



Elections  
Ontario

**Election Finances**

**CFO Handbook for Leadership  
Contestants**

**2018**

Note: This handbook is effective from Jan 1, 2018 to Dec 31, 2018

April 2018

## Disclaimer

This handbook is for the calendar year 2018. It provides guidance from Elections Ontario about how to comply with the *Election Finances Act*. To the extent that any conflict exists between this handbook and the *Election Finances Act*, the *Election Finances Act* prevails.

## Further information

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## TABLE OF CONTENTS

<b><u>Pre-Registration Activity</u></b> .....	6
• <b>Holding a leadership contest</b> .....	6
• <b>Requirement to register</b> .....	6
• <b>Monies raised for registration fees and deposits</b> .....	6
<b><u>Roles and Responsibilities</u></b> .....	7
• <b>Chief financial officer (CFO)</b> .....	7
- Selecting and appointing a CFO	
- Responsibilities of the CFO for a registered leadership contestant of a party with an electronic database	
- Responsibilities of the CFO for a registered leadership contestant of a party with no electronic database	
• <b>Auditor</b> .....	9
- Selecting and appointing an auditor	
- Responsibilities of the auditor	
<b><u>Registration</u></b> .....	11
• <b>Contents of application and filing methods</b> .....	11
- Application form	
- Endorsement by political party	
- Application filing methods	
- Effective date of registration	
• <b>Change in registration information</b> .....	12
- Written notice of changes	
- Change in CFO or auditor	
- Responsibility for notification	
<b><u>Contributions</u></b> .....	14
• <b>Eligible contributions</b> .....	14
• <b>Literature and communication used to solicit contributions</b> .....	15
• <b>Sources of contributions</b> .....	15
- Eligible contributors	
- Contributions from trade unions, corporations, unincorporated associations, affiliated political organization and organizations are prohibited	
• <b>Source of contributor's funds</b> .....	15

• <b>Ineligible contributions</b> .....	16
- Ineligible contributors	
- Anonymous contributions	
- Conditional contributions	
• <b>Contribution limits</b> .....	17
• <b>Form of contributions</b> .....	19
- Monetary contributions	
- Non-monetary contributions	
• Goods and services	
• Value of goods and services	
• Goods and services provided for less than fair market value	
• Payment of suppliers	
• Supporting documentation for goods and services	
• <b>Administering contributions</b> .....	21
- Accepting contributions	
• Deposit of contributions	
• Persons authorized to accept contributions	
- Use of electronic database for recording contributions and issuing tax receipts	
- Receipting of contributions	
- Return of contributions	
- Reporting of contributions	
• Public disclosure	
• Reporting on financial statements	
- Real-time disclosure escalation process	
• The Requirements of the <i>Election Finances Act</i>	
• The escalation process	
• The Escalation Process in relation to Late Disclosure of Political Contributions	
• The Escalation Process in relation to Unexplained Inaccurate Disclosure of Political Contributions	
<b><u>Tax Receipts</u></b> .....	27
• Use of electronic database for recording contributions and issuing tax..... receipts	27
• Obtaining tax receipts.....	27

• Issuing tax receipts.....	27
- Who can issue tax receipts	
- When to issue tax receipts	
- Information on tax receipts	
• <b>Cancellation of tax receipts</b> .....	29
• <b>Process for lost contributor's copy of tax receipts</b> .....	29
• <b>Reporting and submitting tax receipts</b> .....	29
• <b>Keeping tax receipts</b> .....	29
• <b>Returning tax receipts</b> .....	30
<b><u>Tax Credits for Individuals</u></b> .....	31
<b><u>Electronic Database</u></b> .....	32
• <b>Recording of contributions</b> .....	32
• <b>Issuing tax receipts</b> .....	32
• <b>Contribution reporting from a political party</b> .....	32
<b><u>Non-Contribution Income</u></b> .....	34
• <b>Fund-raising activities</b> .....	34
• <b>Collection of money at meetings</b> .....	34
• <b>Goods and services supplied</b> .....	34
• <b>Voluntary labour</b> .....	34
• <b>Transfers</b> .....	34
- Transfers between a political party and its leadership contestants	
- Prohibited transfers	
- Recording of transfers	
• <b>Interest income</b> .....	35
• <b>Other income</b> .....	35
<b><u>Political Events</u></b> .....	36
• <b>Fund-raising events</b> .....	36
- <b>Promoting a fund-raising event</b>	
- <b>Mandatory posting of information on party website</b>	
- <b>Contribution limits at fund-raising events</b>	
- <b>What are the attendance restrictions?</b>	
- <b>Who do the attendance restrictions apply to?</b>	
- <b>Soliciting contributions</b>	

- Examples where the attendance restrictions do not apply	
• Cost recovery events.....	39
- Advertising requirement for cost recovery events	
• Social events.....	39
• Lotteries and games of chance.....	39
• Auctions.....	39
• Sale of tickets to events.....	40
• Expenses incurred for an event.....	40
• Determining the contribution and fund-raising income portions of a ticket price.....	40
• Sale of advertising space is a contribution.....	41
• Deposit of funds raised.....	41
<b><u>Loans and Guarantees</u></b> .....	42
• Borrowing source.....	42
• Financial institutions and market rate.....	42
• Timing of borrowing.....	42
• Guarantees and collateral security.....	42
• Loans as contributions.....	43
• Time limit – loans and guarantees.....	43
• Deficit in a leadership contestant’s account.....	43
• Reporting of loans.....	44
<b><u>Contest Period Expenses</u></b> .....	45
• Authorization on leadership contestant advertising.....	45
<b><u>Public Funding of Expenses</u></b> .....	45
• Audit subsidy.....	45
<b><u>Financial Statements</u></b> .....	46
• Content and filing date.....	46
• Deficit in a leadership contestant’s account.....	47
• Surplus in a leadership contestant’s account.....	47
• Financial statements format.....	47
• Accounting methods to be followed.....	47
• Communication with the auditor.....	48
• Delivery of financial statements.....	48

- **Retention of records**..... 48
- **Failure to file financial statements**..... 48

## Pre-Registration Activity

### Holding a leadership contest

A registered political party that proposes to hold a leadership contest must file with Elections Ontario a statement setting out the date of the official call of the leadership contest and the date fixed for the leadership vote. [Act reference 14(2)]

If a party charges a fee to become a contestant, the payment of that fee is not treated as a contribution to the party. However, the rules governing contributions apply when a contestant is collecting funds to pay such fees. Internal party contest rules and fees are not regulated by Elections Ontario.

### Requirement to register

When the post of leader of a registered party has become vacant, a person who is seeking election as leader of the registered party is required to register under this section even if the party has not called a contest [Act reference 14(2.1)].

A person is deemed to be seeking election as leader of a registered party as soon as the person or a person, organization or entity acting of the behalf of the person incurs expenses for goods or services in relation to a leadership contest or accepts contributions in relation to a leadership contest [Act reference 14(2.2)].

### Monies raised for registration fees and deposits

Monies raised for registration fees and deposits are not considered to be contributions under the *Election Finances Act*. Therefore a prospective leadership contestant may raise or use personal monies for the administrative costs of fees and deposits to the registered political party prior to registration.



## Roles and Responsibilities

### Chief Financial Officer

A chief financial officer (CFO) is a person appointed by a leadership contestant's campaign to record, report and keep financial information in accordance with the *Election Finances Act*. All leadership contestants' campaigns must appoint a CFO before registration. If the appointment ends for any reason, a new CFO must be appointed immediately and Elections Ontario informed in writing immediately. [Act references 33(2) and 33(3)]

### Selecting and appointing a CFO

The obligations of a CFO are significant. Because of the skills required, it is recommended that the CFO have knowledge of accounting or bookkeeping.

A CFO cannot be the auditor of his or her own leadership contestant.

Submit the Leadership Contestant Registration and Change Notice Form (LC-1) to Elections Ontario when appointing a CFO.

### Responsibilities of the CFO for a registered leadership contestant of a party with an electronic database

The CFO is legally responsible for:

- certifying any changes in registration information reported to Elections Ontario;
- ensuring that all contributions received by the contestant are recorded in the party's electronic database;
- keeping proper financial records of all income and expenditures, including deposit slips, invoices, etc.;
- ensuring that only eligible contributions are accepted, and corrective action is taken where ineligible contributions have been accepted;
- depositing all funds received in the financial institution on record with Elections Ontario;
- recording contributions consisting of goods and services at fair market value;
- keeping a list of all contributions received, including name and address of contributors, and submitting the list to Elections Ontario with the audited financial statements;
- reporting, within 10 business days to Elections Ontario, deposited contributions totaling more than \$100 from a single source;

## Elections Ontario - CFO Handbook for Leadership Contestants Roles and Responsibilities

- processing all payments on time;
- filing the first and second leadership contest period audited financial statements with Elections Ontario by the deadline dates;
- ensuring that funds are borrowed only from eligible sources;
- keeping all financial records for a minimum of six years as recommended by the Canada Revenue Agency (CRA) ; and
- transferring all financial records to the incoming CFO when leaving the position.

### **Responsibilities of the CFO for a registered leadership contestant of a party with no electronic database**

The CFO is legally responsible for:

- certifying any changes in registration information reported to Elections Ontario;
- keeping proper financial records of all income and expenditures, including deposit slips, invoices, etc.;
- ensuring that only eligible contributions are accepted, and corrective action is taken where ineligible contributions have been accepted;
- depositing all funds received in the financial institution on record with Elections Ontario;
- recording contributions consisting of goods and services at fair market value;
- keeping a list of all contributions received, including name and address of contributors, and submitting the list to Elections Ontario with the audited financial statements;
- reporting, within 10 business days to Elections Ontario, deposited contributions totaling more than \$100 from a single source;
- filing the first and second leadership contest period audited financial statements with Elections Ontario by the deadline dates;
- processing all payments on time;
- ensuring that funds are borrowed only from eligible sources;
- keeping all financial records for a minimum of six years as recommended by the Canada Revenue Agency (CRA) ; and
- transferring all financial records to the incoming CFO when leaving the position

## **Auditor**

An auditor is appointed by a leadership contestant's campaign to provide an opinion on whether financial statements fairly present the information contained in the financial records. All leadership contestants' campaigns must appoint an auditor immediately and Elections Ontario must be informed in writing. If the appointment ends for any reason, a new auditor must be appointed immediately and Elections Ontario informed in writing immediately. [Act references 40(1) and 40(2)]

### **Selecting and appointing an auditor**

To audit a registered leadership contestant's financial statements, an auditor must be a person or firm whose partners living in Ontario are licensed under the *Public Accounting Act, 2004*. [Act reference 40(1)]

An auditor for a leadership contestant cannot be:

- a returning officer or deputy returning officer
- election clerk
- nomination contestant, candidate or leadership contestant
- CFO of a nomination contestant, candidate or leadership contestant
- CFO of a registered party or leadership contestant

The partners or the firm with which such a person is associated are not ineligible to act as an auditor for a leadership contestant.

The appointment of an auditor must be communicated in writing by submitting the Leadership Contestant Registration and Change Notice Form (LC-1) to Elections Ontario.

### **Responsibilities of the auditor**

The auditor must:

- be familiar with the guidelines (Guidelines for Members Appointed as Auditors Under the Election Finances Act) prepared by the Chartered Professional Accountants of Ontario (CPA Ontario);
- meet with the CFO of the registered leadership contestant to discuss the audit process well before the filing date to determine cut-off and closing procedures and to agree on a date when the auditor will be given access to all records, documents, books, accounts and vouchers of the leadership contestant's campaign that may be necessary to issue the auditor's report;
- provide an opinion on all financial statements of the registered leadership contestant;
- provide an opinion on all supporting schedules of the financial statements of the registered leadership contestant;
- provide to the registered leadership contestant's campaign the auditor's invoice for the work performed. The CFO must file the invoice with the audited financial statements to Elections Ontario; and

Elections Ontario - CFO Handbook for Leadership Contestants  
Roles and Responsibilities

- collect payment from the registered leadership contestant's campaign for the work performed, less any audit subsidy received directly from Elections Ontario.

## Registration

A leadership contestant must register with Elections Ontario in order to receive contributions and finance political activities in a contest period. The registration is required even if the registered party has not filed a statement with Elections Ontario setting out the date of the official call of the leadership contest and the date fixed for the leadership vote.

A person is deemed to be seeking election as leader of a registered party as soon as the person, or a person, organization or entity acting on behalf of that person, incurs expenses for goods and services, or accepts contributions in relation to the leadership contest. [Act reference 14(2.1) and 14(2.2)]. A leadership contestant must appoint a CFO and an auditor before registering with Elections Ontario.

Refer to the Roles and Responsibilities the Auditor sections (previously) which explains their duties.

## Contents of application and filing methods

### Application form

The registration requirements are listed within the Leadership Contestant Registration and Change Notice Form (LC-1) and the Form Completion Guide. The Form LC-1 must be submitted at the time of application for registration. [Act reference 14(3)]

### Endorsement by political party

The registered political party holding the leadership contest must certify the contestant's eligibility as part of the application for registration by signing the Leadership Contestant Registration and Change Notice Form (LC-1). [Act reference 14(3)]

### Application filing methods

The completed and signed Leadership Contestant Registration and Change Notice Form (LC-1) can be sent to Elections Ontario by any delivery method so long as the application is complete. Examples of accepted delivery methods include mail, fax, email, or hand delivery.

### Effective date of registration

Elections Ontario will register the leadership contestant upon approval of the registration application, providing the registration form is complete and signed. [Act reference 14(5)]

Elections Ontario will send written confirmation of registration to the leadership contestant and the political party holding the contest. Elections Ontario will provide training materials and other information for the operations of the registered leadership contestant's campaign.

## **Change in registration information**

### **Written notice of changes**

Whenever there is any change of registration information, a registered leadership contestant's campaign must provide written notice of the change to Elections Ontario immediately by filing a revised Leadership Contestant Registration and Change Notice Form (LC-1). The revised form must be signed by the CFO and leadership contestant.

A change in registration information includes a change to:

- the full name and address of the registered leadership contestant;
- the CFO of a registered leadership contestant;
- the auditor of a registered leadership contestant;
- the persons authorized by a registered leadership contestant to accept contributions;
- the address of the place or places in Ontario where records of a registered leadership contestant are kept and of the place in Ontario to which communications may be addressed;
- the name and address of every financial institution at which a bank account is held by a registered leadership contestant for holding contributions; and
- the signing officers responsible for each bank account.

[Act reference 14(3)]

### **Change in CFO or auditor**

When there is a change in CFO or auditor, the registered leadership contestant's campaign must immediately appoint another CFO or auditor and file a revised Leadership Contestant Registration and Change Notice Form (LC-1) containing the name, address, and telephone number of the new CFO or auditor. [Act references 33(3) and 40(2)]

For a change in CFO, the revised form must be signed by the incoming CFO and leadership contestant.

For a change in auditor, the revised form must be signed by the CFO and leadership contestant.

In addition, where there is a change in CFO, the person accepting the appointment shall receive the financial records of the registered leadership contestant from the outgoing CFO.

If these documents are not provided, the new CFO must write to advise Elections Ontario of the steps taken to secure the documents.

### **Responsibility for notification**

The responsibility for notifying Elections Ontario of changes in registration information lies with the registered leadership contestant. Elections Ontario will rely and act on

Elections Ontario - CFO Handbook for Leadership Contestants  
Registration

information submitted by the leadership contestant and CFO last on record with  
Elections Ontario.

## Contributions

Contributions are money, goods, or services given to a registered leadership contestant's campaign for the purposes outlined in the *Election Finances Act*. Contributions are one part of total income that is used in a registered leadership contestant's operations. There are restrictions as to the source and form of contributions. In addition, there are recording and reporting requirements for contributions. Contributions may only be made by individuals normally resident in Ontario using their own funds.

Contributions do not include any goods produced, or services performed, for any registered leadership contestant, by voluntary labour.

Contributions also do not include monies raised for registration fees and deposits.

In any calendar year all the goods and services contributed by a person and having an aggregate value of \$100 or less, may not be considered as a contribution, at the option of the person providing the goods or services [Refer to Section Goods and services under Non-monetary contributions].

A registered leadership contestant may make contributions, to be used for the contestant's own leadership campaign, and out of the contestant's own funds. These funds must not exceed \$25,000 in total during a leadership contest period, combined with any period during which the contestant is registered.

For the purposes of contributions, voluntary labour is defined as any service provided free of charge by a person outside their working hours, but does not include such a service provided by a person who is self-employed and the service is one that is normally charged for by that person.

### Eligible contributions

Only contributions solicited for the purposes of the *Election Finances Act* will be considered to be a contribution. Contributions may only be made by individuals residing in Ontario using their own funds. [Act reference 19(1)].

Every person who makes a contribution must certify in a form approved by Elections Ontario that the person has not acted in contravention to the Act. [Act reference 19(3)]. A party can produce their own certification form, however, the following attestation must be included and must be completed by the donor: "I certify this contribution made by me is from my own personal funds and I will not be reimbursed for it from any other source".

In the event a contribution is made online, a checkbox shall be provided for selection by the donor to confirm the certification. For cases where a contribution is made via telephone, the representative who administered the call and recorded the donation must also record whether or not the contributor certified the contribution.

For guidance on contributions received from fund-raising events, please refer to the section on political events.



## **Literature and communication used to solicit contributions**

All literature and communication used to solicit contributions by or on behalf of a registered leadership contestant's campaign must clearly identify the leadership contestant receiving the contribution.

## **Sources of contributions**

### **Eligible contributors**

Contributions may only be made to a registered leadership contestant's campaign during the leadership contest period by a person who is normally resident in Ontario, including a person serving in the armed forces, diplomatic service, or similar type of employment abroad if that person's normal home is in Ontario;

[Act references 16(1) and 29(1)]

A registered leadership contestant's own funds used for his or her campaign are deemed to be a contribution to the campaign. A statement of expenses paid by a registered leadership contestant using his or her own funds must be provided to the CFO with accompanying supporting documentation within three months after the date of the leadership vote. [Act reference 14(7)]

An affiliated political organization are not permitted to contribute to a registered leadership contestant.

No leadership contestant registered under the Act shall accept a contribution made in contravention of the above.

### **Contributions from trade unions, corporations, unincorporated associations, affiliated political organization and organizations are prohibited**

Under the Act, any trade union, corporations, unincorporated association or organization are not permitted to make a contribution to a registered leadership contestant.

### **Source of contributor's funds**

No registered leadership contestant's campaign or person acting on its behalf may solicit or knowingly accept any contribution that is not made in the contributor's own funds. [Act reference 19(2)]

**Example:**

If a contributor attends a fund-raising event, that person must pay for the ticket from his or her own funds and must not be reimbursed for that payment.

As noted previously, every person who makes a contribution must certify in a form approved by Elections Ontario that the person has not acted in contravention to the Act. [Act reference 19(1)]. A party can produce their own certification form, however, the following attestation must be included and must be completed by the donor: “I certify this contribution made by me is from my own personal funds and I will not be reimbursed for it from any other source”.

In the event a contribution is made online, a checkbox shall be provided for selection by the donor to confirm the certification. For cases where a contribution is made via telephone, the representative who administered the call and recorded the donation must also record whether or not the contributor certified the contribution.

## **Ineligible contributions**

### **Ineligible contributors**

No registered leadership contestant’s campaign may directly or indirectly knowingly accept contributions from an ineligible contributor. [Act reference 29(1)]

Ineligible contributors to a registered leadership contestant’s campaign include, but are not limited to:

- any source outside Ontario;
- registered charities;
- any person normally resident outside Ontario;
- any corporation or trade union;
- members of the House of Commons living in Ontario but representing an electoral district outside Ontario;
- federal constituency associations; and
- political parties or constituency associations from other provinces.

### **Anonymous contributions**

A registered leadership contestant’s campaign must not accept anonymous contributions.

A registered leadership contestant’s campaign must return anonymous contributions to the contributor. If the contributor cannot be identified, the funds must be paid to Elections Ontario. [Act reference 17(2)]

### **Conditional contributions**

A registered leadership contestant’s campaign may accept directed contributions so long as they are for the general or specific purposes of the leadership contestant’s campaign.

**Examples:**

- A contributor gives \$100 with the direction that it be used to place an advertisement in a newspaper; this is an acceptable contribution.
- A contributor gives funds to cover fees for meetings, seminars, workshops, or conferences that are sponsored by the leadership contestant's campaign and held in Ontario; this is an acceptable contribution.

However, a registered leadership contestant's campaign must not solicit or accept directed contributions that would contravene the *Election Finances Act*.

**Examples:**

- If a potential contributor instructs that funds equivalent to the contribution be ultimately transferred to a registered political party such that the contribution limit of the political party would be exceeded, this is considered a directed contribution contrary to the *Election Finances Act* and must not be accepted.
- If a potential contributor instructs that funds solicited are to be used for purposes outside of the *Election Finances Act* (for example, Save the Whales) or purposes specifically prohibited (for example, leadership contests), these are considered directed contributions contrary to the *Election Finances Act* and must not be accepted.

A registered leadership contestant's campaign must also not accept conditional contributions. A conditional contribution is where the contributor, as a condition of making the contribution, requires the recipient to give the contributor a material benefit.

**Example:**

A contributor cannot donate \$200 on the condition that the recipient purchase a bicycle using those funds to give to the contributor.

## **Contribution limits**

In any calendar year that falls during a leadership contest period or during which a contestant is required to be registered, a person can make contributions up to \$1,222, determined for that calendar year [Act reference 18(1.4)].

A registered leadership contestant may make contributions up to \$25,000 total to be used during leadership contest period combined with any period during which the contestant is required to be registered under subsection 14 (2.1). This contribution is to be used for the contestant's own leadership campaign, and should be out of the leadership contestant's own funds [Act reference 18(5)]. The amount that the registered candidate or registered leadership contestant may contribute under this section to other registered candidates or registered leadership contestants should not be reduced from this contribution amount [Act reference 18(6)].

**2018 Contribution Limits to Leadership Contestants**

<b>Source</b>	<b>Period</b>	<b>Contribution Limit</b>	<b>Recipients Included in the Limit</b>
Individual contributor using own funds	Calendar year	\$1,222	Individual leadership campaigns
Leadership contestant using own funds	Registration period	\$25,000	Limited to one's own campaign

**Examples:**

- An individual contributor may contribute an amount up to \$1,222 to a leadership contestant's campaign in each calendar year that the leadership contest period extends into. For example, the ABC Party calls a leadership contest on January 2, 2018 with the date of the vote on March 11, 2018, the leadership contest period will be January 2, 2018 (the date that the contest was called) and ends May 11, 2019 (14 months after the date of the vote). The leadership contest period spans two calendar years: 2018 and 2019. Thus an individual contributor can contribute \$1,222 to a leadership contestant's campaign in 2018 and an additional \$1,222 to that leadership contestant's campaign in 2019.
- A leadership contestant may contribute an amount up to \$25,000 to their own campaign during their campaign's registration period. For example, the ABC Party calls a leadership contest on January 2, 2018 with the date of the vote on March 11, 2018, the leadership contest period will be January 2, 2018 (the date that the contest was called) and ends May 11, 2019 (14 months after the date of the vote). Rahul Lee registers as a leadership contestant on February 25, 2018, therefore his registration period will be February 25, 2018 to May 11, 2019. During his registration period, Rahul can contribute \$25,000 to his own leadership campaign.

In any calendar year all the goods and services contributed by a person and having an aggregate value of \$100 or less, may not be considered as a contribution, at the option of the person providing the goods or services.

No registered leadership contestant or person acting on its behalf may knowingly accept any contributions in excess of the limits imposed by the Act. [Act reference 28]

## Form of contributions

### Monetary contributions

A monetary contribution to a registered leadership contestant's campaign of up to \$25 may be given in cash. Any monetary contribution of more than \$25 shall not be contributed through cash. Such contributions must be made by any modern financial practice where the contributor and their account information can be confirmed. Such practices include payment by cheque, credit card, E-transfer, money order signed by the contributor, debit card, online payment (i.e. PayPal) or cryptocurrency (i.e. Bitcoin).

[Act reference 16(2)]

### Non-monetary contributions

#### Goods and services

All goods or services provided by a supplier are considered a contribution with an offsetting expense if their total value is more than \$100. If the total value is \$100 or less, it is also considered a contribution unless the donor specifies otherwise. Goods or services not considered a contribution are recorded as other income with an offsetting expense. [Act reference 21(2)]

Whenever goods or services have been provided, whether or not considered to be a contribution for the purposes of the *Election Finances Act*, an expense in the equivalent fair market value is considered to have been incurred.

An exception, where goods and services are not considered to be a contribution, is when goods and services are produced by voluntary labour.

#### Examples:

- Rahul brought pizza totaling \$30 to the leadership contestant's meeting held in August 2018. Since the fair market value of the pizza is less than \$100, the CFO of Daniel, who is a leadership contestant, must ask Rahul if he would like to treat the donation of pizza as a contribution, for which Rahul would be issued a tax receipt for goods and services.  
Rahul does not want the pizza to be considered a contribution. Rahul also shows up at another meeting in September 2018 with pizza totaling \$40 for which he also does not treat as a contribution. In October 2018, Rahul purchases office supplies totaling \$40 for the leadership contestant. Rahul has now provided goods totaling \$110 for the leadership contestant. The CFO for Daniel must now inform Rahul that his donations of pizza and office supplies has exceeded the \$100 threshold and the total \$110 must now be considered a contribution of goods and services and a tax receipt for \$110 will be issued to Rahul.
- Suyin is a bookkeeper who provides bookkeeping services to Brigitte, who is a leadership contestant in 2018. The fair market value of her services is \$400 for the year, since the fair market value exceeds \$100 for that year. The CFO for

Brigitte must consider Suyin's bookkeeping services as a contribution of goods and services and a tax receipt for \$400 will be issued to Suyin.

### **Value of goods and services**

The value of goods and services is considered to be the fair market value for similar goods and services at the time they are provided.

If the contributor is in the business of supplying such goods and services, fair market value is the lowest amount charged by the contributor for an equivalent amount of goods and services at the same time and in the same market area.

Where the contributor is not in the business of supplying such goods and services, fair market value is the lowest amount charged at the same time by any other person providing similar goods on a commercial retail basis or similar services on a commercial basis in the same market area. [Act reference 21(1)]

If the goods and services contributed has an aggregate fair market value of \$100 or less, the contributor has the option to not have it considered as a contribution.

### **Goods and services provided for less than fair market value**

Where goods and services are provided for a price less than fair market value, including goods and services that are not paid for or where there is an agreement not to accept payment, the difference between the price and fair market value must be considered a contribution. [Act reference 21(3)] However the rules regarding the eligibility of contributors still applies.

### **Payment of suppliers**

All suppliers must be paid promptly within the normal credit terms as provided by the supplier. Any delay in payment may also be considered an ineligible contribution or an ineligible loan.

### **Supporting documentation for goods and services**

All contributions of goods and services must be supported by an invoice, statement of account, or receipt from the supplier of the goods and services.

## **Administering contributions**

### **Accepting contributions**

#### **Deposit of contributions**

A leadership contestant's campaign may accept contributions only if it is registered with Elections Ontario.

Contributions will be considered accepted:

- if paid by cash, cheque, E-transfer, cryptocurrency (i.e. Bitcoin), money order, or debit card, at the time the contributions are deposited in the financial institution on record with Elections Ontario; or
- if paid by credit card, online payment (i.e. PayPal) or any other manner that associates the contributor's name and account with the payment, on the date of the transaction.

All money collected by or on behalf of a registered leadership contestant's campaign must be deposited. [Act reference 16(3)]

Contributions received in an envelope postmarked prior to the end of a reporting period, or received on the last day of a reporting period that cannot be deposited because the financial institution is closed, must be recorded as an outstanding bank account deposit on the last day of the reporting period. Each outstanding deposit must be deposited on the next available banking day.

#### **Persons authorized to accept contributions**

Only the CFO or other authorized persons noted on the Leadership Contestant Registration and Change Notice Form (LC-1) filed with Elections Ontario may accept contributions. While the *Election Finances Act* permits other authorized persons on record to accept contributions, it is the CFO's responsibility to ensure that only eligible contributions are accepted and appropriately recorded.

A registered leadership contestant must not personally accept contributions. [Act reference 32]

Any contributions collected by others, for example, by means of a door-to-door canvass, must be turned over immediately to the CFO or other persons on record with Elections Ontario, along with a list of the names and addresses of the contributors and the amounts of their individual contributions.

#### **Use of electronic database for recording contributions and issuing tax receipts**

If the registered political party endorsing a registered leadership contestant is required or has chosen to use an electronic database for recording contributions and issuing tax receipts, refer to the Electronic Database section which details requirements for recording and reporting contributions for the leadership contestant. The political party

will also have its own requirements for the electronic database which the leadership contestant must be aware of.

The CFO of registered leadership contestants shall not issue receipts for contributions. Instead, the CFO of the registered party is responsible for ensuring that receipts are issued to the contributor.

## **Receipting of contributions**

All contributions accepted by a registered leadership contestant must have a receipt issued by the CFO. Refer to the Tax Receipts section for further details on receipting of contributions.

## **Return of contributions**

A CFO may learn that a contribution has been made or accepted in contravention of any provisions of the *Election Finances Act*. These contraventions may include, but are not limited to:

- contributions from unidentifiable or anonymous sources;
- contributions from ineligible sources;
- contributions in excess of the limits provided in the *Election Finances Act*;
- cash contributions in excess of \$25;
- contributions of funds not belonging to the contributor;
- contributions of funds from a federal political party or its organizations; or
- contributions of funds from a municipal candidate.

In these cases, the CFO must return to the contributor an amount equal to the sum contributed within 30 days. [Act reference 17(1)]

Any such contribution not returned to the contributor or any anonymous contribution accepted by a registered leadership contestant must not be used for any purpose and must be paid to Elections Ontario. [Act reference 17(2)]

Since any money returned is not used for a political purpose, the contributor is not entitled to a tax receipt for the portion of the contribution returned. Therefore, any issued tax receipt must be cancelled. Refer to the Tax Receipts section for further details on cancelling tax receipts.

## **Reporting of contributions**

### **Public disclosure**

It is recommended that contributors donating more than \$100 be notified that their names and addresses will be recorded and submitted with the financial statements, and that their names and amounts will be published by Elections Ontario on the Elections Ontario website. [Act reference 2(1)]



### **Reporting on financial statements**

Recorded information regarding contributors and contributions during a contest period greater than \$100 must be reported as part of the contributions schedule of the leadership contest period audited financial statements to be filed with Elections Ontario.

In addition, a list of all contributions accepted during the leadership contest period must be reported with the financial statements.

Two sets of leadership contest period financial statements must be filed as follows:

- The first statement must be filed within six months after the date of the leadership vote and includes the period from the date of the official call for the leadership contest to two months after the date of the leadership vote; and
- The second statement must be filed within twenty months after the date of the leadership vote and includes the twelve-month period that begins two months after the date of the leadership vote.

[Act reference 42(4)]

### **Real time disclosure escalation process**

Elections Ontario's publication of its regulated stakeholders' disclosure of political contributions plays an important role in the democratic process and also in the provision of up to date and accurate information to all who have an interest in accessing it. The *Election Finances Act* places a duty on Elections Ontario to publish this information, and on regulated stakeholders to provide it in a timely manner.

On December 1, 2016, Elections Ontario introduced stricter enforcement measures to raise stakeholder compliance standards and to foster a culture of compliance. This will ensure that up to date and accurate information on political contributions to Ontario's political parties and party leadership contestants is consistently available to all.

### **The Requirements of the *Election Finances Act***

Subsection 34.1(3) of the *Election Finances Act* requires that:

- *“Within 10 days after the contribution is deposited in accordance with subsection 16 (3)\*, the chief financial officer of the political party or leadership contestant shall file with the Chief Electoral Officer a report about the contribution”.*
- *\*The aforementioned subsection 16(3) of the Act relates to the requirement that all money accepted by or on behalf of a political party, constituency association, candidate or leadership contestant registered under the Act shall be paid into the appropriate depository on record with Elections Ontario.*

Section 46.1 of the Act sets out the penalties upon conviction for an infraction of subsection 34.1(3) as follows:

- *“If the chief financial officer of a party or leadership contestant registered under this Act knowingly contravenes subsection 34.1 (3),  
a) the chief financial officer is guilty of an offence and on conviction is liable to a fine of not more than \$5,000; and*

- b) the party or leadership contestant is also guilty of an offence and on conviction is liable to a fine of not more than double the amount of the contribution with respect to which no report was filed”.*

### **The Escalation Process**

Elections Ontario accepts that chief financial officers are of varying levels of experience and that there will be occasions when it may be appropriate for minor instances of non-compliance to be dealt with less formally. For that reason, a level of tolerance has been built into our escalation process. Our process consists of a two part framework, which covers both late filing and unexplained inaccurate filing, as detailed below.

It is important to note that all instances of non-compliance will be assessed with regards to the time delay in disclosure and also in relation to the monetary value of undisclosed contributions. It is possible that the first or second instance of non-compliance may be of sufficient gravity to cause immediate escalation to the ultimate level of the process.

### The Escalation Process in relation to Late Disclosure of Political Contributions

<p><b>1. First instance of non-compliance*</b></p>	<p>Elections Ontario will request an explanation and remind the CFO of the legal requirement to comply with the Act</p>
<p><b>2. Second instance of non-compliance (in the same reporting period)*</b></p>	<p>Elections Ontario will issue a request for explanation, pointing out that this is the second instance of non-compliance and that subsequent infractions may result in consideration for referral to the Ministry of the Attorney General as an apparent contravention</p>
<p><b>3. Third instance of non-compliance (in the same reporting period)*</b></p>	<p>Elections Ontario will request a submission as to why the CFO and party or contestant should not be referred to the Ministry of the Attorney General for an apparent contravention of the Act. Any submission subsequently provided and details of the previous instances of non-compliance will be considered by Elections Ontario.</p>

\* All instances of non-compliance will be assessed with regards to the time delay in disclosure and also in relation to the monetary value of undisclosed contributions, and consideration for referral may take place at any stage.

### The Escalation Process in relation to Unexplained Inaccurate Disclosure of Political Contributions

<p><b>1. Questionable disclosure identified on review of financial statements*</b></p>	<p>Elections Ontario will request a written explanation for any discrepancy with a 30 day response deadline</p>
<p><b>2. 30 days elapse - CFO does not respond to initial letter*</b></p>	<p>A second letter will be sent, pointing out that failure to respond with an explanation may result in consideration for referral to the Ministry of the Attorney General as an apparent contravention. This letter will have a 30 day response deadline.</p>
<p><b>3. 30 days elapse - CFO does not respond to final letter*</b></p>	<p>Elections Ontario will request a submission as to why the CFO and party or contestant should not be referred to the Ministry of the Attorney General for an apparent contravention of the Act. Any submission subsequently provided and details of the previous instances of non-compliance will be considered by Elections Ontario.</p>

\* All instances of questionable disclosure will be assessed with regards to the monetary value of contributions erroneously reported, and consideration for referral may take place at any stage.

## Elections Ontario - CFO Handbook for Leadership Contestants Contributions

Elections Ontario thanks all political parties for their cooperation in the protection of the integrity of the electoral process and their cooperation in assuring that Ontario provincial elections are independent, impartial, efficient, secure, transparent and accountable.

## Tax Receipts

A tax receipt is issued for every contribution to a registered leadership contestant's campaign. Even a donor who wants a contribution of goods and services of an amount of less than \$100 treated as a contribution is entitled to receive a receipt. [Act reference 25(1)]

The CFO of a registered leadership contestant is responsible for issuing proper tax receipts for all eligible contributions.

Only tax receipt forms provided by Elections Ontario may be used for tax purposes.

### **Use of electronic database for recording contributions and issuing tax receipts**

If the registered political party endorsing a registered leadership contestant is required or has chosen to use an electronic database for recording contributions and issuing tax receipts, refer to the Electronic Database section which details requirements for issuing electronic tax receipts for the leadership contestant's campaign. The political party will also have its own requirements for the electronic database which the leadership contestant's campaign must be aware of.

### **Obtaining tax receipts**

Elections Ontario will supply blank tax receipts to the CFO of a registered leadership contestant upon request. Only the CFO or authorized persons on record with Elections Ontario may request blank tax receipts.

The request can occur either by mail, email or phone. The following information must be included in a request for tax receipt forms.

- the number of receipts requested;
- the format of receipts requested (there are two different formats of receipts available):
  - handwritten three-part receipts; or
  - printable receipts (Elections Ontario does not provide any software or templates for printing receipts); and
- address and telephone number of where the receipts shall be sent. Note that a signature is required upon delivery by courier.

### **Issuing tax receipts**

#### **Who can issue tax receipts**

Only CFOs or persons authorized to accept contributions on record with Elections Ontario can issue and sign tax receipt forms. [Act reference 33(4)(c)]

## When to issue tax receipts

Tax receipts may be issued only once the contribution has been accepted. It is recommended that contributed funds clear the bank prior to issuing a tax receipt.

It is recommended that tax receipts be issued by the end of February for the prior year contributions so contributors have enough time to complete their income tax return. Tax receipts may be issued at any time, though experience has shown that contributors who are issued tax receipts too far in advance of their tax filings may misplace their receipts.

## Information on tax receipts

A sample tax receipt appears as follows, with descriptions of the corresponding numbers below:

**ELECTIONS ONTARIO**

Ontario

Received Reçu

Date accepted/ Date de l'acceptation: Day 07, Month 04, Year 11

Date issued/ Date de l'émission: Day 31, Month 12, Year 11

Amount received/ Montant reçu: \$1,016.00

From De:  Individual particulier  Cash/Cheque/Money order/Credit card  Goods/Services/Advertising articles/services/publicité

Suyin Lee  
123 Some St.  
Someplace, ON, N1N 1N1

Signature of Chief Financial Officer / Signature du directeur des finances: Rahul Lee (leadership contestant)

Full Name - Individual, corporation, or trade union / Mailing address  
Nom complet du particulier, de la société, ou du syndicat / Adresse postale

12/2009 See over / Voir au verso

**Contributor's Copy / Copie du donateur**

The following information is to be included on all tax receipts issued:

- date of acceptance of contribution (date of deposit or transaction);
- date of issuance of tax receipt (date of writing or printing receipt);
- amount of contribution (a dollar sign (\$) must appear immediately to the left of the first digit);
- form of contribution (monetary or goods and services);
- full name and address of contributor;
- name of issuing registered leadership contestant; and
- signature of CFO or authorized person.

Electronic signatures are acceptable on tax receipts. The CFO must accept full personal responsibility for all documents that have either an electronic or manual signature.

## **Cancellation of tax receipts**

Any tax receipt issued and sent for an ineligible contribution must be cancelled after learning of its ineligibility by:

- retrieving the contributor's copy of the original receipt for cancellation; or
- issuing a cancellation notice to the contributor within 30 days to cancel the original receipt.

If the original receipt cannot be retrieved for cancellation and a cancellation notice cannot be issued, the amount of the contribution must be remitted to Elections Ontario.

Voided tax receipts include unissued receipts completed with errors, jammed in printers, or formatted incorrectly. Any voided tax receipt must not be destroyed but be kept by the registered leadership contestant's campaign to be submitted to Elections Ontario.

## **Process for lost contributor's copy of tax receipts**

If a contributor's copy of an issued tax receipt is lost, the CFO may provide the contributor with a photocopy of the CFO's original tax receipt. The photocopy will have the words "Certified True Copy" on it and a new signature by the CFO.

## **Reporting and submitting tax receipts**

As part of the audited financial statements, the CFO of a registered leadership contestant must submit the following to Elections Ontario:

- for all valid issued tax receipts, Elections Ontario's copy of the tax receipts;
- for cancelled tax receipts where the contributor's copies were recovered, the contributor's and CEO's copy of the tax receipts, both marked "cancelled";
- for cancelled tax receipts where cancellation notices were issued, Elections Ontario's copy of the tax receipts and a copy of the tax receipt cancellation notice;
- for voided tax receipts, the contributor's and CEO's copy of the tax receipts; and
- a reconciliation of the change in number of tax receipts during the period, including the receipt numbers.

All copies of tax receipts and cancellation notices for submission to Elections Ontario must be submitted only with the campaign period financial statements unless requested otherwise. All unused tax receipts remaining at the end of a campaign period must also be returned to Elections Ontario with the campaign period financial statements.

## **Keeping tax receipts**

The registered leadership contestant's CFO is responsible to Elections Ontario for each supply of tax receipts.

## Elections Ontario - CFO Handbook for Leadership Contestants Tax Receipts

Tax receipt forms are valuable documents. They are to be stored in a secure place and proper records kept by the CFO. It is strongly recommended that tax receipts be held by the CFO.

An outgoing CFO must either provide the unused supply of tax receipt forms to the incoming CFO or return the supply to Elections Ontario.

### **Returning tax receipts**

A registered leadership contestant's campaign must return tax receipt forms, whether used or unused, to Elections Ontario immediately on receiving a written request to do so.

The unused supply of tax receipt forms of a registered leadership contestant's campaign at the end of a campaign period must be returned to Elections Ontario on filing of the campaign period financial statements.



## **Tax Credits for Individuals**

Individuals must include a tax receipt with their tax returns in order to claim the tax credit.

The tax credit discussed in this section is only for political contributions to registered Ontario political parties, constituency associations, leadership contestants and candidates. The tax credit is separate from the tax benefits available for contributions to federal political parties or charitable organizations.

If you need assistance, consult your tax adviser or the CRA.

## Electronic Database

Registered political parties may be required to, or choose to, use an electronic database for recording contributions and issuing tax receipts. [Act reference 25.1(1)]

If the registered political party endorsing a registered leadership contestant is using an electronic database, the leadership contestant's campaign must also use the electronic database for recording contributions and issuing tax receipts. The only exception is where the political party has chosen to opt in early with use of the electronic database and has selected to not have its leadership contestant comply.

## Recording of contributions

The CFO of a registered leadership contestant is responsible for ensuring all contributions received by the leadership contestant are recorded in the registered political party's electronic database. This may be done by:

- having direct access to the registered political party's electronic database to record the contribution; or
- sending supporting documentation of the contribution to the registered political party to allow the political party to record the contribution in the political party's electronic database.

[Act reference 25.1(4)]

If the CFO of a registered leadership contestant inputs the contribution information directly into the political party's electronic database, all contribution information and supporting documentation must be sent regularly to the registered political party or immediately upon the registered political party's request.

## Issuing tax receipts

The CFO of the registered political party is responsible for issuing tax receipts for contributions recorded in the electronic database for the political party, its constituency associations, and its leadership contestant. [Act reference 25.1(5)]

However, it is recommended that CFOs of a leadership contestant using the registered political party's electronic database understand the processes and internal controls set up by the political party for the review and approval of contribution information in the electronic database before issuing tax receipts.

The CFOs of a leadership contestant using an electronic database must not issue tax receipts for contributions. [Act reference 25.1(6)]

## Contribution reporting from the political party

In order for CFOs of a registered leadership contestant to complete the required financial statements and for audit purposes, the registered political party is required to provide contribution reporting to the CFO of a registered leadership contestant.

Elections Ontario - CFO Handbook for Leadership Contestants  
Electronic Database

The CFO of a registered leadership contestant should receive contribution reporting from the political party:

- on a regular basis; or
- as requested by the CFO of the leadership contestant.

The registered political party will determine the frequency of the reporting by consulting with the leadership contestant to meet their reporting and record-keeping needs.

Based on the contribution reporting provided by the registered political party, the CFO of the leadership contestant must ensure all contributions received by the leadership contestant's campaign have been recorded in the political party's electronic database.

## Non-Contribution Income

In Ontario, other forms of income may be received by a registered leadership contestant's campaign and not considered to be a contribution. These include the non-contribution portion of proceeds from fund-raising, general collections at meetings, goods and services not considered a contribution, transfers, interest income, and other income.

### Fund-raising events

Refer to the Political Events section for rules and requirements on fund-raising events.

### Collection of money at meetings

Where funds are collected for a registered leadership contestant's campaign at a meeting, **amounts of \$10 or less** per person may be given and not be considered contributions. The gross amount collected from each meeting must be separately recorded and reported to Elections Ontario as part of the audited financial statements.

Only funds collected at meetings may be considered non-contribution income. Funds collected at any other event must be treated as contribution income, regardless of the amount.

### Goods and services supplied

Goods and services provided to a registered leadership contestant's campaign must be treated as a contribution unless the total value of all goods and services provided by the supplier in a contest period is \$100 or less, and the supplier indicates that the value is not to be considered a contribution. Goods and services not considered a contribution must be recorded as other income and reported to Elections Ontario as part of the audited financial statements. [Act reference 21(2)]

### Voluntary labour

Under the Act, "voluntary labour" is defined as any service provided free of charge by a person outside their working hours, but does not include such a service provided by a self-employed person if that service is normally charged for by that person. Any goods or services provided to any leadership contestant by voluntary labour is not considered as contribution under the Act.

### Transfers

#### Transfers between a political party and its leadership contestants

A registered leadership contestant's campaign may transfer funds, goods, or services to and from its registered political party and other registered leadership contestants' campaigns. These transactions will not be considered contributions.

## **Prohibited transfers**

A registered leadership contestant's campaign must not directly or indirectly transfer funds to a political party, leadership or nomination contestant not registered with Elections Ontario.

A registered leadership contestant's campaign must not directly or indirectly transfer funds to or from a registered constituency association or candidate.

A registered leadership contestant's campaign must not directly or indirectly transfer or contribute funds to any federal political party, constituency association or candidate in a federal election under the *Canada Election Act*.

A registered leadership contestant's campaign must not directly or indirectly transfer or contribute funds to any candidate in a municipal election under the *Municipal Elections Act* 1996.

## **Recording of transfers**

The registered political party or leadership contestant making the transfer must indicate to the recipient that the transaction is to be treated as a transfer. This will ensure consistent treatment for reporting to Elections Ontario as part of the audited financial statements.

The source and amount of funds, goods, or services transferred must be recorded by the registered leadership contestant's CFO. Where goods and services are received, the transaction in the recipient's records must reflect the fair market value of the goods and services as a transfer received with the same amount recorded as an expense.

## **Interest income**

Interest income is any interest earned on deposits or investments. Interest income must be recorded and reported to Elections Ontario as part of the audited financial statements.

## **Other income**

Other income includes income not classified elsewhere, such as recoveries, goods and services not considered contributions, and gains on disposals of investments or fixed assets.

## Political Events

There are three types of political event:

- Fund-raising events
- Cost recovery events
- Social events

## Fund-raising Events

A fund-raising event is defined as an event to raise funds for a political party, constituency association, nomination contestant, candidate, or leadership contestant registered under the Act. Fund-raising raises funds from the charge by the sale of tickets, or otherwise, for attendance. [Act reference 23(1)]. The attendance restrictions apply to these events [Act reference 23.1].

**Please refer to the attendance restrictions section for additional information.**

### Promoting a fund-raising event

The name of the political entity registered under the Act on whose behalf the fund-raising event is held must be clearly displayed on all materials distributed for that event. This includes any solicitation for contributions.

Any advertising of a fund-raising event appearing between the day the writ is issued and polling day, must comply with the blackout period rules. This advertising will be exempt from the campaign expense limit.

### Mandatory Posting of Information on Political Party Website

Every political party with an electronic database must post the following information for fund-raising events held by or on behalf of the political party, its constituency associations and candidates on its web site:

- the date of the fund-raising event;
- the location of the fund-raising event;
- the amount of the charge for attending the fund-raising event; and
- the identity of the recipient or recipients of the funds to be raised at the fund-raising event;

The above information shall be posted at least 7 days before the fund-raising event. If the event is occurring within an election period, this information shall be posted at least 3 days before the fund-raising event.

## **Contribution limits at fund-raising events**

The limits on contributions that may be accepted by a registered political party or constituency association apply to fund-raising events. All eligible contributors to a registered political party or constituency association are subject to the same limits.

Contribution limits apply to the total of monetary and goods and services contributions from any single source. No registered political party or constituency association or person(s) acting on its behalf may knowingly accept any contributions in excess of the limits imposed by the *Election Finances Act*. [Act reference 28]

In any calendar year, a person can contribute up to a limit of \$1,222, rounded to the nearest dollar.

### **Example:**

If a political party, and one or more of its constituency associations hold a combined event, the maximum amount that an individual can contribute at this event is \$1,222 because, in addition to contributions limits, the Act limits the amount that can be contributed at a single event. Where a combined event is planned, please contact Elections Ontario for the details about the compliance requirements.

## **What are the Attendance Restrictions?**

The *Election Finances Act* contains attendance restrictions about who can attend certain events. It means specific people cannot be present at an event. If someone is present, who is not supposed to be at an event, this may be a contravention of the Act.

## **Who do the Attendance Restrictions apply to?**

The attendance restrictions apply to:

- MPPs;
- The Leaders of all political parties registered with Elections Ontario;
- All registered nomination contestants, candidates, and leadership contestants;
- All nominated and appointed candidates;
- All people employed in the Office of the Premier;
- All Chiefs of Staff (or the equivalent position) to provincial Cabinet Ministers; and
- All people employed in the Office of a Leader of an officially recognized party in the Legislative Assembly.
- The attendance restrictions do not apply to:
  - Spouses and family members of Leaders, MPPs, and others listed above;
  - People who are employed in MPPs local constituency offices; or,

- Party staff and officials who are paid by the party, who do not work at Queen's Park, and who do not report to the Office of the Premier or a Leader of an officially recognized party in the Legislative Assembly.

People organizing fund-raising events should be aware of these attendance restrictions when sending out invitations to such events. As such, fund-raising organizers should check with staff, party officials, and volunteers, the relevance of attendance requirements, before scheduling special guests at a fund-raising event.

### **Soliciting contributions**

Although there are attendance restrictions, soliciting contributions other than at an event, by mail, telephone, electronic or other means, is not prohibited.

### **Examples where attendance restrictions do not apply**

The following examples are some events or activities where the restrictions do not apply:

- A food drive, attended by a nomination contestant and hosted by a constituency association, where all the surplus income generated by ticket sales, or goods donated by attendees, are given to a charity.
- A meeting where the attendees pay no fee or charge to gain entry to meet a Party Leader or MPP, but have the option of making contributions by bidding in a silent auction at the event.
- A meal, party, or similar social event, attended by a Chief of Staff where there are no admission charges, and attendance is not conditional on the attendees making a contribution.
- MPP meetings with constituents.
- An annual general meeting, policy convention, or similar gathering.
- A telephone, email, mail, or door-to-door fund-raising campaign with messages from a candidate.

The gross income from any fund-raising event shall be recorded and reported to Elections Ontario by the CFO of the registered political party, constituency association, nomination contestant, candidate, or leadership contestant registered under the Act that held the event or on whose behalf the event was held.

Any amount (in excess of highest amount charged) paid for goods and services offered for sale at a fund-raising event, by a person providing similar services on a commercial or retail basis in the market area, must be considered as contribution under the Act.

Any amount paid for advertising services offered for sale in connection with a fund-raising event shall be considered a contribution.



## Cost Recovery Events

A cost recovery event is defined as an event held by or on behalf of a party, constituency association, nomination contestant, candidate or leadership contestant registered under the Act where:

- The event is advertised in advance
- A charge by the sale of tickets or otherwise is made exclusively to recover the costs of holding the event and that fact is stated in all advertisements for the event
- Any money raised in excess of the amount required for cost recovery is promptly paid to the Chief Electoral Officer

**The attendance restrictions do not apply to these events.**

## Advertising Requirement for Cost Recovery Events

If the event is a cost recovery event, this fact must be advertised in all communications related to the event.

## Social Events

A social event is an event held by or on behalf of a party, constituency association, nomination contestant, candidate or leadership contestant registered under the Act where no charge is made for attendance and no income is generated.

## Lotteries and games of chance

The *Criminal Code of Canada* makes lotteries, games of chance (including poker nights and 50/50 draws) illegal unless sponsored by charities. Political organizations are prohibited from holding lotteries or games of chance.

For further information, please contact the Alcohol and Gaming Commission of Ontario at 416-326-8700 or toll-free in Ontario at 1-800-522-2876.

## Auctions

Auctions may be a major source of revenue, but conducting an auction requires careful control of the goods contributed or purchased for sale, and the price of the goods bought by individuals attending the auction. A list must be kept of the name and address of suppliers and purchasers of items auctioned and the description and fair market value of each item.

Goods and services donated for an auction are considered to be a contribution. If the total value of goods and services provided by a donor is \$100 or less, the donor has the option of declaring them not to be a contribution.

Any amount paid for goods or services, other than advertising services, offered for sale during an event that is more than fair market value, must be considered a contribution. [Act reference 23(3)]

**Examples:**

An auction is held to raise funds. Daniel donates a painting valued at \$130 that is bought by Rahul at the auction for \$350. Contributions recorded by the registered political entity are:

- from Daniel for \$130, as a goods and services contribution for the donation of the painting; and
- from Rahul for \$220, as a monetary contribution for the purchase of the painting, the contribution amount being the difference between the value of the painting and the price for which it was purchased.

If an item is sold for less than its fair market value, there is no contribution by the purchaser of the item and the amount paid must be recorded as fund-raising income. The individual donating the item must still be considered to have made a contribution at fair market value regardless of the sale value.

## **Sale of tickets to events**

The following are recommended for organizing ticket sales:

- Have pre-numbered tickets printed for the event;
- Assign one person to control ticket distribution to ticket sellers and supervise the return of unused tickets and proceeds from tickets sold; and
- Ensure that each ticket seller completes a list recording the ticket numbers sold and the full name and address of each ticket purchaser and method of payment.

## **Expenses incurred for an event**

Expenses incurred for events held in a campaign period will not be subject to campaign expense limits.

The expenses of the event must be paid by the CFO, and all invoices and receipts must be kept by the CFO for audit purposes.

## **Determining the contribution and fund-raising income portions of a ticket price**

Revenue from ticket sales must be split between contributions and fund-raising income (amounts not treated as contributions) and be reported accordingly on the statement of income and expenses.

The amount considered a contribution will be the ticket price less the per-person costs and the remaining revenue must be considered fund-raising income. All costs are deductible in determining the contribution.

**Examples:**

- A fund-raising ticket is sold for \$100, and the per-person cost for the event is \$30; the contribution portion is \$70.
- The entry fee charged for a fund-raising golf tournament is \$300. The per person costs for the event were \$200; the contribution portion is \$100.

If a purchaser of a ticket does not attend the fund-raising event, a contribution is still considered to have been given and a tax receipt must be issued to the purchaser for the net amount after costs.

Only eligible contributors may purchase tickets to a fund-raising event and the purchases may be considered to be contributions. Persons ineligible to contribute may still attend a fund-raising event by purchasing a ticket at the cost of the expenses but no contribution can be made.

## **Sale of advertising space is a contribution**

Any amount paid for advertising as a fund-raising activity or at events must be a contribution. [Act reference 23(4)]

**Example:**

At a golf tournament, a sponsor (a person and not a corporation or trade union) may have paid for signs on the golf course or attached to golf carts. The full amount that the sponsor pays to the political party for the signs displayed must be considered a contribution.

## **Deposit of funds raised**

All funds raised at an event must be deposited by the CFO for which the event is held, and the name, address and amount paid by ticket purchasers must be recorded by the CFO. People organizing fund-raising activities and events should ensure that all contributions received are provided to the CFO for depositing and recording.

## Loans and Guarantees

A registered leadership contestant's campaign may borrow funds to assist in its operations. However, there are restrictions on the source of loans, guarantees, and collateral security.

### Borrowing source

A registered leadership contestant's campaign may borrow funds only from:

- a financial institution in Ontario; or
- a registered political party or constituency association in Ontario.

[Act reference 35(1)]

Any delay in paying suppliers or other liabilities may be deemed to be a loan from an ineligible source by Elections Ontario.

#### Example:

Suppliers' accounts must be paid within the credit terms normally imposed by the supplier or otherwise be considered a loan from an ineligible source.

Leadership contestants and members of their contest teams are not eligible to make loans.

No registered leadership contestant's campaign may receive support in the form of a loan except as provided above. [Act reference 35(3)]

### Financial institutions and market rate

No financial institution that may make a loan under this section may make the loan at a rate of interest below the applicable market rate charged by the financial institution for an equivalent amount at or about the time and in the market area where the loan is provided. [Act reference 35(6)]

### Timing of borrowing

A registered leadership contestant's campaign may borrow for the leadership contest only after he or she is registered with Elections Ontario.

### Guarantees and collateral security

A registered leadership contestant's campaign may receive support in the form of a guarantee or collateral security only from:

- an entity entitled to make a loan; or
- a person entitled to make a contribution.

[Act reference 35(4)]

No person or entity other than those provided above may guarantee or provide collateral security for a loan to a registered leadership contestant's campaign. [Act reference 35(6)]

A guarantee is considered a contribution for the purposes of this Act, and contribution requirements and limits apply. But a guarantee is not receipt-able until it is paid. Therefore, the limit on a guarantee for a new loan is \$1,222, which is applied to the guarantor's annual contribution limit.

The table below provides an overview of how guarantees are capped in a similar way to contributions:

<b>Example #</b>	<b>Value of Guarantee</b>	<b>Guarantee Limit</b>	<b># of Guarantors required</b>
<b>1</b>	\$1,222	\$1,222	1
<b>2</b>	\$12,220	\$1,222	10
<b>3</b>	\$122,200	\$1,222	100

## **Loans as contributions**

A financial institution must not waive the right to recover the loan, and a loan must not be made at an interest rate lower than the applicable market rate. [Act reference 35(7)]

If the borrower defaults on a loan, the financial obligation of the registered leadership contestant's campaign is transferred to the guarantor. Terms of repayment shall be reported to Elections Ontario.

## **Time limit – loans and guarantees**

Every leadership contestant that receives a loan must repay the loan in full no more than two years from the day that the leader is selected. [Act reference 35(9)]

No person shall guarantee the loan for a period longer than the applicable period of two years from the day that the leader is selected. [Act reference 35(10)]

## **Deficit in a leadership contestant's account**

If a registered leadership contestant's campaign shows a deficit on its second statement of contest reporting period income and expenses, the leadership contestant's campaign must attach a separate schedule with the financial statements listing unpaid debts, including unpaid financial institution borrowings making up the deficit. The schedule must state how these debts will be discharged, and where the leadership contestant's campaign or its registered political party is to pay the deficit, a letter must be forwarded with the schedule signed by the leadership contestant or a party official which clearly confirms this undertaking.

If there is any variance in the amount of the deficit reported and the payment made by either the registered leadership contestant's campaign or political party in full settlement of the debt, Elections Ontario must be informed of full details.

## **Reporting of loans**

Information regarding any borrowings must be reported to Elections Ontario as part of the audited financial statement.

Reporting must include:

- the name and address of the financial institution;
- the terms of the loan including the amount borrowed;
- the name and address of each guarantor and the amount guaranteed; and
- the amount outstanding at the end of the reporting period.

[Act reference 35(2)]

## Contest Period Expenses

All expenses are to be recorded and reported on the relevant financial statements.

All goods or services provided, whether or not they are considered to be a contribution for the purposes of the *Election Finances Act*, are considered to be expenses incurred at fair market value.

Records of all expenditures must be kept. A list of all contest period expenses paid and outstanding must be reported to Elections Ontario with the contest period audited financial statement.

### Authorization on leadership contestant advertising

All leadership contestant advertising must name the registered leadership contestant authorizing the advertising.

No specific language is required for the authorization but it must be apparent what person or entity has caused the advertisement to appear and any other person or entity that has sponsored or paid for it.

An example of appropriate authorization wording is “Authorized by CFO for Suyin Lee, leadership contestant”.

## Public Funding of Expenses

Elections Ontario provides public funding in the form of a subsidy for audit fees incurred by a registered leadership contestant’s campaign.

### Audit subsidy

If an auditor’s report is required by the *Election Finances Act*, Elections Ontario will subsidize the cost of auditors’ services for the examination and reporting on the financial statements by paying a subsidy to the auditor of a registered leadership contestant. The amount of the subsidy is indexed every year, and is currently \$1,083 for a registered leadership contestant. [Act reference 40(7)]

To receive the audit subsidy, a registered leadership contestant’s campaign must include with its audited financial statements a copy of the auditor’s invoice.

The audit subsidy will be paid directly to the auditor, with the registered leadership contestant’s campaign responsible for the remaining portion of the invoice.

## Financial Statements

Every registered leadership contestant's campaign must file two leadership contest period audited financial statements. The accounting policies and procedures used for the financial statements are prescribed by Elections Ontario for compliance with the *Election Finances Act*. The act also requires Elections Ontario to examine and review all financial statements submitted.

### Content and filing date

A leadership contest reporting period audited financial statement (Form CR-5) and supporting documentation must be filed with Elections Ontario by the registered leadership contestant's CFO, with Elections Ontario as follows:

- The first statement must be filed within six months after the date of the leadership vote and includes the period from the date of the official call for the leadership contest to two months after the date of the leadership vote; and
- The second statement must be filed within twenty months after the date of the leadership vote and includes the twelve-month period that begins two months after the date of the leadership vote.

[Act reference 42(4)]

The leadership contest reporting period financial statement includes the following:

- registered leadership contestant information;
- certification by the leadership contestant and CFO of the information reported in the financial statement;
- signed auditor's report on the financial statement and a copy of the auditor's invoice;
- statement of income and expenses;
- notes to the financial statement and schedules of accounting policies and procedures used;
- signed auditor's report on the supporting schedules of the financial statement;
- supporting schedules for the following:
  - borrowings and overdrafts;
  - contributions;
  - fund-raising and other activities;
  - transfers;
  - contest reporting period expenses, which consists of a list of suppliers where expenditures exceed \$100;
  - list of accounts payable;
  - statement of disposition of surplus or deficit; and



- a list of all contributions accepted during the contest reporting period.

[Act reference 42(1)]

The supporting schedules are an integral part of the financial statement. It is important that each schedule agrees with the primary statement.

Refer to the Form Completion Guide for directions on how to complete this financial statement.

## **Deficit in a leadership contestant's account**

If a registered leadership contestant's campaign shows a deficit on its second statement of contest reporting period income and expenses, the leadership contestant's campaign must attach a separate schedule with the financial statements listing unpaid debts, including unpaid financial institution borrowings making up the deficit. The schedule must state how these debts will be discharged, and where the leadership contestant's campaign or its registered political party is to pay the deficit, a letter must be forwarded with the schedule signed by the leadership contestant or a party official which clearly confirms this undertaking.

If there is any variance in the amount of the deficit reported and the payment made by either the registered leadership contestant's campaign or political party in full settlement of the debt, Elections Ontario must be informed of full details.

## **Surplus in a leadership contestant's account**

If a registered leadership contestant's campaign shows a surplus on its second statement of contest reporting period income and expenses, the leadership contestant's campaign must immediately pay the amount of the surplus to the registered political party that held the leadership contest. [Act reference 42(5)]

## **Financial statements format**

A registered leadership contestant's campaign may keep computerized records of the information required by the statutory disclosure provisions and generate the statements from computers.

Computer-generated statements must contain all the required information in a format substantially similar to Elections Ontario's forms.

## **Accounting methods to be followed**

The accounting methods set out below are prescribed by Elections Ontario for use in preparation of all financial statements:

- Cash basis for contributions

Contributions are considered accepted when deposited and cleared through the bank.

- Accrual basis

The accrual basis of accounting must be used so that expenses are recorded when they are incurred.

The accrual basis of accounting takes into account:

- expenses incurred but not paid or for which bills have not yet been received (accounts payable);
  - income on investments that has been earned but not yet received;
  - contributions received in the mail after the end of the period in envelopes postmarked in the reporting period; and
  - transfer payments not yet received but in transit.
- Furniture and other equipment

Furniture, fixtures, printing equipment, etc. must be charged to expenses when purchased.

All figures contained in financial statements may be rounded to the nearest dollar.

## **Communication with the auditor**

The auditor must report on whether the financial statements and supporting schedules fairly present the information contained in the financial records. As a result, it is necessary that the CFO and auditor meet to discuss the audit and filing process. It is recommended that the two meet before the period-end date to determine cut-off and closing procedures and to agree on a date when the auditor will be given access to all records, documents, books, accounts, and vouchers of the leadership contestant/s campaign that may be necessary to issue the auditor's reports. [Act reference 40(4)]

## **Delivery of financial statements**

Elections Ontario will accept financial statements by any delivery method so long as the filing is complete. Examples of accepted delivery methods include mail, fax, email, or hand delivery. Mailed financial statements that are postmarked or courier receipted on or before the filing date will be accepted as on time so long as they are complete.

## **Retention of records**

The financial records must be kept for a minimum of six years as recommended by the CRA.

The financial records must be retained at the place where records are kept on file with Elections Ontario.

## **Failure to file financial statements**

Where the CFO of a registered leadership contestant who is elected as a member of the Assembly fails to file any part of the leadership contest reporting period financial statements, the member may be forced to vacate their seat by the Assembly. [Act reference 43(2)]

Where the CFO of a registered leadership contestant who is not elected to the Assembly fails to file any part of the leadership contest reporting period financial statements, the contestant will be ineligible to run in any election up to and including the next general election, until the financial statements are properly filed. [Act reference 43(1)]

If a person knowingly fails to file financial statements, this may be an offence under the *Election Finances Act* [Act reference 46]