

Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation

Progress Report

2010-2011

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 The original Act has since been replaced by *The Interprovincial Lotteries Act, 1984*.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.

2010-2011 Financial Overview

In 2010-2011 granting to beneficiary organizations is projected to be \$40.7 million. Administration expenses as a percentage of Net Proceeds from Lotteries are projected to be 1.1%. There are 5.75 Full-Time Equivalent positions as a staff complement.

2010-2011 <i>(in thousands of dollars)</i>	<i>Estimate</i>	<i>Actuals</i>
REVENUES		
Net Proceeds from Lotteries	\$ 48,984	\$ 68,939
Fund Investment Income	995	2,245
	\$ 49,979	\$ 71,184
EXPENSES		
General Revenue Fund	\$ 6,338	\$ 7,690
Federal Government	1,958	1,943
Mitigation Payments	1,785	1,721
Fund Administration Expenses	530	497
Grants to Beneficiary Organizations	40,726	51,091
	\$ 51,337	\$ 62,942
(Deficit)/surplus for the year	\$ (1,358)	\$ 8,242
FTE Staff Complement	5.75	5.40

Variance from estimates:

- Sales of Lotto Max exceeded expectations, increasing the Net Proceeds from Lotteries.
- Unrealized capital gains increased the Investment Income recorded for the year.
- General Revenue Fund payment increased due to the increased lottery sales.
- Increased proceeds allowed for greater investment in strategic public interest priorities through new and expanded grant programs providing Grants to Beneficiary Organizations.

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

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

As required in the “Agreement for the Distribution of Funds from the Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation” 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 organizations.

What are we measuring?

Percentage of government payments made as required in the Distribution Agreement.

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
2010/11	100% of government payments made as prescribed

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

OBJECTIVE 2: Make payments to MacKenzie Art Gallery, the Mendel Art Gallery, Wanuskewin Heritage Park, and Saskatchewan Express equivalent to their 2009 amount.

These organizations formerly received a specified payment amount each year upon direction from the Minister. In the new distribution agreement signed October 23rd, 2009, the directed payments were eliminated but the four organizations listed above will receive the same level of funding annually until the end of fiscal 2012, during which time they will be incorporated in the culture section’s adjudication process.

What are we measuring?

Number of former directed payments that are at least equivalent to their 2009 base amounts (MacKenzie Art Gallery, the Mendel Art Gallery, Wanuskewin Heritage Park, and Saskatchewan Express).

2010/11	All 4 payments at least equivalent to 2009 base amount	
	Base	2010/11
MacKenzie:	\$275,000	\$283,250
Mendel:	\$100,000	\$103,000
Wanuskewin:	\$100,000	\$103,000
Sask Express:	\$291,000	\$299,730

OBJECTIVE 3: Make an annual mitigation 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
2010/11	\$1,410,880

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.

OBJECTIVE 4: Make an annual mitigation payment to the Saskatchewan Association of Agricultural Societies and Exhibitions (SAASE) of \$310,000.

This payment is to compensate SAASE for being a former lottery ticket operator.

What are we measuring?

Total payment made to SAASE.

2005/06	\$310,000
2006/07	\$310,000
2007/08	\$310,000
2008/09	\$310,000

2009/10	\$310,000
2010/11	\$310,000

SAASE was provided a directed payment in the previous distribution agreements, which is now classified as a mitigation payment in the current distribution agreement.

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	No variance (\$50,939,916 audited and transferred)
2009/10	No variance (\$53,428,223 audited and transferred)
2010/11	No variance (\$68,939,240 audited and transferred)

This measure ensures that the money received by the Fund matches what was generated in Lotteries profits and is confirmed by an external auditor.

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 section 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%
2010/11	Sport	\$29,666,836 allocated = 50%
	Culture	\$20,766,786 allocated = 35%
	Recreation	\$8,900,051 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 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	100%
2009/10	100%
2010/11	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 grant 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	All granting minutes/motions received and approved by the Fund
2009/10	All granting minutes/motions received and approved by the Fund
2010/11	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 – 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
2009/10	Trust Handbook and Orientation Manual – reviewed March 2010 SSI Personnel Manual – reviewed March 2010 SSI Operation Manual – reviewed March 2010
2010/11	Trust Handbook and Orientation Manual – reviewed March 2011 SSI Personnel Manual – reviewed March 2011 SSI Operation Manual – reviewed March 2011

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 Distribution 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.

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
March 31, 2009	40 communities with unresolved follow-ups
March 31, 2010	37 communities with unresolved follow-ups
March 31, 2011	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	0.30% of sales (\$487,623 administration expenses)
2009/10	0.30% of sales (\$512,929 administration expenses)
2009/10	0.24% of sales (\$496,642 administration expenses)

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

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

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	137 organizations
2009/10	139 organizations
2010/11	139 organizations

Fiscal year 2008/09 was the first year the Fund was in a position to make two year funding commitments.

OBJECTIVE #2: Maintain a year-end restricted fund balance of at least 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	32.2% (\$11.8 million in reserve, \$36.7 million in grants projected)
2009/10	43.5% (\$17.7 million in reserve, \$40.7 million in grants projected)
2010/11	49.4% (\$26.0M in reserve, \$52.6M in grants projected)

The measure of 49.4% at March 31, 2011 is artificially high as approximately \$6 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 38%. Although this is still higher than the 20% target, the additional funds will be used to mitigate the expected reduction of the restricted fund balance in the coming years based on lottery proceed projections and grant expense budgets through to the end of the 5 year lottery license. During the final 3 years of the lottery license, grant expenses toward core funding and strategic priorities are projected to exceed lottery proceeds available to grant by more than \$19 million. This will leave the restricted fund balance at approximately 11% of the following year's grant projections, below the 20% target.

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.