

NWT LOTTERY AUTHORITY
Yellowknife, NT

FINANCIAL STATEMENTS
For the year ended March 31, 2015

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NWT Sport & Recreation Council
Operator of the NWT Lotteries

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 3, 2015



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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, 2015, and the Statements of Changes in Accumulated Surplus and Net Financial 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, 2015, 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 IS A MEMBER OF MSI, AN INTERNATIONAL ASSOCIATION OF INDEPENDENT PROFESSIONAL FIRMS

INDEPENDENT AUDITOR'S REPORT, continued

Comparative Information

Without modifying our opinion, we draw attention to note 3 to the financial statements which describes that NWT Lottery Authority adopted Canadian public sector accounting standards on April 1, 2014 with a transition date of April 1, 2013. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at March 31, 2014 and April 1, 2013, and the Statements of Changes in Net Financial Assets, Changes in Fund balances, Operations and Cash Flows for the year ended March 31, 2014 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Avery, Cooper & Co.

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

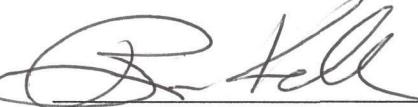
June 3, 2015

NWT LOTTERY AUTHORITY

STATEMENT OF FINANCIAL POSITION
March 31, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS			
Cash	\$ 385,932	\$ 1,061,875	\$ 208,800
Accounts Receivable	-	840	900
Due from Western Canada Lottery Corporation	478,788	443,093	473,592
Due from NWT Sport and Recreation Council (Note 5)	67,481	58,792	62,723
Cash Holdback (Note 4)	<u>275,000</u>	<u>275,000</u>	<u>275,000</u>
	<u>1,207,201</u>	<u>1,839,600</u>	<u>1,021,015</u>
LIABILITIES			
Accounts Payable & Accrued Liabilities	11,142	58,764	11,048
Wages & Benefits Payable	6,631	6,140	8,312
Accrued termination benefits	42,453	37,200	34,815
Due to Government of Nunavut (Note 5)	<u>376,094</u>	<u>463,886</u>	<u>99,482</u>
	<u>436,320</u>	<u>565,990</u>	<u>153,657</u>
NET FINANCIAL ASSETS	770,881	1,273,610	867,358
NON-FINANCIAL ASSETS			
Prepaid Expenses	<u>7,496</u>	<u>1,163</u>	<u>-</u>
ACCUMULATED SURPLUS (Note 4)	<u>\$ 778,377</u>	<u>\$ 1,274,773</u>	<u>\$ 867,358</u>

Approved:

 Member  Member

NWT LOTTERY AUTHORITY

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the Year Ended March 31, 2015

	<u>2015</u>	<u>2014</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (496,396)	\$ 407,415
Change in Prepaid Expenses	<u>(6,333)</u>	<u>(1,163)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(502,729)	406,252
NET FINANCIAL ASSETS, opening	<u>1,273,610</u>	<u>867,358</u>
NET FINANCIAL ASSETS, closing	<u><u>\$ 770,881</u></u>	<u><u>\$ 1,273,610</u></u>

NWT LOTTERY AUTHORITY

STATEMENT OF OPERATIONS

For the year ended March 31, 2015

	2015 Budget Unaudited	2015 Actual	2014 Actual
REVENUES			
Lottery Revenue, Net - Schedule 1	\$ 5,607,564	\$ 4,656,843	\$ 5,185,364
Nunavut Lottery revenue	(816,344)	(589,689)	(754,616)
Miscellaneous income	-	6,670	5,826
Interest income	-	4,637	4,333
Management fee revenue	<u>20,000</u>	<u>12,557</u>	<u>14,124</u>
	<u>4,811,220</u>	<u>4,091,018</u>	<u>4,455,031</u>
EXPENSES			
Advertising and promotion	-	8,277	7,604
Allocation of insurance - Nunavut	-	-	(264)
Audit and accounting	13,000	5,507	8,442
Communications	4,000	3,119	4,587
Contributions	4,327,919	4,080,736	3,558,592
Equipment lease	-	816	191
Grants to retailers	120,000	118,089	115,375
Insurance	4,400	1,948	2,690
Interest and bank charges	1,000	1,168	1,214
Legal	-	-	19,550
Miscellaneous	-	1,732	22
Office supplies	2,000	9,300	3,763
Periodicals, printing and newsletters	-	26	10
Postage and courier	26,000	30,256	30,815
Professional fees	27,820	-	-
Repairs and maintenance	-	1,083	2,775
Retailer training (NWT only)	1,895	1,163	2,005
Travel	7,585	5,535	2,064
Wages and benefits	<u>275,601</u>	<u>318,659</u>	<u>288,181</u>
	<u>4,811,220</u>	<u>4,587,414</u>	<u>4,047,616</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES			
	<u>\$ -</u>	<u>\$ (496,396)</u>	<u>\$ 407,415</u>

NWT LOTTERY AUTHORITY

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS
For the Year Ended March 31, 2015

	<u>2015</u>	<u>2014</u>
<u>For the Year Ended March 31, 2015</u>		
ACCUMULATED SURPLUS, opening	\$ 1,274,773	\$ 867,358
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>(496,396)</u>	<u>407,415</u>
ACCUMULATED SURPLUS, closing (Note 4)	<u>\$ 778,377</u>	<u>\$ 1,274,773</u>
 <u>For the Year Ended March 31, 2014</u>		
ACCUMULATED SURPLUS, opening	\$ 867,358	\$ 275,001
EXCESS OF REVENUES OVER EXPENSES	<u>407,415</u>	<u>592,357</u>
ACCUMULATED SURPLUS, closing	<u>\$ 1,274,773</u>	<u>\$ 867,358</u>

NWT LOTTERY AUTHORITY

STATEMENT OF CASH FLOWS

For the year ended March 31, 2015

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 4,040,801	\$ 4,483,697
Cash receipts from other revenue	6,670	5,826
Cash paid to suppliers and employees	<u>(4,723,414)</u>	<u>(3,636,448)</u>
(DECREASE) INCREASE IN CASH	(675,943)	853,075
CASH, opening	<u>1,061,875</u>	<u>208,800</u>
CASH, closing	<u>\$ 385,932</u>	<u>\$ 1,061,875</u>

NWT LOTTERY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

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. As a public service entity, the Authority's function is to support the objectives of the Government of the Northwest Territories (GNWT) by operating the lottery in the Northwest Territories.

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 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

Minor 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, 2015

3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

Effective April 1, 2014, the Authority elected to apply the public sector accounting standards in the CPA Canada Public Sector Accounting Handbook without Sections PS 4200 to PS 4270.

These are the first financial statements prepared in accordance with this new framework which has been applied retrospectively. The accounting policies set out in note 2 have been applied in accordance with Section PS 2125, "First-time adoption" in preparing the financial statements for the year ended March 31, 2015, the comparative information for the year ended March 31, 2014 and in the preparation of an opening statement of financial position as at April 1, 2013, which is the organization's date of transition to Canadian public sector accounting standards (PSAS).

The Authority previously issued financial statements for the year ended March 31, 2014 using Canadian accounting standards for not-for-profit organizations prescribed by Part III of the CPA Canada Handbook – Accounting.

The adoption of PSAS has had no impact on the previously reported assets, liabilities and accumulated surplus of the Authority, and accordingly, no adjustments have been recorded in the comparative statements of financial position, operations, changes in accumulated surplus and net financial assets, and cash flows. Certain of the organization's presentation and disclosures included in these financial statements reflect the new presentation and disclosure requirements of PSAS.

4. ACCUMULATED SURPLUS

The cash holdback represents the March 31, 1996 outstanding settlement from the Western Canada Lottery Corporation ("WCLC"). The amount is 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 (2014 - \$275,000) and is included in accumulated surplus as at March 31, 2015 as follows:

	2015	2014
Reserve	\$ 275,000	\$ 275,000
Operating Surplus	<u>503,377</u>	<u>999,773</u>
Accumulated Surplus	<u><u>\$ 778,377</u></u>	<u><u>\$ 1,274,773</u></u>

5. 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. During the year, the Organization received \$465,187 (2014 - \$472,968) from NWT Sport and Recreation Council relating to payroll expenses. The Organization also paid out \$4,080,736 (2014 -\$ 3,268,036) in lottery contributions to NWT Sport and Recreation Council.

NWT LOTTERY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2015

5. DUE FROM/TO RELATED PARTY, continued

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.

6. CONTRIBUTIONS

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

	2015	2014
Lex Borealis Ltd.	\$ -	\$ 290,556
NWT Sport and Recreation Council	<u>4,080,736</u>	<u>3,268,036</u>
	<u><u>\$ 4,080,736</u></u>	<u><u>\$ 3,558,592</u></u>

7. 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.

(a) Liquidity risk

The Organization does have a liquidity risk in the accounts payable and accrued liabilities of \$11,142 (2014 - \$58,764). 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.

8. 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.

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, 2015

SCHEDULE OF LOTTERY REVENUE, NET

Schedule 1

	2015 Budget Unaudited	2015 Actual	2014 Actual
SALES			
Lottery ticket sales	\$ 17,868,000	\$ 15,199,689	\$ 16,522,696
Interest and other income	<u>31,001</u>	<u>18,501</u>	<u>28,667</u>
	<u><u>17,899,001</u></u>	<u><u>15,218,190</u></u>	<u><u>16,551,363</u></u>
DIRECT EXPENSES			
Free tickets	789,961	782,932	730,484
Prizes	9,247,330	7,753,810	8,551,087
Retailer commissions	991,724	827,029	917,056
Ticket printing	<u>234,367</u>	<u>222,135</u>	<u>216,721</u>
	<u><u>11,263,382</u></u>	<u><u>9,585,906</u></u>	<u><u>10,415,348</u></u>
OPERATING INCOME	<u><u>6,635,619</u></u>	<u><u>5,632,284</u></u>	<u><u>6,136,015</u></u>
EXPENSES			
Amortization	114,276	95,454	79,124
Communications	167,210	157,545	137,108
Cost of premises	21,706	19,889	22,659
Draws and winning numbers publication	6,263	4,541	5,099
Employee development	7,979	3,802	4,829
Equipment	32,001	38,373	32,909
Freight and product transport	3,260	2,944	3,171
Goods and services tax	75,926	74,012	78,686
I. L. C. expense	16,472	13,599	13,902
Insurance and bank charges	1,887	1,668	1,749
Media & advertising	127,402	133,210	128,284
Overhead allocation	<u>(257)</u>	<u>(245)</u>	<u>(248)</u>
Payment to Government of Canada	152,883	154,702	155,329
Presentations, publications and miscellaneous	2,574	3,963	2,334
Professional fees	74,554	44,984	50,399
Promotion	7,378	5,728	15,602
Supplies	3,003	2,087	2,441
Travel	4,547	2,613	3,018
Wages and benefits	<u>208,991</u>	<u>216,572</u>	<u>214,256</u>
	<u><u>1,028,055</u></u>	<u><u>975,441</u></u>	<u><u>950,651</u></u>
EXCESS OF REVENUES OVER EXPENSES	<u><u>\$ 5,607,564</u></u>	<u><u>\$ 4,656,843</u></u>	<u><u>\$ 5,185,364</u></u>