

NUNAVUT LOTTERY
GOVERNMENT OF NUNAVUT
Department of Community and Government Services
FINANCIAL STATEMENTS
March 31, 2015

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AVERY, COOPER & CO.
Certified General Accountants

Toll-Free: 1-800-661-0787
Website: www.averycooper.com

4918 - 50th Street, P.O. Box 1620
Yellowknife, NT X1A 2P2
Telephone: (867) 873-3441
Facsimile: (867) 873-2353

Gerald F. Avery, FCGA
W. Brent Hinchey, B. Comm., C.G.A.
Cathy A. Cudmore, B. Rec, C.G.A.

June 10, 2015

Nunavut Lottery PO
Box 1676
Yellowknife, NT X1A 2P3

Client ID: 1402

Attention: Board of Directors

Dear Madam/Sir:

Re: Audit for the year ended March 31, 2015

We have recently completed our audit of your financial statements for the year ended March 31, 2015. As indicated in our Auditors' Report, as a result of our examination we were able to render a clear opinion as to the fairness of these statements.

The object of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and is not designed to identify matters that may be of interest to administration in discharging its responsibilities. Nor can an audit be expected to disclose defalcations and other irregularities.

However, as part of our engagement for the audit of Nunavut Lottery, we offered to submit to you any suggestions for the improvement of existing systems of internal control, accounting policies and procedures and other related matters that came to our attention during the course of our work. During our examination, we did not find any matters which we felt should be brought to your attention.

We wish to thank management and staff for the cooperation and assistance we received during the course of our audit.

Yours truly,

AVERY, COOPER & CO.

Cathy A. Cudmore, B.Rec., C.G.A.

CAC/jad



NUNAVUT LOTTERY

STATEMENT OF FINANCIAL POSITION
March 31, 2015

	2015	2014	2013
FINANCIAL ASSETS			
Cash	\$156,548	\$329,461	\$68,575
Short term investments	100,000		
Accrued interest receivable	239		
Due from NWT Lottery Authority	376,092	463,884	99,481
	<hr/>		
	632,879	793,345	168,056
	<hr/>		
LIABILITIES			
Accounts payable and accrued liabilities	5,628	6,295	19,538
Due to NWT Sport and Recreation Council	<u>238</u>	<u>238</u>	<u>1,303</u>
	<hr/>		
	5,866	6,533	20,841
	<hr/>		
NET FINANCIAL ASSETS	<u>627,013</u>	<u>786,812</u>	<u>147,215</u>
	<hr/>		
ACCUMULATED SURPLUS			
BALANCE, OPENING	786,812	147,215	112,472
EXCESS OF REVENUE OVER EXPENSES PER PAGE 3	490,201	639,597	660,201
FUNDS REMITTED TO THE GOVERNMENT OF NUNAVUT	<u>(650,000)</u>	<u> </u>	<u>(625,458)</u>
BALANCE, CLOSING	<u>\$627,013</u>	<u>\$786,812</u>	<u>\$147,215</u>

On behalf of the Nunavut Lottery

 Director, NWT Sport and Recreation Council

 Gov't of Nunavut Department of Community and Government Services

NUNAVUT LOTTERY

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS March 31, 2015

<u>2015</u>	<u>2014</u>		
EXCESS OF REVENUE OVER EXPENSES per page 3		\$490,201	\$639,597
FUNDS REMITTED TO THE GOVERNMENT OF NUNAVUT		(650,000)	
NET FINANCIAL ASSETS, opening		<u>786,812</u>	<u>147,215</u>
NET FINANCIAL ASSETS, closing		<u>\$627,013</u>	<u>\$786,812</u>

NUNAVUT LOTTERY STATEMENT OF OPERATIONS

For the year ended March 31, 2015

	Budget 2015 (unaudited) \$	Actual 2015 \$	Actual 2014 \$
REVENUES			
Lottery Revenue, Net (<i>Schedule 2</i>)	816,344	589,689	754,618
Interest		1,715	992
Total revenue	816,344	591,404	755,610
EXPENSES			
Audit and accounting		5,528	5,850
Grants to retailers			44,070
Insurance (<i>Note 9</i>)		279	381
Management fee (<i>Note 11</i>)		12,564	14,124
Postage and freight		7,155	11,012
Professional development and training		4,221	2,574
Professional fees - other			139
Repairs and maintenance		335	
Salaries, wages and benefits (<i>Note 8</i>)		71,121	37,679
Travel			184
		101,203	116,013
Excess (deficiency) of revenue over expenses	816,344	490,201	639,597

NUNAVUT LOTTERY STATEMENT OF CASH FLOWS

For the year ended March 31, 2015

	2015	2014
	\$	\$
<hr/>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts	677,235	390,215
Cash receipts from other revenue	1,715	992
Cash paid to suppliers and employees	(101,863)	(130,321)
	<hr/>	
Net cash provided by operations	577,087	260,886
	<hr/>	
FINANCING AND INVESTING ACTIVITIES		
Funds remitted to Government of Nunavut	(650,000)	
Purchase of long term investment	(100,000)	
	<hr/>	
Net cash provided by (used in) financing and investing activities	(750,000)	
	<hr/>	
Net increase (decrease) in cash	(172,913)	260,886
Cash, beginning of year	329,461	68,575
	<hr/>	
Cash, end of year	156,548	329,461
	<hr/>	

NUNAVUT LOTTERY
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2015

NOTE 1 NATURE OF OPERATIONS

The NWT Sport and Recreation Council (NWTSRC) has agreements with the Western Canada Lottery Corporation (Western Canada Lottery Corporation Agreement, signed April 1, 2009) and the Government of Nunavut (Nunavut Lottery Agreement, signed April 1, 2009) for the purpose of conducting and managing the sale of Western Canada Lottery products. The NWTSRC was appointed to assist in the joint marketing of the Western Canada Lottery (the "Lottery") in the Territory of Nunavut.

NOTE 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 used are as follows:

- a) Funds received from Western Canada Lottery Corporation are recognized as revenue only when the draw has been completed.
- b) Cash equivalents are considered all investments with maturities of three months or less and bank loans with no fixed terms of repayment.
- c) The financial instruments consist of cash, accounts payable and due to a related party. Unless otherwise noted, it is management's opinion, that the Nunavut Lottery is not exposed to significant interest, currency or credit risk.

NUNAVUT LOTTERY
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2015

NOTE 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, statement of operations, statement of net financial assets, statement of changes in accumulated surplus and statement of cash flows.

Certain of the organization's presentation and disclosures included in these financial statements reflect the new presentation and disclosure requirements of PSAS.

NOTE 4 NET SALES FOR THE PERIOD

	\$	%
Eastern Arctic / Nunavut (<i>Schedule 4</i>)	1,795,048	12.7
Western Arctic / NWT (<i>Schedule 4</i>)	12,307,683	87.3
Total	14,102,731	100.0

NUNAVUT LOTTERY
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2015

NOTE 5 NUMBER OF TERMINALS

	#	%
Eastern Arctic /Nunavut		
April 1 through October 31, 2014	2	
Multiply by number of months	7.00	
14.00		
November 1 through to March 31, 2015	3.00	
Multiply by number of months	5.00	
	15.00	
	29.00	
Weighted average number of terminals	2.42	10.10
Western Arctic /NWT		
April 1 through September 30, 2014	19	
Multiply by number of months	6.00	
114.00		
October 1 through to November 30, 2014	22	
Multiply by number of months	2.00	
44.00		
December 1 through to March 31, 2015	25	
Multiply by number of months	4.00	
	100.00	
	258.00	
Weighted average number of terminals	21.50	89.90
Total	23.92	100

NOTE 6 ACTUAL COST

Actual cost will be charged as the expenses are incurred.

NUNAVUT LOTTERY
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2015

NOTE 7 COMMUNICATIONS

\$

Eastern Arctic / Nunavut Satellite Locations

April 1 through July 31, 2014 Multiply by number of months	2	<u>4.00</u>	
		<u>8.00</u>	
August 1 through March 31, 2015 Multiply by number of months	1.00	<u>8.00</u>	
		<u>8.00</u>	
Total months		16.00	
Multiply by monthly cost (based on 1 terminals) Fixed cost for eastern terminals on satellite	\$	<u>1164.65</u>	
18,635			

Non Satellite Locations

August 1 through October 31, 2014 Multiply by number of months		1	
		<u>3.00</u>	
		<u>3.00</u>	
November 1 through March 31, 2015 Multiply by number of months		2.00	
		<u>5.00</u>	
		<u>10.00</u>	
Total months		13.00	
Multiply by monthly cost (based on 1 terminals) Fixed cost for eastern non satellite terminals	\$	344.50	4,479
Total communications cost per WCLC		157,545	
Less: Fixed communication costs		(131,677)	
Other communications costs, total		25,868	
Multiply by: Percentage of sales, Nunavut		12.7 %	3,285

Total - to Schedule 2 **26,399**

NOTE 8 SALARIES, WAGES AND BENEFITS

Estimated percentage of time spent by staff to be charged at the percentages of total wages and benefits cost to NWT SRC as follows:

20%	1 day per week for Lottery Administrative Assistant
15%	3 days per month for Finance & Lottery Officer
15%	3 day per month for Finance & Lottery Manager
7.5%	1.5 days per month General Manager

NUNAVUT LOTTERY
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2015

NOTE 9 INSURANCE

		\$
<hr/>		
Base insurance	2,227	
Alarm security (\$140 per quarter)	189	
<hr/>		
Multiply by: percentage		10.10 %
<hr/>		
Total		244
Additional allocation Total - to		35
<i>Schedule 1</i>		279
<hr style="border-top: 3px double #000;"/>		

NOTE 10 AMORTIZATION

	\$	%	\$
<hr/>			
50% based on percentage of sales	47,727	12.7	6,061
50% based on number of terminals	47,727	10.10	4,820
<hr/>			
Total - to <i>Schedule 2</i>	95,454		10,883
<hr style="border-top: 3px double #000;"/>			

NOTE 11 MANAGEMENT FEE

The management fee is calculated as 10% of total Nunavut Lottery expenses before management fee.

		\$
<hr/>		
Total expenses before management fee <i>per Schedule 2</i>	125,639	
Multiply by: Management fee percentage Total - to	10 %	
<hr/>		
<i>Schedule 1</i>		12,564
<hr style="border-top: 3px double #000;"/>		

NUNAVUT LOTTERY
NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2015

NOTE 12 OTHER EXPENSES

Any, and all, costs associated with loss of revenue as a result of theft, fraud, collusion or other acts at the Eastern retailers will be the responsibility of the Nunavut government, not NWT Lottery Authority or NWT Sport and Recreation Council.

NOTE 13 MEDIA EXPENSE

The media expense *per Schedule 2* is based on the total media expense before management fee multiplied by the percentage of terminals located in Nunavut.

Based on number of terminals	133,210	10.10	13,454
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NOTE 14 FINANCIAL INSTRUMENTS

Financial instruments consist of cash, due to/from related parties and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**NUNAVUT LOTTERY
CALCULATION OF AMOUNTS**

Schedule 1

FOR STATEMENT OF OPERATIONS

("Gross Total" derived from NWT Lottery Authority financial records) For the year ended
March 31, 2015

	Gross NWT Lottery Nunavut \$ Percentage %	Nunavut Amount \$
REVENUE		
Lottery Revenue, Net (<i>Schedule 3</i>)	4,656,843	12.7 589,689
<hr/>		
Net Lottery income	4,656,843	589,689
Other Revenue		
Interest	4,637	1,715
Management fee revenue	12,557	
Miscellaneous	6,670	
<hr/>		
Total revenue	<u>4,680,707</u>	<u>591,404</u>
EXPENSES		
Advertising and promotion	8,277	
Audit and accounting	5,507	5,528
Bank charges	1,168	
Communications	3,119	
Contributions	4,080,736	
Grants to retailers	118,089	
Insurance (<i>Note 9</i>)	1,948	279
Equipment lease	816	
Miscellaneous	1,732	
Office Supplies Management fee (<i>Note 11</i>)	9,300	12,564
Periodicals, printing and newsletters	26	
Postage and freight	30,256	7,155
Professional development and training		4,221
Repairs and maintenance	1,083	335
Salaries, wages and benefits (<i>Note 8</i>)	318,659	71,121
Retail training (NWT only)	1,163	
Travel	5,535	
<hr/>		
	4,587,414	101,203
<hr/>		
Excess (deficiency) of revenue over expenses	93,293	490,201
<hr/>		

NUNAVUT LOTTERY

SCHEDULE OF LOTTERY REVENUE, NET

Schedule 2

(see calculations for Actual amounts on Schedule 3) For the year ended March 31, 2015

	Budget 2015 (unaudited)	Actual 2015	Actual 2014
\$		\$	\$
REVENUE			
Lottery ticket sales	2,269,236	1,930,361	2,412,314
Direct Expenses			
Free tickets	100,300	99,432	106,654
Prizes	1,066,541	984,734	1,248,459
Retailer commissions	113,462	105,033	133,890
Ticket printing	29,727	28,211	31,641
	1,310,030	1,217,410	1,520,644
Net ticket sales revenue	959,206	712,951	891,670
Interest and other income	3,937	2,350	4,185
Operating income	963,143	715,301	895,855
CORPORATE EXPENSES			
Amortization	14,513	10,893	9,544
Communications	30,000	26,398	30,984
Cost of premises	2,757	2,528	3,308
Draws and winning numbers publication		795	577
Employee development	1,013	483	705
Equipment	5,500	4,873	1,908
Facilities and equipment rental			2,896
Freight and product transport		414	374
Goods and services tax	9,643	9,400	11,488
I.L.C. expense	2,092	1,727	2,030
Insurance and bank charges		240	244
Media & advertising	18,000	13,454	12,218
Overhead allocation		(33)	(31)
Payment to Government of Canada	19,416	19,647	22,678
Presentations, publications and miscellaneous		327	503
Professional fees	9,468	5,713	7,358
Promotion		937	727
Salaries, wages and benefits	30,758	27,505	31,281
Supplies		381	265
Travel		578	332
	146,799	125,612	141,240
Excess (deficiency) of revenue over expenses	816,344	589,689	754,615

**NUNAVUT LOTTERY
CALCULATION OF AMOUNTS**

FOR SCHEDULE OF LOTTERY REVENUE, NET

Schedule 3

(amounts derived from Western Canada Lottery Corporation financial statements) For the year ended
March 31, 2015

	Note #	Actual Total \$	Nunavut Percentage %	Nunavut Amount \$
REVENUE				
Lottery ticket sales	4	15,199,689	12.7	1,930,361
Direct Expenses				
Free tickets	4	782,932	12.7	99,432
Prizes	4	7,753,810	12.7	984,734
Retailer commissions	4	827,029	12.7	105,033
Ticket printing	4	222,135	12.7	28,211
		9,585,906		1,217,410
Net ticket sales revenue		5,613,783		712,951
Interest and other income	4	18,501	12.7	2,350
Operating income	4	5,632,284	12.7	715,301
CORPORATE EXPENSES				
Amortization	10	95,454		10,893
Communications	7	157,545		26,398
Cost of premises	4	19,889	12.7	2,528
Draws and winning numbers publication	4	4,541	12.7	577
Employee development	4	3,802	12.7	483
Equipment	4	38,373	12.7	4,873
Facilities and equipment rental			12.7	
Freight and product transport	4	2,944	12.7	374
Goods and services tax	4	74,012	12.7	9,400
I.L.C. expense	4	13,599	12.7	1,727
Insurance and bank charges	4	1,668	12.7	244
Media & advertising	12	133,210	10.1	13,454
Overhead allocation	4	(245)	12.7	(31)
Payment to Government of Canada	4	154,702	12.7	19,647
Presentations, publications and miscellaneous	4	3,963	12.7	503
Professional fees	4	44,984	12.7	5,713
Promotion	4	5,728	12.7	727
Salaries, wages and benefits	4	216,572	12.7	27,505
Supplies	4	2,087	12.7	265
Travel	4	2,613	12.7	332
		975,441		125,612
Excess (deficiency) of revenue over expenses		4,656,843		589,689

NUNAVUT LOTTERY
CONTINUITY OF MONTHLY SALES AND PERCENTAGES
For the year ended March 31, 2015

Schedule 4

April 30, 2014
May 31, 2014
June 30, 2014
July 31, 2014
August 31, 2014
September 30, 2014
October 31, 2014
November 30, 2014
December 31, 2014
January 31, 2015
February 28, 2015
March 31, 2015

	Net Sales			Month! Percentage		Cumulative Gross Amount		
	East	West	TOTAL	East	West	East	West	TOTAL
	\$	\$	\$	%	%	\$	\$	\$
	140,688	992,770	1,133,458	12.4%	87.6%	140,688	992,770	1,133,458
	202,999	1,063,224	1,266,223	16.0%	84.0%	343,687	2,055,994	2,399,681
	180,908	884,323	1,065,231	17.0%	83.0%	524,595	2,940,317	3,464,912
	120,471	891,073	1,011,544	11.9%	88.1%	645,066	3,831,390	4,476,456
	114,561	973,361	1,087,922	10.5%	89.5%	759,627	4,804,751	5,564,378
	136,586	900,979	1,037,565	13.2%	86.8%	896,213	5,705,730	6,601,943
	150,172	996,253	1,146,425	13.1%	86.9%	1,046,385	6,701,983	7,748,368
	133,601	1,015,338	1,148,939	11.6%	88.4%	1,179,986	7,717,321	8,897,307
	151,366	1,155,154	1,306,520	11.6%	88.4%	1,331,352	8,872,475	10,203,827
	173,107	1,174,102	1,347,209	12.8%	87.2%	1,504,459	10,046,577	11,551,036
	148,428	1,031,673	1,180,101	12.6%	87.4%	1,652,887	11,078,250	12,731,137
	142,161	1,229,433	1,371,594	10.4%	89.6%	1,795,048	12,307,683	14,102,731
	1,795,048	12,307,683	14,102,731					

<u>Cumulative Percentage</u>	East	West
	%	%
	12.4%	87.6%
	14.3%	85.7%
	15.1%	84.9%
	14.4%	85.6%
	13.7%	86.3%
	13.6%	86.4%
	13.5%	86.5%
	13.3%	86.7%
	13.0%	87.0%
	13.0%	87.0%
	13.0%	87.0%
	12.7%	87.3%

