

Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation

Performance Plan

2009-2010

Who We Are

The Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (the Fund) was established in 1974 by Sask Sport Inc., pursuant to *The Interprovincial Lotteries Act*, for the purpose of granting funds to eligible, non-profit volunteer organizations in the areas of sport, culture and recreation. The original Act has since been replaced by *The Interprovincial Lotteries Act, 1984*.

The Fund distributes Saskatchewan Lotteries proceeds to eligible sport, culture and recreation organizations in Saskatchewan. These eligible organizations are designated by the Minister of Tourism, Parks, Culture, and Sport based on recommendations from the Lottery Strategic Review Committee through an open and transparent process. Eligible organizations range from provincial sport, culture and recreation groups to Tribal Councils and First Nation Band Councils. Today, there are over 1,200 groups which receive direct funding support and through them, more than 12,000 affiliated organizations receive some form of support.

The lottery-funded system for sport, culture and recreation is delivered to the people of Saskatchewan through three important, independent community partners. These "global" organizations - Sask Sport Inc., Saskatchewan Parks and Recreation Association Inc. and SaskCulture Inc. - collectively represent hundreds of community organizations and ensure that lottery proceeds benefit every community in the province. The global organizations are responsible for establishing funding criteria for their respective section of the Fund.

Volunteer committees from sport, culture and recreation communities review all requests made to the Fund. Volunteers are drawn from each section making up the Sport Funding Committee, the Cultural Advisory Committee, and the Recreation Section Review Committee. These committees review and make decisions on funding requests from eligible provincial organizations based on funding criteria developed by the three global organizations.

Plan at a Glance

The 2009-2010 performance plan is based on the continuation of the lottery license agreement under the same terms as the 2006-2009 license. It is unlikely that the signing of a new license will be completed prior to the commencement of the new fiscal year (April 1, 2009).

The 2009-2010 performance plan is a continuation of the strategic focus of the Fund. As the primary focus of the Fund is to distribute and account for the use of its proceeds, the goals, objectives, and measure are not expected to change significantly over time.

VISION

To distribute profits in compliance with the lottery license agreement to eligible organizations and account for those expenditures.

GOAL 1: **License directed payments made from the Fund are done in accordance to the Lottery License Agreement.**

OBJECTIVE 1:

- Make payments to government organizations as prescribed in the license.

Performance Measure:

- Percentage of government payments made as required in license.

OBJECTIVE 2:

- Make Minister's Directed Payments upon written direction from the Minister of Tourism, Parks, Culture, and Sport.

Performance Measure:

- Number of Minister's Directed Payments made.

OBJECTIVE 3:

- Make an annual payment to Sask Sport Distributors Inc to be granted to former lottery distributors, with this payment not exceeding \$1.5 million.

Performance Measure:

- Total payment made to SSDI to be granted to former lottery distributors.

GOAL 2: **All Saskatchewan Lotteries' net profits are transferred to the Fund.**

OBJECTIVE 1:

- Have an external auditor perform an annual audit of the lottery operations.

Performance Measure:

- Variance between the audited lottery profit figure and amount received by the Fund.

GOAL 3: Grants are distributed to beneficiaries as recommended by the Fund adjudication committees.

OBJECTIVE 1:

- Allocate funds available to grant to the sport, culture, and recreation sections of the Fund at the following percentages - 50% sport, 35% culture, and 15% recreation.

Performance Measure:

- Percentage of eligible funds allocated to each section of the Fund.

OBJECTIVE 2:

- Approve and pay grants only to organizations on the Minister's Eligibility List.

Performance Measure:

- Percentage of grants paid to organizations on the Minister's Eligibility List.

OBJECTIVE 3:

- Ensure grants payments are supported by the appropriate grant minutes or Board motions from SSI, SaskCulture, S.P.R.A., and the Community Funding Committee.

Performance Measure:

- The percentage of grant payments supported by the appropriate grant minutes or Board motions from SSI, SaskCulture, S.P.R.A., and the Community Funding Committee.

OBJECTIVE 4:

- Ensure the Fund has policies and procedures that govern its overall operations.

Performance Measure:

- The manuals that govern the operations of the Fund are reviewed on an annual basis.

GOAL 4: Every dollar granted out through the Fund is accounted for, as prescribed by the License agreement.

OBJECTIVE 1:

- Receive follow-up reports for every grant paid by the Fund on a timely basis, including financial verification of money spent.

Performance Measures:

- Percentage of annual funding grant files closed within 12 months of the follow-up due date.
- Number of communities not eligible to receive funding through the Community Grant Program because they have an unresolved follow-up report.

OBJECTIVE 2:

- Keep the Fund's administrative expenses below 0.5% of annual gross lottery ticket sales.

Performance Measure:

- Percentage of the Fund's administrative expenses compared to annual gross lottery tickets sales.

GOAL 5: Funding stability is provided to the beneficiary groups.

OBJECTIVE 1:

- Give eligible provincial organizations a two year funding commitment.

Performance Measure:

- Number of eligible provincial organizations that received a two year funding commitment.

OBJECTIVE 2:

- Build a year-end restricted fund balance of 20% of the following year's granting projections.

Performance Measure:

- Percentage of the restricted fund balance compared to the following year's granting projections.

2009-2010 Financial Overview

In 2009-2010 granting to beneficiary organizations is projected to be \$36.7 million. Administration expenses as a percentage of Net Proceeds from Lotteries are projected to be 1.2%. There are 5.55 Full-Time Equivalent positions as a staff complement.

2009-2010 Estimates	<i>(in thousands of dollars)</i>
REVENUES	
Net Proceeds from Lotteries	\$ 44,776
Fund Investment Income	1,245
	\$ 46,021
EXPENSES	
General Revenue Fund	\$ 5,801
Federal Government	1,876
Sask Sport Distributors Inc.	1,479
Fund Administration Expenses	517
Grants to Beneficiary Organizations	36,656
	\$ 46,329
(Deficit) for the year	\$ (308)
FTE Staff Complement	5.55

The following significant changes have occurred since last fiscal year.

- Net Proceeds from Lotteries are projected up \$1.0 million dollars from 2008-2009.
- Payment to the General Revenue Fund is projected to be \$5.8 million based on a continuation of the current license fee.
- Grants to Beneficiary Organizations are projected to decrease from \$61.9 million in 2008-2009 to \$36.7 million 2009-2010. The granting level was higher in 2008-2009 as two years of funding commitments were granted to eligible provincial organizations.
- The Fund will use its restricted fund balances to offset the 2009-2010 deficit.

Trends and Issues

The role of the Fund is to distribute lottery proceeds to eligible organizations and account for the use of those funds. There are currently no trends or issues that significantly affect the Fund in performing this role. Following are some areas of interest that the Fund is currently working on and will continue to monitor in 2009-2010.

Community Development Fund

The provincial distribution system for sport, culture, and recreation has undergone a significant change with the Zone Sport Councils and Regional Recreation Associations amalgamating to form Districts for Sport, Culture, and Recreation. These amalgamations led to the Community Funding Committee within the Fund which adjudicates grants to these new Districts. Granting and follow-up criteria were created for the new Districts to apply for funding and account for the use of those grants. The 2009-2010 year will be the first year that all nine Districts will be fully amalgamated.

Auditing Issues

There is a difference of opinion between the Provincial Auditor and the Provincial Comptroller with regard to the timing of grant recognition. The Fund is required to follow the direction of the Provincial Comptroller. The Provincial Auditor had reported since fiscal 2004 that the statements of the Fund are unreliable due to this difference of interpretation. The issue of grant recognition has been reviewed by the Task Force on Transfers – Public Accounts Committee. Their recommendations are expected to come into regulation in the near future, at which time there should be greater clarity on this issue and the Provincial Auditor and Provincial Comptroller should be able to come to some agreement.

Grant Follow-Ups

To account for grant payments made to eligible organizations, recipients are required to submit follow-up reports, including financial verification, within 90 days of the organization's fiscal year end. Occasionally follow-ups are not received within the 90 day time frame. In these cases, no further grant payments are made to that organization until a satisfactory follow-up is submitted. The Fund office and grant delivery partners contact these organizations frequently in an attempt to collect the follow-ups and offer assistance. In 2008-2009 the Fund implemented practices to detail how and when organizations are contacted regarding late follow-ups. In 2009-2010, the Fund will continue with these practices.

Two Year Funding Commitments

In 2008-2009 the Fund achieved its long standing goal of providing two year funding commitments to eligible provincial organizations. This was made possible by prudent financial management of granting commitments and fortunate sales results by Saskatchewan Lotteries. The two year funding commitment is a significant benefit to organizations as it will allow them to improve their long term planning which makes recruitment and retention of quality volunteers and staff easier, allows them to enter into multiyear projects with other funding partners such as the federal government, and

improves the ability to attract events to the province. It is particularly advantageous to programming aimed at under represented populations as servicing this sector requires long term strategies and commitment. In 2009-2010, the Fund plans to continue providing two year funding commitments to eligible provincial organizations.

Restricted Fund Balance

As eligible provincial organizations received a two year funding commitment in 2008-2009, the restricted fund balance retained by the Fund was significantly reduced. Maintaining a restricted fund balance is necessary to protect lottery beneficiaries from an unexpected drop in their funding levels that would result from a reduction in lottery profits. A target has been set to have the restricted fund balance at 20% of the following year's granting projections. If necessary, the restricted fund balance would be used to offset a reduction in lottery profits. This would allow the organizations to continue operating the following year at the funding levels they expected, and plan for possible adjustments the year after that. To reach the 20% target, the Fund will have to ensure continued prudent financial management of granting commitments while still achieving targeted sport, culture, and recreation objectives.

2009-2010 Performance Plan

This 2009-10 Performance Plan for the Fund is contained in this section. The plan is broken down into overall goals; objectives that support progress toward the goals; and performance measures that indicate if the objectives are being reached.

There are some external factors that affect the Fund's ability to reach its goals, as listed below:

- The majority of the revenue the Fund receives is from the profits of the Western Canada Lottery – Saskatchewan Division (WCL-Sk), with the remainder coming from interest revenue. As the gaming environment is volatile and competitive, the proceeds received by the Fund are difficult to predict. As many beneficiary organizations rely on these grants for a significant portion of their programming costs, it has been a goal of the Fund to provide stability to organizations and give them protection from a reduction in lottery profits available to grant.
- In 2008, there was a class action lawsuit filed with the Saskatchewan courts regarding the Scratch N' Win product line. As of February 2009, the Western Canada Lottery Corporation has not been served with the lawsuit, it is not clear if or when the lawsuit will proceed, and no timeframe for future legal action has been established. However, if the lawsuit proceeds and is successful, the proceeds the Fund receives from the WCL-Sk would be affected. A successful lawsuit would affect current funding levels and possibly long term funding levels.
- Although the issue between the Provincial Auditor and Provincial Comptroller on how to properly account for grants does not affect the accuracy of the Fund's financial statements, the report the Provincial Auditor releases stating the Fund's financial statements are not reliable could affect the public's opinion on the lottery funded sport, culture, and recreation delivery system. The Fund will continue to monitor progress made toward this issue being resolved.

GOAL 1: License directed payments made from the Fund are done in accordance to the Lottery License Agreement.

OBJECTIVE 1: Make payments to government organizations as prescribed in the license.

As part of the lottery license agreement signed between the Ministry of Tourism, Parks, Culture, and Sport and the three global organizations (Sask Sport, SaskCulture, and Saskatchewan Parks and Recreation Association), the Fund is required to make specific government payments prior to allocating funds to beneficiaries as prescribed by the three global organizations.

What are we measuring?

Percentage of government payments made as required in license.

Progress to date:

2005/06	100% of government payments made as prescribed
2006/07	100% of government payments made as prescribed
2007/08	100% of government payments made as prescribed
2008/09	100% of government payments made as prescribed

The Fund ensures these payments are made prior to allocating funds to the three sections of the Fund.

OBJECTIVE 2: Make Minister’s Directed Payments upon written direction from the Minister of Tourism, Parks, Culture, and Sport.

As detailed in the license, the Minister has listed certain organizations that will receive a set amount of funding upon the Minister’s direction. These payments are made by the Fund once written direction is received from the Minister.

What are we measuring?

Number of Minister’s Directed Payments made.

2005/06	7 of 7 payments made upon written direction (the license lists 9 payments, but the Minister only gave written direction to pay 7 of them)
2006/07	5 of 5 payments made (the new license has 5 Minister’s payments)
2007/08	5 of 5 payments made
2008/09	5 of 5 payments made

The Fund ensures payments are made, but only after receiving written direction as prescribed in the license.

OBJECTIVE 3: Make an annual payment to Sask Sport Distributors Inc. to be granted to former lottery distributors, with this payment not exceeding \$1.5 million.

This payment is to volunteer, non-profit organizations who previously acted as ticket distributors. Under the terms of the lottery license, a payment is made to these organizations but it must not exceed \$1.5 million.

What are we measuring?

Total payment made to SSDI to be granted to former lottery distributors.

2005/06	\$1,478,320
2006/07	\$1,477,280
2007/08	\$1,480,000

2008/09

Figure not yet available as of Feb. 2009.

The amount granted to the former lottery distributors fluctuates from year to year as grants are withheld until completed follow-up information is received. Additionally, over time some of the beneficiary organizations discontinue operations and are therefore no longer eligible to receive a grant.

GOAL 2: All Saskatchewan Lotteries' net profits are transferred to the Fund.

OBJECTIVE 1: Have an external auditor perform an annual audit of the lottery operations.

Utilizing an external auditor will verify that all lottery profits generated by Saskatchewan Lotteries are transferred to the Fund to be used to grant to eligible organizations.

What are we measuring?

Variance between the audited lottery profit figure and amount received by the Fund.

Progress to date:

2005/06	No variance (\$44,372,055 audited and transferred)
2006/07	No variance (\$49,565,180 audited and transferred)
2007/08	No variance (\$47,732,466 audited and transferred)
2008/09	Figure not yet available as of Feb. 2009.

This measure ensures that the money received by the Fund matches what the external auditor states the Lotteries received in profits.

GOAL 3: Grants are distributed to beneficiaries as recommended by the Fund adjudication committees.

OBJECTIVE 1: Allocate funds available to grant to the sport, culture, and recreation sections of the Fund at the following percentages - 50% sport, 35% culture, and 15% recreation.

As agreed upon by the three global organizations, the sport section of the Fund receives 50% of the total allocation of funds available to grant, the culture section receives 35%, and the recreation receives 15%. These funds are then eligible to grant to organizations on the Minister's Eligibility List. It is the responsibility of the Fund to make the allocations according to these percentages.

What are we measuring?

Percentage of eligible funds allocated to each section of the Fund.

2005/06	Sport	\$17,077,776 allocated = 50%
	Culture	\$11,954,443 allocated = 35%
	Recreation	\$5,123,333 allocated = 15%
2006/07	Sport	\$20,753,818 allocated = 50%
	Culture	\$14,527,673 allocated = 35%
	Recreation	\$6,226,145 allocated = 15%
2007/08	Sport	\$19,856,199 allocated = 50%
	Culture	\$13,899,340 allocated = 35%
	Recreation	\$5,956,860 allocated = 15%
2008/09	Figures not yet available as of Feb. 2009.	

OBJECTIVE 2: Approve and pay grants only to organizations on the Minister's Eligibility List.

As detailed in the license agreement, the money remaining in the Fund after the required payments have been made can only be granted to organizations on the eligibility list. The list is maintained and amended by the Minister on recommendations provided by the Lottery Strategic Review Committee. There is criteria that organizations must meet to be considered for inclusion on the list and to maintain their eligibility. This criteria is established by the Minister and the three global organizations through the Lottery Strategic Review Committee.

What are we measuring?

Percentage of grants paid to organizations on the Minister's Eligibility List.

2005/06	100%
2006/07	100%
2007/08	100%
2008/09	Figure not yet available as of Feb. 2009.

It is imperative to the accountability of the lottery funded system that only organizations on the eligibility list be approved for funding.

OBJECTIVE 3: Ensure grants payments are supported by the appropriate grant minutes or Board motions from SSI, SaskCulture, S.P.R.A., and the Community Funding Committee.

Each global organization is responsible for creating an adjudication mechanism to recommend distribution of funds from their respective section of the Fund to eligible organizations. Their granting recommendations are forwarded to the Fund committee for approval prior to grants being paid. The globals have collaborated to form the Community Funding Committee (formerly the Community Grant Advisory Committee and the Community Development Fund Committee) to review grant applications for funds they allocate to the Community Grant Program and the Community Development Fund, with those decisions being forwarded to the Fund committee for approval.

What are we measuring?

The percentage of grant payments supported by the appropriate grant minutes or Board motions from SSI, SaskCulture, S.P.R.A., and the Community Funding Committee.

Progress to date:

2005/06	All granting minutes/motions received and approved by the Fund
2006/07	All granting minutes/motions received and approved by the Fund
2007/08	All granting minutes/motions received and approved by the Fund
2008/09	Figure not yet available as of Feb. 2009.

All granting adjudication minutes or motions are forwarded to the Fund committee for approval.

OBJECTIVE 4: Ensure the Fund has policies and procedures that govern its overall operations.

The Fund's grants are to be distributed to eligible organizations that have as their purpose the promotion of sport, culture and recreation. The Fund was established by Sask Sport for the purpose of granting funds to eligible organizations. As such, it is imperative that operating guidelines are established for the administration and disbursement of the funds.

What are we measuring?

The manuals that govern the operations of the Fund are reviewed on an annual basis.

Progress to date:

2006/07	Trust Handbook and Orientation Manual – reviewed and approved Mar 2007 by the Board SSI Personnel Manual – reviewed and approved Mar 2007 by the Board SSI Operation Manual – reviewed and approved Nov 2006 by the Board
2007/08	Trust Handbook and Orientation Manual – internally reviewed March 2008 SSI Personnel Manual – internally reviewed March 2008 SSI Operation Manual – internally reviewed March 2008
2008/09	Trust Handbook and Orientation Manual – internally reviewed March 2009 SSI Personnel Manual – internally reviewed March 2009 SSI Operation Manual – internally reviewed March 2009

This measure ensures the manuals are reviewed on an ongoing basis. By annually reviewing the manuals, the policies and procedures are kept up to date and any potential

gaps that need to be addressed are identified. The manuals are reviewed by staff and management on an annual basis and any significant revisions are taken to the appropriate committee and the Board for approval.

GOAL 4: Every dollar granted out through the Fund is accounted for, as prescribed by the License agreement.

OBJECTIVE 1: Receive follow-up reports for every grant paid by the Fund on a timely basis, including financial verification of money spent.

As a method to account for every Fund dollar spent by the grant recipients, the Fund has a policy that follow-up reports are required to be submitted by the grant recipients. The detail required in the report varies by granting program, but at a minimum it must include financial verification that it was spent as intended.

What are we measuring?

Percentage of annual funding grant files closed within 12 months of the follow-up due date. A method for tracking this measure is being worked on.

For a grant file to be closed, satisfactory follow-up information must have been submitted and any money returns (unspent money or money spent on ineligible expenses) must have been paid back to the Fund. The follow-ups are to be received from the recipient organization within 90 days of the approved grant period end date. Until satisfactory follow-ups are received by the Fund, any further approved grant payments to that organization are withheld.

What are we measuring?

Number of communities not eligible to receive funding through the Community Grant Program because they have an unresolved follow-up report.

April 1, 2005	61 communities with unresolved follow-ups
April 1, 2006	48 communities with unresolved follow-ups
April 1, 2007	47 communities with unresolved follow-ups
April 1, 2008	39 communities with unresolved follow-ups

As there are more than 1000 communities eligible to receive funding each year, it is a challenge to ensure all follow-up reports are received on time. If follow-up reports are not received, any further grant payments are withheld until the follow-up report is submitted or an unresolved follow-up form is submitted and approved. Administration contacts these communities on a continuous basis in an attempt to collect their follow-up reports to account for the funds.

OBJECTIVE 2: Keep the Fund's administrative expenses below 0.5% of annual gross lottery ticket sales.

As detailed in the license, the Fund's administrative expenses are to be kept below a determined percentage of sales.

What are we measuring?

Percentage of the Fund's administrative expenses compared to annual gross lottery tickets sales.

Progress to date:

2005/06	0.36% of sales (\$503,070 administration expenses)
2006/07	0.32% of sales (\$494,485 administration expenses)
2007/08	0.30% of sales (\$478,035 administration expenses)
2008/09	Figure not yet available as of Feb. 2009.

The Fund keeps administrative expenses at a minimum to ensure maximum funds are available to grant while ensuring all lottery license requirements and accountability standards are met.

GOAL 5: Funding stability is provided to the beneficiary groups.

OBJECTIVE #1: Give eligible provincial organizations a two year funding commitment.

Grants provided by the Fund are an important revenue source for many sport, culture, and recreation groups throughout the province. As the amount of funds available to distribute is reliant on lottery ticket sales, the amount of money available to grant is volatile and unpredictable. The Fund had been working toward having a restricted fund balance at year-end large enough to fully fund the following year's granting projections.

As a result of the March 31, 2008 restricted fund balance and the 2008/09 lottery profit projections, the Fund was in a position in 2008/09 to make two year funding commitments to provincial organizations for the first time. This financial stability improves long term planning opportunities which makes recruitment and retention of quality volunteers and staff easier, allows provincial organizations to enter into multiyear projects with other funding partners such as the federal government, and improves the ability to attract events to the province. It is particularly advantageous to programming aimed at under represented populations as servicing this sector requires long term strategies and commitment.

It is the objective of the Fund to provide two year funding commitments to provincial organizations on a going forward basis. This can be accomplished through prudent financial management of granting commitments combined with meeting lottery sales projections.

What are we measuring?

Number of eligible provincial organizations that received a two year funding commitment.

2006/07	Not Applicable
2007/08	Not Applicable
2008/09	Figure not yet available as of Feb. 2009.

Fiscal year 2008/09 was the first year the Fund was in a position to make two year funding commitments. The objective is to have eligible provincial organizations receive a two year funding commitment again in 2009-2010.

OBJECTIVE #2: Build a year-end restricted fund balance of 20% of the following year's granting projections.

In 2008-2009, the Fund made two year funding commitments to provincial organizations. Therefore, the restricted fund balance at year-end will be reduced to significantly less than the 2007-2008 balance as two years worth of grants were expensed in 2008-2009. It is still necessary to protect lottery beneficiaries from an unexpected drop in their funding levels that would result from an unavoidable reduction in lottery profits. By having a restricted fund balance of 20% of the following year's granting projections, it could be used to offset an unexpected reduction in lottery profits for at least a one year period. This would allow the organizations to continue operating the following year at the funding levels they expected, and plan for possible adjustments the year after that.

What are we measuring?

Percentage of the restricted fund balance compared to the following year's granting projections.

2006/07	Not Applicable
2007/08	Not Applicable
2008/09	Figure not yet available as of Feb. 2009.

This measure will be based on the restricted fund balance at year-end as a percentage of the following year's grant projections. The objective is to have the restricted fund balance at year end to be 20% of the following year's granting projections to protect eligible organizations from a reduction in funding levels.

The previous years' percentages prior to 2008-2009 are not applicable for comparison as the Fund was not yet giving organizations a two year funding commitment. The restricted fund balance was being increased to a level large enough that the Fund could approve grants a full year in advance.

For More Information

To get more information regarding the Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation, please call (306) 780-9300 or visit our website at <http://www.sasksport.sk.ca/trust.php>. If you have any questions or would like to provide some feedback on the work we are doing, please call the number above.