

SaskCulture Inc. Annual General Meeting
June 16, 2017

**ANALYSIS OF SASKCULTURE FINANCIAL CONDITION
FOR FISCAL YEAR END MARCH 31, 2017**

Background

The tri-global partnership of SaskCulture Inc., Sask Sport Inc. and Saskatchewan Parks and Recreation Association manage the Saskatchewan Lottery Trust Fund for Sport, Culture and Recreation, through a licencing agreement with the Government of Saskatchewan (Ministry of Parks, Culture and Sport). The fiscal year of 2016/17 was the third year of the current five-year lottery licence agreement. The agreement includes a fee of 3.75% of lottery ticket sales payable to the Government of Saskatchewan, identifies eligible strategic public interest priorities for the use of lottery funds, and outlines how progress on these priorities will be reported. Lottery ticket sales in 2016/17 reached over \$206.8 million, down from a record \$224 million in 2015/16.

The Culture Section of the Trust (CST) receives 35% of net lottery profits. Through its management of the CST, SaskCulture supports cultural activities offered by a diversity of cultural organizations and groups throughout the province, as well as SaskCulture's own operations. SaskCulture's Operations grant from the CST is used to fund operating and capital expenditures, within Trust policies, incurred in a fiscal period. All grant funds from the CST must be used in the fiscal period for which they were allocated with any unused portion returned to the Trust at year-end. Where there are sufficient Trust funds to cover all expenses incurred in the fiscal year, any excess revenue from other sources are held by SaskCulture as unrestricted funds until they are required.

Creative Kids Saskatchewan is a program of SaskCulture. Although the program activity has been managed by SaskCulture since 2009, charitable activity fell under the umbrella of Give Kids a Chance Charity Inc. through an agreement with Sask Sport Inc.. Creative Kids grew at a greater than anticipated rate in its first five years, and in the best interest of the program was established as its own charity, Creative Kids Canada Inc., which was federally incorporated in 2016. This new charity is governed by the same members as the SaskCulture Board of Directors. In October 2016, all charitable activities were taken on by SaskCulture and as a result required additional staff resources, information management systems, and written policies. In its commitment to Creative Kids, SaskCulture continues to cover 100% of the administrative costs of the program, so that every dollar donated is granted directly to those children and youth that otherwise could not access life-changing artistic and cultural experiences.

SaskCulture's Year End

Enclosed in your AGM package is SaskCulture's Financial Statements for the 12-month period of April 1, 2016 to March 31, 2017. SaskCulture management is responsible for preparing the financial statements, selecting accounting policies, and ensuring internal control systems provide

reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are maintained. The financial audit was conducted by the independent auditing firm, MNP, in accordance with Canadian accounting standards for not-for-profit organizations. Based on the work completed, it is the expert opinion of MNP that the financial statement present fairly, in all material respects, the financial position of SaskCulture as at March 31, 2017. The SaskCulture Board of Directors has reviewed and approved the 2016/17 financial statements for presentation to, and approval by the membership, at the Annual General Meeting on June 16, 2017.

Statement of Financial Position, page 1

Total assets are primarily comprised of cash, short-term investments, intangible and capital assets. Accounts receivable includes \$50,000 from Canadian Heritage for the Canada 150 project, plus pending returns of the Main Street grant program, and an outstanding reimbursement from Creative Kids for expenses related to a fundraising event. **Intangible assets** include the Online Granting Platform (OGP) and Theatre Manager donor management database. **Capital assets** are comprised of computer equipment and software, office equipment, and leasehold improvements. While total assets are down from last year, so are **liabilities**. Holdbacks payable are grant funds allocated but not yet paid, of which approximately \$550,000 remained outstanding to be paid upon receipt of completed follow-up reports from grant recipients. Deferred revenue includes funds received from Cameco for the 2017 Creative Kids Northern Cultural Fund and the first half of the Canadian Heritage grant received prior to March 31, 2017. All Trust funds must be spent as allocated by the Board. Therefore, the total due to the Saskatchewan Lotteries Trust Fund (Culture Section) for an unused allocation to the delivery of Culture Days, plus prior year grant returns and adjustments, is \$228,253. The recording of **lease inducements** is explained in Note 8 on page 7.

Statement of Operations, page 2

Revenue was \$7.77 million, compared to \$7.52 million last year. In addition to grants received from the Saskatchewan Lotteries Trust Fund, SaskCulture received a grant from the Ministry of Parks, Culture and Sport (PCS) to fund the Main Street Program and a grant from Cameco Corporation in support of the Creative Kids Northern Cultural Fund.

Self-generated revenue is derived from the fee SaskCulture receives from Sask Sport to administer the pension and benefit plan to its members, membership dues, interest on cash and investment accounts, and compensation received from the Ministry of PCS to administer the Main Street Grant Program.

Administration expenses are up from last year. A significant increase in **salaries and benefits** includes cost of living adjustments and merit increases, plus the addition of three, term administrative staff members to assist with the roll-out of the OGP and Creative Kids charitable activities. An increase in **Office** expenses was due to increases in property taxes and maintenance, and rental rates.

Program Initiatives expenses (see Note 9 on page 8) includes funding to six grant programs delivered by SaskCulture, five additional grant programs delivered in partnership with the Saskatchewan Arts Board, support to Communities of Interest in the areas of arts, cultural

industries, and heritage (see schedule 1 on page 10); and support of emerging initiatives through Global Functions (see schedule 2 on page 11). Outreach continued to be a priority in 2016/17 with increased travel province-wide.

Cameco Creative Kids Northern Cultural Fund is the first program funding initiative of Creative Kids Saskatchewan, funded entirely by the Cameco Corporation. This three-year pilot program aims to provide funding to northern Saskatchewan communities to support cultural and creative activities for children and youth using eligibility criteria similar to Creative Kids' individual funding, but in a program model. In 2016 (its second year), this fund supported another six new programs in communities within the Northern District for Sport, Culture and Recreation.

Creative Kids Operations includes all operational expenses required to promote and administer the program, fundraising initiatives, administrative support of seven community-based volunteer committees located throughout the province and one provincial adjudication jury, the management of charitable activities, and the one-year contract of a Major Gift Officer.

Trust funds allocated to support Creative Kids operations make it possible for 100% of donations to be dispersed directly to helping kids in our communities. In 2016, over \$300,000 was raised for Creative Kids through fundraising events, sponsorships and donations making it possible to fund 1,549 applications. These charitable funds are processed through the new Creative Kids Canada charity and are not reflected in SaskCulture's financial reports. It is important to note that since its inception in 2010, the Creative Kids program has not only provided access to cultural activities for more than 6,000 children, but over \$2.7 million dollars has gone back in to Saskatchewan communities in support of service providers who make a living teaching cultural and creative activities (please refer to the 2016 Creative Kids Progress Report for more details on the program's sixth year).

In its second (and final) year, the **Main Street Program** was delivered by SaskCulture through an agreement with the Ministry of Parks, Culture and Sport. This government program provided funds to local Main Street organizations and the owners of properties in the areas of community organization, economic restructuring, marketing and heritage conservation and design projects.

Culture Days Delivery expenses include the marketing and promotion of Culture Days as well as support of the Community Engagement Animateur program. Culture Days 2016 engaged approximately 26,000 participants in cultural activities that took place during the three-day Culture Days weekend September 30 to October 1st, in 40 different communities across Saskatchewan. The Government of Saskatchewan, together with 12 cities and towns, proclaimed Culture Days. Many held flag raising ceremonies.

In 2016, three Community Engagement Animateurs were contracted to animate cultural engagement through creative facilitation efforts, and to help connect participants to resources and partners in the cultural community. In total, the Animateurs led 38 workshops in 22 communities to a diverse audience, for a total participation of 21,756 people.

SaskCulture's **Diversity and Inclusiveness Strategy** continued to be a focus in 2106/17. To date, SaskCulture has assisted 17 Eligible Cultural Organizations complete organizational diversity plans. SaskCulture staff and Board completed the *Intercultural Development Inventory* survey and individual learning plans were developed to deepen intercultural competence. SaskCulture continued its work in relation to the Truth and Reconciliation Commission's (TRC) Calls to Action. **Special projects** refers to SaskCulture's initial support of *Resilience and Respect: Canada 150 and Beyond*. SaskCulture is partnering with the Saskatchewan Arts Board, Gabriel Dumont Institute, Saskatchewan Indigenous Culture Centre, Saskatchewan Aboriginal Writers' Circle Inc., and Buffalo Peoples Arts Institute on a \$400,000 project, through a grant from Canadian Heritage, with a focus on the Calls to Action and on strengthening relations with Saskatchewan based Indigenous cultural organizations.

For the past six years, SaskCulture has been able to keep all expenses within the confines of the Trust grant, and reported a net income equal to self-generated revenue. The last time a net loss was reported was 2010. The SaskCulture Board allocates Trust funds to areas with the greatest impact to the cultural vibrancy of the province. In 2016/17, this included allocating approximately 56% to Annual Global Funding to Eligible Cultural Organizations and 25% to grant programs. Only 16% of net available CST funds was allocated to SaskCulture operations (including Creative Kids and Culture Days delivery). As already noted, SaskCulture took on additional operational expenses related to the delivery of the Main Street Program, Cameco Creative Kids Northern Cultural Fund, the Canada 150 project, and the Creative Kids Canada charity. To that end, expenses exceeded revenue for the year resulting in a net deficiency of \$91,772. These funds can easily be absorbed from retained earnings. The 2017/18 budget approved by the Board in March 2016 maintains funding levels for the coming year within a balanced budget.

Statement of Changes in Net Assets, page 3

Despite the year-end loss, SaskCulture has retained \$551,000 invested in capital assets and intangible assets. The acquisition of capital and intangible assets was limited to \$45,000 in 2016/17. Unrestricted net assets remains at a healthy \$379,000, with total net assets exceeding \$931,000.

Statement of Cash Flows, page 4

This chart reconciles cash from the beginning to the end of the year. In 2016/17, there was a significant decrease in cash resources due to the payout of holdbacks from the previous year. Cash resources and short-term investments at year-end were \$1.339 million.

Notes to the Financial Statements, pages 5-9

The **Notes to the Financial Statements** are fairly consistent with past years. There has been no change to accounting policies. Note 9 reconciles Trust funds to actual amounts granted and reported as revenue, amounts unallocated, plus prior year returns, which are due back to the Culture Section of the Trust. Information on applications supported through each grant program can be found on either the SaskCulture or Saskatchewan Arts Board website (www.saskculture.ca)

or www.saskartsboard.ca). There is one new note, Note 11, which is now required due to the addition of Creative Kids Canada Inc. as a related entity that shares the same Board of Directors. The expenses noted are from fundraising events underwritten by SaskCulture whereby funds were recouped from the charity's sponsorship dollars.

Schedule 2 – Global Functions on page 11 highlights initiatives supported in 2016/17 including bonding and liability insurance premiums for the 30 Eligible Cultural Organizations that received Annual, Global Funding, the Saskatchewan Partnership for Arts Research arts ecology project, and two emerging cultural organizations.

The SaskCulture Board of Directors allocated resources in the 2016/17 operational budget against its Ends with 35% to End #1 (A strong, thriving, cohesive cultural community), 30% to End #2 (People of Saskatchewan value and support culture), and 35% to End #3 (People of Saskatchewan are strengthened by cultural diversity). These audited financial statements reflect priorities designed to move these Ends forward, ensure ongoing sustainability through capital management, and focus on initiatives that align with SaskCulture's 2015-2019 Strategic Plan.

SaskCulture's audited financial statements represent only about 36% of the total annual proceeds to the Culture Section of the Trust. An additional \$3.5 million dollars was contributed to the Community Grant Program and Community Development Fund, approximately \$220,000 to the Administration Centre for Sport, Culture and Recreation and the Federation of Sovereign Indigenous Nations, and about \$8.5 million distributed to Eligible Cultural Organizations designated by the Minister of Parks, Culture and Sport who are recognized for their role in the delivery of cultural programs and services to the diverse, cultural landscape of Saskatchewan.