

# **Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation**

**Progress Report**

**2008-2009**

## **2008-2009 Financial Overview**

<b>2008-2009</b> <i>(in thousands of dollars)</i>	<i>Estimate</i>	<i>Actuals</i>
<b>REVENUES</b>		
Net Proceeds from Lotteries	\$ 43,741	\$ 50,940
Trust Fund Investment Income	1,680	387
	\$ 45,421	\$ 51,327
<b>EXPENSES</b>		
General Revenue Fund	\$ 5,483	\$ 6,080
Federal Government	1,969	1,844
Former Distributors	1,479	1,413
Trust Fund Administration Expenses	514	488
Grants to Beneficiary Organizations	61,904	62,285
	\$ 71,349	\$ 72,110
Surplus (Deficit) for the year	\$ (25,928)	\$ (20,783)
FTE Staff Complement	5.2	5.5

### Variances from estimates:

- Net Proceeds from Lotteries exceeded estimates by \$5.1 million. Lotto 6/49 sales were strong due to a favorable jackpot roll pattern, leading to lottery ticket sales exceeding estimates by \$4.4 million. The other \$.7 million is due to operating expense savings.
- Trust Fund Investment Income was \$1.3 million below estimates due to the decline in interest rates and recording an unrealized loss on equity investments to adjust their book value to fair market value at March 31, 2009.

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

**OBJECTIVE 1:** Make payments to government organizations as prescribed in the license (ie. General Revenue Fund, Government of Canada, provincial and federal taxes)

As part of the lottery license agreement signed between Saskatchewan Culture, Youth and Recreation (now the Ministry of Tourism, Parks, Culture, and Sport) and the three global organizations (Sask Sport, SaskCulture, and Saskatchewan Parks and Recreation Association), the Trust is required to make specific government payments as detailed in the license 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.

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
<b>2008/09</b>	<b>100% of government payments made as prescribed</b>

In 2008/09, the Trust ensured all of these payments are made prior to allocating funds to the three sections of the Trust.

**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 Trust 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
<b>2008/09</b>	<b>5 of 5 payments made</b>

In 2008/09, the Trust ensured payments were made 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 (185 organizations)
2006/07	\$1,477,280 (174 organizations)
2007/08	\$1,480,000 (180 organizations)
<b>2008/09</b>	<b>\$1,413,200 (177 organizations)</b>

The amount paid and the number of organizations paid fluctuates year to year as payments are withheld to organizations if they have not submitted their follow-up report from the previous year. Once their satisfactory follow-up report is submitted, payment will be released. Also, occasionally some of the former distributor organizations cease to exist at which time they are removed from the eligible list of organizations to receive the former distributor grant. The amount paid in 2008/09 was under the maximum payable of \$1,500,000.

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

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

Utilizing an external auditor will ensure that all lottery profits generated by Saskatchewan Lotteries is transferred to the Trust 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 Trust.

2005/06	No variance (\$44,372,055 audited and transferred to the Trust)
2006/07	No variance (\$49,565,180 audited and transferred to the Trust)
2007/08	No variance (\$47,732,466 audited and transferred to the Trust)
<b>2008/09</b>	<b>No variance (\$50,939,916 audited and transferred to the Trust)</b>

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

**GOAL 3:** Distribute funds to beneficiaries as recommended by the Trust adjudication committees.

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

As agreed upon by the three global organizations, the sport section of the Trust 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 Trust Fund to allocate the funds according to these percentages.

**What are we measuring?**

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

2005/06	Sport	\$17,077,776 allocated = 50%
	Culture	\$11,954,443 allocated = 35%
	Recreation	\$5,123,333 allocated = 15%
2006/07	Sport	\$20,753,672 allocated = 50%
	Culture	\$14,527,672 allocated = 35%
	Recreation	\$6,226,145 allocated = 15%
2007/08	Sport	\$19,856,200 allocated = 50%
	Culture	\$13,899,340 allocated = 35%
	Recreation	\$5,956,860 allocated = 15%
<b>2008/09</b>	<b>Sport</b>	<b>\$20,458,735 allocated = 50%</b>
	<b>Culture</b>	<b>\$14,321,114 allocated = 35%</b>
	<b>Recreation</b>	<b>\$6,137,620 allocated = 15%</b>

In 2008/09, the allocations were made according to agreed percentages.

**OBJECTIVE 2:** Grant payments are only made to organizations on the Minister's eligibility list.

As detailed in the license agreement, the funds remaining in the Trust 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.

### What are we measuring?

Percentage of grants made that are to organizations on the Minister's Eligibility List.

2005/06	100%
2006/07	100%
2007/08	100%
<b>2008/09</b>	<b>100%</b>

It is imperative to the accountability of the lottery funded system that only organizations on the eligibility list be approved for funding, as was the case in 2008/09.

**OBJECTIVE 3:** To ensure the Trust grant motions are supported by the appropriate grant minutes or Board motions from SSI, SaskCulture, S.P.R.A., the Community Grant Program and the Community Development Fund.

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

### What are we measuring?

The percentage of granting minutes or motions the Trust receives from SSI, SaskCulture, S.P.R.A., the Community Grant Program, and the Community Development Fund prior to the Trust approving and paying grants.

2005/06	100% of granting minutes or motions received and approved by the Trust
2006/07	100% of granting minutes or motions received and approved by the Trust
2007/08	100% of granting minutes or motions received and approved by the Trust
<b>2008/09</b>	<b>100% of granting minutes or motions received and approved by the Trust</b>

The Trust ensured all granting decision minutes or motions were forwarded to the Trust committee for approval in 2008/09.

**OBJECTIVE 4:** Ensure the Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation has policies and procedures that govern its overall operations.

The Trust funds are to be distributed to eligible organizations that have as their purpose the promotion of sport, culture and recreation, or other charitable or benevolent purposes. The Trust 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?**

If the manuals that govern the operations of the Trust are reviewed on an annual basis.

2006/07	Trust Handbook and Orientation Manual – reviewed and approved Mar 2007 SSI Personnel Manual – reviewed and approved Mar 2007 SSI Operation Manual – reviewed and approved Nov 2006
2007/08	Trust Handbook and Orientation Manual – reviewed Mar 2008 SSI Personnel Manual – reviewed Mar 2007 SSI Operation Manual – reviewed Mar 2007
<b>2008/09</b>	<b>Trust Handbook and Orientation Manual – revised in Jan 2009 and reviewed in Mar 2009</b> <b>SSI Personnel Manual – revised in Sep 2008 and reviewed in Mar 2009</b> <b>SSI Operation Manual – revised May 2008 and reviewed Mar 2009</b>

The manuals are reviewed by management once every year in March. Additionally, any new or revised policies approved during the year are added to the manuals on an ongoing basis. All three manuals were reviewed in March 2009, and each manual received one revision during the year in 2008/09.

**GOAL 4:** Account for every dollar granted out through the Trust Fund, as prescribed by the License agreement.

**OBJECTIVE 1:** Receive follow-up reports for every grant paid through the Trust fund, including financial verification of money spent.

As a method to account for every Trust dollar spent by the grant recipients, the Trust 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?**

This measure is still being determined. The Trust database is undergoing upgrades that will make it easier to track this data.

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 Trust. 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 Trust, 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?

March 31, 2005	61 communities with unresolved follow-ups
March 31, 2006	48 communities with unresolved follow-ups
March 31, 2007	47 communities with unresolved follow-ups
March 31, 2008	39 communities with unresolved follow-ups
<b>March 31, 2009</b>	<b>40 communities with unresolved follow-ups</b>

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. In 2008/09, 40 communities had unresolved follow-up reports outstanding.

**OBJECTIVE 2:** Keep Trust administrative expenses to below 0.5% of annual gross lottery ticket sales.

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

**What are we measuring?**

Percentage of Trust administrative expenses compared to annual gross lottery tickets sales.

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)
<b>2008/09</b>	<b>0.30% of sales (\$487,623 administration expenses)</b>

The Trust 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. In 2008/09, the percentage was below what is permitted in the license agreement.

**GOAL 5:** Funding stability for the Trust beneficiary groups.

**OBJECTIVE #1:** To give provincial organizations a two year funding commitment.

Trust funding is an important revenue source for many sport, culture, and recreation groups throughout the province. As the amount of Trust funds available to distribute is reliant on lottery ticket sales, the amount of money available to grant is volatile and unpredictable. The Trust has 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 Trust was in a position in 2008/09 to make two year annual funding commitments. This financial stability improves long term planning opportunities which makes recruitment and retention of quality volunteers and staff easier, allows PSGBs 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.

**What are we measuring?**

Number of organizations that received a two year annual funding commitment from the Trust.

2006/07	0 organizations
2007/08	0 organizations
2007/08	0 organizations
<b>2008/09</b>	<b>137 organizations</b>

Fiscal year 2008/09 was the first year the Trust was in a position to make two year annual funding commitments. As a result, in 2008/09 135 organizations received annual funding commitments for their next two fiscal years.

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

In 2008/09, the Trust made two year annual funding commitments to eligible organizations. Therefore, the restricted fund balance at 2008/09 year-end was significantly reduced. It is necessary to protect lottery beneficiaries from an unexpected drop in their funding levels that would result from an unavoidable reduction in lottery profits. A restricted fund balance of 20% of the following year's granting projections would be used to offset a reduction in lottery profits for 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?**

Restricted fund balance as a percentage of the following year's granting projections.

2008/09                      32.7% (\$11.8 million in reserve, \$36.1 million in grants projected)

The measure of 32.7% at March 31, 2009 is higher than the 20% target primarily because lottery profits were higher than projected in 2008/09. Additionally, not all eligible organizations applied for the two year funding commitment in 2008/09 as they were not yet prepared to put forward a two year funding submission, resulting in a higher than expected restricted fund balance.

## **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.