

**NUNAVUT LOTTERY  
GOVERNMENT OF NUNAVUT  
Department of Community and Government Services  
FINANCIAL STATEMENTS  
March 31, 2017**

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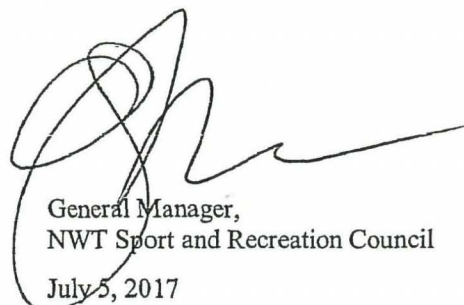
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## MANAGEMENT'S RESPONSIBILITY FOR REPORTING

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., Chartered Professional 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 5, 2017



## INDEPENDENT AUDITOR'S REPORT

To the Deputy Minister,  
Department of Community and Government Services  
Government of Nunavut

We have audited the accompanying financial statements of Nunavut Lottery, which comprise the Statement of Financial Position as at March 31, 2017, and the Statements of Operations, Changes in Net Assets, 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 Nunavut Lottery as at March 31, 2017, 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.  
Chartered Professional Accountants  
Yellowknife, NT

July 5, 2017

**NUNAVUT LOTTERY**  
**STATEMENT OF FINANCIAL POSITION**  
March 31, 2017

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>FINANCIAL ASSETS</b>		
Cash	<b>453,545</b>	284,411
Short term investments	-	100,000
Accrued interest receivable	-	73
Due from NWT Lottery Authority	<b>157,175</b>	247,097
	<b>610,720</b>	631,581
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<b>5,252</b>	5,252
	<b>5,252</b>	5,252
<b>NET FINANCIAL ASSETS</b>	<b>605,468</b>	626,329
<b>ACCUMULATED SURPLUS</b>		
Balance, beginning of year	<b>626,328</b>	627,013
Excess (deficiency) of revenue over expenses per page 3	<b>605,458</b>	626,328
Funds remitted to the Government of Nunavut	<b>(626,328)</b>	(627,013)
Balance, end of year	<b>605,458</b>	626,328

On behalf of the Nunavut Lottery

\_\_\_\_\_  
Director, NWT Sport and Recreation Council

On behalf of the Nunavut Lottery

\_\_\_\_\_  
Gov't of Nunavut Dept. of Community and Government  
Services

**NUNAVUT LOTTERY**

**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**March 31, 2017**

	2017	2016
<b>EXCESS OF REVENUE OVER EXPENSES per page 3</b>	\$ 605,458	\$ 626,328
<b>FUNDS REMITTED TO THE GOVERNMENT OF NUNAVUT</b>	(626,328)	(627,013)
<b>NET FINANCIAL ASSETS, opening</b>	626,328	627,013
<b>NET FINANCIAL ASSETS, closing</b>	\$ 605,458	\$ 626,328

**NUNAVUT LOTTERY**  
**STATEMENT OF OPERATIONS**  
For the year ended March 31, 2017

	<b>Budget 2017 (unaudited)</b>	<b>Actual 2017</b>	Actual 2016
	\$	\$	\$
<b>REVENUES</b>			
Lottery Revenue, Net <i>(Schedule 2)</i>	<b>718,655</b>	<b>783,177</b>	801,290
Interest	<b>1,500</b>	<b>1,217</b>	1,511
<b>Total revenue</b>	<b>720,155</b>	<b>784,394</b>	802,801
<b>EXPENSES</b>			
Audit and accounting	<b>5,500</b>	<b>5,828</b>	6,563
Insurance	-	-	248
Postage and freight	<b>16,500</b>	<b>21,743</b>	13,456
Professional development and training	<b>3,000</b>	-	-
Professional fees - other	<b>500</b>	-	-
Repairs and maintenance	<b>500</b>	-	-
Salaries, wages and benefits	-	-	(376)
	<b>26,000</b>	<b>27,571</b>	19,891
<b>Excess (deficiency) before allocation</b>	<b>694,155</b>	<b>756,823</b>	782,910
Corporate Overhead Allocation <i>(Note 9)</i>	<b>138,831</b>	<b>151,365</b>	156,582
<b>Excess (deficiency) of revenue over expenses</b>	<b>555,324</b>	<b>605,458</b>	626,328

**NUNAVUT LOTTERY**  
**STATEMENT OF CASH FLOWS**  
For the year ended March 31, 2017

	2017	2016
	\$	\$
<hr/>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts	873,173	930,450
Cash receipts from other revenue	1,217	1,511
Cash paid to suppliers	(178,928)	(177,085)
<hr/>		
Net cash provided by operations	695,462	754,876
<hr/>		
<b>FINANCING AND INVESTING ACTIVITIES</b>		
Funds remitted to Government of Nunavut	(626,328)	(627,013)
Redemption of long term investment	100,000	-
<hr/>		
Net cash provided by (used in) financing and investing activities	(526,328)	(627,013)
<hr/>		
<b>Net increase (decrease) in cash</b>	<b>169,134</b>	<b>127,863</b>
Cash, beginning of year	284,411	156,548
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<b>Cash, end of year</b>	<b>453,545</b>	<b>284,411</b>
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**NUNAVUT LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2017

**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. 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.

**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.
- d) 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.
- e) 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.
- f) 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.

**NUNAVUT LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2017

**NOTE 3 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 Nunavut Lottery 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 Nunavut Lottery is currently assessing the impact of this Section.

**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 Nunavut Lottery is currently assessing the impact of this Section.

**NOTE 4 NET SALES FOR THE PERIOD**

	\$	%
Eastern Arctic / Nunavut ( <i>Schedule 4</i> )	<b>2,958,557</b>	17.2
Western Arctic / NWT ( <i>Schedule 4</i> )	<b>14,270,950</b>	82.8
<b>Total</b>	<b>17,229,507</b>	100.0

**NUNAVUT LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2017

**NOTE 5 NUMBER OF TERMINALS**

	#	%
<b>Eastern Arctic / Nunavut</b>		
April 1 through March 31, 2016	3	
Multiply by number of months	<u>12.00</u>	
	<u>36.00</u>	
Weighted average number of terminals	<b>3.00</b>	10.47
<b>Western Arctic / NWT</b>		
April 1 through July 31, 2016	25	
Multiply by number of months	<u>4.00</u>	
	100.00	
August 1 through to March 31, 2017	26	
Multiply by number of months	<u>8.00</u>	
	208.00	
	<u>308.00</u>	
Weighted average number of terminals	<b>25.67</b>	89.53
<b>Total</b>	<b>28.67</b>	<b>100</b>

**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, 2017

**NOTE 7 COMMUNICATIONS**

		\$
<b>Eastern Arctic / Nunavut</b>		
<b>Satellite Locations</b>		
April 1 through March 31, 2016	1	
Multiply by number of months	<u>12.00</u>	
	<u>12.00</u>	
Total months	12.00	
Multiply by monthly cost (based on 1 terminals)	\$ <u>1,164.65</u>	
Fixed cost for eastern terminals on satellite		13,976
<b>Non Satellite Locations</b>		
April 1 through March 31, 2016	2	
Multiply by number of months	<u>12.00</u>	
	<u>24.00</u>	
Total months	24.00	
Multiply by monthly cost (based on 1 terminals)	\$ <u>344.50</u>	
Fixed cost for eastern non satellite terminals		8,268
Total communications cost per WCLC	164,901	
Less: Fixed communication costs	<u>(138,192)</u>	
Other communications costs, total	26,709	
Multiply by: Percentage of sales, Nunavut	17.2 %	4,594
<hr/>		
Total - to Schedule 2		<b>26,838</b>

**NOTE 8 AMORTIZATION**

	\$	%	\$
50% based on percentage of sales	39,454	17.2	6,786
50% based on number of terminals	39,454	10.47	4,131
<hr/>			
Total - to Schedule 2	78,908		<b>10,917</b>

**NUNAVUT LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2017

**NOTE 9 CORPORATE OVERHEAD ALLOCATION**

The corporate overhead allocation is calculated as 20% of total Nunavut Lottery net income before overhead allocation.

	\$
<hr/>	
Nunavut Net Income before COA <i>per Statement of Operations</i>	756,823
Multiply by: COA charge	20 %
<hr/>	
Total	<b>151,365</b>
<hr/>	

**NOTE 10 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 11 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.

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Based on number of terminals	145,664	10.47	15,251 .
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**NOTE 12 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**  
**FOR STATEMENT OF OPERATIONS**  
("Gross Total" derived from NWT Lottery Authority financial records)  
For the year ended March 31, 2017

Schedule 1

	Gross NWT Lottery \$	Nunavut Percentage %	Nunavut Amount \$
<b>REVENUE</b>			
Lottery Revenue, Net ( <i>Schedule 3</i> )	5,698,430	17.2	<b>783,177</b>
Net Lottery income	5,698,430		<b>783,177</b>
<b>Other Revenue</b>			
Interest	1,500		<b>1,217</b>
Total revenue	5,699,930		<b>784,394</b>
<b>EXPENSES</b>			
Audit and accounting	5,500		<b>5,828</b>
Postage and freight	16,500		<b>21,743</b>
Professional development and training	3,000		-
Professional fees - other	500		-
Repairs and maintenance	500		-
Corporate overhead allocation ( <i>Note 9</i> )	138,831		<b>151,366</b>
	164,831		<b>178,937</b>
Excess (deficiency) of revenue over expenses	5,535,099		<b>605,457</b>

**NUNAVUT LOTTERY**  
**SCHEDULE OF LOTTERY REVENUE, NET**  
(see calculations for Actual amounts on Schedule 3)  
For the year ended March 31, 2017

**Schedule 2**

	<b>Budget 2017 (unaudited)</b>	<b>Actual 2017</b>	Actual 2016
	\$	\$	\$
<b>REVENUE</b>			
Lottery ticket sales	<b>2,677,500</b>	<b>3,200,868</b>	2,988,013
<b>Direct Expenses</b>			
Free tickets	<b>110,162</b>	<b>104,453</b>	122,937
Prizes	<b>1,513,657</b>	<b>1,882,541</b>	1,689,198
Retailer commissions	<b>152,239</b>	<b>184,392</b>	169,894
Ticket printing	<b>52,970</b>	<b>74,252</b>	59,113
	<b>1,829,028</b>	<b>2,245,638</b>	2,041,142
<b>Net ticket sales revenue</b>	<b>848,472</b>	<b>955,230</b>	946,871
Interest and other income	<b>4,646</b>	<b>4,598</b>	3,750
<b>Operating income</b>	<b>853,118</b>	<b>959,828</b>	950,621
<b>CORPORATE EXPENSES</b>			
Amortization	<b>5,760</b>	10,917	8,967
Communications	<b>21,000</b>	26,838	25,716
Cost of premises	<b>3,141</b>	4,239	3,517
Draws and winning numbers publication	<b>717</b>	593	665
Employee development	<b>600</b>	838	640
Equipment	<b>6,060</b>	7,523	5,180
Freight and product transport	<b>465</b>	541	462
Goods and services tax	<b>11,689</b>	15,448	13,725
I.L.C. expense	<b>2,148</b>	2,077	1,781
Insurance and bank charges	<b>263</b>	305	263
Media & advertising	<b>14,644</b>	15,251	15,346
Overhead allocation	<b>(37)</b>	(39)	(45)
Payment to Government of Canada	<b>24,432</b>	31,140	25,614
Presentations, publications and miscellaneous	<b>626</b>	683	565
Professional fees	<b>7,104</b>	9,405	7,551
Promotion	<b>905</b>	1,328	1,653
Salaries, wages and benefits	<b>330</b>	48,814	37,103
Supplies	<b>413</b>	355	336
Travel	<b>34,203</b>	395	292
	<b>134,463</b>	176,651	149,331
<b>Excess (deficiency) of revenue over expenses</b>	<b>718,655</b>	<b>783,177</b>	801,290

**NUNAVUT LOTTERY**  
**CALCULATION OF AMOUNTS**  
**FOR SCHEDULE OF LOTTERY REVENUE, NET**  
(amounts derived from Western Canada Lottery Corporation financial statements)  
For the year ended March 31, 2017

**Schedule 3**

	Note #	Actual Total \$	Nunavut Percentage %	Nunavut Amount \$
<b>REVENUE</b>				
Lottery ticket sales	4	<b>18,609,700</b>	17.2	3,200,868
<b>Direct Expenses</b>				
Free tickets	4	<b>1,004,919</b>	-	104,453
Prizes	4	<b>9,537,361</b>	-	1,882,541
Retailer commissions	4	<b>1,023,045</b>	-	184,392
Ticket printing	4	<b>264,341</b>	-	74,252
		<b>11,829,666</b>		2,245,638
<b>Net ticket sales revenue</b>		<b>6,780,034</b>		955,230
Interest and other income	4	<b>26,734</b>	17.2	4,598
<b>Operating income</b>	4	<b>6,806,768</b>	17.2	959,828
<b>CORPORATE EXPENSES</b>				
Amortization	8	<b>78,908</b>	-	10,917
Communications	7	<b>164,901</b>	-	26,838
Cost of premises	4	<b>24,643</b>	17.2	4,239
Draws and winning numbers publication	4	<b>3,448</b>	17.2	593
Employee development	4	<b>4,870</b>	17.2	838
Equipment	4	<b>43,737</b>	17.2	7,523
Facilities and equipment rental		-	17.2	-
Freight and product transport	4	<b>3,148</b>	17.2	541
Goods and services tax	4	<b>89,815</b>	17.2	15,448
I.L.C. expense	4	<b>12,073</b>	17.2	2,077
Insurance and bank charges	4	<b>1,772</b>	17.2	305
Media & advertising	12	<b>145,664</b>	10.5	15,251
Overhead allocation	4	<b>(227)</b>	17.2	(39)
Payment to Government of Canada	4	<b>181,049</b>	17.2	31,140
Presentations, publications and miscellaneous	4	<b>3,972</b>	17.2	683
Professional fees	4	<b>54,681</b>	17.2	9,405
Promotion	4	<b>7,719</b>	17.2	1,328
Salaries, wages and benefits	4	<b>283,804</b>	17.2	48,814
Supplies	4	<b>2,066</b>	17.2	355
Travel	4	<b>2,295</b>	17.2	395
		<b>1,108,338</b>		176,651
<b>Excess (deficiency) of revenue over expenses</b>		<b>5,698,430</b>		783,177



NUNAVUT LOTTERY  
CONTINUITY OF MONTHLY SALES AND PERCENTAGES  
For the year ended March 31, 2017

	Net Sales			Monthly Percentage		Cumulative Net Amount			Cumulative Percentage	
	East \$	West \$	TOTAL \$	East %	West %	East \$	West \$	TOTAL \$	East %	West %
April 30, 2016	249,188	1,171,430	1,420,618	17.5%	82.5%	249,188	1,171,430	1,420,618	17.5%	82.5%
May 31, 2016	225,438	1,027,211	1,252,649	18.0%	82.0%	474,626	2,198,641	2,673,267	17.8%	82.2%
June 30, 2016	228,721	1,046,185	1,274,906	17.9%	82.1%	703,347	3,244,826	3,948,173	17.8%	82.2%
July 31, 2016	222,779	1,156,343	1,379,122	16.2%	83.8%	926,126	4,401,169	5,327,295	17.4%	82.6%
August 31, 2016	220,266	1,249,976	1,470,242	15.0%	85.0%	1,146,392	5,651,145	6,797,537	16.9%	83.1%
September 30, 2016	231,142	1,212,499	1,443,641	16.0%	84.0%	1,377,534	6,863,644	8,241,178	16.7%	83.3%
October 31, 2016	242,525	1,110,013	1,352,538	17.9%	82.1%	1,620,059	7,973,657	9,593,716	16.9%	83.1%
November 30, 2016	249,692	1,250,345	1,500,037	16.6%	83.4%	1,869,751	9,224,002	11,093,753	16.9%	83.1%
December 31, 2016	289,529	1,449,823	1,739,352	16.6%	83.4%	2,159,280	10,673,825	12,833,105	16.8%	83.2%
January 31, 2017	277,465	1,287,948	1,565,413	17.7%	82.3%	2,436,745	11,961,773	14,398,518	16.9%	83.1%
February 28, 2017	253,925	1,144,526	1,398,451	18.2%	81.8%	2,690,670	13,106,299	15,796,969	17.0%	83.0%
March 31, 2017	267,887	1,164,651	1,432,538	18.7%	81.3%	<b>2,958,557</b>	<b>14,270,950</b>	17,229,507	<b>17.2%</b>	<b>82.8%</b>
		-								
	<u>2,958,557</u>	<u>14,270,950</u>	<u>17,229,507</u>							