

Financial Statements of

**Saskatchewan Lotteries Trust Fund For
Sport, Culture and Recreation**

Year ended March 31, 2009

AUDITORS' REPORT

**To: Members of the Legislative Assembly
Province of Saskatchewan**

We have audited the statement of financial position of **Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation** as at March 31, 2009 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation** as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Regina, Canada
April 28, 2009

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Statement of Financial Position


2


March 31, 2009 with comparative figures for 2008

	2009	2008
Financial assets:		
Cash	\$ 5,423,049	\$ 6,029,313
Accrued interest and other receivables	980,748	790,554
Due from Western Canada Lottery - Saskatchewan Division Inc.	9,114,561	8,182,744
Investments (note 3)	45,281,975	39,712,366
	<u>60,800,333</u>	<u>54,714,977</u>
 Liabilities:		
Accounts payable	97,712	58,376
Due to Province of Saskatchewan - General Revenue Fund	595,155	911,180
Grants payable (note 4)	48,320,794	21,176,143
	<u>49,013,661</u>	<u>22,145,699</u>
 Net financial assets	 11,786,672	 32,569,278
 Restricted trust fund balances (Schedule 1)	 \$ 11,786,672	 \$ 32,569,278

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director


 _____ Director

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Statement of Operations

3

Year ended March 31, 2009 with comparative figures for 2008

	Budget 2009 (note 8)	2009	2008
Transfer of net lottery profits from Western Canada			
Lottery - Saskatchewan Division Inc. (Schedule 2)	\$ 43,882,105	\$ 50,939,916	\$ 47,732,466
Less directed payments: (note 5)			
Federal Government payment	1,962,300	1,844,322	1,795,216
Former distributors	1,477,680	1,413,200	1,480,000
Other license directed payments	275,000	275,000	275,000
Payment to the Province of Saskatchewan - General Revenue Fund	5,483,000	6,080,155	5,662,680
Saskatchewan Association of Agricultural Societies and Exhibition Associations	310,000	310,000	310,000
	9,507,980	9,922,677	9,522,896
Lottery profits after directed payments	34,374,125	41,017,239	38,209,570
Investment income	1,536,000	387,853	1,980,864
Less administration expenses (Schedule 3)	506,580	487,623	478,035
Funds available to provide grants	35,403,545	40,917,469	39,712,399
Less grants	64,976,746	61,700,075	33,955,505
(Decrease)/increase in restricted trust fund balances	(29,573,201)	(20,782,606)	5,756,894
Restricted trust fund balances, beginning of year	32,569,278	32,569,278	26,812,384
Restricted trust fund balances, end of year	\$ 2,996,077	\$ 11,786,672	\$ 32,569,278

See accompanying notes to financial statements.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Statement of Cash Flows

4

Year ended March 31, 2009 with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operating activities:		
(Decrease)/increase in restricted trust fund balances	\$ (20,782,606)	\$ 5,756,894
Realized loss/(gain) on sale of investments	95	\$ (135,459)
Items not affected by cash:		
Amortization of bond premium	16,700	-
Unrealized loss on investments	894,947	-
Net change in non-cash working capital items:		
Accrued interest and other receivables	(190,194)	(63,700)
Due from Western Canada Lottery - Saskatchewan Division Inc.	(931,817)	1,859,743
Accounts payable	39,336	29,015
Due to Province of Saskatchewan - General Revenue Fund	(316,025)	(682,521)
Grants payable	27,144,651	1,187,927
	<u>5,875,087</u>	<u>7,951,899</u>
Investing activities:		
Purchase of investments	(39,073,236)	(39,039,836)
Proceeds from disposal of investments	32,591,885	32,834,982
	<u>(6,481,351)</u>	<u>(6,204,854)</u>
(Decrease)/increase in cash during the year	(606,264)	1,747,045
Cash, beginning of year	6,029,313	4,282,268
Cash, end of year	<u>\$ 5,423,049</u>	<u>\$ 6,029,313</u>

See accompanying notes to financial statements.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements

5

March 31, 2009

1. Nature of operations:

The Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (the Trust) was established in 1974 and is continued pursuant to the *Interprovincial Lotteries Act 1984* and an agreement between the Minister of Tourism, Parks, Culture and Sport for the Province of Saskatchewan and Sask Sport Inc. Under the terms of the agreement, Sask Sport Inc. has been designated as the provincial marketing organization to sell Western Canada Lottery Corporation lottery tickets in Saskatchewan. Sask Sport Inc. has established the Western Canada Lottery - Saskatchewan Division Inc. to market, and Sask Sport Distributors Inc. to distribute these tickets on its behalf.

The agreement requires that the net lottery profits (detailed in Schedule 2) are transferred to the Trust and allocated to sport, culture and recreation. The profits (allocated 50% to sport, 35% to culture and 15% to recreation) are restricted for granting to eligible organizations designated by the Minister of Tourism, Parks, Culture and Sport for the Province of Saskatchewan. Each of these three sections contributes funds to the Saskatchewan Lotteries Community Grant Program in the same percentage as above; and to the Saskatchewan Lotteries Community Development Fund as follows: 40% by sport, 30% by culture and 30% by recreation. The sport section alone contributes funds to the Canada Games Program.

The lottery agreement also requires Sask Sport Inc., as designated provincial marketing organization for lottery tickets, to pay out of the Trust directed payments as described in note 5.

2. Significant accounting policies:

The Trust uses generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB). PSAB classifies the Trust as an other government organization.

Basis of accounting and use of estimates:

The preparation of financial statements in accordance with the PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current earnings when identified.

Investments:

Investments are recorded at amortized cost, less any provisions for permanent impairment in value.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements

March 31, 2009

6

2. Significant accounting policies (continued):

Grant expense and directed payments:

Grants are recorded by the Trust when a completed grant application is received from an eligible organization, the application is approved by the Trust and all criteria have been met by the applicant. Directed payments are recognized by the Trust as required by the lottery agreement.

Revenue recognition:

Lottery profits are recognized by the Trust in the period they are earned by the Western Canada Lottery – Saskatchewan Division Inc. Investment income is recognized in the period earned. Premiums and discounts on bond investments are amortized to income using the effective interest method.

3. Investments:

Investments at March 31 consist of:

	2009		2008	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Guaranteed Investment Certificates and Bankers Acceptances	\$42,983,619	\$43,857,531	\$36,103,860	\$36,901,712
Brandes Global Equities Funds	106,320	106,320	243,881	152,984
CC&L Canadian Value & Equity Funds	2,192,036	2,192,036	3,364,625	3,420,476
	\$45,281,975	\$46,155,887	\$39,712,366	\$40,475,172

Guaranteed investment certificates and bankers acceptances mature between April 27, 2009 and March 3, 2014 (2008 – June 30, 2008 and March 1, 2010) and have effective interest rates ranging from 1.1% to 4.9% (2008 – 4.05% to 5.10%). Brandes Global Equities Funds and Connor Clark and Lunn Canadian Value & Equity Funds use pooled funds consisting of managed equities with no specified rate of return or maturity. Market values are the values quoted by the applicable market on March 31, 2009.

4. Grants payable:

	2009	2008
Community Grant Programs	\$ 9,936,009	\$ 6,017,861
Culture	11,200,960	2,837,918
Recreation	4,914,157	1,261,510
Sport	22,269,668	11,058,854
	\$ 48,320,794	\$ 21,176,143

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements

March 31, 2009

7

5. Directed payments:

Under the terms of the lottery agreement, which expires on June 30, 2009, with the Minister of Tourism, Parks, Culture and Sport for the Province of Saskatchewan, the Trust is required to make the following payments to:

- the Federal Government which, under an agreement dated September 23, 1979 with the Interprovincial Lottery Corporation, withdrew from the lottery field in exchange for \$24,000,000 annually, in 1979 dollars. Saskatchewan's share of this payment, for the year ended March 31, 2009, was \$1,844,322 (2008 - \$1,795,216).
- Sask Sport Distributors Inc. to cover the distributor payments made to those volunteer non-profit organizations that previously acted as ticket distributors. This amounted to \$1,413,200 (2008 - \$1,480,000) during the current year. Of this amount, Sask Sport Inc., as a former ticket distributor, received \$358,560 (2008 - \$358,560) during the current year.
- the General Revenue Fund of the Province of Saskatchewan in the amount of 3% (up to \$140 million) and 9.5% (over \$140 million) of net lottery ticket sales less a directed payment to the Mackenzie Art Gallery of \$275,000 (2008 - \$275,000). During the current year \$6,080,155 (2008 - \$5,662,680) was paid.
- the Saskatchewan Association of Agricultural Societies and Exhibition Associations in the amount of \$310,000 (2008 - \$310,000) for the current year.

6. Related party transactions:

Sask Sport Inc., as a sport federation, received grants from the Trust of \$1,390,653 (2008 - \$1,138,638) during the current year, to provide programs and services to its member sport organizations. Sask Sport Inc. also received \$10,794 (2008 - \$11,413) as a fee for providing office equipment for use during the current year. Administrative expenses include direct expenses of the Fund as well as expenses allocated from Sask Sport Inc. based on Sask Sport Inc. resources used in the management and administration of the Fund.

The Administration Centers for Sport, Culture and Recreation (1989) Inc., a wholly owned subsidiary of Sask Sport Inc., provides office space and administrative services for non-profit sport, culture and recreation associations and received a grant from the Trust of \$358,000 (2008 - \$300,000) during the current year. In addition, the Trust paid to the Administration Centers for Sport, Culture and Recreation (1989) Inc. \$44,576 (2008 - \$42,645) for office space and services.

These financial statements include transactions with related parties. The Trust is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Trust is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements

March 31, 2009

8

6. Related party transactions (continued):

These transactions are in the normal course of operations and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties. Other related party transactions and amounts due to/from are disclosed separately in these financial statements.

7. Financial instruments and risks:

Fair value:

The recorded value of receivables classified as loans and receivables, and payables classified as other liabilities, approximates their fair value.

Credit and interest rate risk:

The Trust is not subject to significant credit risk. The Trust may be subject to significant interest rate risk relative to certain investments described in Note 3. To mitigate the effects of interest rate changes the Trust applies investing policies that address portfolio mix, maturities, and liquidity.

8. Budget:

The original budget was approved by the Board of Sask Sport Inc. on March 19, 2008. Revisions to the budget were approved by the Board November 18, 2008.

9. Comparative figures:

Certain of the 2008 comparative figures have been reclassified to conform to the current year's presentation.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Schedule 1 - Restricted Trust Fund Balances

9

Year ended March 31, 2009 with comparative figures for 2008

	Restricted trust fund balances, beginning of year	Allocation of funds available to provide grants	Grants approved - net of returns	(Decrease)/ increase in funds	Restricted trust fund balances, end of year
Canada Games	\$ 1,907,554	\$ 750,000	\$ 4,090	\$ 754,090	\$ 2,661,644
Community Development	1,175,804	5,799,000	(6,515,095)	(716,095)	459,709
Community Grant	1,227,054	3,978,500	(3,625,133)	353,367	1,580,421
Culture	10,219,724	11,188,939	(18,643,044)	(7,454,105)	2,765,619
Recreation	4,495,414	3,801,145	(7,351,629)	(3,550,484)	944,930
Sport	13,543,728	15,399,885	(25,569,264)	(10,169,379)	3,374,349
Total 2009	\$ 32,569,278	\$ 40,917,469	\$ (61,700,075)	\$ (20,782,606)	\$ 11,786,672
Total 2008	\$ 26,812,384	\$ 39,712,399	\$ (33,955,505)	\$ 5,756,894	\$ 32,569,278

Schedule 2 - Net Lottery Profits

Year ended March 31, 2009 with comparative figures for 2008

	Budget 2009 (note 8)	2009	2008
Lottery ticket sales	\$ 156,400,000	\$ 162,685,838	\$ 158,291,371
Revenue and expense items paid by the Western Canada Lottery Corporation:			
Prizes	(83,890,000)	(85,254,154)	(84,585,840)
Administration and ticket printing	(15,427,000)	(13,551,694)	(13,747,737)
Retailer commissions	(9,182,000)	(9,298,111)	(8,985,159)
Federal and provincial taxes	(1,301,400)	(1,210,607)	(1,295,086)
Investment income	252,900	345,940	660,610
Lottery profits transferred from the Western Canada Lottery Corporation	46,852,500	53,717,212	50,338,159
Provincial interest and other income	228,700	233,299	193,263
Provincial distribution expenses (note 1)	(1,996,475)	(1,886,022)	(1,780,664)
Provincial marketing expenses (note 1)	(1,202,620)	(1,124,573)	(1,018,292)
Net lottery profits	\$ 43,882,105	\$ 50,939,916	\$ 47,732,466

See accompanying notes to financial statements.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Schedule 3 - Administration Expenses

10

Year ended March 31, 2009 with comparative figures for 2008

	Budget 2009 (note 8)	2009	2008
Salaries and benefits	\$ 367,880	\$ 372,820	\$ 353,942
Rent	30,200	28,012	27,268
Professional fees	32,300	26,500	38,987
Office supplies	18,000	15,767	8,771
Equipment expense	11,650	10,794	11,413
Printing	8,900	6,804	5,941
Telephone	6,530	6,401	5,565
Travel and training	8,800	4,311	8,413
Postage	5,500	4,278	5,653
Insurance	4,440	4,096	3,783
Committee meetings	6,630	3,289	3,484
Goods and services tax	3,250	2,779	3,470
Repairs and maintenance	2,500	1,772	1,345
Total administration expenses	\$ 506,580	\$ 487,623	\$ 478,035

See accompanying notes to financial statements.