

Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation

Progress Report

2009-2010

2009-2010 Financial Overview

| 2009-2010 <i>(in thousands of dollars)</i> | <i>Estimate</i> | <i>Actuals</i> |
|---|-----------------|----------------|
| REVENUES | | |
| Net Proceeds from Lotteries | \$ 44,776 | \$ 53,428 |
| Fund Investment Income | 1,245 | 2,638 |
| | \$ 46,021 | \$ 56,066 |
| EXPENSES | | |
| General Revenue Fund | \$ 5,801 | \$ 6,331 |
| Federal Government | 1,876 | 1,951 |
| Mitigation Payments | 1,789 | 1,779 |
| Fund Administration Expenses | 517 | 513 |
| Grants to Beneficiary Organizations | 36,346 | 39,557 |
| | \$ 46,329 | \$ 50,131 |
| (Deficit) for the year | \$ (308) | \$ 5,935 |
| FTE Staff Complement | 5.55 | 5.52 |

Variance from estimates:

- Net Proceeds from Lotteries are higher than expected due to a combination of higher sales from the successful replacement of Super 7 with Lotto Max and lower prize expenses for 6/49.
- Fund Investment Income includes an adjustment for unrealized capital gains on pooled funds.
- Grants to Beneficiary Organizations includes additional grants to fulfill the two year funding commitment for some programs that did not apply for two years in fiscal 2009.

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 |
| 2009/10 | 100% of government payments made as prescribed |

The Fund ensures all of 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 |
| 2009/10 | Not applicable |

A new distribution agreement was signed in October 2009 which no longer includes Minister's Directed Payments. Of the five former Minister's payment beneficiaries, four now apply through the Culture section of the Fund and the fifth (SAASE) has been reclassified as a mitigation payment. Objective 2 will be removed from the performance plan in future years.

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 | \$1,413,200 |
| 2009/10 | \$1,469,280 |

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, 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 | No variance (\$50,939,916 audited and transferred) |
| 2009/10 | No variance (\$53,428,223 audited and transferred) |

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 | Sport | \$20,458,735 allocated = 50% |
| | Culture | \$14,321,114 allocated = 35% |
| | Recreation | \$6,137,620 allocated = 15% |
| 2009/10 | Sport | \$22,745,998 allocated = 50% |
| | Culture | \$15,922,198 allocated = 35% |
| | Recreation | \$6,823,799 allocated = 15% |

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

As detailed in the license agreement, the money available 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 | 100% |
| 2009/10 | 100% |

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 allocated 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 | All granting minutes/motions received and approved by the Fund |
| 2009/10 | All granting minutes/motions received and approved by the Fund |

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 – reviewed March 2008 SSI Personnel Manual – reviewed March 2008 SSI Operation Manual – reviewed March 2008 |
| 2008/09 | Trust Handbook and Orientation Manual – reviewed March 2009 SSI Personnel Manual – reviewed March 2009 SSI Operation Manual – reviewed March 2009 |
| 2009/10 | Trust Handbook and Orientation Manual – reviewed March 2010 SSI Personnel Manual – reviewed March 2010 SSI Operation Manual – reviewed March 2010 |

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 the money 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 |
| April 1, 2009 | 40 communities with unresolved follow-ups |
| April 1, 2010 | 37 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 | 0.30% of sales (\$487,623 administration expenses) |
| 2009/10 | 0.30% of sales (\$512,929 administration expenses) |

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. In previous years 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 an ongoing 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 annual funding commitment.

| | |
|----------------|--------------------------|
| 2006/07 | Not Applicable |
| 2007/08 | Not Applicable |
| 2008/09 | 137 organizations |
| 2009/10 | 139 organizations |

Fiscal year 2008/09 was the first year the Fund was in a position to make two year funding commitments. In 2009/10, an additional two organizations received a two year annual funding commitment.

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

Maintaining a 20% 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. Utilizing the restricted fund balance 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 | 32.7% (\$11.8 million in reserve, \$36.1 million in grants projected) |
| 2009/10 | 43.5% (\$17.7 million in reserve, \$40.7 million in grants projected) |

The measure of 43.5% at March 31, 2010 is artificially high as approximately \$5 million of the reserve is committed for second year funding to programs still only receiving a one year commitment. The practical figure is closer to 30%. Although this is still higher than the 20% target, the additional funds will help mitigate the expected reduction of the reserve in the coming years based on the five year forward projections.

The previous years’ percentages prior to 2008-2009 are not applicable for comparison as the Fund was not yet in a financial position to give organizations a two year funding commitment.

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.