

**NUNAVUT LOTTERY**  
**GOVERNMENT OF NUNAVUT**  
**Department of Community and Government Services**  
**FINANCIAL STATEMENTS**  
**March 31, 2019**

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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.

Manager, Lottery Programs  
June 28, 2019

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## INDEPENDENT AUDITOR'S REPORT

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

### *Opinion*

We have audited the financial statements of Nunavut Lottery (the "Organization"), which comprise the Statement of Financial Position as at March 31, 2019, and the Statements of Operations, Changes in Net Assets, and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

## INDEPENDENT AUDITOR'S REPORT, continued

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Avery Cooper & Co. Ltd.  
Chartered Professional Accountants  
Yellowknife, NT

June 28, 2019

**NUNAVUT LOTTERY**  
**STATEMENT OF FINANCIAL POSITION**  
March 31, 2019

	2019	2018
<b>FINANCIAL ASSETS</b>		
Cash	\$ 394,962	\$ 470,250
Due from NWT Lottery Authority	288,201	187,929
	683,163	658,179
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	5,250	5,261
	5,250	5,261
<b>NET FINANCIAL ASSETS</b>	677,913	652,918
<b>ACCUMULATED SURPLUS</b>		
<b>BALANCE, OPENING</b>	652,918	605,458
<b>EXCESS OF REVENUE OVER EXPENSES PER PAGE 3</b>	677,913	652,918
<b>FUNDS REMITTED TO THE GOVERNMENT OF NUNAVUT</b>	(652,918)	(605,458)
<b>BALANCE, CLOSING</b>	677,913	652,918

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, 2019

	2019	2018
<b>EXCESS OF REVENUE OVER EXPENSES per page 3</b>	\$ 677,913	\$ 652,918
<b>FUNDS REMITTED TO THE GOVERNMENT OF NUNAVUT</b>	(652,918)	(605,458)
<b>NET FINANCIAL ASSETS, opening</b>	652,918	605,458
<b>NET FINANCIAL ASSETS, closing</b>	\$ 677,913	\$ 652,918

**NUNAVUT LOTTERY**  
**STATEMENT OF OPERATIONS**  
For the year ended March 31, 2019

	<b>Budget 2019 (unaudited)</b>	<b>Actual 2019</b>	Actual 2018
	\$	\$	\$
<b>REVENUES</b>			
Lottery Revenue, Net <i>(Schedule 1)</i>	<b>767,038</b>	<b>874,997</b>	839,111
Interest	<b>1,500</b>	<b>3,614</b>	1,704
<b>Total revenue</b>	<b>768,538</b>	<b>878,611</b>	840,815
<b>EXPENSES</b>			
Audit and accounting	<b>5,500</b>	<b>5,985</b>	5,828
Postage and freight	<b>25,000</b>	<b>25,235</b>	18,840
Professional development and training	<b>3,000</b>	-	-
Professional fees - other	<b>500</b>	-	-
Repairs and maintenance	<b>500</b>	-	-
Travel	<b>5,000</b>	-	-
	<b>39,500</b>	<b>31,220</b>	24,668
<b>Excess (deficiency) before allocation</b>	<b>729,038</b>	<b>847,391</b>	816,147
Corporate Overhead Allocation <i>(Note 8)</i>	<b>139,265</b>	<b>169,478</b>	163,229
<b>Excess (deficiency) of revenue over expenses</b>	<b>589,773</b>	<b>677,913</b>	652,918

**NUNAVUT LOTTERY**  
**STATEMENT OF CASH FLOWS**  
For the year ended March 31, 2019

	2019 \$	2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts	774,712	808,356
Cash receipts from other revenue	3,614	1,704
Cash paid to suppliers	(200,698)	(187,897)
Net cash provided by operations	577,628	622,163
<b>FINANCING AND INVESTING ACTIVITIES</b>		
Funds remitted to Government of Nunavut	(652,916)	(605,458)
Net cash provided by (used in) financing and investing activities	(652,916)	(605,458)
<b>Net increase (decrease) in cash</b>	<b>(75,288)</b>	<b>16,705</b>
Cash, beginning of year	470,250	453,545
<b>Cash, end of year</b>	<b>394,962</b>	<b>470,250</b>

**NUNAVUT LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2019

**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.

**NOTE 3 NET SALES FOR THE PERIOD**

	\$	%
Eastern Arctic / Nunavut <i>(Schedule 3)</i>	<b>3,227,714</b>	16.3
Western Arctic / NWT <i>(Schedule 3)</i>	<b>16,516,542</b>	83.7
<b>Total</b>	<b>19,744,256</b>	100.0

**NUNAVUT LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2019

**NOTE 4 NUMBER OF TERMINALS**

	#	%
<b>Eastern Arctic / Nunavut</b>		
April 1 through March 31, 2019	3	
Multiply by number of months	<u>12</u>	
	<u>36</u>	
Weighted average number of terminals	<b>3.00</b>	9.09
<b>Western Arctic / NWT</b>		
April 1 through March 31, 2019	30	
Multiply by number of months	<u>12</u>	
	<u>360</u>	
Weighted average number of terminals	<b>30.00</b>	90.91
<hr/>		
Total	33.00	100

**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, 2019

**NOTE 6 COMMUNICATIONS**

	\$	
<b>Eastern Arctic / Nunavut</b>		
<b>Satellite Locations</b>		
April 1 through March 31, 2019	-	
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		
<b>Non Satellite Locations</b>		
April 1 through March 31, 2019	3	
Multiply by number of months	<u>12</u>	
	<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	136,493	
Less: Fixed communication costs	<u>(140,408)</u>	
Other communications costs, total	(3,915)	
Multiply by: Percentage of sales, Nunavut	16.3%	(638)
<hr/>		
Total - to Schedule 1		<b>11,876</b>

**NOTE 7 AMORTIZATION**

	\$	%	\$
50% based on percentage of sales	51,395	16.3	8,377
50% based on number of terminals	51,395	9.09	4,672
<hr/>			
Total - to Schedule 1	102,790		<b>13,049</b>

**NUNAVUT LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended March 31, 2019

**NOTE 8 CORPORATE OVERHEAD ALLOCATION**

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>	847,391
Multiply by: COA charge	20%
<i>Total - to Statement of Operations</i>	<b>169,478</b>

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

	\$	%	\$
Based on number of terminals	155,588	9.09	14,143

**NOTE 11 BUDGET**

The 2019 budget amounts on the Statement of Operations are presented for information purposes only, are unaudited and not covered by the audit report of Avery Cooper & Co. Ltd., Chartered Professional Accountants, dated June 28, 2019. .

**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 Organization 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**  
**SCHEDULE OF LOTTERY REVENUE, NET**  
(see calculations for Actual amounts on Schedule 3)  
For the year ended March 31, 2019

Schedule 1

	<b>Budget 2019 (unaudited)</b>	<b>Actual 2019</b>	Actual 2018
	\$	\$	\$
<b>REVENUE</b>			
Lottery ticket sales	<b>3,458,000</b>	<b>3,441,084</b>	3,274,720
<b>Direct Expenses</b>			
Free tickets	<b>141,778</b>	<b>114,731</b>	94,805
Prizes	<b>2,074,800</b>	<b>2,019,582</b>	1,902,255
Retailer commissions	<b>200,564</b>	<b>197,127</b>	190,600
Ticket printing	<b>79,534</b>	<b>74,740</b>	75,820
	<b>2,496,676</b>	<b>2,406,180</b>	2,263,480
<b>Net ticket sales revenue</b>	<b>961,324</b>	<b>1,034,903</b>	1,011,240
Interest and other income	<b>4,550</b>	<b>4,928</b>	4,894
<b>Operating income</b>	<b>965,874</b>	<b>1,039,831</b>	1,016,134
<b>CORPORATE EXPENSES</b>			
Amortization (Note 7)	<b>12,103</b>	13,050	12,716
Communications (Note 6)	<b>31,122</b>	11,876	19,985
Cost of premises	<b>5,187</b>	4,355	4,419
Draws and winning numbers publication	<b>692</b>	611	797
Employee development	<b>1,037</b>	838	683
Equipment	<b>10,374</b>	13,659	12,916
Freight and product transport	<b>692</b>	564	621
Goods and services tax	<b>17,290</b>	14,785	19,827
I.L.C. expense	<b>2,766</b>	3,001	3,418
Insurance and bank charges	<b>346</b>	307	318
Media & advertising (Note 10)	<b>17,290</b>	14,143	13,271
Overhead allocation	-	(37)	(39)
Payment to Government of Canada	<b>34,580</b>	31,638	33,620
Presentations, publications and miscellaneous	<b>692</b>	483	642
Professional fees	<b>10,374</b>	8,319	6,848
Promotion	<b>1,729</b>	1,460	272
Salaries, wages and benefits	<b>51,870</b>	44,912	45,968
Supplies	<b>346</b>	387	360
Travel	<b>346</b>	483	381
	<b>198,836</b>	164,834	177,023
Excess (deficiency) of revenue over expenses	<b>767,038</b>	<b>874,997</b>	839,111

**NUNAVUT LOTTERY**  
**CALCULATION OF AMOUNTS**  
**FOR SCHEDULE OF LOTTERY REVENUE, NET** **Schedule 2**  
(amounts derived from Western Canada Lottery Corporation financial statements)  
For the year ended March 31, 2019

	Note #	Actual Total \$	Nunavut Percentage %	Nunavut Amount \$
<b>REVENUE</b>				
Lottery ticket sales	3	<b>21,110,946</b>	16.3	3,441,084
<b>Direct Expenses</b>				
Free tickets	3	<b>1,096,859</b>	-	114,731
Prizes	3	<b>11,062,052</b>	-	2,019,582
Retailer commissions	3	<b>1,158,128</b>	-	197,127
Ticket printing	3	<b>298,706</b>	-	74,740
		<b>13,615,745</b>		<b>2,406,180</b>
<b>Net ticket sales revenue</b>		<b>7,495,201</b>		<b>1,034,903</b>
Interest and other income	3	<b>30,234</b>	16.3	4,928
<b>Operating income</b>	3	<b>7,525,435</b>	16.3	<b>1,039,831</b>
<b>CORPORATE EXPENSES</b>				
Amortization	7	<b>102,789</b>	-	13,050
Communications	6	<b>136,493</b>	-	11,876
Cost of premises	3	<b>26,718</b>	16.3	4,355
Draws and winning numbers publication	3	<b>3,747</b>	16.3	611
Employee development	3	<b>5,140</b>	16.3	838
Equipment	3	<b>83,797</b>	16.3	13,659
Facilities and equipment rental		-	16.3	-
Freight and product transport	3	<b>3,458</b>	16.3	564
Goods and services tax	3	<b>90,707</b>	16.3	14,785
I.L.C. expense	3	<b>18,411</b>	16.3	3,001
Insurance and bank charges	3	<b>1,882</b>	16.3	307
Media & advertising	10	<b>155,588</b>	9.1	14,143
Overhead allocation	3	<b>(228)</b>	16.3	(37)
Payment to Government of Canada	3	<b>194,099</b>	16.3	31,638
Presentations, publications and miscellaneous	3	<b>2,963</b>	16.3	483
Professional fees	3	<b>51,034</b>	16.3	8,319
Promotion	3	<b>8,957</b>	16.3	1,460
Salaries, wages and benefits	3	<b>275,534</b>	16.3	44,912
Supplies	3	<b>2,372</b>	16.3	387
Travel	3	<b>2,966</b>	16.3	483
		<b>1,166,427</b>		<b>164,834</b>
<b>Excess (deficiency) of revenue over expenses</b>		<b>6,359,008</b>		<b>874,997</b>

**NUNAVUT LOTTERY**  
**CONTINUITY OF MONTHLY SALES AND PERCENTAGES**  
For the year ended March 31, 2019

	Net Sales			Monthly Percentage		Cumulative Net Amount			Cumulative Percentage	
	East \$	West \$	TOTAL \$	East %	West %	East \$	\$	TOTAL \$	East %	West %
April 30, 2018	251,841	1,269,427	1,521,268	16.6%	83.4%	251,841	1,269,427	1,521,268	16.6%	83.4%
May 31, 2018	262,084	1,564,950	1,827,034	14.3%	85.7%	513,925	2,834,377	3,348,302	15.3%	84.7%
June 30, 2018	274,460	1,426,215	1,700,675	16.1%	83.9%	788,385	4,260,592	5,048,977	15.6%	84.4%
July 31, 2018	237,231	1,167,319	1,404,550	16.9%	83.1%	1,025,616	5,427,911	6,453,527	15.9%	84.1%
August 31, 2018	235,820	1,203,939	1,439,759	16.4%	83.6%	1,261,436	6,631,850	7,893,286	16.0%	84.0%
September 30, 2018	264,309	1,401,193	1,665,502	15.9%	84.1%	1,525,745	8,033,043	9,558,788	16.0%	84.0%
October 31, 2018	334,469	1,687,523	2,021,992	16.5%	83.5%	1,860,214	9,720,566	11,580,780	16.1%	83.9%
November 30, 2018	285,862	1,491,055	1,776,917	16.1%	83.9%	2,146,076	11,211,621	13,357,697	16.1%	83.9%
December 31, 2018	305,514	1,646,688	1,952,202	15.6%	84.4%	2,451,590	12,858,309	15,309,899	16.0%	84.0%
January 31, 2019	243,274	1,156,265	1,399,539	17.4%	82.6%	2,694,864	14,014,574	16,709,438	16.1%	83.9%
February 28, 2019	243,885	1,107,657	1,351,542	18.0%	82.0%	2,938,749	15,122,231	18,060,980	16.3%	83.7%
March 31, 2019	288,965	1,394,311	1,683,276	17.2%	82.8%	<b>3,227,714</b>	<b>16,516,542</b>	19,744,256	<b>16.3%</b>	<b>83.7%</b>
	3,227,714	16,516,542	19,744,256							