

Financial Statements of

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

Year ended March 31, 2016



## INDEPENDENT AUDITORS' REPORT

**To: Members of the Legislative Assembly  
Province of Saskatchewan**

We have audited the accompanying financial statements of **Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation**, which comprise the statement of financial position as at March 31, 2016, the statements of operations, remeasurement gains, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation** as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

May 19, 2016  
Regina, Saskatchewan, Canada

*Virtus Group LLP*  
Chartered Professional Accountants

# Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

## Statement of Financial Position

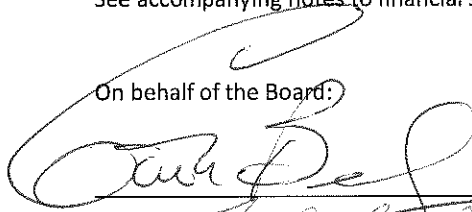
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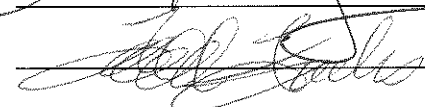
March 31, 2016 with comparative figures for 2015

	2016	2015
<b>Financial assets:</b>		
Cash	\$ 11,447,430	\$ 14,773,044
Accounts receivable	1,300	1,171
Interest receivable	759,629	727,111
Prepayment to Province of Saskatchewan - General Revenue Fund	-	20,485
Due from Western Canada Lottery - Saskatchewan Division Inc.	9,119,974	10,604,232
Investments (note 3)	93,555,446	77,230,197
	<u>114,883,779</u>	<u>103,356,240</u>
<b>Liabilities:</b>		
Accounts payable	66,749	212,307
Due to Province of Saskatchewan - General Revenue Fund	877,768	-
Grants payable (note 4)	90,543,466	80,107,340
	<u>91,487,983</u>	<u>80,319,647</u>
<b>Net financial assets</b>	<b>23,395,796</b>	<b>23,036,593</b>
<b>Net financial assets is comprised of:</b>		
Restricted trust fund balances (Schedule 1)	22,358,294	20,839,392
Accumulated remeasurement gains	1,037,502	2,197,201
	<u>\$ 23,395,796</u>	<u>\$ 23,036,593</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, 2016 with comparative figures for 2015

	Original Budget		
	2016	2016	2015
	(note 8)		
Transfer of net lottery profits from Western Canada			
Lottery - Saskatchewan Division Inc. (Schedule 2)	\$ 57,845,000	\$ 72,510,501	\$ 57,202,846
Less contractual expenses: (note 5)			
Federal Government expenses	2,065,200	2,067,142	1,995,486
Former distributors	1,442,480	1,427,618	1,441,451
Province of Saskatchewan - General Revenue Fund	7,530,000	8,407,768	6,917,015
Saskatchewan Association of Agricultural Societies and Exhibition Associations	310,000	310,000	310,000
	11,347,680	12,212,528	10,663,952
Lottery profits after contractual expenses	46,497,320	60,297,973	46,538,894
Investment income	2,652,500	2,778,935	2,891,520
Less administration expenses (Schedule 3)	864,610	851,430	823,942
Funds available to provide grants	48,285,210	62,225,478	48,606,472
Less grants (Schedule 1)	52,285,210	60,706,576	49,508,161
Increase/(decrease) in restricted trust fund balances	(4,000,000)	1,518,902	(901,689)
Restricted trust fund balances, beginning of year	20,839,392	20,839,392	21,741,081
Restricted trust fund balances, end of year	\$ 16,839,392	\$ 22,358,294	\$ 20,839,392

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, 2016 with comparative figures for 2015

	2016	2015
Accumulated remeasurement gains at beginning of year	\$ 2,197,201	\$ 2,350,225
Unrealized gain/(loss) adjustments attributable to:		
Bank shares	102,587	68,111
Pooled funds	(1,262,286)	(221,135)
Remeasurement gain adjustments for the year	(1,159,699)	(153,024)
Accumulated remeasurement gains at end of year	\$ 1,037,502	\$ 2,197,201

### Statement of Cash Flows

Year ended March 31, 2016 with comparative figures for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Increase/(decrease) in restricted trust fund balances	\$ 1,518,902	\$ (901,689)
Items not affected by cash:		
Unrealized (loss) on investments	(1,159,699)	(153,024)
Net change in non-cash working capital items:		
Accounts receivable	(129)	30,671
Interest receivable	(32,518)	477,654
Prepayment to Province of Saskatchewan - General Revenue Fund	20,485	(20,485)
Due from Western Canada Lottery - Saskatchewan Division Inc.	1,484,258	(1,764,468)
Accounts payable	(145,558)	121,836
Due to Province of Saskatchewan - General Revenue Fund	877,768	(26,693)
Grants payable	10,436,126	(816,798)
	12,999,635	(3,052,996)
Investing activities:		
Purchase of investments	(48,049,908)	(26,467,187)
Proceeds from disposal of investments	31,724,659	30,552,154
	(16,325,249)	4,084,967
(Decrease)/increase in cash during the year	(3,325,614)	1,031,971
Cash, beginning of year	14,773,044	13,741,073
Cash, end of year	\$ 11,447,430	\$ 14,773,044

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, 2016

### 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, 2019.

The agreement requires that 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 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, 2016

### 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. 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:

	2016		
	Cost	Market Value	Carrying Value
Guaranteed Investment Certificates	\$ 80,060,719	\$ 80,823,524	\$ 80,060,719
Bank Shares	3,535,339	4,963,449	4,963,449
Connor Clark & Lunn Pooled Funds	8,921,886	8,531,278	8,531,278
	\$ 92,517,944	\$ 94,318,251	\$ 93,555,446

	2015		
	Cost	Market Value	Carrying Value
Guaranteed Investment Certificates	\$ 63,855,912	\$ 64,584,961	\$ 63,855,912
Bank Shares	3,335,250	4,660,773	4,660,773
Connor Clark & Lunn Pooled Funds	7,841,834	8,713,512	8,713,512
	\$ 75,032,996	\$ 77,959,246	\$ 77,230,197

Guaranteed investment certificates mature between July 5, 2016 and October 30, 2025 (2015 – July 6, 2015 and June 4, 2019) and have effective interest rates ranging from 1.45% to 2.55% (2015 – 1.45% to 2.625%). 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. Market values are the values quoted by the applicable market on March 31.

# Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

## Notes to Financial Statements

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March 31, 2016

### 4. Grants payable:

	2016	2015
Community Grant Programs	\$ 21,403,325	\$ 19,628,182
Culture	22,982,660	19,307,619
Recreation	7,995,938	6,951,598
Sport	38,161,543	34,219,941
	<u>\$ 90,543,466</u>	<u>\$ 80,107,340</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, 2016, was \$2,067,142 (2015 - \$1,995,486).
- 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 \$1,427,618 (2015 - \$1,441,451) during the current year. Of this amount, Sask Sport Inc., as a former ticket distributor, received \$358,560 (2015 - \$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 (2015 - 3.75% of net lottery ticket sales). During the current year \$8,407,768 (2015 - \$6,917,015) was expensed.
- the Saskatchewan Association of Agricultural Societies and Exhibition Associations in the amount of \$310,000 (2015 - \$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 non-Crown enterprises that the Government jointly controls.

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., as a sport federation, received grants from the Trust of \$4,236,497 (2015 - \$4,315,299) during the current year, to provide programs and services to its member sport organizations. Sask Sport Inc. also received \$12,415 (2015 - \$10,471) as a fee for providing office equipment for use during the current year.



# Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

## Notes to Financial Statements

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March 31, 2016

### 6. Related party transactions (continued):

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 \$18,394 (2015 - \$147,000).

The Administration Centers for Sport, Culture and Recreation (1989) Inc., a wholly owned 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 \$570,680 (2015 - \$620,680) during the current year. In addition, the Trust paid to the Administration Centers for Sport, Culture and Recreation (1989) Inc. \$52,433 (2015 - \$51,980) 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.

#### *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 1.4% of the investment portfolio and are subject to price changes in the open market. The Trust does not use any derivative financial instruments to alter the effects of this risk.

# Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

## Notes to Financial Statements

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March 31, 2016

**8. Budget:**

The budget is the original budget that was approved by the Board of Sask Sport Inc. on February 12, 2015.

**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. Comparative Figures:**

Certain of the 2015 comparative figures have been reclassified to conform to the current year's presentation.

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

### Schedule 1 - Restricted Trust Fund Balances

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Year ended March 31, 2016 with comparative figures for 2015

	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	\$ 1,668,060	\$ 3,520,700	\$ (3,789,927)	\$ (269,227)	\$ 1,398,833
Community Grant	2,099,806	7,156,100	(7,431,813)	(275,713)	1,824,093
Culture	3,846,992	18,218,072	(17,928,844)	289,228	4,136,220
Recreation	2,783,141	7,204,197	(6,583,538)	620,659	3,403,800
Sport	10,441,393	26,126,409	(24,972,454)	1,153,955	11,595,348
<b>Total 2016</b>	<b>\$ 20,839,392</b>	<b>\$ 62,225,478</b>	<b>\$ (60,706,576)</b>	<b>\$ 1,518,902</b>	<b>\$ 22,358,294</b>
<b>Total 2015</b>	<b>\$ 21,741,081</b>	<b>\$ 48,606,472</b>	<b>\$ (49,508,161)</b>	<b>\$ (901,689)</b>	<b>\$ 20,839,392</b>

### Schedule 2 - Net Lottery Profits

Year ended March 31, 2016 with comparative figures for 2015

	Original Budget		
	2016	2016	2015
	(note 8)		
Lottery ticket sales	\$ 200,800,000	\$ 224,207,138	\$ 184,453,726
Revenue and expense items paid by the Western Canada Lottery Corporation:			
Prizes	(105,589,000)	(115,869,663)	(95,116,121)
Administration and ticket printing	(20,240,700)	(18,207,228)	(17,197,061)
Retailer commissions	(11,767,000)	(12,801,975)	(10,426,356)
Federal and provincial taxes	(1,521,800)	(1,529,827)	(1,326,668)
Investment income	225,400	302,682	236,289
Lottery profits transferred from the Western Canada Lottery Corporation	61,906,900	76,101,127	60,623,809
Provincial interest and other income	237,500	240,250	240,075
Provincial distribution expenses (note 1)	(2,653,290)	(2,412,442)	(2,345,548)
Provincial marketing expenses (note 1)	(1,646,110)	(1,418,434)	(1,315,490)
<b>Net lottery profits</b>	<b>\$ 57,845,000</b>	<b>\$ 72,510,501</b>	<b>\$ 57,202,846</b>

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, 2016 with comparative figures for 2015

	Original Budget		
	2016	2016	2015
	(note 8)		
Salaries and benefits	\$ 708,840	\$ 728,740	\$ 699,614
Rent	35,900	35,986	35,210
Office supplies	22,000	18,009	20,040
Professional fees	28,450	17,827	19,603
Equipment expense	14,500	12,415	10,472
Printing	7,500	7,215	6,722
Postage	7,000	6,651	6,341
Telephone	7,100	6,273	6,700
Insurance	6,120	5,866	5,721
Committee meetings	10,500	3,920	4,963
Goods and services tax	3,600	3,205	3,133
Travel and training	10,600	3,144	3,345
Repairs and maintenance	2,500	2,179	2,078
<b>Total administration expenses</b>	<b>\$ 864,610</b>	<b>\$ 851,430</b>	<b>\$ 823,942</b>

See accompanying notes to financial statements.