

NWT LOTTERY AUTHORITY
Yellowknife, NT

FINANCIAL STATEMENTS
For the year ended March 31, 2014

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MANAGEMENT'S RESPONSIBILITY FOR REPORTING

The accompanying financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided. They have been prepared in accordance with Canadian public sector accounting standards. Where necessary the statements include amounts that are based on informed judgments and estimates by management, giving appropriate consideration to reasonable limits of materiality.

In discharging its responsibility for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring and training employees, written policies and procedures manuals, and accountability for performance within appropriate and well-defined areas of responsibility. The Board's management recognizes its responsibility for conducting the Board's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate.

The Auditors annually provide an independent, objective audit for the purpose of expressing an opinion on the financial statements in accordance with Canadian generally accepted auditing standards.


General Manager,
NWT Sport and Recreation Council

June 16, 2014



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INDEPENDENT AUDITOR'S REPORT

To the Members of
NWT Lottery Authority

We have audited the accompanying financial statements of NWT Lottery Authority, which comprise the Statement of Financial Position as at March 31, 2014, and the Statements of Changes in Net Assets, Operations, 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.

Auditor's 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 auditor's 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 organization'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 organization'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 NWT Lottery Authority as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Avery, Cooper + Co.

Avery, Cooper & Co.
Certified General Accountants
Yellowknife, NT

June 16, 2014



AVERY COOPER IS A MEMBER OF MSI, AN INTERNATIONAL ASSOCIATION OF INDEPENDENT PROFESSIONAL FIRMS

NWT LOTTERY AUTHORITY

STATEMENT OF FINANCIAL POSITION

March 31, 2014

ASSETS

	2014	2013
CURRENT		
Cash	\$ 1,061,875	\$ 208,800
Accounts receivable	840	900
Prepaid expenses	1,163	-
Due from Western Canada Lottery Corporation	443,093	473,592
Due from NWT Sport and Recreation Council (note 4)	<u>58,792</u>	<u>62,723</u>
	1,565,763	746,015
DEFERRED CHARGES (note 3)	<u>275,000</u>	<u>275,000</u>
	<u><u>\$ 1,840,763</u></u>	<u><u>\$ 1,021,015</u></u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 58,764	\$ 11,048
Wages and benefits payable	6,140	8,312
Due to Government of Nunavut (note 4)	<u>463,886</u>	<u>99,482</u>
	528,790	118,842
ACCRUED TERMINATION BENEFITS	<u>37,200</u>	<u>34,815</u>
	<u><u>565,990</u></u>	<u><u>153,657</u></u>

NET ASSETS

RESERVE (note 3)	275,000	275,000
BALANCE per page 2	<u>999,773</u>	<u>592,358</u>
	<u><u>1,274,773</u></u>	<u><u>867,358</u></u>
	<u><u>\$ 1,840,763</u></u>	<u><u>\$ 1,021,015</u></u>

Approved:

 _____ Member
 _____ Member

NWT LOTTERY AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
BALANCE, as previously stated	\$ 592,358	\$ 1,536,977
Transfer to NWT Sport and Recreation Council	<u>-</u>	<u>(1,536,976)</u>
BALANCE, as restated	592,358	1
Excess of revenues over expenses per page 3	<u>407,415</u>	<u>592,357</u>
BALANCE, closing	<u><u>\$ 999,773</u></u>	<u><u>\$ 592,358</u></u>

NWT LOTTERY AUTHORITY

STATEMENT OF OPERATIONS

For the year ended March 31, 2014

	2014 Budget Unaudited	2014 Actual	2013 Actual
REVENUES			
Lottery Revenue, Net - Schedule 1	\$ 5,288,200	\$ 5,185,364	\$ 5,968,981
Nunavut Lottery revenue	(337,609)	(754,616)	(799,917)
Miscellaneous income	-	5,826	4,375
Interest income	-	4,333	5,873
Management fee revenue	-	14,124	12,787
	<u>4,950,591</u>	<u>4,455,031</u>	<u>5,192,099</u>
EXPENSES			
Advertising and promotion	33,100	1,443	5,704
Allocation of insurance - Nunavut	-	(264)	(470)
Audit and accounting	5,750	8,442	12,995
Communications	4,000	4,587	4,108
Contributions	4,326,043	3,558,592	4,193,405
Equipment lease	-	191	-
Grants to retailers	120,000	115,375	120,000
Insurance	4,400	2,690	4,355
Interest and bank charges	1,100	1,214	1,074
Legal	12,500	19,550	-
Less distribution from reserves	-	-	(38,128)
Miscellaneous	-	22	2,522
Nunavut portion of training and travel expenses	-	-	(110)
Office supplies	23,970	3,764	1,224
Periodicals, printing and newsletters	-	10	-
Policy development	-	-	21,660
Postage and courier	34,300	30,815	26,219
Professional development and training	-	-	363
Professional fees	84,500	6,160	-
Repairs and maintenance	-	2,775	541
Retailer training (NWT only)	-	2,005	2,167
Risk management	-	-	(1,680)
Travel	11,097	2,064	1,118
Wages and benefits	<u>289,831</u>	<u>288,181</u>	<u>242,675</u>
	<u>4,950,591</u>	<u>4,047,616</u>	<u>4,599,742</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ 407,415</u>	<u>\$ 592,357</u>

NWT LOTTERY AUTHORITY

STATEMENT OF CASH FLOWS

For the year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 4,483,695	\$ 5,277,394
Cash receipts from other revenue	5,826	4,375
Cash paid to suppliers and employees	<u>(3,636,446)</u>	<u>(6,288,861)</u>
INCREASE (DECREASE) IN CASH	853,075	(1,007,092)
CASH, opening	<u>208,800</u>	<u>1,215,892</u>
CASH, closing	<u>\$ 1,061,875</u>	<u>\$ 208,800</u>

NWT LOTTERY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

1. NATURE OF OPERATIONS

NWT Lottery Authority was established by the NWT Sport and Recreation Council (NWTSRC) as per the Western Canada Lottery Regulations, R.R.N.W.T. 1993, c.W-1 as amended (the "Regulations"), for the purpose of assisting the NWTSRC in the performance of its duties under these regulations.

The NWTSRC has agreements with the Western Canada Lottery Corporation (Western Canada Lottery Corporation Agreement, signed April 1, 2009) and the Government of the Northwest Territories (Lottery Operations Agreement, signed September 9, 2010) for the purpose of conducting and managing the sale of Western Canada Lottery products pursuant to the Western Canada Lottery Act, R.S.N.W.T. 1988ccW-3 as amended (the "Act") and the Regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations in accordance with the Public Sector Accounting Board (PSAB). The significant accounting policies are detailed as follows:

(a) Financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The company subsequently measures its financial assets and financial liabilities at amortized cost, except for securities quoted in an active market, which are subsequently measured at fair value.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable, accrued liabilities and mortgages payable.

(b) Cash equivalents

The organization considers all investments with maturities of three months or less and bank loans with no fixed terms of repayment to be cash equivalents.

(c) Tangible capital assets

Capital assets purchased during the year are recorded as expenses.

(d) Revenue recognition

Funds received from Western Canada Lottery Corporation are recognized as revenue only when the draw has been completed.

NWT LOTTERY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

3. DEFERRED CHARGES/RESERVE

This amount represents the March 31, 1996 outstanding settlement from the Western Canada Lottery Corporation ("WCLC"). The amount has been withheld as an operating cash holdback to finance the continuing operations of WCLC. This holdback will not be recovered in the foreseeable future therefore a reserve has been established in the amount of \$275,000.

4. DUE FROM/TO RELATED PARTY

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The amount due from NWT Sport and Recreation Council are for expenses paid by NWT Lottery Authority which are billed back to the organization.

The amount due to Government of Nunavut represents their share of lottery proceeds less expenses paid by NWT Lottery Authority which are billed back to the organization.

5. CONTRIBUTIONS

The NWT Lottery Authority funds have been distributed to the following organizations during the year:

	<u>2014</u>	<u>2013</u>
Aboriginal Sport Circle of the Western Arctic	\$ -	\$ 541,845
Beaufort Delta Sahtu Recreation Association	- -	325,980
Mackenzie Recreation Association	- -	304,686
NWT Recreation and Parks Association	- -	550,496
Sport North Federation	- -	1,580,000
Lex Borealis Ltd.	290,556	293,241
NWT Sport and Recreation Council	<u>3,268,036</u>	<u>597,157</u>
	<u><u>\$ 3,558,592</u></u>	<u><u>\$ 4,193,405</u></u>

6. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

NWT LOTTERY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

6. FINANCIAL INSTRUMENTS, continued

(a) Credit risk

The organization does have credit risk in accounts receivable of \$840 (2013 - \$900). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The organization reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The organization maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the organization is low and is not material.

(b) Liquidity risk

The organization does have a liquidity risk in the accounts payable and accrued liabilities of \$58,764 (2013 - \$11,048). Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the organization is low and is not material.

7. NUNAVUT LOTTERY

By an agreement dated April 1, 2009 between Western Canada Lottery Corporation (WCLC) and the NWT Sport and Recreation Council (NWTSRC), NWTSRC was appointed to assist WCLC in the joint marketing of the Western Canada Lottery (the "Lottery") in the Territory of Nunavut. NWTSRC administers the financial accounting and reporting functions in accordance with the schedules to the agreement which detail the allocation of revenues and expenses of the Lottery in Nunavut.

8. COMPARATIVE AMOUNTS

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

9. GRANTS TO RETAILERS

Grants to retailers in aid of administration, represents grants paid to non-profit retailers based upon sales volume, to assist with their administration costs.

NWT LOTTERY AUTHORITY

SCHEDULE TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2014

SCHEDULE OF LOTTERY REVENUE, NET

Schedule 1

	2014 Budget Unaudited	2014 Actual	2013 Actual
SALES			
Lottery ticket sales	\$ 16,720,000	\$ 16,522,696	\$ 17,122,617
Interest and other income	<u>13,200</u>	<u>28,667</u>	<u>18,856</u>
	<u><u>16,733,200</u></u>	<u><u>16,551,363</u></u>	<u><u>17,141,473</u></u>
DIRECT EXPENSES			
Free tickets	-	730,484	713,961
Prizes	8,898,000	8,551,087	8,377,435
Retailer commissions	981,000	917,056	943,970
Ticket printing	<u>270,000</u>	<u>216,721</u>	<u>208,880</u>
	<u><u>10,149,000</u></u>	<u><u>10,415,348</u></u>	<u><u>10,244,246</u></u>
OPERATING INCOME			
	<u><u>6,584,200</u></u>	<u><u>6,136,015</u></u>	<u><u>6,897,227</u></u>
EXPENSES			
Amortization	153,800	79,124	81,482
Communications	184,800	137,108	122,718
Cost of premises	24,900	22,659	22,850
Draws and winning numbers publication	7,300	5,099	5,190
Employee development	14,000	4,829	5,331
Equipment	58,900	32,909	24,261
Freight and product transport	3,900	3,171	3,448
Goods and services tax	89,100	78,686	77,195
I. L. C. expense	19,800	13,902	16,772
Insurance and bank charges	2,200	1,749	1,863
Media & advertising	136,700	128,284	136,441
Overhead allocation	(300)	(248)	(255)
Payment to Government of Canada	177,800	155,329	163,153
Presentations, publications and miscellaneous	2,600	2,334	3,006
Professional fees	74,300	50,399	38,058
Promotion	73,200	15,602	7,218
Supplies	3,400	2,441	2,626
Travel	6,400	3,018	3,492
Wages and benefits	<u>263,200</u>	<u>214,256</u>	<u>213,397</u>
	<u><u>1,296,000</u></u>	<u><u>950,651</u></u>	<u><u>928,246</u></u>
EXCESS OF REVENUES OVER EXPENSES			
	<u><u>\$ 5,288,200</u></u>	<u><u>\$ 5,185,364</u></u>	<u><u>\$ 5,968,981</u></u>