

**NUNAVUT LOTTERY
GOVERNMENT
OF NUNAVUT**
Department of Community and Government
Services
FINANCIAL STATEMENTS
March 31, 2018

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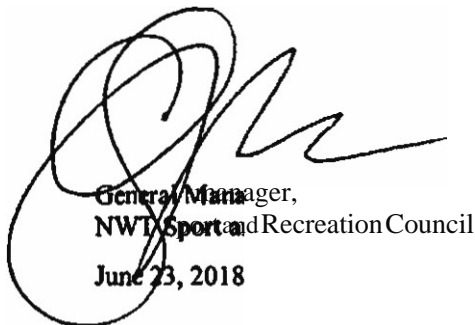
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MANAGEMENT'S RESPONSIBILITY FOR REPORTING

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
June 23, 2018



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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, 2018, 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, 2018, 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

June 23, 2018

NUNAVUT LOTTERY
STATEMENT OF FINANCIAL POSITION
March 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash	\$ 470,250	\$ 453,545
Due from NWT Lottery Authority	187,929	157,175
	658,179	610,720
LIABILITIES		
Accounts payable and accrued liabilities	5,261	5,252
	5,261	5,252
NET FINANCIAL ASSETS	652,918	605,468
ACCUMULATED SURPLUS		
BALANCE, OPENING	605,458	626,328
EXCESS OF REVENUE OVER EXPENSES PER PAGE 3	652,918	605,458
FUNDS REMITTED TO THE GOVERNMENT OF NUNAVUT	(605,458)	(626,328)
BALANCE, CLOSING	\$ 652,918	\$ 605,458

On behalf of the Nunavut Lottery



Director, NWT Sport and Recreation Council



A/DIRECTOR GN CGS
SPOR - RECREATION

Gov't of Nunavut Department of Community and Government
Services

•1• See the accompanying notes and schedules.

NUNAVUT LOTTERY

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
March 31, 2018

	2018	2017
EXCESS OF REVENUE OVER EXPENSES per page 3	\$ 652,918	\$ 605,458
FUNDS REMITTED TO THE GOVERNMENT OF NUNAVUT	(605,458)	(626,328)
NET FINANCIAL ASSETS, opening	605,458	626,328
NET FINANCIAL ASSETS, closing	\$ 652,918	\$ 605,458

NUNAVUT LOTTERY
STATEMENT OF OPERATIONS
For the year ended March 31, 2018

	Budget 2018 (unaudited) \$	Actual 2018 \$	Actual 2017 \$
REVENUES			
Lottery Revenue, Net (<i>Schedule 1</i>)	726,827	839,111	783,177
Interest	1,500	1,704	1,217
Total revenue	728,327	840,815	784,394
EXPENSES			
Audit and accounting	5,500	5,828	5,828
Postage and freight	22,500	18,840	21,743
Professional development and training	3,000		
Professional fees - other	500		
Repairs and maintenance	500		
	32,000	24,668	27,571
Excess (deficiency) before allocation	696,327	816,147	756,823
Corporate Overhead Allocation (<i>Note 8</i>)	139,265	163,229	151,365
Excess (deficiency) of revenue over expenses	557,062	652,918	605,458

NUNAVUT LOTTERY
STATEMENT OF CASH FLOWS
For the year ended March 31, 2018

	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts	808,356	873,173
Cash receipts from other revenue	1,704	1,217
Cash paid to suppliers	(187,897)	(178,928)
Net cash provided by operations	622,163	695,462
FINANCING AND INVESTING ACTIVITIES		
Funds remitted to Government of Nunavut	(605,458)	(626,328)
Redemption of long term investment	-	100,000
Net cash provided by (used in) financing and investing activities	(605,458)	(526,328)
Net increase (decrease) in cash	16,705	169,134
Cash, beginning of year	453,545	284,411
Cash, end of year	470,250	453,545

NUNAVUT LOTTERY
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2018

NOTE 1 NATURE OF OPERATIONS

The NWT Sport and Recreation Council (NWT SRC) 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 NWT SRC 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.

NOTE 3 NET SALES FOR THE PERIOD

	\$	%
Eastern Arctic / Nunavut (<i>Schedule 3</i>)	3,066,766	17.7
Western Arctic / NWT (<i>Schedule 3</i>)	14,242,136	82.3
Total	17,308,902	100.0

NUNAVUT LOTTERY
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2018

NOTE 4 NUMBER OF TERMINALS

	#	%
Eastern Arctic/Nunavut		
April 1 through March 31, 2018	3	
Multiply by number of months	<u>12</u>	
	36	
Weighted average number of terminals	3.00	9.18
Western Arctic/NWT		
April 1 through August 31, 2017	28	
Multiply by number of months	<u>5</u>	
	140	
September 1 through September 30, 2017	30	
Multiply by number of months	<u>1</u>	
	30	
October 1 through March 31, 2018	31	
Multiply by number of months	<u>6</u>	
	<u>186</u>	
	<u>356</u>	
Weighted average number of terminals	29.67	90.82
<hr/>		
Total	32.67	100
<hr/>		

NOTE 5 ACTUAL COST

Actual cost will be charged as the expenses are incurred.

NUNAVUT LOTTERY
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2018

		\$
Eastern Arctic / Nunavut		
Satellite Locations		
April 1 through March 31, 2018	-	
Multiply by number of months	<u>12</u>	
	<u>-</u>	
Total months	-	
Multiply by monthly cost (based on 1 terminals)	<u>\$ 576.82</u>	
Fixed cost for eastern terminals on satellite	-	
Non Satellite Locations		
	<u>3</u>	
April 1 through March 31, 2018	<u>12</u>	
Multiply by number of months	<u>36</u>	
Total months	36	
Multiply by monthly cost (based on 1 terminals)	<u>\$ 347.62</u>	
Fixed cost for eastern non satellite terminals		12,514
Total communications cost per WCLC	<u>181,225</u>	
Less: Fixed communication costs	<u>(139,017)</u>	
Other communication costs, total	42,208	
Multiply by: Percentage of sales, Nunavut	17.7%	7,471
Total – to Schedule 1		<u>19,985</u>

NOTE 7 AMORTIZATION

	\$	%	\$
50% based on percentage of sales	47,299	17.7	8,372
50% based on number of terminals	47,299	9.18	4,342
Total - to Schedule 1	94,598		12,716

NUNAVUT LOTTERY
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2018

NOTE 8 CORPORATE OVERHEAD ALLOCATIONS

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

	\$
Nunavut Net Income before COA <i>per Statement of Operations</i>	816,147
Multiply by: COA charge	20 %
Total - to Statement of Operations	163,229

NOTE 9 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 10 MEDIA EXPENSE

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

	\$	%	\$
Based on number of terminals	144,502	9.18	13,271

NOTE 11 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 approximates their carrying values, unless otherwise noted.

NUNAVUT LOTTERY
SCHEDULE OF LOTTERY REVENUE, NET
(See calculations for Actual amounts on Schedule 3)
For the year ended March 31, 2018

Schedule 1

	Budget 2018 (unaudited) \$	Actual 2018 \$	Actual 2017 \$
REVENUE			
Lottery ticket sales	3,096,000	3,274,720	3,200,868
Direct Expenses			
Free tickets	126,936	94,805	104,453
Prizes	1,826,640	1,902,255	1,882,541
Retailer commissions	176,472	190,600	184,392
Ticket printing	71,208	75,820	74,252
	2,201,256	2,263,480	2,245,638
Net ticket sales revenue	894,744	1,011,240	955,230
Interest and other income	4,300	4,894	4,598
Operating income	899,044	1,016,134	959,828
CORPORATE EXPENSES			
Amortization (Note 7)	5,760	12,716	10,917
Communications (Note 6)	21,000	19,985	26,838
Cost of premises	4,472	4,419	4,239
Draws and winning numbers publication	774	797	593
Employee development	946	683	838
Equipment	8,600	12,916	7,523
Freight and product transport	602	621	541
Goods and services tax	14,792	19,827	15,448
I.L.C. expense	2,408	3,418	2,077
Insurance and bank charges	310	318	305
Media & advertising (Note 10)	15,975	13,271	15,251
Overhead allocation		(39)	(39)
Payment to Government of Canada	32,680	33,620	31,140
Presentations, publications and miscellaneous	688	642	683
Professional fees	10,320	6,848	9,405
Promotion	2,064	272	1,328
Salaries, wages and benefits	49,880	45,968	48,814
Supplies	430	360	355
Travel	516	381	395
	172,217	177,023	176,651
Excess (deficiency) of revenue over expenses	726,827	839,111	783,177

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, 2018

Schedule 2

	Note #	Actual Total \$	Nunavut Percentage %	Nunavut Amount \$
REVENUE				
Lottery ticket sales	3	18,501,241	17.7	3,274,720
Direct Expenses				
Free tickets	3	888,883		94,805
Prizes	3	9,737,776		1,902,255
Retailer commissions	3	1,030,618		190,600
Ticket printing	3	275,005		75,820
		11,932,282		2,263,480
Net ticket sales revenue		6,568,959		1,011,240
Interest and other income	3	27,650	17.7	4,894
<u>Operating income</u>	<u>3</u>	<u>6,596,609</u>	<u>17.7</u>	<u>1,016,134</u>
CORPORATE EXPENSES				
Amortization	7	94,598		12,716
Communications	6	181,225		19,985
Cost of premises	3	24,966	17.7	4,419
Draws and winning numbers publication	3	4,500	17.7	797
Employee development	3	3,858	17.7	683
Equipment	3	72,973	17.7	12,916
Facilities and equipment rental			17.7	
Freight and product transport	3	3,508	17.7	621
Goods and services tax	3	112,018	17.7	19,827
I.L.C. expense	3	19,310	17.7	3,418
Insurance and bank charges	3	1,796	17.7	318
Media & advertising	10	144,502	9.2	13,271
Overhead allocation	3	(222)	17.7	(39)
Payment to Government of Canada	3	189,946	17.7	33,620
Presentations, publications and miscellaneous	3	3,626	17.7	642
Professional fees	3	38,690	17.7	6,848
Promotion	3	1,535	17.7	272
Salaries, wages and benefits	3	259,708	17.7	45,968
Supplies	3	2,035	17.7	360
Travel	3	2,153	17.7	381
		1,160,725		177,023
Excess (deficiency) of revenue over expenses		5,435,884		839,111

NUNAVUT LOTTERY
CONTINUITY OF MONTHLY SALES AND PERCENTAGES
For the year ended March 31, 2018

Schedule 3

	Net Sales			Monthly Percentage		Cumulative Net Amount			Cumulative Percentage	
	East \$	West \$	TOTAL \$	East %	West %	East \$	West \$	TOTAL \$	East %	West %
April 30, 2018	271,904	1,164,224	1,436,128	18.9%	81.1%	271,904	1,164,224	1,436,128	18.9	81.1
May 31, 2018	289,558	1,095,487	1,385,075	20.9%	79.1%	561,492	2,259,711	2,821,203	19.9	80.1
June 30, 2018	262,772	994,258	1,257,030	20.9%	79.1%	824,264	3,253,969	4,078,233	20.2	79.8
July 31, 2018	259,633	944,283	1,203,916	21.6%	78.4%	1,083,897	4,198,252	5,282,149	20.5	79.5
August 31, 2018	235,039	1,037,356	1,272,395	18.5%	81.5%	1,318,936	5,235,608	6,554,544	20.1	79.9
September 30, 2018	262,958	1,218,365	1,481,323	17.8%	82.2%	1,581,894	6,453,973	8,035,867	19.7	80.3
October 31, 2018	239,100	1,182,561	1,421,661	16.8%	83.2%	1,820,994	7,636,534	9,457,528	19.3	80.7
November 30, 2018	243,136	1,210,834	1,453,970	16.7%	83.3%	2,064,130	8,847,368	10,911,498	18.9	81.1
December 31, 2018	299,049	1,653,055	1,952,104	15.3%	84.7%	2,363,179	10,500,423	12,863,602	18.4	81.6
January 31, 2019	226,480	1,159,893	1,386,373	16.3%	83.7%	2,589,659	11,660,316	14,249,975	18.2	81.8
February 28, 2019	231,503	1,262,352	1,493,855	15.5%	84.5%	2,821,162	12,922,668	15,743,830	17.9	82.1
March 31, 2019	245,604	1,319,468	1,565,072	15.7%	84.3%	3,066,766	14,242,136	17,308,902	17.7	82.3
	3,066,766	14,242,136	17,308,902							