

Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation

Progress Report

2015-2016

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 The original Act has since been replaced by *The Interprovincial Lotteries Act, 1984*.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 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. These committees review and make decisions on funding requests from eligible provincial organizations based on funding criteria developed by the three global organizations.

2015-2016 Financial Overview

In 2015-2016 granting to beneficiary organizations was \$60.7 million. Administration expenses as a percentage of Net Proceeds from Lotteries were 1.4%. There were 8.5 Full-Time Equivalent positions as a staff complement.

2015-2016 <i>(in thousands of dollars)</i>	Original Budget	Revised Budget	Actual
REVENUES			
Net Proceeds from Lotteries	\$ 57,845	\$ 62,143	\$ 72,511
Fund Investment Income	2,652	2,653	2,779
	\$ 60,497	\$64,796	\$ 75,290
EXPENSES			
General Revenue Fund	\$ 7,530	\$ 7,792	\$ 8,408
Federal Government	2,065	2,096	2,067
Mitigation Payments	1,752	1,746	1,738
Fund Administration Expenses	865	865	851
Grants to Beneficiary Organizations	52,285	60,547	60,707
	\$ 64,497	\$73,046	\$73,771
(Deficit)/surplus for the year	\$ (4,000)	\$ (8,250)	\$ 1,519
FTE Staff Complement	8.5	8.5	8.5

Variance from revised budget:

- Net Proceeds from Lotteries were higher than original budget and higher than revised due to increased number of jackpot rolls for both Lotto Max and Lotto 6/49, which led to higher jackpots than anticipated.
- Investment income was higher due to realizing capital gains from equity investments.
- General Revenue Fund payment was higher due to the higher than expected lottery sales.
- Grants to Beneficiary Organizations were higher than expected due to the fact that funding adjustments were made in response to higher lottery sales.

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 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:

2011/12	All government payments made as prescribed
2012/13	All government payments made as prescribed
2013/14	All government payments made as prescribed
2014/15	All government payments made as prescribed
2015/16	All 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 an annual mitigation payment to Sask Sport Distributors Inc. (SSDI) 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.

2011/12	\$1,430,480
2012/13	\$1,440,160
2013/14	\$1,442,320
2014/15	\$1,441,451
2015/16	\$1,427,618

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 3: 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.

2011/12	\$310,000
2012/13	\$310,000
2013/14	\$310,000
2014/15	\$310,000
2015/16	\$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:

2011/12	No variance (\$60,644,168 audited and transferred)
2012/13	No variance (\$63,212,843 audited and transferred)
2013/14	No variance (\$61,837,224 audited and transferred)
2014/15	No variance (\$57,202,846 audited and transferred)
2015/16	No variance (\$72,510,501 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.

2011/12	Sport	\$25,457,066 allocated = 50%
	Culture	\$17,819,946 allocated = 35%
	Recreation	\$7,637,120 allocated = 15%
2012/13	Sport	\$26,640,960 allocated = 50%
	Culture	18,648,672 allocated = 35%
	Recreation	\$7,992,287 allocated = 15%
2013/14	Sport	\$25,988,920 allocated = 50%
	Culture	\$18,192,244 allocated = 35%
	Recreation	\$7,796,676 allocated = 15%
2014/15	Sport	\$24,303,236 allocated = 50%
	Culture	\$17,012,265 allocated = 35%
	Recreation	\$7,290,971 allocated = 15%
2015/16	Sport	\$31,112,739 allocated = 50%
	Culture	\$21,778,917 allocated = 35%
	Recreation	\$9,333,822 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.

2011/12	100%
2012/13	100%
2013/14	100%
2014/15	100%
2015/16	100%

It is imperative to the integrity 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, SPRA, and the Community Funding Committee.

Progress to date:

2011/12	All granting minutes/motions received and approved by the Fund
2012/13	All granting minutes/motions received and approved by the Fund
2013/14	All granting minutes/motions received and approved by the Fund
2014/15	All granting minutes/motions received and approved by the Fund
2015/16	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:

2011/12	Trust Handbook and Orientation Manual – reviewed November 2011 SSI Personnel Manual – reviewed March 2012 SSI Operation Manual – reviewed November 2011
2012/13	Trust Handbook and Orientation Manual – reviewed March 2013 SSI Personnel Manual – reviewed March 2013 SSI Operation Manual – reviewed November 2012
2013/14	Trust Handbook and Orientation Manual – reviewed March 2014 SSI Personnel Manual – reviewed November 2013 SSI Operation Manual – reviewed November 2013
2014/15	Trust Handbook and Orientation Manual – reviewed March 2015 SSI Personnel Manual – reviewed March 2015 SSI Operation Manual – reviewed November 2014
2015/16	Trust Handbook and Orientation Manual – reviewed March 2016 SSI Personnel Manual – reviewed March 2016 SSI Operation Manual – reviewed November 2015

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 developed.

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, 2012	36 communities with unresolved follow-ups
March 31, 2013	29 communities with unresolved follow-ups
March 31, 2014	37 communities with unresolved follow-ups
March 31, 2015	25 communities with unresolved follow-ups
March 31, 2016	31 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:	
2011/12	0.29% of sales (\$545,756 administration expenses)
2012/13	0.38% of sales (\$756,648 administration expenses)
2013/14	0.40% of sales (\$794,634 administration expenses)
2014/15	0.45% of sales (\$823,942 administration expenses)
2015/16	0.38% of sales (\$851,430 administration expenses)

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

OBJECTIVE 1: Continue two year funding commitments to eligible 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, it is important to give the beneficiaries confidence that their annual funding levels are sustainable.

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.

During the 2012/2013 year the Fund was in a position, and the Community Grant Program (CGP) had the proper mechanisms in place to begin providing the two year funding commitment to eligible communities.

What are we measuring?

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

2011/12	141 organizations
2012/13	143 organizations 591 communities
2013/14	143 organizations 637 communities
2014/15	143 organizations 648 communities
2015/16	142 organizations of a possible 142 eligible organizations 651 communities

- Fiscal 2013/14 was the first year the Fund was able to make two year funding commitments to Northern communities as part of the CGP due to the timing of the adjudication process in the North.
- During **2015/16** 651 communities received a second year funding commitment. Communities have the option to apply directly or allocate their population to another community. With more than 1000 communities eligible to receive funding, not all communities receive an amount directly from the Trust due to this allocation. Over 98% of funding available is accessed through direct application or allocation. As noted above in Goal #4, 31 communities were ineligible to apply or allocate funding due to unresolved follow ups from previous years.

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

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 for subsequent periods.

What are we measuring?

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

2011/12	55.8% (\$29.0M in reserve, \$51.9M in grants projected)
2012/13	44.3% (\$23.7M in reserve, \$53.5M in grants projected)
2013/14	41.7% (\$21.7M in reserve, \$52.0M in grants projected)
2014/15	39.8% (\$20.8M in reserve, \$52.3M in grants projected)
2015/16	42.1% (\$22.4M in reserve, \$53.2M in grants projected)

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.