

Financial Statements of

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

Year ended March 31, 2011

# INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of **Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation**, which comprise the statement of financial position as at March 31, 2011, the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the 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, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

May 24, 2011  
Regina, Saskatchewan, Canada

  
Chartered Accountants

# Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

## Statement of Financial Position

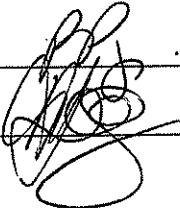
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March 31, 2011 with comparative figures for 2010

	2011	2010
<b>Financial assets:</b>		
Cash	\$ 7,841,173	\$ 11,941,287
Accrued interest and other receivables	990,377	752,717
Due from Western Canada Lottery - Saskatchewan Division Inc.	11,008,162	8,722,534
Investments (note 3)	72,183,859	49,508,793
	<u>92,023,571</u>	<u>70,925,331</u>
<b>Liabilities:</b>		
Accounts payable	83,646	73,599
Due to Province of Saskatchewan - General Revenue Fund	1,352,517	254,368
Grants payable (note 4)	64,623,628	52,875,859
	<u>66,059,791</u>	<u>53,203,826</u>
<b>Net financial assets</b>	<u>25,963,780</u>	<u>17,721,505</u>
<b>Restricted trust fund balances (Schedule 1)</b>	<u>\$ 25,963,780</u>	<u>\$ 17,721,505</u>

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

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Year ended March 31, 2011 with comparative figures for 2010

	Budget 2011 (note 8)	2011	2010
Transfer of net lottery profits from Western Canada Lottery - Saskatchewan Division Inc. (Schedule 2)	\$ 59,912,885	\$ 68,939,240	\$ 53,428,223
Less directed payments: (note 5)			
Federal Government payment	2,009,000	1,942,664	1,950,969
Former distributors	1,412,960	1,410,880	1,469,280
Payment to the Province of Saskatchewan - General Revenue Fund	7,248,750	7,690,016	6,330,568
Saskatchewan Association of Agricultural Societies and Exhibition Associations	310,000	310,000	310,000
	10,980,710	11,353,560	10,060,817
Lottery profits after directed payments	48,932,175	57,585,680	43,367,406
Investment income	1,325,000	2,244,635	2,637,518
Less administration expenses (Schedule 3)	518,660	496,642	512,929
Funds available to provide grants	49,738,515	59,333,673	45,491,995
Less grants	50,900,000	51,091,398	39,557,162
Increase/(decrease) in restricted trust fund balances	(1,161,485)	8,242,275	5,934,833
Restricted trust fund balances, beginning of year	17,721,505	17,721,505	11,786,672
Restricted trust fund balances, end of year	\$ 16,560,020	\$ 25,963,780	\$ 17,721,505

See accompanying notes to financial statements.

# Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

## Statement of Cash Flows

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Year ended March 31, 2011 with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Increase/(decrease) in restricted trust fund balances	\$ 8,242,275	\$ 5,934,833
Realized (gain)/loss on sale of investments	(63,250)	6,690
Items not affected by cash:		
Amortization of bond premium	-	21,880
Unrealized (gain)/loss on investments	(426,640)	(1,014,822)
Net change in non-cash working capital items:		
Accrued interest and other receivables	(237,660)	228,031
Due from Western Canada Lottery - Saskatchewan Division Inc.	(2,285,628)	392,027
Accounts payable	10,047	(24,113)
Due to Province of Saskatchewan - General Revenue Fund	1,098,149	(340,787)
Grants payable	11,747,769	4,555,065
	<u>18,085,062</u>	<u>9,758,804</u>
Investing activities:		
Purchase of investments	(48,887,424)	(23,614,994)
Proceeds from disposal of investments	26,702,248	20,374,428
	<u>(22,185,176)</u>	<u>(3,240,566)</u>
Increase/(decrease) in cash during the year	(4,100,114)	6,518,238
Cash, beginning of year	11,941,287	5,423,049
Cash, end of year	<u>\$ 7,841,173</u>	<u>\$ 11,941,287</u>

See accompanying notes to financial statements.

# Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

## Notes to Financial Statements

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March 31, 2011

### 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 another 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:*

Pooled investment funds are recorded at market value. All other investments are recorded at amortized cost.

# Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

## Notes to Financial Statements

March 31, 2011

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### 2. Significant accounting policies (continued):

#### *Grant expense and directed payments:*

Grants to eligible organizations are recorded when approved by the Trust Committee or the Sask Sport Inc. Board of Directors. 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:

	2011		2010	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Government Bond	\$ 3,500,000	\$ 3,658,475	\$ 3,500,000	\$ 3,468,543
Guaranteed Investment Certificates	65,012,331	65,845,763	42,702,304	43,392,867
Brandes Global Equities Funds	-	-	124,263	124,263
CC&L Canadian Value & Equity Funds	3,671,528	3,671,528	3,182,226	3,182,226
	<u>\$72,183,859</u>	<u>\$73,175,766</u>	<u>\$49,508,793</u>	<u>\$50,167,899</u>

Government Bond matures June 1, 2014 (2010 – June 1, 2014) and has an effective interest rate of 2.9% (2010 - 2.9%). Guaranteed investment certificates mature between June 30, 2011 and July 20, 2014 (2010 – April 10, 2010 and March 3, 2014) and have effective interest rates ranging from 1.25% to 4.45% (2010 – .5% to 4.45%). Brandes Global Equities Funds and Connor Clark and Lunn Canadian Value & Equity Funds are 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, 2011.

### 4. Grants payable:

	2011	2010
Community Grant Programs	\$ 11,972,198	\$ 10,296,751
Culture	16,297,377	12,324,491
Recreation	6,474,856	5,100,705
Sport	29,879,197	25,153,912
	<u>\$ 64,623,628</u>	<u>\$ 52,875,859</u>

# Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

## Notes to Financial Statements

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March 31, 2011

### 5. Directed payments:

Under the terms of An Agreement for the Distribution of Funds, which expires on March 31, 2014, 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, 2011, was \$1,942,664 (2010 - \$1,950,969).
- 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 \$1,410,880 (2010 - \$1,469,280) during the current year. Of this amount, Sask Sport Inc., as a former ticket distributor, received \$358,560 (2010 - \$358,560) during the current year.
- the General Revenue Fund of the Province of Saskatchewan in the amount of 3.75% of net lottery ticket sales (2010 - 3.75% of net lottery ticket sales). During the current year \$7,690,016 (2010 - \$6,330,568) was paid.
- the Saskatchewan Association of Agricultural Societies and Exhibition Associations in the amount of \$310,000 (2010 - \$310,000) for the current year.

### 6. Related party transactions:

Sask Sport Inc., as a sport federation, received grants from the Trust of \$2,130,585 (2010 - \$1,622,502) during the current year, to provide programs and services to its member sport organizations. Sask Sport Inc. also received \$10,065 (2010 - \$11,155) 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 \$551,050 (2010 - \$535,000) during the current year. In addition, the Trust paid to the Administration Centers for Sport, Culture and Recreation (1989) Inc. \$47,582 (2010 - \$43,865) for office space and services.

# Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

## Notes to Financial Statements

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March 31, 2011

### 6. Related party transactions (continued):

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.

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 February 8, 2010. Revisions to the budget were approved by the Board November 30, 2010.

# Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

## Schedule 1 - Restricted Trust Fund Balances

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Year ended March 31, 2011 with comparative figures for 2010

	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	\$ 2,150,677	\$ (2,150,677)	\$ -	\$ (2,150,677)	\$ -
Community Development	356,177	3,644,300	(3,844,389)	(200,089)	156,088
Community Grant	5,912,404	5,204,200	(4,457,824)	746,376	6,658,780
Culture	3,752,655	17,852,026	(15,763,708)	2,088,318	5,840,973
Recreation	1,667,170	7,026,131	(5,992,728)	1,033,403	2,700,573
Sport	3,882,422	27,757,693	(21,032,749)	6,724,944	10,607,366
<b>Total 2011</b>	<b>\$ 17,721,505</b>	<b>\$ 59,333,673</b>	<b>\$ (51,091,398)</b>	<b>\$ 8,242,275</b>	<b>\$ 25,963,780</b>
<b>Total 2010</b>	<b>\$ 11,786,672</b>	<b>\$ 45,491,995</b>	<b>\$ (39,557,162)</b>	<b>\$ 5,934,833</b>	<b>\$ 17,721,505</b>

## Schedule 2 - Net Lottery Profits

Year ended March 31, 2011 with comparative figures for 2010

	Budget 2011 (note 8)	2011	2010
Lottery ticket sales	\$ 193,300,000	\$ 205,067,107	\$ 168,815,137
Revenue and expense items paid by the Western Canada Lottery Corporation:			
Prizes	(101,149,000)	(106,560,875)	(87,012,585)
Administration and ticket printing	(16,351,900)	(13,913,201)	(14,619,392)
Retailer commissions	(11,314,000)	(11,593,594)	(9,585,939)
Federal and provincial taxes	(1,435,000)	(1,317,835)	(1,238,153)
Investment income	162,700	214,136	152,710
Lottery profits transferred from the Western Canada Lottery Corporation	63,212,800	71,895,738	56,511,778
Provincial interest and other income	210,000	214,059	207,398
Provincial distribution expenses (note 1)	(2,171,580)	(1,999,365)	(2,047,783)
Provincial marketing expenses (note 1)	(1,338,335)	(1,171,192)	(1,243,170)
<b>Net lottery profits</b>	<b>\$ 59,912,885</b>	<b>\$ 68,939,240</b>	<b>\$ 53,428,223</b>

See accompanying notes to financial statements.

# Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

## Schedule 3 - Administration Expenses

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Year ended March 31, 2011 with comparative figures for 2010

	Budget 2011 (note 8)	2011	2010
Salaries and benefits	\$ 364,360	\$ 374,430	\$ 396,594
Rent	31,120	31,203	30,502
Professional fees	24,500	19,781	25,216
Committee meetings	34,500	17,045	5,683
Office supplies	13,200	12,176	13,043
Equipment expense	11,200	10,065	11,155
Telephone	6,650	6,216	6,029
Printing	7,000	5,420	4,690
Insurance	5,690	5,303	5,649
Travel and training	8,840	5,089	5,009
Postage	5,500	4,911	4,077
Goods and services tax	3,600	3,274	3,378
Repairs and maintenance	2,500	1,729	1,904
<b>Total administration expenses</b>	<b>\$ 518,660</b>	<b>\$ 496,642</b>	<b>\$ 512,929</b>

See accompanying notes to financial statements.