

Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation

Performance Plan

2016-2017

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 The original Act has since been replaced by *The Interprovincial Lotteries Act, 1984*.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

Plan at a Glance

The 2016-2017 performance plan is a continuation of the strategic focus of the Fund. As the primary focus of the Fund is to distribute and account for the use of its proceeds, the goals, objectives, and measure are not expected to change significantly over time.

VISION

To distribute profits in compliance with the “Agreement for the Distribution of Funds from the Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation” and account for those expenditures.

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).

Performance Measure:

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

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.

Performance Measure:

- Total payment made to SSDI to be granted to former lottery distributors.

OBJECTIVE 3:

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

Performance Measure:

- Total payment to SAASE.

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.

Performance Measure:

- Variance between the audited lottery profit figure and amount received by the Fund.

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.

Performance Measure:

- Percentage of eligible funds allocated to each section of the Fund.

OBJECTIVE 2:

- Approve and pay grants only to organizations on the Minister's Eligibility List.

Performance Measure:

- Percentage of grants paid to organizations on the Minister's Eligibility List.

OBJECTIVE 3:

- Ensure grant payments are supported by the appropriate grant minutes or Board motions from SSI, SaskCulture, SPRA, and the Community Funding Committee.

Performance Measure:

- The percentage of grant payments supported by the appropriate grant minutes or Board motions from SSI, SaskCulture, SPRA, and the Community Funding Committee.

OBJECTIVE 4:

- Ensure the Fund has policies and procedures that govern its overall operations.

Performance Measure:

- The manuals that govern the operations of the Fund are reviewed on an annual basis.

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.

Performance Measure:

- Number of communities not eligible to receive funding through the Community Grant Program because they have an unresolved follow-up report.

OBJECTIVE 2:

- Keep the Fund's administrative expenses below 0.5% of annual gross lottery ticket sales.

Performance Measure:

- Percentage of the Fund's administrative expenses compared to annual gross lottery tickets sales.

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

OBJECTIVE 1:

- Continue to provide two year funding commitments to eligible organizations.

Performance Measure:

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

OBJECTIVE 2:

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

Performance Measure:

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

2016-2017 Financial Overview

In 2016-2017 granting to beneficiary organizations is projected to be \$53.2 million. Administration expenses as a percentage of Net Proceeds from Lotteries are projected to be 1.5%. There are 8.5 Full-Time Equivalent positions projected as a staff complement.

2016-2017 Estimates	<i>(in thousands of dollars)</i>
REVENUES	
Net Proceeds from Lotteries	\$ 60,244
Fund Investment Income	2,679
	\$ 62,923
EXPENSES	
General Revenue Fund	\$ 7,725
Federal Government	2,136
Mitigation Payments	1,754
Fund Administration Expenses	899
Grants to Beneficiary Organizations	53,210
	\$ 65,724
(Deficit) for the year	\$ (2,801)
FTE Staff Complement	8.5

The following significant changes have occurred since last fiscal year.

- Net Proceeds from Lotteries are projected down \$2.0 million dollars from 2015-2016
- Payment to the General Revenue Fund is projected to be \$7.7 million based on five year license.
- Grants to Beneficiary Organizations are projected to be \$53.2 million in 2016-2017.

Trends and Issues

The role of the Fund is to distribute lottery proceeds to eligible organizations and account for the use of those funds. There are currently no trends or issues that significantly affect the Fund in performing this role. Following are some areas of interest that the Fund will continue to monitor in 2016-2017.

Restricted Fund Balance

Maintaining a 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. A target has been set to have a restricted fund balance of at least 20% of the following year's granting projections. It is anticipated that the Trust will see a decline in the net proceeds it receives from lottery profits. In an effort to minimize the effect of any decline, the Trust will continue to strategically manage grant commitment levels over the course of the next three years in order to gradually draw down on the restricted fund balance over the life of the current lottery license.

2016-2017 Performance Plan

The 2016-2017 Performance Plan for the Fund is contained in this section. The plan is broken down into overall goals; objectives that support progress toward the goals; and performance measures that indicate if the objectives are being reached.

There are some external factors that affect the Fund's ability to reach its goals, as listed below:

- The majority of the revenue the Fund receives is from the profits of the Western Canada Lottery – Saskatchewan Division (WCL-Sk), with the remainder coming from interest revenue. As the gaming environment is volatile and competitive, the proceeds received by the Fund are difficult to predict. As many beneficiary organizations rely on these grants for a significant portion of their programming costs, it is a focus of the Fund to provide stability to organizations and give them protection from a reduction in lottery profits available to grant.
- In 2008, there was a class action lawsuit filed with the Saskatchewan courts regarding the Scratch N' Win product line. An amended Statement of Claim and motion to certify as a class action in Saskatchewan was received June 2013. The timing of the hearing for the certification application is undetermined at this time as further information must be supplied by the firm involved in the case before proceeding. Once judgment concerning the Certification Application takes place the next steps in the process would be determined. It is expected that the process could take an extended period of time before the outcome can be determined. If the lawsuit were to be successful, it would have an effect on the proceeds the Fund receives from the WCL-Sk, which could affect funding levels 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 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:

2010/11	All government payments made as prescribed
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

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. 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.

2010/11	\$1,410,880
2011/12	\$1,430,480
2012/13	\$1,440,160
2013/14	\$1,442,320
2014/15	\$1,441,451

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.

2010/11	\$310,000
2011/12	\$310,000
2012/13	\$310,000
2013/14	\$310,000
2014/15	\$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:

2010/11	No variance (\$68,939,240 audited and transferred)
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)

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.

2010/11	Sport	\$29,666,836 allocated = 50%
	Culture	\$20,766,786 allocated = 35%
	Recreation	\$8,900,051 allocated = 15%

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%

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.

2010/11	100%
2011/12	100%
2012/13	100%
2013/14	100%
2014/15	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, SPRA, 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 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:

2010/11	All granting minutes/motions received and approved by the Fund
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

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:

2010/11	Trust Handbook and Orientation Manual – reviewed March 2011 SSI Personnel Manual – reviewed March 2011 SSI Operation Manual – reviewed March 2011
2011/12	Trust Handbook and Orientation Manual – reviewed & updated December 2011 SSI Personnel Manual – reviewed March 2012 SSI Operation Manual – reviewed November 2011
2012/13	Trust Handbook and Orientation Manual – reviewed & updated 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 March 2014 SSI Operation Manual – reviewed & updated November 2013
2014/15	Trust Handbook and Orientation Manual – reviewed March 2015 SSI Personnel Manual – reviewed March 2015 SSI Operation Manual – reviewed November 2014

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 Fund dollars 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 grant was spent as intended.

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, 2011	39 communities with unresolved follow-ups
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

As there are more than 1,000 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:

2010/11	0.24% of sales (\$496,642 administration expenses)
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)

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

OBJECTIVE #1: Continue to provide two year funding commitments to eligible organizations.

It is the objective of the Fund to continue providing 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.

2010/11	139 provincial organizations
2011/12	141 provincial organizations
2012/13	143 provincial organizations 591 communities
2013/14	143 provincial organizations 637 communities
2014/15	143 provincial organizations 648 communities

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 a 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.

2010/11	49.4% (\$26.0 million in reserve, \$52.6 million in grants projected)
2011/12	55.8% (\$29.0 million in reserve, \$51.9 million in grants projected)
2012/13	44.3% (\$23.7 million in reserve, \$53.5 million in grants projected)
2013/14	41.7% (\$21.7 million in reserve, \$52.0 million in grants projected)
2014/15	39.8% (\$20.8 million in reserve, \$52.3 million 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 feedback on the work we are doing, please call the number above.