Belgium and Holland to raise money for town fortifications and to help the poor.

In colonial America between 1744 and 1776, 200 lotteries were sanctioned and played a major part in financing libraries, churches, and colleges. The universities of Princeton, Columbia and Pennsylvania were founded on lottery proceeds.

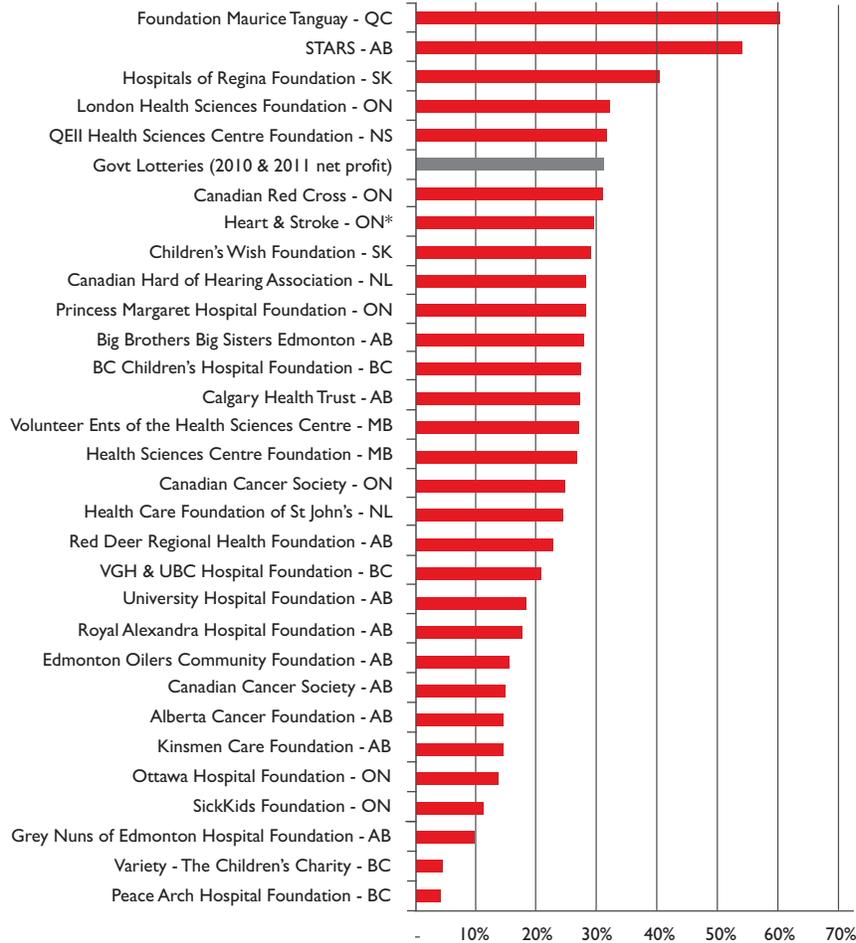
the Canadian Cancer Society introduced lotteries that lost money for the charities and were subsequently discontinued. In F2010, the two lotteries took in \$3.4m in revenue and lost \$515k.

The second drawback is how costly lotteries are to run. Charity lottery ticket buyers may not be aware of how much of each dollar spent on lottery ticket revenue actually goes towards funding charitable programming. To that end, Ci examined each of the Major 100 charities in Canada (the charities receiving the most in donations from Canadians) and found fourteen that reported lottery results in their audited financial statements. Ci included an additional 16 charities that held lotteries with revenues over \$1.5m. Over 2012, these 30 charities captured lottery revenues of \$376m – about 50% of estimated Canada-wide charitable lottery revenue (see Appendix A for discussion on whether our sample is representative of the larger set of lottery data).

Our analysis indicated a wide range of performance in terms of how much of each dollar of ticket revenue went towards "doing good", i.e., being spent on the charity's programs. The two best lotteries in this respect were operated by the Fondation Maurice Tanguay in Quebec and STARS in Alberta, which retained 60% and 54% respectively for their programs over the past three years. The STARS lottery has a long history of consistently selling out its allotment of tickets, and also doing so rapidly (allowing the charity to reclaim some planned marketing expenses). The Fondation Maurice Tanguay has consistently held a relatively modest house lottery for over 15 years with the lowest three-year prize payout of charities disclosing this information. The least efficient lotteries examined kept less than 5% for charity purposes.

It is also notable that Ci found only three major lotteries for which the charities did not disclose a breakdown of lottery operations to allow us to include them in this analysis. The Children's Hospital of Eastern Ontario in Ottawa operated a lottery with 2012 revenues of \$8.2m, but no breakout of associated costs. This would rank as the 10th largest charity lottery revenue. As well, the St. Boniface Hospital and Research Foundation in Winnipeg had \$6.4m in revenue from lotteries and events in 2012 and the Pacific National Exhibition in Vancouver had \$4.9m in lottery revenue in 2011 with no further detail.

FIGURE 3. Share of Lottery Revenue Available to Charity (3-Year Average)²



By way of comparison, government lotteries retained 31.4% of their ticket revenues as profit³. This makes them, on average, more efficient than all but five of the charity lotteries examined. There are some significant structural differences that can account for the difference in efficiency. One reason is the fact that provincial lotteries typically run continuously throughout the year; customers do not need to receive direct mail nor as much mass media advertising to remind them that the lottery exists and what the deadlines may be to buy tickets. Another is how prize amounts are determined and paid for. Charity lotteries (officially referred to as raffles) are required to commit to a certain set of prizes ahead of time; if not enough tickets sell, prize payouts may be disproportionately large. In the case of government lotteries, jackpot announcements are only estimates, as prize amounts are fixed percentages of actual ticket revenue. Thus, the government is never at risk of overspending on prizes.

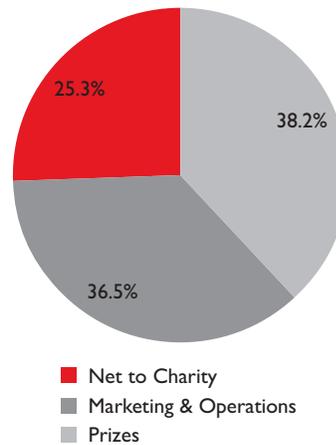
² Based on three years of most recent financial statements

³ Weighted average of six provinces reporting profitability of lottery operations in 2010 and 2011 (BC, AB, MB, SK, ON, QC)

There are two major expenses that explain why charity lotteries have such high costs. The first is paying for prizes. While some ticket buyers may assume that charity lottery prizes are donated, this is far from true. Of the 30 lotteries examined, 14 provided specifics on prize payouts and these charities spent an average of 38% of revenues on lottery prizes. From the perspective of a lottery ticket buyer, getting a high proportion of your money paid back in the form of prizes is desirable, but for the purposes of a charity it is not.

The second major cost category is the expenditure on marketing and operations of the lotteries. The mega-raffles typically provide 24/7 call centres and websites to buy tickets online. Often charities use experienced external lottery management providers to handle these functions on their behalf. Further, marketing a lottery is a major cost, frequently involving sending a direct mail piece to every household in the province, coupled with television, print and radio advertising.

FIGURE 4. Charity Lottery Expense Breakdown (3-Year Average)



Note: Based on 14 charities providing breakdown of lottery expenses.

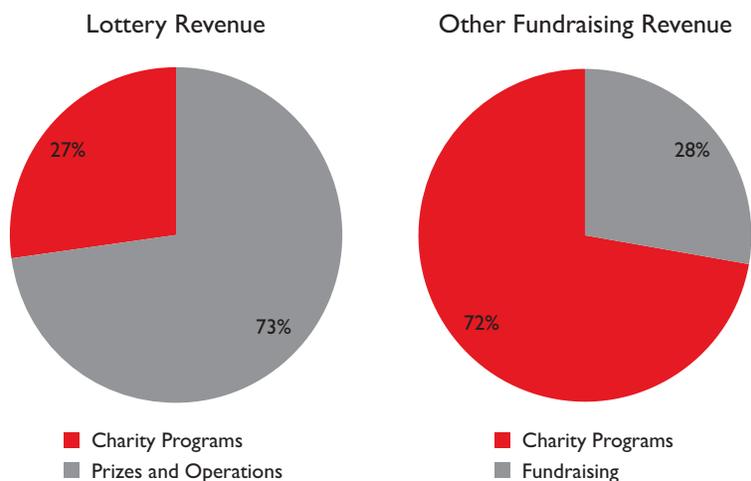
It is important to bear in mind that the portion of the operational expense going into marketing can be seen as another benefit to the charity. Lottery advertising may increase awareness of the charity, which in turn may help when conducting other fundraising events. This may explain why lotteries that capture even small amounts of ticket revenue for charitable programs are still in operation; as long as the lottery can cover its own costs, the charity benefits from the marketing that is included in the operation of the lottery. The increased awareness may increase direct fundraising dollars and help the charity educate an increased audience.

While this makes sense from the standpoint of the charity, there may be some drawbacks from the donor's perspective for two reasons. First, if one charity increases its marketing spend, other charities are likely to follow suit, resulting in minimal benefit for charities overall and increased costs

for all. Second, inefficient lotteries “dilute” the value of the entire pool of charity lottery dollars, with less of the pool of funds available for charitable programming. It is better for the sector overall if more funds can be allocated to the most efficient lotteries. Some provinces have regulations that mandate a minimum level of efficiency and prize payout to prevent charity lotteries from being unfair to ticket purchasers. For example, the Alberta Gaming and Liquor Commission mandates that prizes must be at least 20% of ticket revenue and other expenses less than 30% of ticket revenue. On the other hand, in Nova Scotia there are no such stipulations (see Appendix B for specific regulations by province). However, given the inconsistency in rules across provinces, we believe ticket buyers should research the specific costs of the lotteries they may be interested in rather than relying on government regulations.

Ticket buyers who may be surprised by the relatively small amounts that are retained by some charity lotteries may want to consider the alternative of direct donation over buying a lottery ticket. While there may not be the possibility of winning a prize, a significantly larger share of each dollar goes towards funding the charity's actual programs. Of the 30 selected charities, an average of 27% of lottery revenue was retained for charity purposes. Compare that figure to 72% for the same charities if the funds were raised via fundraising methods other than the lottery. This is not to say that charity lotteries should be avoided by donors, only that Ci believes that ticket buyers should not think of charity lotteries as a replacement for direct donations. So long as the tickets are paid for out of the donor's "lottery" budget rather than from their donation budget, the lottery can still be a beneficial fundraising tool.

FIGURE 5. Allocation of Fundraising Revenue⁴



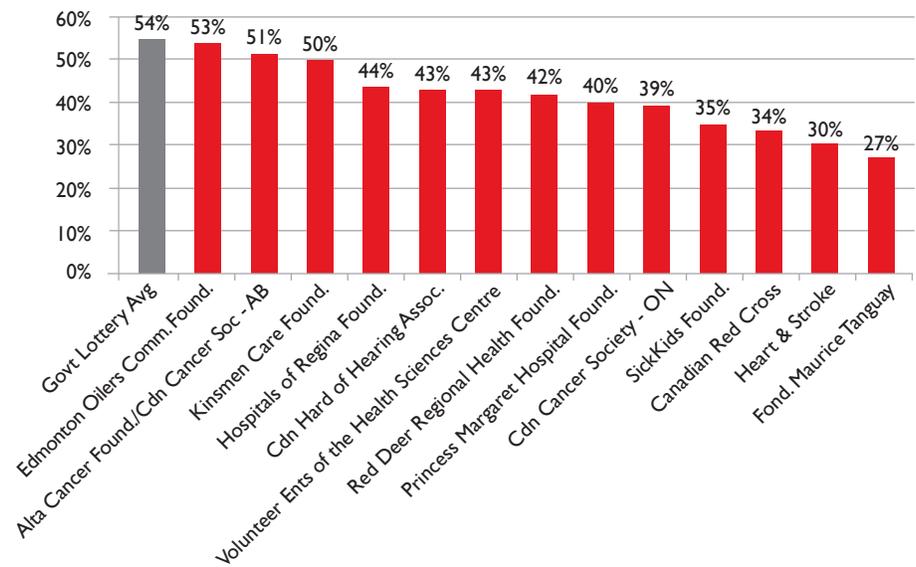
“This is not fundraising; this is entertainment.”

– Sue Caruthers

⁴ Based on three most recent years of audited financial statements for 30 selected major charity lotteries

Of course, many lottery ticket purchasers view the charity lottery as a combination of philanthropy and gambling. To appeal to the gambler, some charities emphasize the limited number of tickets or the high odds of winning a prize, thus making the lottery odds seem favourable. In fact, in comparison with government lotteries, the charities with published data on prize payouts showed the opposite – in most cases, charity lotteries paid out less on average than the most popular government lotteries. Note that we do not use odds of winning a prize in this comparison, as prize values and ticket prices vary significantly by lottery. Instead, we look at, on average, how much of each dollar spent can the ticket buyer expect to get back each time they purchase a ticket. What we found is that the provincial government lotteries provided higher payouts (average of 54%) than the charity lotteries, which provided a range of 27% to 53%. So while payouts vary, lottery ticket buyers should not assume that the odds for charity lotteries are any better than those for typical government lotteries.

FIGURE 6. Share of Lottery Revenue Distributed as Prizes (3-Year Average)



“Everybody ... will be willing to hazard a trifling sum for the chance of considerable gain ... and would prefer a small chance of winning a great deal to a great chance of winning little.”

– Alexander Hamilton

Being an informed lottery ticket buyer

So what is our recommendation for potential charity lottery players? The answer depends on what donors’ motivations are for playing the lottery. If donors are interested solely in contributing to a specific charity, in all cases it will be more efficient to donate directly to that charity, rather than buying a lottery ticket.

For most who are interested in both charitable giving and winning a prize, the choice is more difficult. If you are passionate about any single charity, find out what the prize payout and expense amounts are, and make sure they are comparable to what other lotteries deliver before buying a ticket. If you don’t favour any specific charity, we recommend you consider the

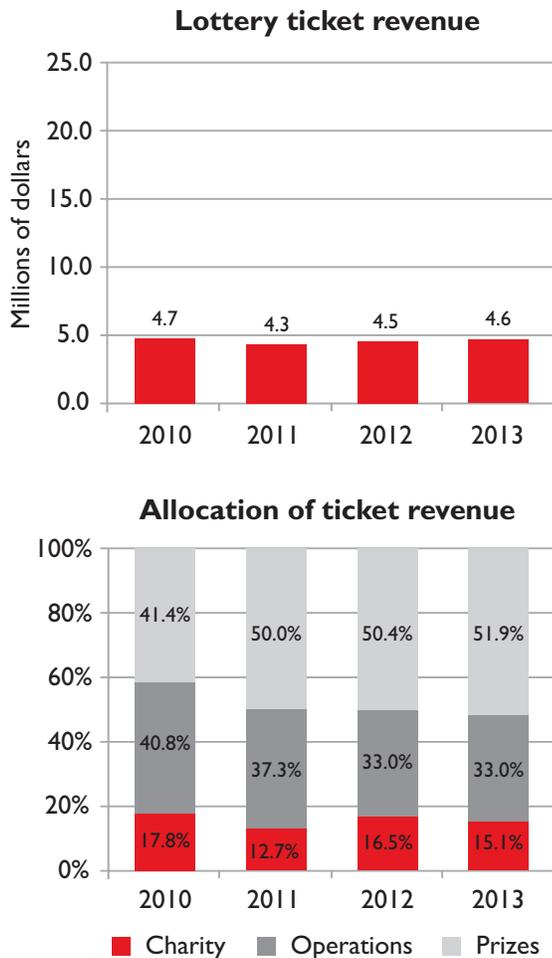
more efficient lotteries first (see data starting pg 10). Choosing to buy a lottery ticket from a more efficient charity lottery has two advantages; first, it lets more dollars be used for charitable purposes. Second, it encourages less efficient lotteries to work harder to run more efficiently.

Using lotteries to raise funds introduces high marketing and operational costs and is less efficient than directly-donated funds. However, from the perspective of the charity, lotteries can bring in millions of additional funding dollars that they would not have access to if they had not held these events. On balance, so long as donors view charity lotteries primarily as entertainment and do not buy tickets out of their “donations” budget, lotteries can be a great benefit to charities. It is up to the lottery ticket buyer to ask the charities about their costs and to make an informed choice to buy a ticket from an efficient lottery.

Detail of Charity Lotteries

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Variety – The Children's Charity	BC	38
VGH & UBC Hospital Foundation	BC	39
Volunteer Enterprises of the Health Sciences Centre	MB	40

Alberta Cancer Foundation

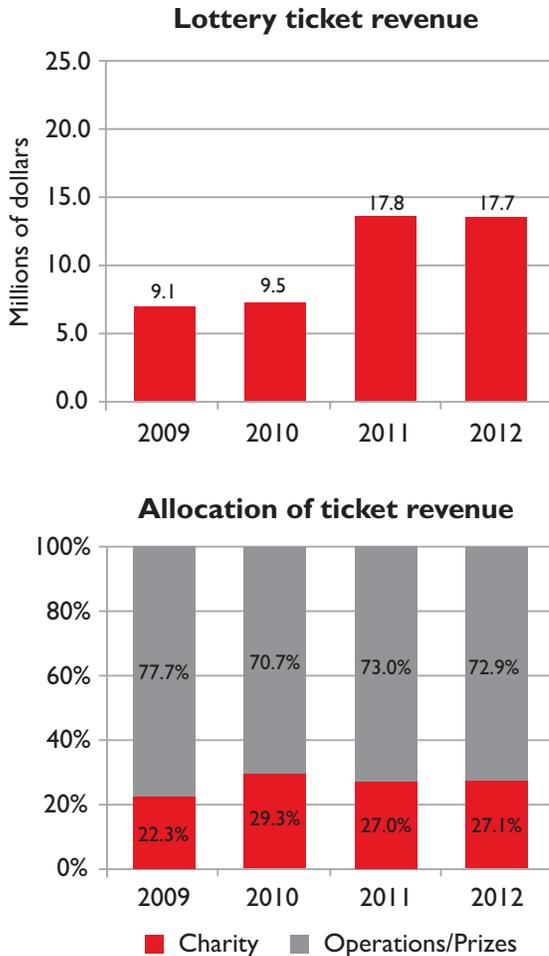


Founded in 1985, the Alberta Cancer Foundation's (ACF) mission is to deliver progress in cancer research, prevention, treatment and care by generating community investment for Alberta's coordinated research strategy, the Cross Cancer Institute, Tom Baker Cancer Centre, and 15 other cancer centres throughout the province. The ACF makes grants to research, patient programs, screening and early diagnosis, access to leading-edge equipment, continuing education for clinicians and researchers, and training for the next generation of cancer specialists and researchers.

ACF hosts the Cash & Cars and More Lottery jointly with the Canadian Cancer Society Alberta. The current grand prize is a \$1.4m home. Proceeds are split by the two organizations.

Lottery information is derived from figures published in the charity's audited financial statements.

BC Children's Hospital Foundation

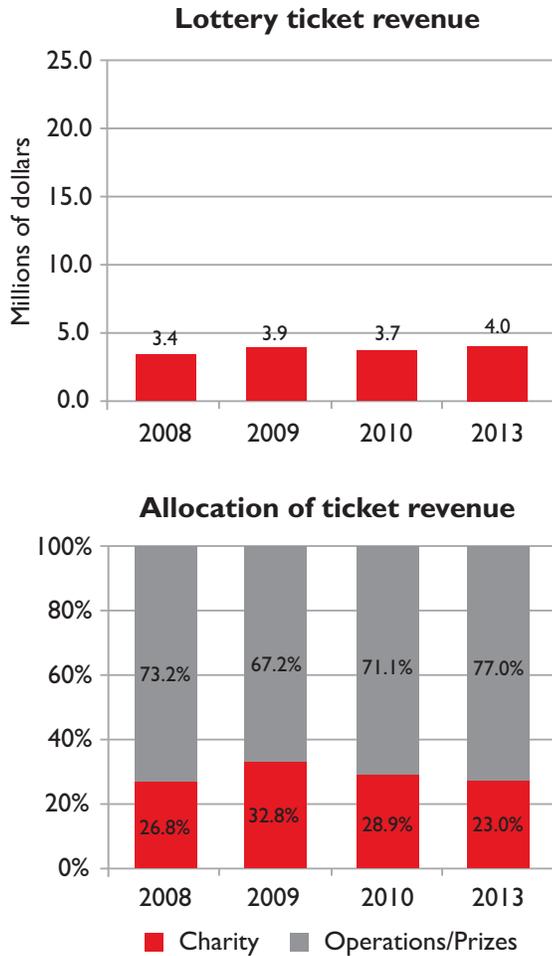


Founded in 1982, BC Children's Hospital Foundation (BCCHF) raises funds to support and enhance the delivery of paediatric care in British Columbia. The Foundation provides funding to BC Children's Hospital, the Child & Family Research Institute, and Sunny Hill Health Centre to support research into childhood diseases, the purchase of medical equipment, and a range of child health education and training programs.

The most recent lotteries held by BCCHF are the 2013 Choices Lottery with a \$2m grand prize or the choice of other prize packages worth over \$2m, and the similar 2012 Dream Lottery.

Lottery information is derived from figures published in the charity's audited financial statements.

Big Brothers Big Sisters Edmonton

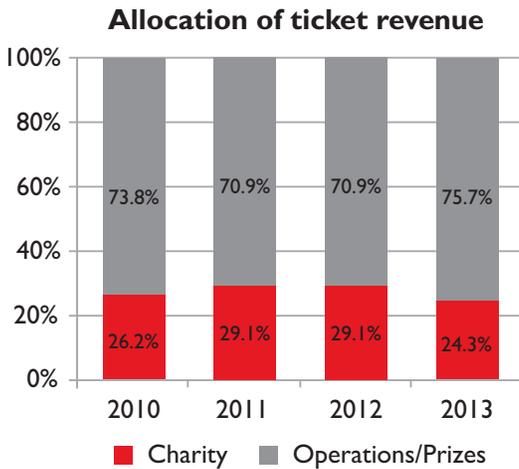
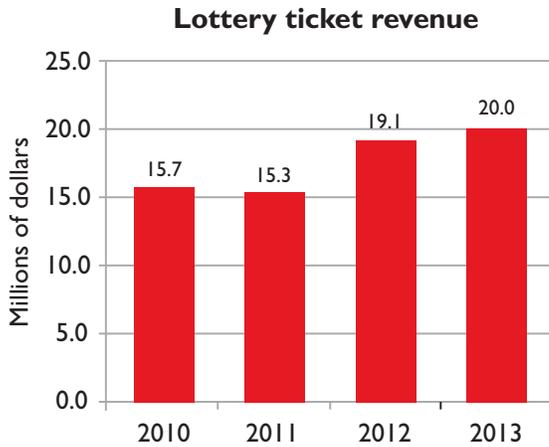


Big Brothers Big Sisters of Edmonton merged with the Boys and Girls Clubs of Edmonton in 2011 to jointly support the children and youth of Edmonton through the provision of safe places to be between school and home, and caring, supportive mentoring relationships.

The 2013 Dream Home Lottery represents the 33rd annual lottery for BBBS Edmonton. The Dream Home grand prize package is worth \$1.4m.

Lottery information is derived from figures published in the charity's audited financial statements. Due to the amalgamation and changes in year-end, no data is available for 2011 and 2012 data is amalgamated into F2013.

Calgary Health Trust

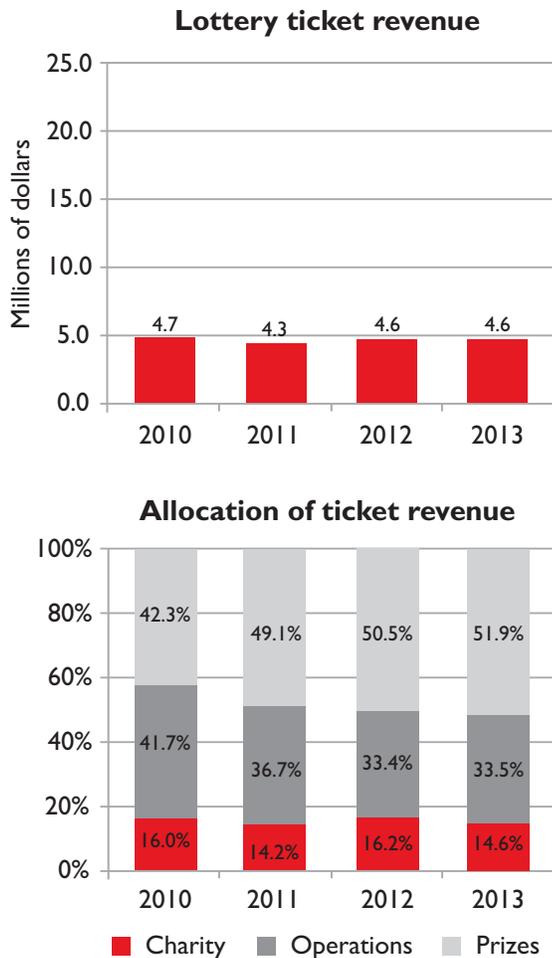


Founded in 1996, Calgary Health Trust (CHT) connects donor passions with health care needs in the Calgary region. CHT raises funds for medical equipment, capital projects, and patient care and program support at the Foothills Medical Centre, Peter Lougheed Centre, Rockyview General Hospital, and Women's Health. Donors can make designated donations or establish donor-advised funds, directing proceeds to the health care program they feel passionate about.

CHT operates two lotteries annually; the Lifestyles Lottery and the Foothills Home Lottery with a most recent grand prize of a \$2.3m estate home.

Lottery information is derived from figures published in the charity's audited financial statements.

Canadian Cancer Society – AB

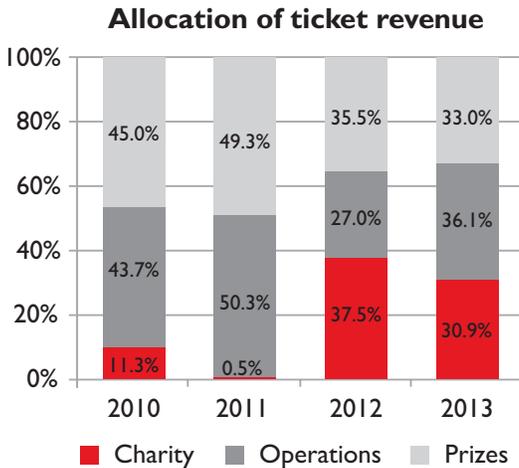
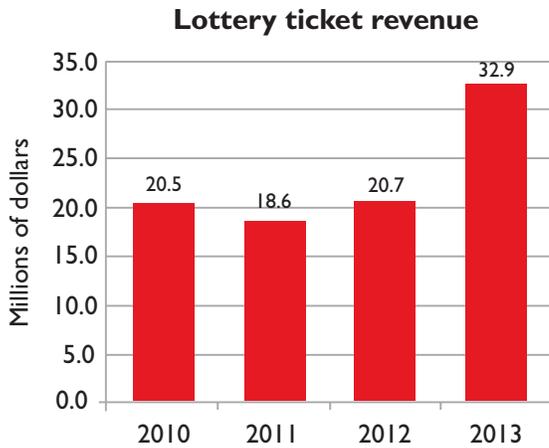


The Alberta and Northwest Territories division is the fourth largest provincial division of the Canadian Cancer Society (CCS), with 9 regional offices that provide services to people with cancer. Like all CCS divisions, its mission is the eradication of cancer and the enhancement of the quality of life for people living with cancer.

Proceeds from the annual Cash & Cars and More Lottery are shared with the Alberta Cancer Foundation. The current grand prize is a home worth \$1.4m. Proceeds are split by the two organizations.

Lottery information is derived from figures published in the charity's audited financial statements.

Canadian Cancer Society – ON

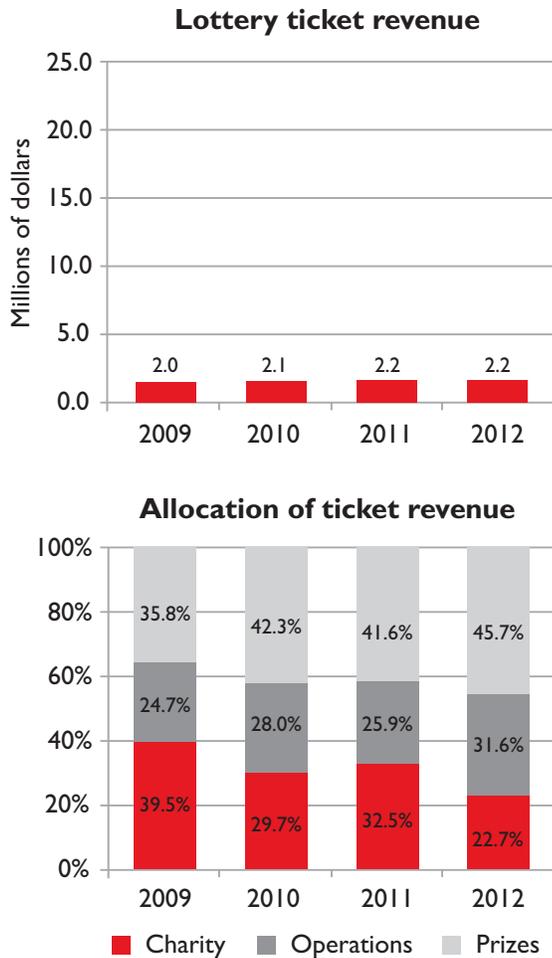


The Ontario division is the largest provincial division of the Canadian Cancer Society (CCS), with 7 regional offices and 31 community offices. Like all CCS divisions, its mission is the eradication of cancer and the enhancement of the quality of life of people living with cancer.

CCS runs the Daffodil Daily Lottery with three grand prizes of \$1m, and the Fall Lottery with a grand prize of \$1.5m. Of note is the dramatic increase in efficiency for the CCS lottery in 2012; the share of ticket revenue that went to the charity jumped from 0.5% in 2011 to 37.5% in 2012. According to Ci interviews with CCS management, this increase was due largely to the timing of a lottery beginning near the end of fiscal 2011 with a large portion of expenses being recognized in 2011, with the revenues for that lottery recognized in 2012. The change in efficiency was not due to any significant changes in how the lottery was operated.

Lottery information is derived from figures published in the charity's audited financial statements.

Canadian Hard of Hearing Association – NL

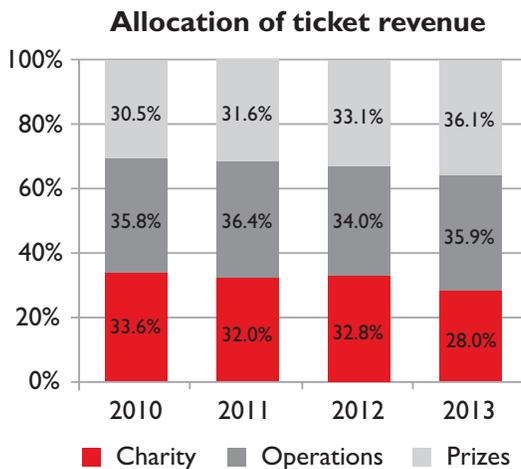
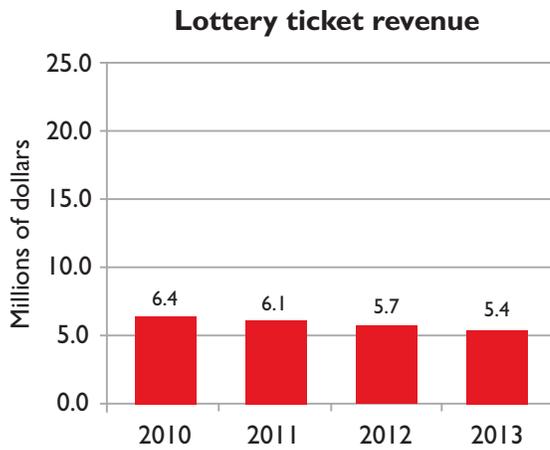


The Newfoundland and Labrador division of the Canadian Hard of Hearing Association works to improve the quality of life for hard of hearing people of all ages in Newfoundland and Labrador. It also works to promote understanding of the prevalence, causes and prevention of hearing loss, as well as to advocate for accessibility in public places.

The charity has held the Ultimate Dream Home Lottery for 25 years. The current grand prize is a Dream Home package worth \$530k.

Lottery information is derived from figures published in the charity's audited financial statements.

Canadian Red Cross

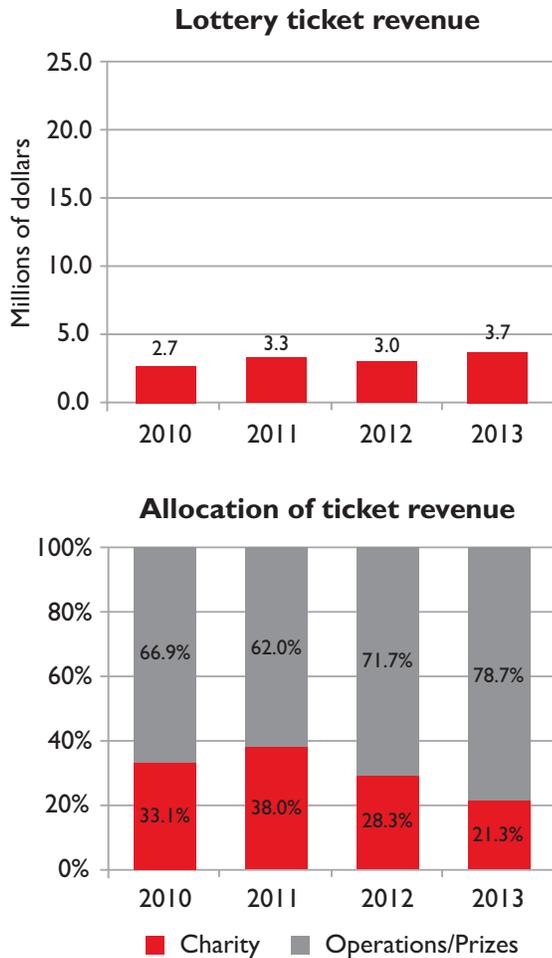


Founded in Canada in 1896, Canadian Red Cross (CRC) works to improve the lives of vulnerable people by mobilizing the power of humanity in Canada and around the world. It seeks to be the leading humanitarian organization through which people voluntarily demonstrate their caring for others in need. CRC is one of 187 members of the International Red Cross and Red Crescent.

The Canadian Red Cross hosts several lotteries, including the Great Saskatchewan Treasure Hunt, Canadian Red Cross Lottery (in Ontario), and Lotomania (Nova Scotia). The largest is the Ontario lottery with a grand prize of \$250k.

Lottery information is derived from figures published in the charity's audited financial statements, including all revenues and expenses associated with lotteries and gaming.

Children's Wish Foundation

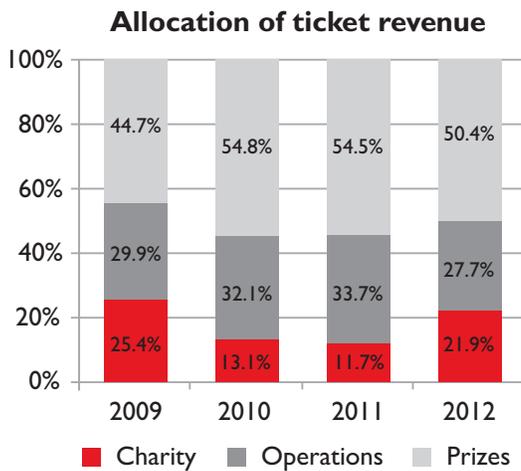
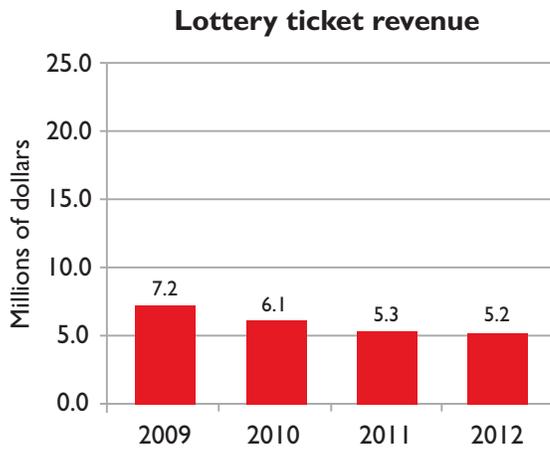


The Children's Wish Foundation was founded in 1984 and has granted over 16,000 wishes to date. Its objectives are: 1) to grant wishes to children suffering from high-risk, life-threatening illnesses; 2) to fund research with respect to high-risk, life-threatening diseases that particularly afflict children; 3) to provide grants to health care facilities in Canada which provide medical care to children eligible to receive wishes from the Foundation; 4) to provide grants to not-for-profit organizations in Canada which provide services, facilities, or activities to enhance the quality of life of children eligible to receive wishes from the Foundation.

The foundation hosts an annual Children's Wish Home Lottery in Saskatchewan with a grand prize of building a custom home anywhere or \$1.0m in cash.

Lottery information is derived from figures published in the charity's audited financial statements.

Edmonton Oilers Community Foundation

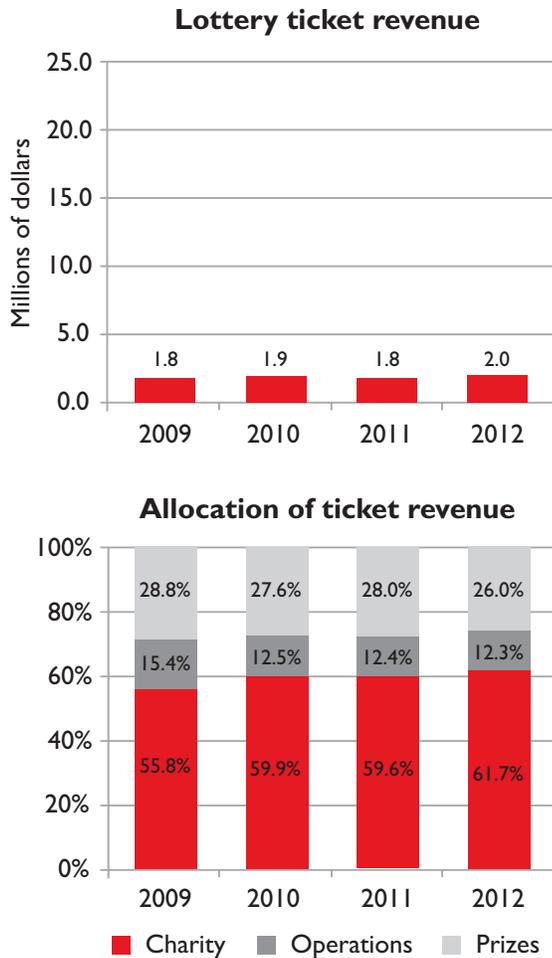


Since 2001, the Edmonton Oilers Community Foundation (EOCF) has raised funds to serve various needs in Northern Alberta. The foundation focuses on educational, health and wellness and youth-related activities.

The EOCF hosts the Winner's Choice Lottery with the most recent grand prize being the choice of a house or \$1.5m cash.

Lottery information is derived from the charity's audited financial statements.

Fondation Maurice Tanguay

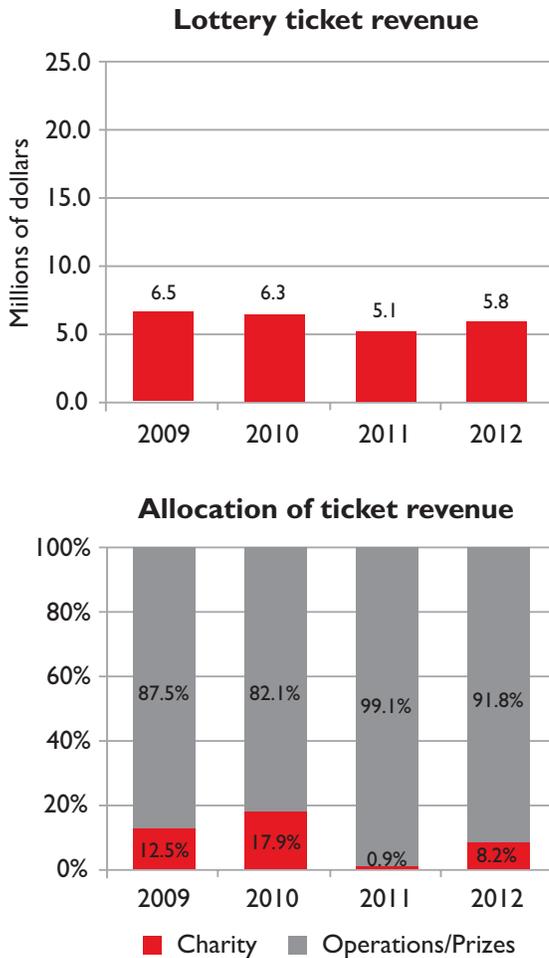


The mission of the Maurice Tanguay Foundation is to help children with disabilities across eastern Quebec by taking concrete actions directly with families or with organizations that support them.

The charity operates la Maison Tanguay lottery with the grand prize of a house valued at over \$600k or \$500k cash.

Lottery information is derived from figures published in the charity's audited financial statements.

General Hospital (Grey Nuns) of Edmonton Hospital Foundation

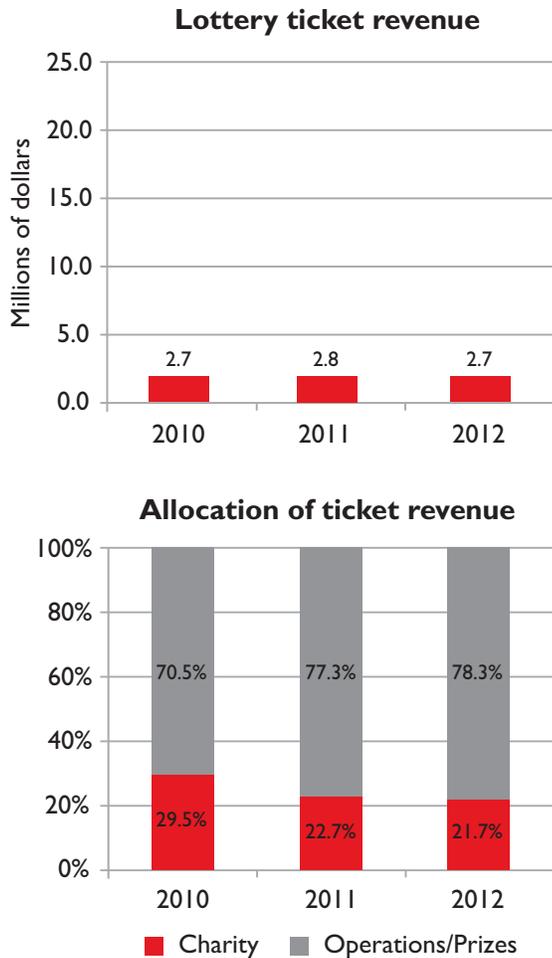


Founded in 1990, the Grey Nuns Hospital Foundation is one of two foundations that make up the Caritas Foundation (the Misericordia Hospital Foundation being the other), which raises funds to support programs and services, health equipment, research, and education at Covenant Health's six locations in Edmonton and St. Albert, Alberta. Covenant Health is Canada's largest Catholic health care organization, with 18 health care centres throughout Alberta.

The charity operates the Caritas Foundation Lottery with a grand prize package, including a Showhome, of \$1.9m.

Lottery information is derived from figures published in the charity's audited financial statements.

Health Care Foundation of St. John's

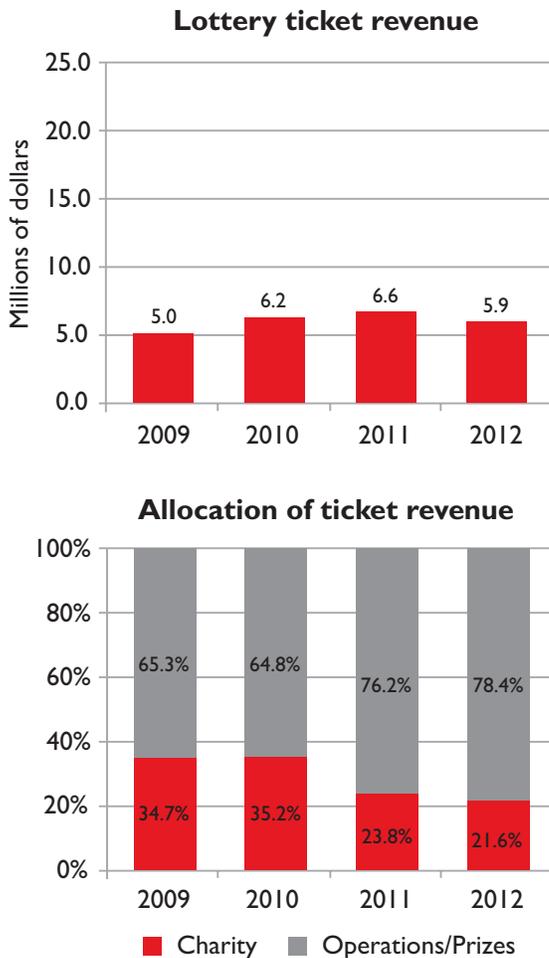


The Health Care Foundation of St. John's raises funds to support five local hospitals and health centres. Collectively, these five centres encounter one million patients per year.

The Foundation's first lottery was launched in 2008 and is the largest such lottery in the province. The latest lottery was the HCF Hospital Home Lottery with a grand prize of a \$940k home plus \$10k in cash.

Lottery information is derived from figures published in the charity's audited financial statements.

Health Sciences Centre Foundation

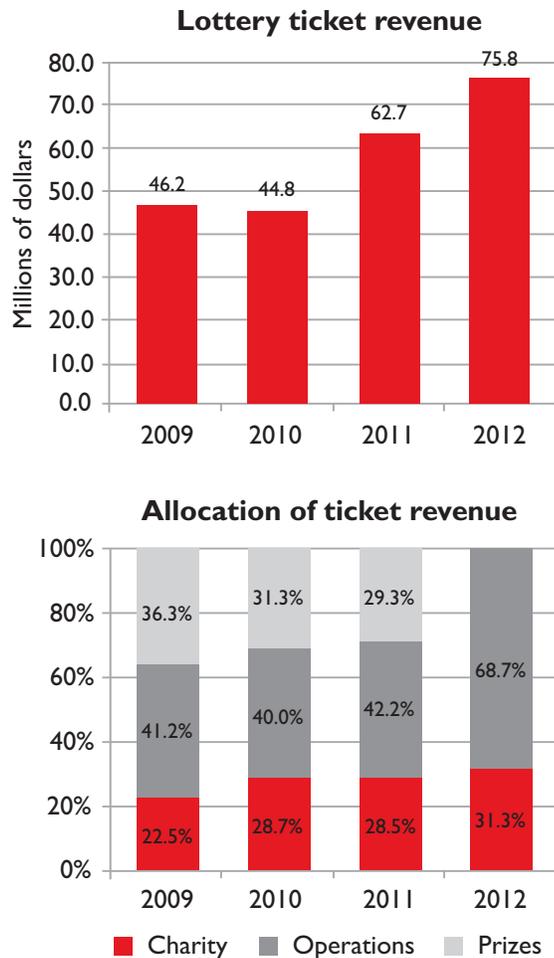


Health Sciences Centre Foundation (HSCF) supports the Health Sciences Centre (HSC), a health care teaching and research facility in Winnipeg, serving people in Manitoba, northwestern Ontario and Nunavut. HSC is the designated Trauma Centre for Manitoba, as well as the centre for transplants, burns, neurosciences and paediatric care. The Foundation is one of two charities supporting the HSC, with the Volunteer Enterprises of the Health Sciences Centre also providing funding to the Centre.

HSCF operates the annual Home Lottery and 50/50 draw with a current grand prize home worth \$1.4m.

Lottery information is derived from figures published in the charity's audited financial statements. 2010 – 2012 data may include minor revenues and expenses from other fundraising activities (more detailed 2009 information disclosed that lotteries accounted for 99.2% of Special Projects revenues).

Heart & Stroke Foundation

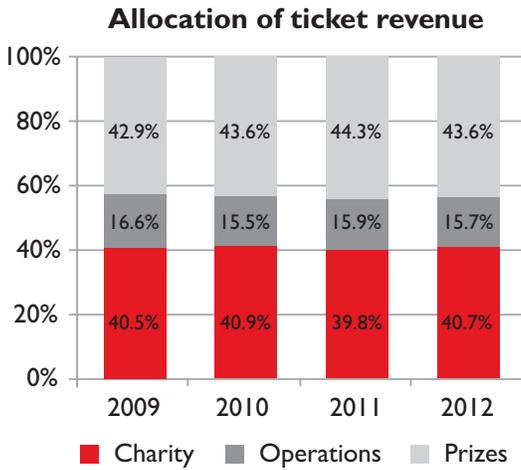
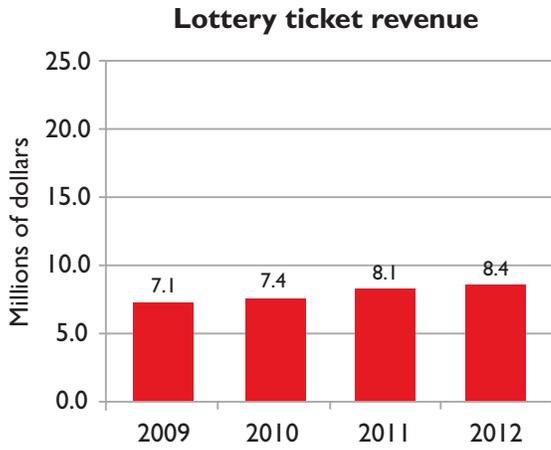


The Heart & Stroke Foundation strives to eliminate heart disease and stroke, and reduce their impact through research, treatment, and advocating for healthy living. In 2012, the provincial divisions of the Heart & Stroke (except for New Brunswick) were consolidated into one national entity. The data presented represent the Ontario division lottery until 2011 and consolidated data for 2012.

Heart & Stroke runs three major lotteries in Ontario, including the Heart & Stroke Lottery with a grand prize of \$2m, the Daily Cash Lottery, with a grand prize of \$1m, and the Calendar Lottery offering prizes up to \$100k. New Calendar Lotteries have been started in Alberta and BC. Heart & Stroke is the largest lottery in average annual ticket revenues over the past three years.

Lottery information is derived from figures published in the charity's audited financial statements.

Hospitals of Regina Foundation

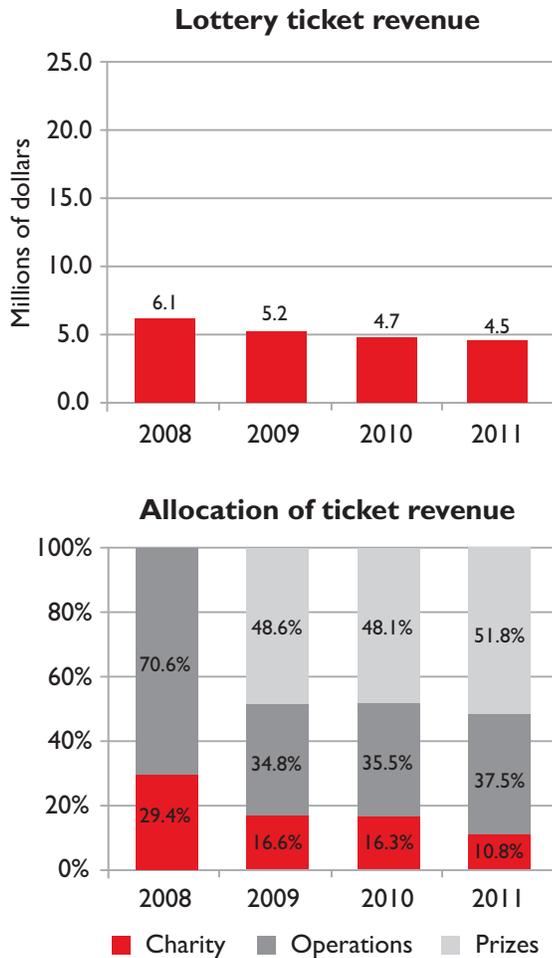


Founded in 1987, the Hospitals of Regina Foundation works to enhance the level of care in Regina’s hospitals for the people of southern Saskatchewan. The charity provides funds to Regina’s three hospitals: the Pasqua Hospital, Regina General Hospital, and the Wascana Rehabilitation Centre.

The Foundation operates a Home Lottery with a grand prize of an \$850k home plus \$25k in cash.

Lottery information is derived from figures published in the charity’s audited financial statements.

Kinsmen Care Foundation/Alberta Children's Hospital Foundation

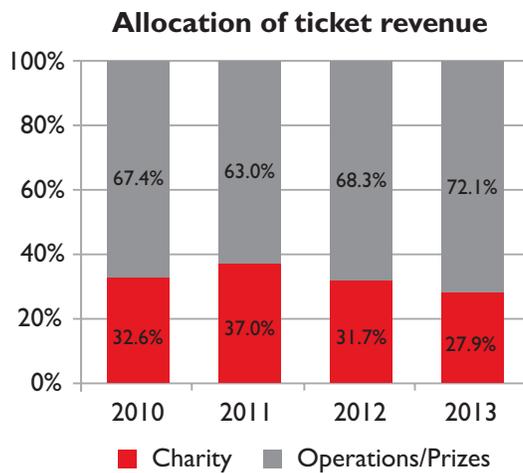
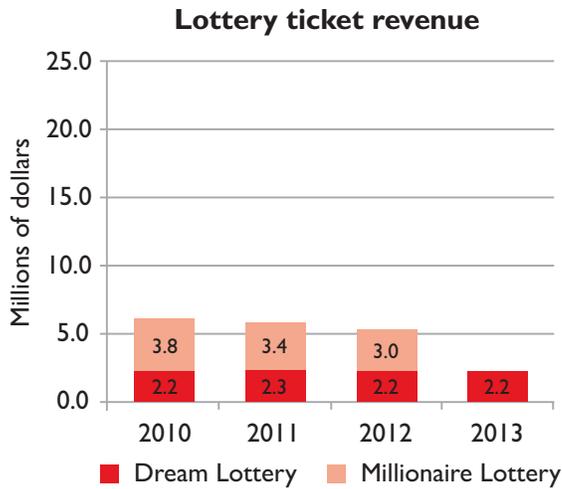


The Kinsmen Care Foundation operates a lottery to fund the Alberta Children's Hospital Foundation (ACHF). Founded in 1957, ACHF raises funds for excellence in child health, research and family-centred care. In 2006, it helped fund the building of a new children's hospital.

Annually, the Kinsmen Care Foundation runs the Kinsmen Lotto on behalf of the ACHF with a current grand prize of a \$1.3m Showhome.

Lottery information was derived from the unaudited financial statements of the Kinsmen Care Foundation.

London Health Sciences Foundation

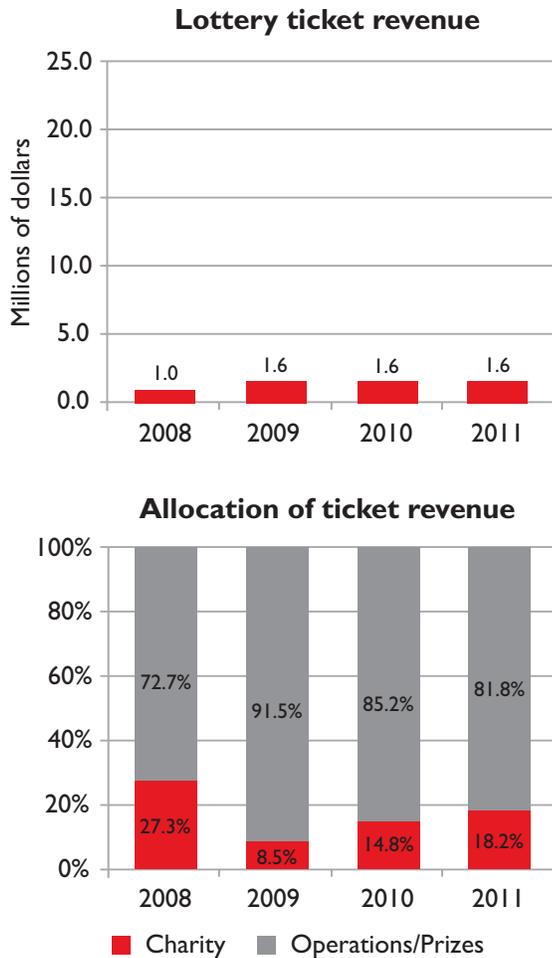


London Health Sciences Foundation (LHSF) raises funds to support London Health Sciences Centre (LHSC). LHSC is home to three hospitals and two family medical centres in London, Ontario, and cares for over a million patients per year.

Until 2012, LHSF has held two lotteries: the Dream Lottery with a grand prize of one of 3 Dream Home Packages or \$1m cash, and the Millionaire Lottery. Proceeds from the Dream Lottery are shared by the LHSF, St. Joseph's Health Care Foundation and Children's Health Foundation. The Millionaire Lottery was discontinued in 2013.

Lottery information is derived from figures published in the charity's audited financial statements. Lottery revenue includes total lottery revenue received by LHSF from both lotteries. Allocation of ticket revenue includes only the operations of the Dream Lottery as information on the expenses of the Millionaire Lottery are not broken out on audited financial statements.

Ottawa Hospital Foundation

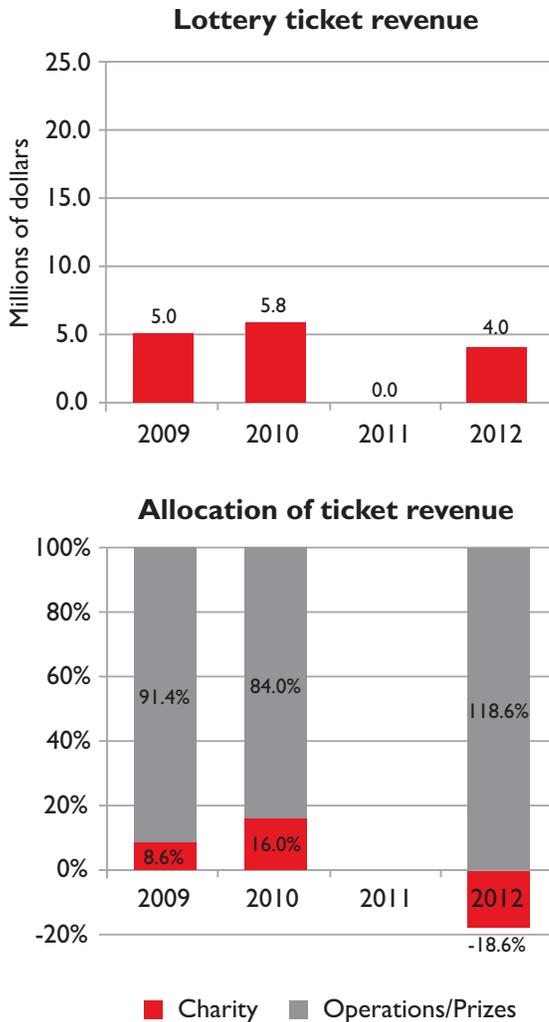


The Ottawa Hospital Foundation (OHF) raises funds to support the Ottawa Hospital and the Ottawa Hospital Research Institute. The hospital is the largest acute care hospital in the nation and handles over a million patient visits per year.

OHF operates the We All Win Lottery, with proceeds shared with the Children's Hospital of Eastern Ontario (CHEO) Foundation, offering four grand prize town homes.

Lottery information is derived from figures published in the charity's audited financial statements, excluding the Staff lottery. Ci assumed the Staff lottery in 2010 had the average of 2009 and 2011 operating margins as gross revenue not provided for 2010. Note that 2012 & 2013 lottery information is not included, as only net amounts were presented, making it impossible to calculate total revenue and share spent on operations and prizes.

Peace Arch Hospital Foundation

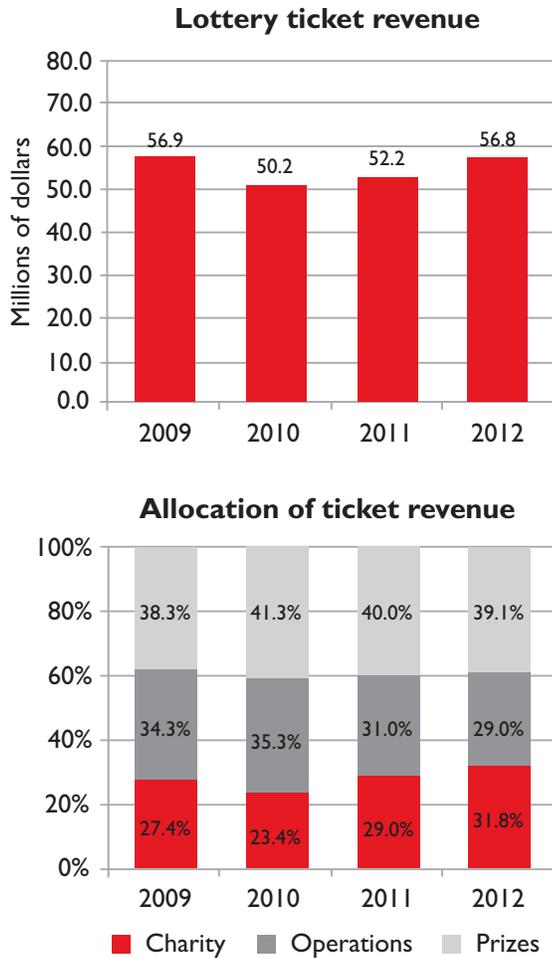


The Peace Arch Hospital and Community Health Foundation (PAHF) is the fundraising arm of the Peace Arch Hospital, a community hospital located in White Rock, British Columbia. The majority of the PAHF's grants go towards purchasing medical equipment at the Peace Arch Hospital.

The charity operated the WinFall Lottery from 1995 until 2009 and then again in 2011 but it has subsequently been discontinued. The 2011 lottery resulted in a net loss in F2012 of \$746k in the charity's gaming, which also included a \$11k raffle with undisclosed expenses.

Lottery information is derived from figures published in the charity's audited financial statements.

Princess Margaret Hospital Foundation

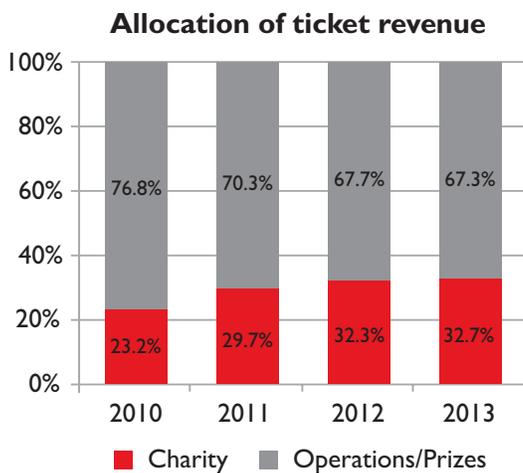
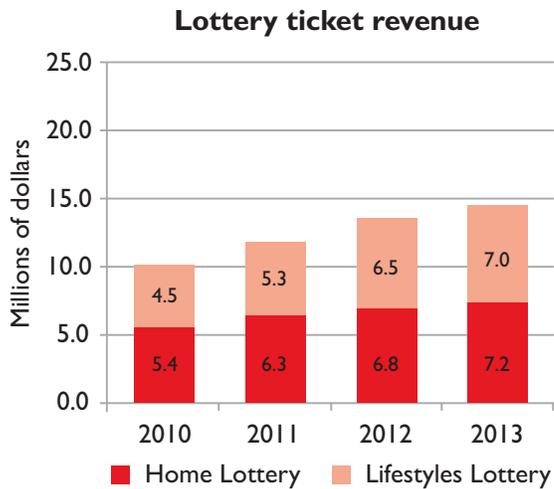


Founded in 1982, Princess Margaret Hospital Foundation (PMHF) fundraises and grants to Princess Margaret Hospital and the Ontario Cancer Institute. Its focus is to conquer cancer in our lifetime. It is reportedly one of the top 5 cancer research centres in the world.

PMHF holds two major lotteries: the Home Lottery with a \$3.8m grand prize home for their most recent lottery and the Welcome Home Sweepstakes, with the most recent grand prize being a \$4.3m house. PMHF is the second largest lottery in terms of annual revenue of the lotteries that Ci examined.

Lottery information is derived from figures published in the charity's audited financial statements.

QEII Health Sciences Centre Foundation

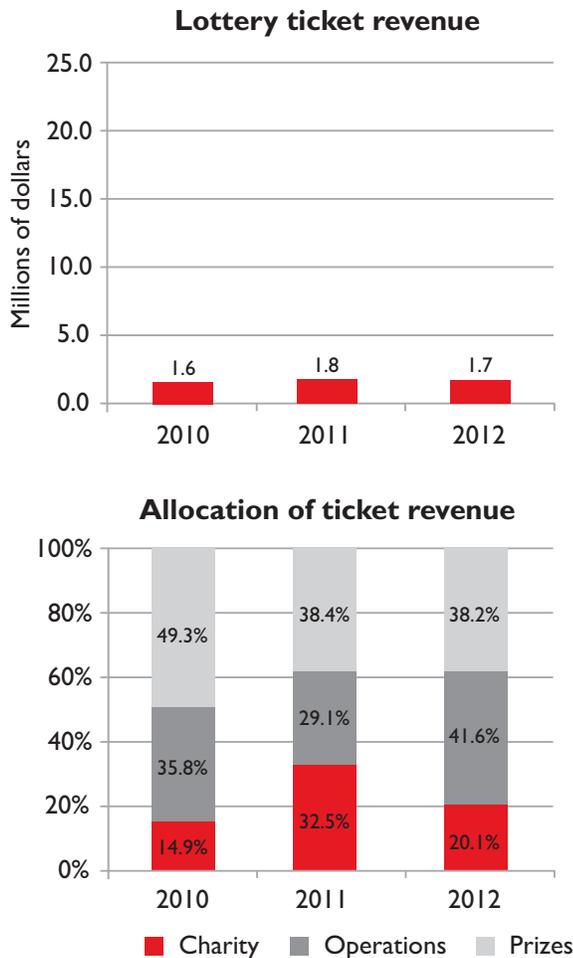


The Queen Elizabeth II Hospital Foundation is responsible for fundraising on behalf of the Queen Elizabeth II Hospital. The major goal of the raised funds is to support the purchase of specialized equipment, major projects, programs for patient care and education.

The foundation hosts two major lotteries each year: the Home Lottery with a grand prize of a \$1.1m Showhome, and the Lifestyles Lottery with a \$1m grand prize.

Lottery information is derived from figures published in the charity's audited financial statements and excludes the employee-only Grand-a-Week lottery.

Red Deer Regional Health Foundation

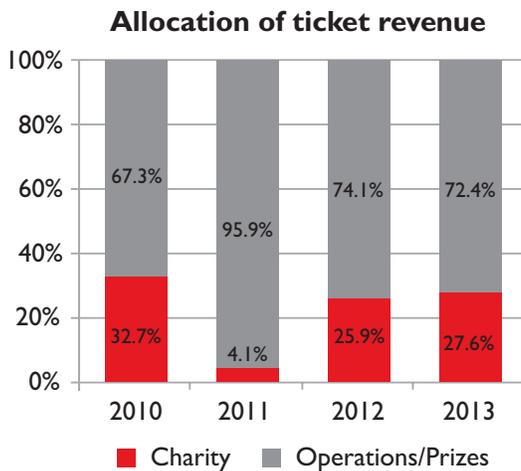
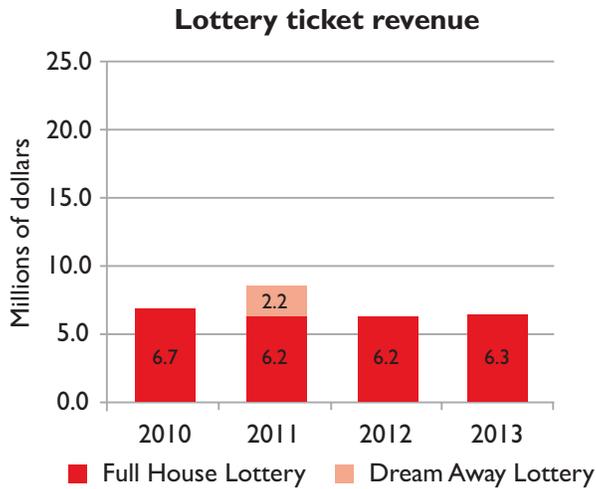


The Red Deer Regional Health Foundation was founded in 1993 and has the mission of enhancing health care excellence in central Alberta by raising funds to provide state-of-the-art medical equipment and services.

The Foundation holds their annual Hospitals' Lottery offering a Grand Prize Dream Home. Proceeds from the 2013 Hospitals' Lottery will be invested in standardizing equipment in exam and procedure rooms of the outpatient department.

Lottery information is derived from figures published in the charity's audited financial statements, including only data from the Hospitals' Lottery, excluding goods-in-kind and sponsorship.

Royal Alexandra Hospital Foundation

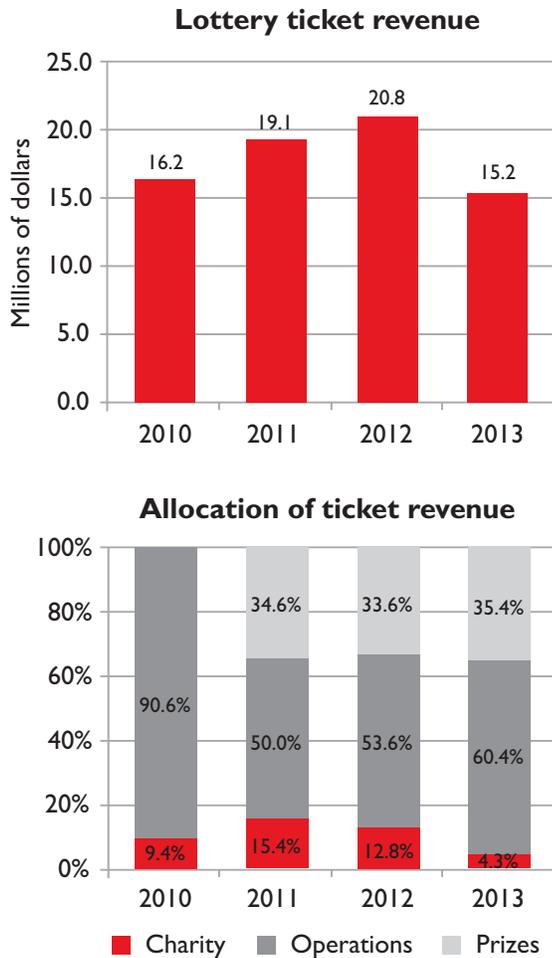


The Royal Alexandra Hospital Foundation (RAHF) raises funds to support the Alberta-based Royal Alexandra Hospital, as well as other causes such as the Lois Hole Hospital for Women and the CK Hui Heart Centre.

RAHF operates the Full House Lottery, which is shared with the University Hospital Foundation. As well, in 2011, they jointly started the Dream Away Lottery, which operated at a \$800k loss to RAHF but was subsequently discontinued in 2012.

Lottery information is derived from figures published in the charity's audited financial statements.

SickKids Foundation

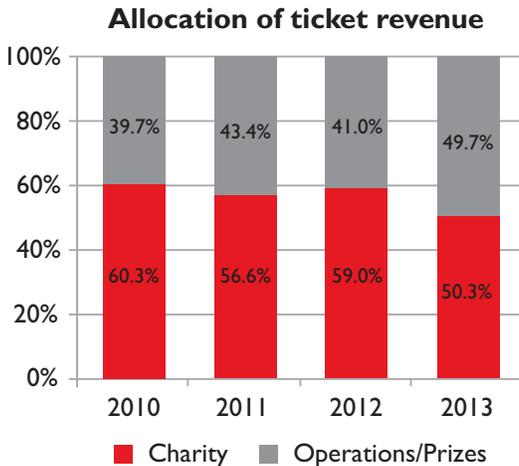
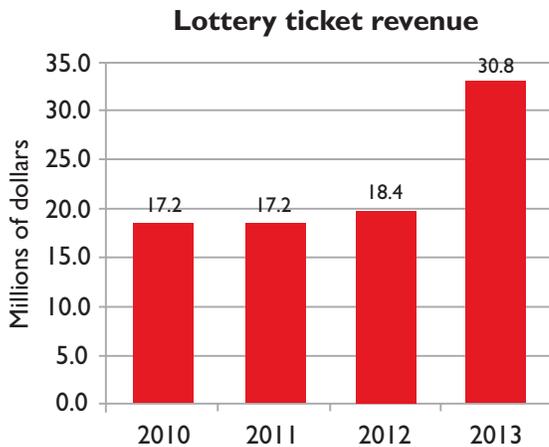


Founded in 1972, SickKids Foundation (SKF) is the fundraising organization for the world-renowned Hospital for Sick Children in Toronto. With over 300,000 donors, SKF's revenue base is the second largest of all children's hospitals in North America. It is Canada's fourth largest foundation by total assets (funding reserves) and is the third largest grant-making foundation. The Foundation's fundraising is driven by the belief that improving the health and well-being of children is one of the most powerful ways to improve society.

SKF holds the Dreams & Discoveries lottery in spring and fall, most recently offering a \$1.5m grand prize.

Lottery information is derived from figures published in the charity's audited financial statements.

STARS

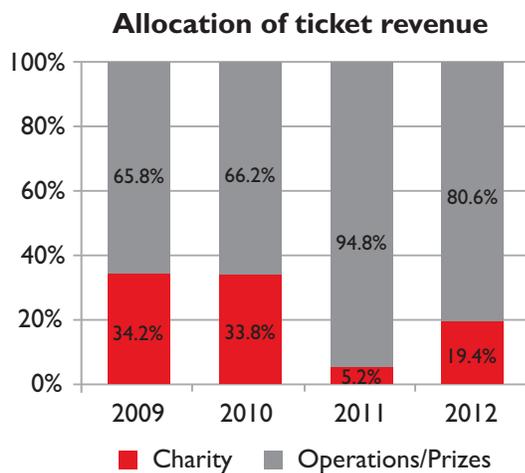
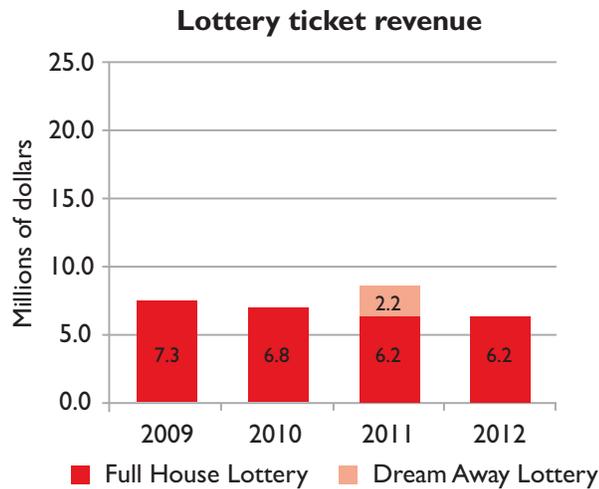


Shock Trauma Air Rescue Service's (STARS) primary service is a helicopter air ambulance service to provide transportation and emergency medical care to patients in need. STARS operates in Alberta, Saskatchewan and Manitoba. STARS also offers education and training services for its staff and medical care partners, and operates an Emergency Link Centre (ELC) to coordinate emergency rescue activities across its service area.

STARS holds an annual lottery that has sold out for the past 18 years. The most recent grand prize is a \$1.2m house. The lottery is the second most efficient of the 30 charities examined, retaining an average of 55% of revenues for the charity.

Lottery information is derived from figures published in the charity's audited financial statements. The charity changed its fiscal yearend in 2013 from December to March, thus there is significant overlap in the data for 2012 and 2013.

University Hospital Foundation

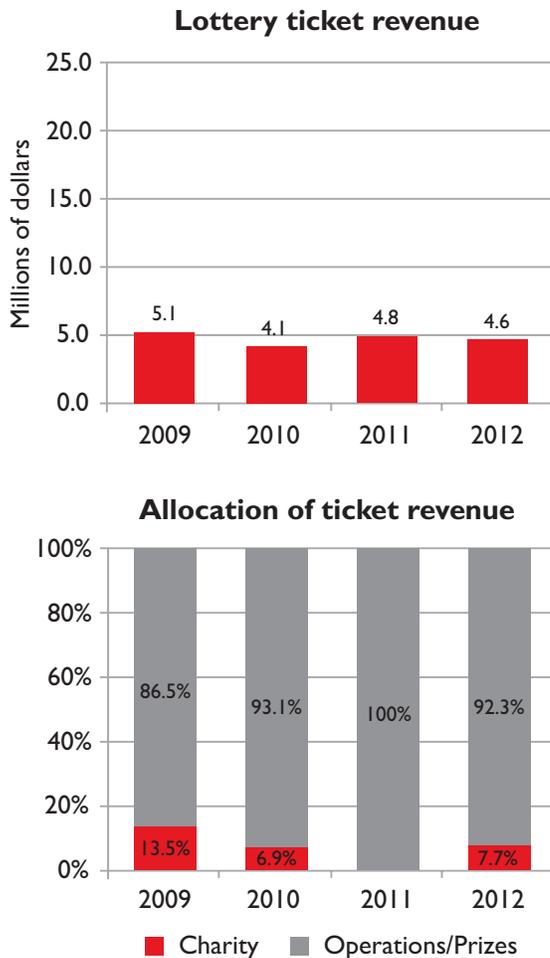


The University Hospital Foundation (UHF) was created in 1962 to raise funds to support the University of Alberta Hospital, the Mazankowski Alberta Heart Institute, and the Edmonton Clinic. The foundation has raised over \$153m to date.

Lottery funding is provided by the Full House Lottery (also benefiting the Royal Alexandra Hospital Foundation) with a grand prize of a \$1.7m home. The Dream Away Lottery was started in 2011 (jointly with the Royal Alexandra Hospital Foundation) and operated at a loss of \$800k to UHF for the year and was subsequently discontinued in 2012.

Lottery information is derived from figures published in the charity's audited financial statements.

Variety – The Children’s Charity

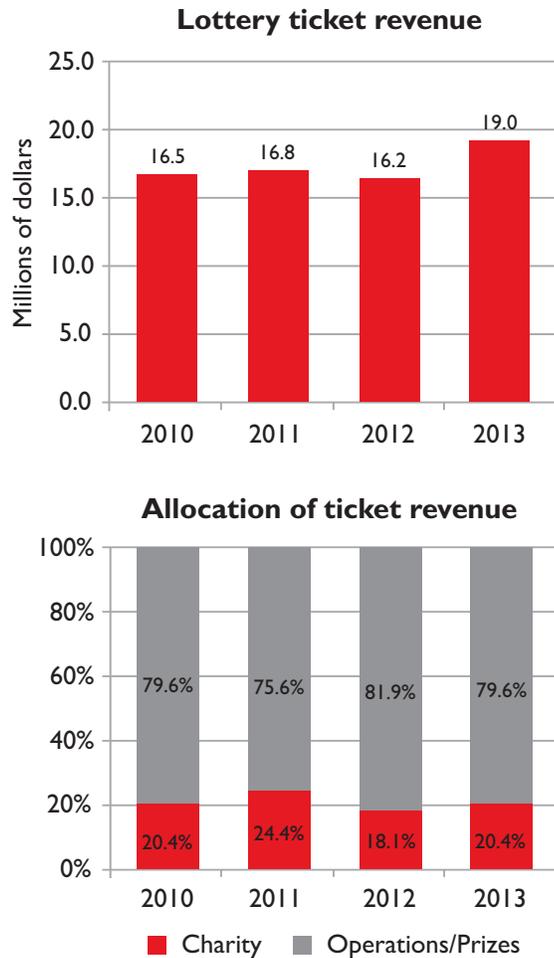


Founded in 1965, Variety - The Children’s Charity of BC (also known as the Variety Club of British Columbia) is focused on children in BC who have special needs. It raises funds and provides grants to individuals and organizations for equipment, supplies and programs.

Up until 2012, Variety operated the Children’s Charity Lottery. In 2013, Variety is operating the much smaller Show of Hearts Telethon Lottery with grand prize of a dream vacation worth \$12k.

Lottery information is derived from figures published in the charity’s audited financial statements excluding joint venture lotteries as these revenues and expenses are not broken out.

VGH & UBC Hospital Foundation

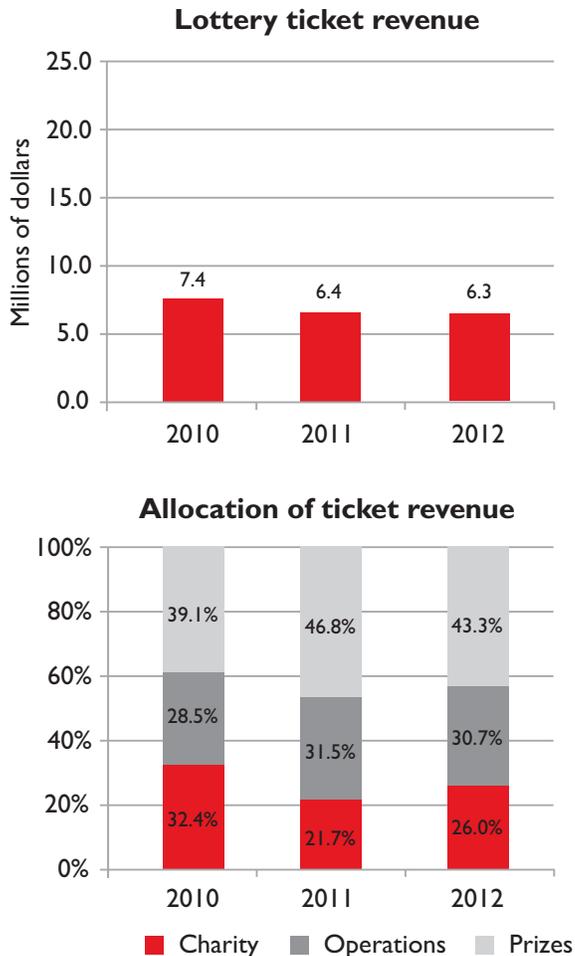


Founded in 1980, VGH & UBC Hospital Foundation fundraises for the latest, most sophisticated medical equipment, world-class research, and improvements to patient care for Vancouver General Hospital, UBC Hospital, GF Strong Rehab Centre, and Vancouver Coastal Health Research Institute.

The foundation runs the Hometown Heroes Lottery and Millionaire Designer Home Lottery with a grand prize of \$2.5m cash or home and other prize bundles valued at over \$2.8m.

Lottery information is derived from figures published in the charity's audited financial statements.

Volunteer Enterprises of the Health Sciences Centre



The Volunteer Enterprises of the Health Sciences Centre (VEHSC) supports the Health Sciences Centre (HSC), a health care teaching and research facility in Winnipeg, serving people in Manitoba, northwestern Ontario and Nunavut. HSC is the designated Trauma Centre for Manitoba, as well as the centre for transplants, burns, neurosciences and paediatric care. VEHSC is one of two charities supporting the HSC, with the Health Sciences Centre Foundation also providing funding to the Centre.

VEHSC operates the annual Lifestyles Lottery and 50/50 draw with a current grand prize of a Showhome or \$1.0m in cash.

Lottery information is derived from figures published in the charity's audited financial statements.

Appendix A – Representativeness of sample lotteries

To see whether these selected lotteries were representative of the entire population of charitable lotteries, we compared figures in the provinces of Ontario and Alberta for 2011. By focusing on the million-dollar-plus lotteries, our selected charity lotteries represented 64% and 50% of the total charity lottery revenues in Ontario and Alberta, even though only a small proportion of the total number of lotteries was examined. However, there were differences in the reported efficiency of the lotteries in the two samples. The Ci selected lotteries in Ontario distributed 5% less of their ticket revenues for charity than did the average lottery, while the gap in Alberta was 4%.

	Ontario 2011		Alberta 2011	
	Ci examined lotteries	Province-wide total	Ci examined lotteries	Province-wide total
Number of large charity lotteries	8	201 ⁵	9	292 ⁶
Total charity lottery revenue	\$173m	\$271m ⁷	\$66m	\$131m
Percentage of revenues available for charity	23%	28%	26%	30%

There are two possible sources of the difference in efficiency between the sampled lotteries and the province-wide lottery data. One possibility is that, as our sampled lotteries tend to be larger in size, they may end up spending more on marketing and operations than do smaller lotteries. For example, some of the major lotteries will use a combination of TV, radio and newsprint advertising, and send direct mail to all of the residents in their service area to promote the lottery. In addition, they often use external lottery management companies that provide services such as 24/7 call centres for ticket buyers, payment processing, marketing, auditing of the drawing of winning tickets, etc. Smaller lotteries may rely more on free volunteers and word-of-mouth advertising.

Another possibility is differences in reporting. Ci's analysis of the 30 selected charity lotteries is based on audited financial statements published by the charity. Provincial statistics are based on data submitted by the charity to the provincial agency after the lottery, but this data may not have been externally audited.

⁵ Number of Ontario licenses issued for charitable lotteries with over \$50,000 in gross revenue

⁶ Number of Alberta licenses issued for charitable lotteries with over \$10,000 in gross revenue

⁷ AGCO estimated revenue for all sizes of charity lotteries; no estimate available for only large lotteries

Appendix B – Charity Lottery Regulations by Province

Province	Regulatory body	Minimum allowed prize amounts	Maximum allowed expense amount
Alberta	Alberta Gaming and Liquor Commission	20% of ticket revenue	30% of ticket revenue
BC	Gaming Policy and Enforcement Branch	None	25% of ticket revenue (for lotteries under \$250k revenue)
Manitoba	Manitoba Gaming Control Commission	None	20% of ticket revenue
New Brunswick	Gaming Control Branch	None	None
Newfoundland and Labrador	Service NL	1/12 of ticket revenue	Total return to licensee should be 50% of revenue
Nova Scotia	Alcohol and Gaming Division	None	None
Ontario	Alcohol and Gaming Commission of Ontario	20% of ticket revenue	None
PEI	Consumer, Labour and Financial Services Division	None	None
Quebec	Régie des alcools, des courses et des jeux	Not found	Not found
Saskatchewan	Saskatchewan Liquor and Gaming Authority	1/12 of ticket revenue	30% of ticket revenue

Authors:

Greg Thomson is Director of Research at Charity Intelligence. His interest in charity lotteries was piqued when he noticed a couple of lotteries that returned little or no funds to the charity, prompting him to want to understand the economics of this funding method. Greg holds a BA in Economics from Queen's University and an MBA from Harvard University.

Ernie Cheng volunteered as an analyst for Charity Intelligence, tirelessly collecting and compiling data on charity lotteries and drafting this report. Ernie earned a BSc in Life Sciences and MSc in Neurophysiology from Queen's University and an MBA from the Rotman School of Management at the University of Toronto. Ernie is missed by all of his colleagues at Charity Intelligence.

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