

NWT LOTTERY AUTHORITY
Yellowknife, NT

FINANCIAL STATEMENTS
For the year ended March 31, 2016

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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 judgements 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.

Avery Cooper & Co. Ltd., Certified General Accountants annually provides 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

July 10, 2016



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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, 2016, 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, 2016, 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. Ltd.

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

July 10, 2016



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

NWT LOTTERY AUTHORITY

STATEMENT OF FINANCIAL POSITION
March 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash	\$ 154,650	\$ 385,932
Accounts Receivable	23,950	-
Due from Western Canada Lottery Corporation	475,423	478,788
Due from NWT Sport and Recreation Council (Note 5)	70,325	67,481
Cash Holdback (Note 4)	<u>275,000</u>	<u>275,000</u>
	<u>999,348</u>	<u>1,207,201</u>
LIABILITIES		
Accounts Payable & Accrued Liabilities	49,056	11,142
Wages & Benefits Payable	1,730	6,631
Accrued termination benefits	26,854	42,453
Due to Government of Nunavut (Note 5)	<u>247,098</u>	<u>376,094</u>
	<u>324,738</u>	<u>436,320</u>
NET FINANCIAL ASSETS	674,610	770,881
NON-FINANCIAL ASSETS		
Prepaid Expenses	<u>13,599</u>	<u>7,496</u>
ACCUMULATED SURPLUS (Note 4)	<u><u>\$ 688,209</u></u>	<u><u>\$ 778,377</u></u>

Approved:



Member



Member

See the accompanying notes.

NWT LOTTERY AUTHORITY

STATEMENT OF CHANGES IN NET FINANCIAL ASSESTS
For the Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (90,168)	\$ (496,396)
Change in Prepaid Expenses	<u>(6,103)</u>	<u>(6,333)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(96,271)	(502,729)
NET FINANCIAL ASSETS, opening	<u>770,881</u>	<u>1,273,610</u>
NET FINANCIAL ASSETS, closing	<u><u>\$ 674,610</u></u>	<u><u>\$ 770,881</u></u>

See the accompanying notes.

NWT LOTTERY AUTHORITY

STATEMENT OF OPERATIONS

For the year ended March 31, 2016

	2016 Budget Unaudited	2016 Actual	2015 Actual
REVENUES			
Lottery Revenue, Net - Schedule 1	\$ 5,185,364	\$ 6,068,759	\$ 4,656,843
Nunavut Lottery revenue	(754,616)	(801,290)	(589,689)
Miscellaneous income	5,826	6,615	6,670
Interest income	4,333	1,399	4,637
Management fee revenue	14,124	156,582	12,557
	<u>4,455,031</u>	<u>5,432,065</u>	<u>4,091,018</u>
EXPENSES			
Advertising and promotion	18,000	43,757	8,277
Audit and accounting	9,000	8,441	5,507
Communications	4,000	2,996	3,119
Contributions	3,946,511	4,950,000	4,080,736
Equipment lease	-	1,487	816
Grants to retailers	114,000	113,586	118,089
Insurance	2,500	2,085	1,948
Interest and bank charges	1,200	1,283	1,168
Legal	5,000	1,429	-
Miscellaneous	-	247	1,732
Office supplies	5,000	26,520	9,300
Periodicals, printing and newsletters	-	-	26
Postage and courier	30,000	33,002	30,256
Professional development and training	5,000	10,898	-
Professional fees	22,000	48,664	-
Repairs and maintenance	1,000	2,229	1,083
Retailer training (NWT only)	-	-	1,163
Travel	10,000	19,341	5,535
Wages and benefits	281,820	256,268	318,659
	<u>4,455,031</u>	<u>5,522,233</u>	<u>4,587,414</u>
DEFICIENCY OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ (90,168)</u>	<u>\$ (496,396)</u>

NWT LOTTERY AUTHORITY

**STATEMENT OF CHANGES IN ACCUMULATED SURPLUS
For the Year Ended March 31, 2016**

	<u>2016</u>	<u>2015</u>
<u>For the Year Ended March 31, 2016</u>		
ACCUMULATED SURPLUS, opening	\$ 778,377	\$ 1,274,773
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>(90,168)</u>	<u>(496,396)</u>
ACCUMULATED SURPLUS, closing (Note 4)	<u>\$ 688,209</u>	<u>\$ 778,377</u>
	<u>2015</u>	<u>2014</u>
<u>For the Year Ended March 31, 2015</u>		
ACCUMULATED SURPLUS, opening	\$ 1,274,773	\$ 867,358
EXCESS OF REVENUES OVER EXPENSES	<u>(496,396)</u>	<u>407,415</u>
ACCUMULATED SURPLUS, closing	<u>\$ 778,377</u>	<u>\$ 1,274,773</u>

See the accompanying notes.

NWT LOTTERY AUTHORITY

STATEMENT OF CASH FLOWS

For the year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from Western Canada Lottery	\$ 5,402,021	\$ 4,040,801
Cash receipts from other revenue	6,615	6,670
Cash paid to suppliers	(428,749)	(324,511)
Contributions to NWT Sport and Recreation Council	(4,950,000)	(4,080,736)
Cash paid to employees	<u>(261,169)</u>	<u>(318,167)</u>
DECREASE IN CASH	(231,282)	(675,943)
CASH, opening	<u>385,932</u>	<u>1,061,875</u>
CASH, closing	<u><u>\$ 154,650</u></u>	<u><u>\$ 385,932</u></u>

NWT LOTTERY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2016

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. CHANGE IN ACCOUNTING POLICIES

(a) Inter-entity transactions

In March 2015, the Public Sector Accounting Board (PSAB) issued Section PS 3420, "Inter-entity transactions". This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The main features of the new Section are:

- under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
 - transactions are measured at their carrying amount, except in special circumstances;
 - a recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice, and
 - the transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.
- This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The NWT Lottery Authority is currently assessing the impact of this Section.

(b) Assets

In June 2015, the PSAB issued Section PS 3210, "Assets". This new Section provides guidance for applying the definition of assets and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, the reason(s) for this should be disclosed. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The NWT Lottery Authority is currently assessing the impact of this Section.

NWT LOTTERY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2016

2. CHANGE IN ACCOUNTING POLICIES, continued

(c) Related party disclosures

In March 2015, the PSAB issued Section PS 2200, "Related party disclosures". This new Section defines a related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material effect on the financial statements. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The NWT Lottery Authority is currently assessing the impact of this Section.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian public sector accounting standards. The significant 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.

(e) Financial assets

Financial assets, consisting of cash, accounts receivable and due from related parties, are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

NWT LOTTERY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Non-financial assets

Non-financial assets, consisting of prepaid expenses, are not available to discharge existing liabilities and are held for use in the provision of services in future periods. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(g) Net debt

Net debt is measured as the difference between the Organization's liabilities and financial assets. This difference bears directly on the Organization's future revenue requirements and on its ability to finance its activities and meet its liabilities and contractual obligations.

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 (2015 - \$275,000) and is included in accumulated surplus as at March 31, 2016 as follows:

	<u>2016</u>	<u>2015</u>
Reserve	\$ 275,000	\$ 275,000
Operating Surplus	<u>413,209</u>	<u>503,377</u>
Accumulated Surplus	<u>\$ 688,209</u>	<u>\$ 778,377</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 \$292,044 (2015 - \$465,187) from NWT Sport and Recreation Council relating to payroll expenses. The Organization also paid out \$4,950,000 (2015 -\$ 4,080,736) in lottery contributions to NWT Sport and Recreation Council.

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.

NWT LOTTERY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2016

6. CONTRIBUTIONS

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

NWT Sport and Recreation Council	\$ 4,950,000	\$ 4,080,736
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7. FINANCIAL INSTRUMENTS RISKS AND UNCERTAINTIES

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 \$49,056 (2015 - \$11,142). 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. This agreement was updated on April 1, 2015 and expires March 31, 2020 unless terminated earlier in accordance with the Agreement or renewed by mutual parties.

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, 2016

SCHEDULE OF LOTTERY REVENUE, NET

Schedule 1

	2016 Budget Unaudited	2016 Actual	2015 Actual
SALES			
Lottery ticket sales	\$ 16,522,696	\$ 19,529,499	\$ 15,199,689
Interest and other income	<u>28,667</u>	<u>24,513</u>	<u>18,501</u>
	<u>16,551,363</u>	<u>19,554,012</u>	<u>15,218,190</u>
DIRECT EXPENSES			
Free tickets	730,484	1,175,379	782,932
Prizes	8,551,087	9,975,724	7,753,810
Retailer commissions	917,056	1,064,123	827,029
Ticket printing	<u>216,721</u>	<u>246,845</u>	<u>222,135</u>
	<u>10,415,348</u>	<u>12,462,071</u>	<u>9,585,906</u>
OPERATING INCOME	<u>6,136,015</u>	<u>7,091,941</u>	<u>5,632,284</u>
EXPENSES			
Amortization	79,124	69,106	95,454
Communications	137,108	160,956	157,545
Cost of premises	22,659	22,986	19,889
Draws and winning numbers publication	5,099	4,349	4,541
Employee development	4,829	4,181	3,802
Equipment	32,909	33,854	38,373
Freight and product transport	3,171	3,017	2,944
Goods and services tax	78,686	89,703	74,012
I. L. C. expense	13,902	11,640	13,599
Insurance and bank charges	1,749	1,717	1,668
Media & advertising	128,284	144,092	133,210
Overhead allocation	(248)	(292)	(245)
Payment to Government of Canada	155,329	167,410	154,702
Presentations, publications and miscellaneous	2,334	3,696	3,963
Professional fees	50,399	49,354	44,984
Promotion	15,602	10,804	5,728
Supplies	2,441	2,197	2,087
Travel	3,018	1,906	2,613
Wages and benefits	<u>214,256</u>	<u>242,506</u>	<u>216,572</u>
	<u>950,651</u>	<u>1,023,182</u>	<u>975,441</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 5,185,364</u>	<u>\$ 6,068,759</u>	<u>\$ 4,656,843</u>