

Financial Statements of

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

Year ended March 31, 2020



INDEPENDENT AUDITORS' REPORT

To: Members of the Legislative Assembly, Province of Saskatchewan

Opinion

We have audited the financial statements of **Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation** (the "Trust Fund"), which comprise the statement of financial position at March 31, 2020 and the statements of operations, remeasurement gains and cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Fund as at March 31, 2020, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Saskatchewan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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.

In preparing the financial statements, management is responsible for assessing the Trust Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust Fund or to cease operations, or has no realistic alternative but to do so.

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INDEPENDENT AUDITORS' REPORT continued

Those charged with governance are responsible for overseeing the Trust Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

May 14, 2020
Regina, Saskatchewan

VIRTUS GROUP LLP
Chartered Professional Accountants

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Statement of Financial Position


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March 31, 2020 with comparative figures for 2019

	2020	2019
Financial assets:		
Cash	\$ 8,375,499	\$ 9,129,842
Accounts receivable	1,082	1,111
Interest receivable	673,553	691,601
Due from Western Canada Lottery - Saskatchewan Division Inc.	10,620,867	11,344,571
Investments (note 3)	92,040,716	96,842,995
	<u>111,711,717</u>	<u>118,010,120</u>
 Financial Liabilities:		
Accounts payable	52,447	52,567
Due to Province of Saskatchewan - General Revenue Fund	196,466	365,614
Grants payable (note 4)	85,839,942	86,485,426
	<u>86,088,855</u>	<u>86,903,607</u>
 Net financial assets	 <u>25,622,862</u>	 <u>31,106,513</u>
 Net financial assets is comprised of:		
Restricted trust fund balances (Schedule 1)	24,439,742	27,920,628
Accumulated remeasurement gains	1,183,120	3,185,885
	<u>\$ 25,622,862</u>	<u>\$ 31,106,513</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, 2020 with comparative figures for 2019

	Original Budget		
	2020	2020	2019
	(note 8)		
Transfer of net lottery profits from Western Canada			
Lottery - Saskatchewan Division Inc. (Schedule 2)	\$ 66,517,070	\$ 61,800,433	\$ 72,205,384
Less contractual expenses: (note 5)			
Federal Government expenses	2,392,100	2,196,964	2,231,060
Former distributors	1,434,960	1,427,173	1,434,050
Province of Saskatchewan - General Revenue Fund	5,772,500	5,383,966	5,974,969
Mosaic Stadium amateur sport and community access grant	2,500,000	2,500,000	2,500,000
Saskatchewan Association of Agricultural Societies and Exhibition Associations	310,000	310,000	310,000
	12,409,560	11,818,103	12,450,079
Lottery profits after contractual expenses	54,107,510	49,982,330	59,755,305
Investment income	2,030,700	2,412,386	2,308,572
Less administration expenses (Schedule 3)	904,400	877,742	852,480
Funds available to provide grants	55,233,810	51,516,974	61,211,397
Less grants (Schedule 1)	57,320,400	54,997,860	53,386,425
(Decrease)/increase in restricted trust fund balances	(2,086,590)	(3,480,886)	7,824,972
Restricted trust fund balances, beginning of year	27,920,628	27,920,628	20,095,656
Restricted trust fund balances, end of year	\$ 25,834,038	\$ 24,439,742	\$ 27,920,628

See accompanying notes to financial statements.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Statement of Remeasurement Gains

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Year ended March 31, 2020 with comparative figures for 2019

	2020	2019
Accumulated remeasurement gains at beginning of year	\$ 3,185,885	\$ 3,171,769
Unrealized (loss)/gain adjustments attributable to:		
Bank shares	(1,437,429)	(170,704)
Pooled funds	(565,336)	184,820
Remeasurement (loss)/gain adjustments for the year	(2,002,765)	14,116
Accumulated remeasurement gains at end of year	\$ 1,183,120	\$ 3,185,885

Statement of Cash Flows

Year ended March 31, 2020 with comparative figures for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
(Decrease)/increase in restricted trust fund balances	\$ (3,480,886)	\$ 7,824,972
Items not affected by cash:		
Amortization of bond discount	(47,259)	33,751
Amortization of bond premium	1,780	(7,347)
Unrealized gain on investments	-	14,116
Net change in non-cash working capital items:		
Accounts receivable	29	15,067
Interest receivable	18,048	41,311
Due from Province of Saskatchewan - General Revenue Fund	-	138,968
Due from Western Canada Lottery - Saskatchewan Division Inc.	723,704	959,835
Accounts payable	(120)	6,956
Due to Province of Saskatchewan - General Revenue Fund	(169,148)	365,614
Grants payable	(645,484)	(2,985,161)
	(3,599,336)	6,408,082
Investing activities:		
Purchase of investments	(14,202,632)	(26,454,464)
Proceeds from disposal of investments	17,047,625	19,511,336
	2,844,993	(6,943,128)
(Decrease) in cash during the year	(754,343)	(535,046)
Cash, beginning of year	9,129,842	9,664,888
Cash, end of year	\$ 8,375,499	\$ 9,129,842

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, 2020

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 a Distribution Agreement between the Minister of 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 current agreement expires March 31, 2024.

The agreement requires that, pursuant to the *Interprovincial Lotteries Regulations 1994*, the net lottery profits (detailed in Schedule 2) are transferred to the Trust and further that, after the payments described in note 5, and the expenses of operating the Trust have been paid, all remaining funds be 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 Parks, Culture and Sport for the Province of Saskatchewan. The Trust contributes, from each of these three sections, 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 lottery agreement also requires Sask Sport Inc., as the 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 follows generally accepted accounting principles as recommended by the Public Sector Accounting Board of the CPA Canada.

Basis of accounting and use of estimates:

The preparation of financial statements in accordance with Public Sector Accounting Standards 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 revenues and expenses when identified.

Investments:

All equity and pooled fund investments are recorded at fair market value with unrealized gains and losses reported on the Statement of Remeasurement Gains. When such gains and losses become realized they will be reported in the statement of operations. Fixed income investments are recorded at amortized cost.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements

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March 31, 2020

2. Significant accounting policies (continued):

Grant expense and contractual expenses:

Grants to eligible organizations are recorded when approved by the Trust Committee or the Sask Sport Inc. Board of Directors and all eligibility criteria are met. Grant returns are recognized in the period in which they are received. Contractual expenses 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:

	2020		
	Cost	Market Value	Carrying Value
Guaranteed Investment Certificates	\$ 75,540,173	\$ 76,413,879	\$ 75,540,173
Bank Shares	4,594,419	5,752,612	5,752,612
Connor Clark & Lunn Pooled Funds	10,723,003	10,747,931	10,747,931
	\$ 90,857,595	\$ 92,914,422	\$ 92,040,716

	2019		
	Cost	Market Value	Carrying Value
Guaranteed Investment Certificates	\$ 78,882,691	\$ 79,786,724	\$ 78,882,691
Bank Shares	4,283,378	6,878,999	6,878,999
Connor Clark & Lunn Pooled Funds	10,491,041	11,081,305	11,081,305
	\$ 93,657,110	\$ 97,747,028	\$ 96,842,995

Guaranteed investment certificates mature between June 15, 2020 and October 30, 2025 (2019 – June 4, 2019 and October 30, 2025) and have effective interest rates ranging from 1.52% to 3.26% (2019 – 1.50% to 3.26%). Connor Clark and Lunn Pooled Funds consist of managed fixed income and equity investments in pooled funds. As such they have no specified rate of return or maturity. The bank shares have no specified rate of return or maturity. Pooled fund investments are valued at the year-end unit value supplied by the pooled-fund manager, which represents the underlying net assets of the pooled fund at fair value. Guaranteed investment certificates are recorded at cost and market values disclosed are valued at the quoted market value on March 31. Bank shares are recorded at quoted market value on March 31.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements

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March 31, 2020

4. Grants payable:

	2020	2019
Community Grant Programs	\$ 21,705,439	\$ 22,681,186
Culture	19,661,063	20,448,000
Recreation	8,002,499	7,782,084
Sport	36,470,941	35,574,156
	<u>\$ 85,839,942</u>	<u>\$ 86,485,426</u>

5. Contractual expenses:

Under the terms of an Agreement for the Distribution of Funds with the Minister of 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, 2020, was \$2,196,964 (2019 - \$2,231,060).
- 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 \$1,427,173 (2019 - \$1,434,050) during the current year. Of this amount, Sask Sport Inc., as a former ticket distributor, received \$358,560 (2019 - \$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 less \$2,500,000 (2019 - 3.75% of net lottery ticket sales less \$2,500,000). During the current year \$5,383,966 (2019 - \$5,974,969) was expensed. As per the terms of the Agreement \$2,500,000 was paid to Sask Sport Inc to fulfill the annual commitment to the City of Regina to facilitate amateur sport and community based organizations' access to the new Mosaic Stadium field and facilities.
- the Saskatchewan Association of Agricultural Societies and Exhibition Associations in the amount of \$310,000 (2019 - \$310,000) for the current year.

6. Related party transactions:

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 enterprises that the Government jointly controls. Related parties also encompass key management personnel, including Board members and the Executive of the Trust.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements

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March 31, 2020

6. Related party transactions (continued):

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.

Sask Sport Inc. is related to the Trust because they share key management personnel. Sask Sport Inc., as a sport federation, received grants from the Trust of \$4,577,163 (2019 - \$5,405,964) during the current year, to provide programs and services to its member sport organizations. Sask Sport Inc. received a payment for \$2,500,000 as explained in Note 5. Sask Sport Inc. also received \$13,982 (2019 - \$14,733) as a fee for providing office equipment for use during the current year.

Administrative expenses include direct expenses of the Trust as well as expenses allocated from Sask Sport Inc. based on Sask Sport Inc. resources used in the management and administration of the Trust.

At year end included in accounts payable was a payable to Sask Sport Inc. of \$20,066 (2019 – \$15,080).

The Administration Centres for Sport, Culture and Recreation (1989) Inc., a 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 \$642,300 (2019 - \$623,600) during the current year. In addition, the Trust paid to the Administration Centres for Sport, Culture and Recreation (1989) Inc. \$57,321 (2019 - \$55,258) for office space and services.

7. Financial instruments and risks:

Fair value:

The recorded value of receivables and payables are measured at amortized cost, which approximates their fair value. All equity and pooled fund investments recorded at fair value are measured using inputs from one of three levels. Level 1 inputs are quoted prices readily available from an active market. Level 2 inputs are quoted prices included within Level 1 that are observable either directly or indirectly. Level 3 inputs are fair values not obtained from market data. The Trust fund measures pooled funds based on level 2 inputs. The Trust fund measures bank shares based on level 1 inputs.

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.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements

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March 31, 2020

7. Financial instruments and risks (continued):

Liquidity risk:

The Trust is not subject to significant liquidity risk as its primary receivable is with Western Canada Lottery – Saskatchewan Division Inc. which is well capitalized and has a history of transferring funds in a timely manner. The Trust invests funds based on the timing of its grant obligations and continuously monitors this to ensure these obligations can be met. Its short term investments are highly liquid.

Price risk:

The Trust is subject to price risk through its investment in publicly traded securities and pooled funds. These instruments comprise 19% of the investment portfolio. To mitigate the effects of price risk, the Trust limits its investment portfolio in instruments subject to price changes in the open market but does not use any derivative financial instruments.

8. Budget:

The budget is the original budget that was approved by the Board of Sask Sport Inc. on February 7, 2019.

9. Statement of Changes in Net Assets:

A Statement of Changes in Net Assets has not been prepared as the information is readily apparent from the other financial statements.

10. Subsequent event:

On March 11, 2020, the World Health Organization declared a global pandemic for the COVID-19 virus. Saskatchewan Lotteries Trust Fund is following health advisories and mandatory requirements from local, provincial and national health and government organizations. The future impact of the pandemic on Saskatchewan Lotteries Trust Funds operations and finances, if any, is unknown at this time.

Saskatchewan Lotteries Trust Fund has investment holdings in equities and worldwide financial markets have significantly declined since the pandemic was declared. The value of the portfolio has not changed significantly since year end. Financial markets continue to fluctuate daily based on current events. It is unknown whether Saskatchewan Lotteries Trust Fund will experience a future financial loss on its investments, and if so, how much.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Schedule 1 - Restricted Trust Fund Balances

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Year ended March 31, 2020 with comparative figures for 2019

	Restricted trust fund balances, beginning of year	Allocation of funds available to provide grants	Grants approved - net of returns	Increase/ (decrease) in funds	Restricted trust fund balances, end of year
Community Development	\$ 338,404	\$ 3,951,400	\$ (3,941,043)	\$ 10,357	\$ 348,761
Community Grant	93,267	5,822,600	(5,562,807)	259,793	353,060
Culture	6,841,079	14,807,611	(15,959,940)	(1,152,329)	5,688,750
Recreation	4,608,677	5,668,736	(6,340,225)	(671,489)	3,937,188
Sport	16,039,201	21,266,627	(23,193,845)	(1,927,218)	14,111,983
Total 2020	\$ 27,920,628	\$ 51,516,974	\$ (54,997,860)	\$ (3,480,886)	\$ 24,439,742
Total 2019	\$ 20,095,656	\$ 61,211,397	\$ (53,386,425)	\$ 7,824,972	\$ 27,920,628

Schedule 2 - Net Lottery Profits

Year ended March 31, 2020 with comparative figures for 2019

	Original Budget 2020 (note 8)	2020	2019
Lottery ticket sales	\$ 220,600,000	\$ 210,239,080	\$ 225,999,170
Revenue and expense items paid by the Western Canada Lottery Corporation:			
Prizes	(114,605,000)	(111,914,298)	(116,419,060)
Administration and ticket printing	(21,089,050)	(19,518,135)	(19,685,893)
Retailer commissions	(12,902,000)	(11,884,012)	(12,800,414)
Federal and provincial taxes	(1,627,900)	(1,614,635)	(1,625,831)
Investment income	233,300	291,763	348,532
Lottery profits transferred from the Western Canada Lottery Corporation	70,609,350	65,599,763	75,816,504
Provincial interest and other income	252,000	224,048	274,541
Provincial distribution expenses (note 1)	(2,466,890)	(2,436,866)	(2,349,977)
Provincial marketing expenses (note 1)	(1,877,390)	(1,586,512)	(1,535,684)
Net lottery profits	\$ 66,517,070	\$ 61,800,433	\$ 72,205,384

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, 2020 with comparative figures for 2019

	Original Budget		
	2020	2020	2019
	(note 8)		
Salaries and benefits	\$ 736,940	\$ 745,981	\$ 717,875
Rent	41,310	41,527	40,136
Office supplies	22,000	21,311	20,295
Professional fees	27,100	17,753	19,749
Equipment expense	14,750	13,982	14,733
Printing	11,500	9,845	10,433
Insurance	7,500	8,219	7,264
Postage	7,500	5,182	7,137
Telephone	7,100	4,414	4,452
Goods and services tax	3,900	2,973	3,131
Repairs and maintenance	2,500	2,478	1,904
Travel and training	14,200	2,469	3,480
Committee meetings	8,100	1,608	1,891
Total administration expenses	\$ 904,400	\$ 877,742	\$ 852,480

See accompanying notes to financial statements.