

YUKON LOTTERY
COMMISSION

ANNUAL REPORT
2013-2014



Supporting art, sport and recreation
...one ticket at a time.

Lotto



LOTTERIES YUKON

*Cover Photos from top left to right:
Arctic Edge Skating Club — Bob Orr/Freeze Frame Photography Ltd.
Learning Disabilities Association of Yukon, Camp Raven
Gwaandak Theatre Society, "The Hour That Remains"
Faro's \$25 million winners*

*Opposite page:
Learning Disabilities Association of Yukon, Winter Camp*

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Supporting art, sport and recreation
...one ticket at a time.

The Honourable Brad Cathers
Minister Responsible for Yukon Lottery Commission
Government of Yukon

October 31, 2014

Dear Minister Cathers,

I have the honour to present you with the Annual Report of the Yukon Lottery Commission for the fiscal year ended March 31, 2014.

Respectfully submitted,

Heather Campbell
Chair
Yukon Lottery Commission

MESSAGE FROM THE YUKON LOTTERY COMMISSION

On behalf of the Yukon Lottery Commission I am pleased to share with you the 2013/14 Annual Report.

The Commission's role in public lotteries is established through the Yukon *Public Lotteries Act and Regulations*. As a gaming activity, the sale of lottery tickets is also subject to the Criminal Code of Canada that permits gaming under certain circumstances. The law assigns to the Yukon Lottery Commission the responsibility for conducting and managing public lotteries in Yukon. The Commission conducts and manages public lotteries through an agreement with Western Canada Lottery Corporation.

In addition to its responsibilities for public lotteries, the Commission also allocates the profits from the sale of lottery tickets. Profits support the operations of the Commission's secretariat Lotteries Yukon with the remaining profits shared with Yukon government (see page 11 for more details) and distributed by the Commission to numerous non-profits, local authorities and municipalities for art, sport and recreation in Yukon.

Whether it is a local music festival, a soccer team travelling outside the territory to a tournament or upgrades to trails for a community association, profits from the sale of lottery tickets have likely touched your community in some way. The Commission is proud of these contributions that support, sustain and grow art, sport and recreation in Yukon communities.

Striving toward establishing a strong governance structure for public lotteries and the distribution of lottery profits in Yukon has and will continue to be a focus of the Commission. This past fiscal year a draft Partnership Memorandum of Understanding was completed and a performance measures framework approved for the Commission's funding programs. This means that in 2014/15 the Secretariat will embark on a third party evaluation of the Commission's funding programs. The Commission will also continue to work on clarifying its long standing governance issues with government and expects to conclude this work in the next fiscal year.

On a final note I would like to thank the members of the Commission and the staff of our secretariat, Lotteries Yukon for their contributions over the past year.

Sincerely,



Heather Campbell, Chair

Commission members left to right: Trevor Ellis, John Spicer, Frank Curlew, Bunne Palamar, Jordan Holloway, Minister Cathers, Line Gagnon, Heather Campbell, Ruth Wilkinson



OPERATIONS AND SALES REPORT

Operations

Lotteries Yukon, the secretariat to the Yukon Lottery Commission, is the operational arm of the Commission. Secretariat functions include supporting the Commission's work through the delivery of funding programs, distribution of profits to Yukon government, support to the Lottery Ticket Centre Retailer network, and the marketing and distribution of lottery products in Yukon. We do this work with a staff of five, collaboration with our partners and other levels of government, and through our arrangement with Western Canada Lottery Corporation.

In the 2013/14 fiscal year Lotteries Yukon continued to focus on improving organizational performance through collaboration with our partners in art, sport and recreation. To further this goal, a draft Partnership Memorandum of Understanding (MOU) was completed between the Yukon Lottery Commission/Lotteries Yukon and the Yukon government departments of Community Services and Tourism and Culture. The MOU formalizes the Commission's revenue sharing arrangement with government, clarifies the relationship with our partners, sets performance measures and establishes a forum for working on strategic initiatives. Ultimately the beneficiaries of this work will be our shared clients to whom the partners collectively provide various funding programs and support services.

Sales

Yukon sales continue to have steady growth exceeding previous fiscal year sales. For the 2013/14 fiscal year record sales of \$9.2 million were achieved. This brought revenues of \$3.09 million back to the territory. Along with the revenues earned by the Yukon Lottery Commission, Yukon's 33 Lottery Ticket Centre Retailers collectively earned sales commissions of \$555,533 for their efforts.

Players continued to enjoy playing Scratch 'N Win, Sport Select, Lotto Max, Western Max, Lotto 649, Western 649, Pick 3, Keno and saying yes to the EXTRA 91% of the time. Yukon ranks amongst the highest in western and northern Canada in terms of EXTRA transaction rates. EXTRA transactions are when players say yes to the EXTRA play (at a cost of \$1) when purchasing their online tickets. Much of the success of EXTRA transactions can be attributed to retailers asking for the sale.

An estimated \$30 million was paid to Yukon players in 2013/14 with the largest winning ticket sold in Yukon history going to a group of 8 co-workers from Faro. The Faro group win of \$25 million was half of a \$50 million Lotto Max jackpot shared with one other ticket. Each member of the Faro group received \$3,125,000.



Colleen Parker
General Manager, Lotteries Yukon

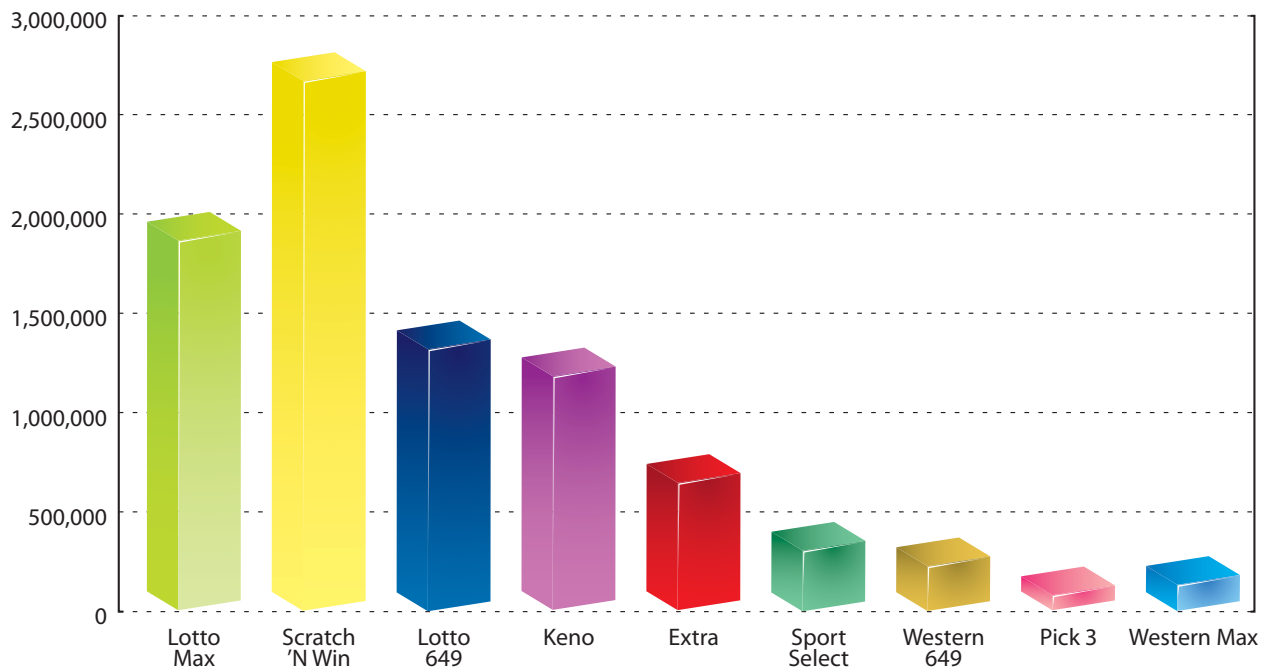
Yukon Sales by Game – Three Year Comparison

Lottery Games	2013/2014	2012/2013	2011/12
Lotto Max	\$1,934,427	\$2,308,990	\$1,982,742
Super 7	-	-	-
Scratch 'N Win	2,793,445	2,690,205	2,694,082
Lotto 649	1,489,904	1,243,468	1,222,754
Keno	1,251,456	1,117,160	993,819
Extra	734,521	722,488	662,369
Sport Select	434,724	392,649	429,767
Western 649	325,603	301,767	297,579
Pick 3	93,127	70,424	69,422
Pay Day ¹	-	16,270	23,208
Western Max ²	195,044	31,106	-
Millionaire Life	-	-	-
Total	\$9,252,251	\$8,972,199	\$8,396,456

¹ Payday was discontinued in January 2013

² Western Max was launched in March 2013

2013/14 Sales by Game



YUKON LOTTERY COMMISSION

FUNDING PROGRAMS

The Yukon Lottery Commission's legislated mandate provides for community based programming focused on art, sport and recreation. Lotteries Yukon delivers three different funding programs that are intended to:

- ▶ sustain and contribute to the growth of art, sport and recreation for Yukon people;
- ▶ increase access and participation of all Yukon people in art, sport and recreation;
- ▶ improve/provide more community art, sport and recreation infrastructure; and
- ▶ increase organizational and community capacity in art, sport and recreation.

The following provides a brief description of the three Lotteries Yukon funding programs. For more information on the investments made in each program for the 2013/2014 fiscal year please refer to pages 7-9 of this report.

Recreational Projects Program

The Recreational Projects Program is application driven and provides non profits with funding to support art, sport and recreation projects, events or activities. Applications are accepted twice a year; April 15 and October 15. In 2013/2014, \$415,046 was allocated to projects, special events or activities under the Recreational Projects Program.

Travel Assistance Program

The Travel Assistance Program provides assistance to non-profit groups and extra-curricular high school groups attending competitions or adjudicated events. The Travel Assistance Program is very popular providing 1046 participants with \$204,271 in funding assistance in 2013/2014. This program supports the development of amateur art, sport and recreation for Yukon people of all ages.

Community Lottery Program

The Community Lottery Program provides municipalities and local authorities with funding to support art, sport and recreation in their communities. Each community receives a base amount of \$8,000 plus \$12.00 per capita for populations up to 5,000 and \$3.25 per capita for populations over 5,000. The intent of the program is to enable local decision making to meet community needs and create equitable access to lottery revenues for all Yukon people. The total approved allocation for the Community Lottery Program in 2013/2014 was \$400,666.

Yukon Lottery Commission Funding Programs 2013/2014 Approved Funding*

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT
Dawson City	Dawson City Arts Society	RPP	\$ 11,023
	Dawson City Community Radio Society	RPP	1,372
	Dawson City Museum Society	RPP	27,365
	Dawson City Music Festival Association	RPP	8,747
	Dawson City Ski Association	RPP	6,236
	Top of the World Highland Games	RPP	17,900
	Robert Service School	TAP	5,798
Watson Lake	Watson Lake Ski Club	RPP	8,190
Whitehorse	Arctic Edge Skating Club	TAP	3,200
	Boreal Adventure Running Association	RPP	1,275
	Community Choir of Whitehorse Society	RPP	6,742
	Dog Powered Sports Association of Yukon	RPP	4,846
	FH Collins Secondary School	TAP	5,595
	Guild Society	RPP	19,015
	Golden Age Society	RPP	1,969
	Klondike Highland Dance Club	RPP	3,305
	Mountain View Golf Club	RPP	16,540
	Polarettes and Polar Tumblers Gymnastics Club	TAP	2,600
	Porter Creek Secondary School	TAP	7,150
	Second Opinion Society	RPP	3,431
	Vanier Catholic Secondary School	TAP	3,749
	Whitehorse Archery Club	RPP	6,746
	Whitehorse Cross Country Ski Club	RPP	10,770
	Whitehorse Curling Club	RPP	2,462
	Whitehorse Curling Club	TAP	1,400
	Whitehorse Glacier Bears Swim Club	TAP	8,656
	Whitehorse Minor Hockey Association	TAP	11,400
	Whitehorse Minor Soccer Association	TAP	2,200
	Whitehorse Women's Hockey Association	TAP	3,000
	Yukon Academy of Martial Arts	RPP	4,539
	Yukon Breeze Sailing Society	RPP	14,394
Yukon Dance Festival Society	TAP	200	
Yukon Roller Girls Association	TAP	1,764	
			146,948

NOTE: CLP = Community Lottery Program, TAP = Travel Assistance Program, RPP = Recreational Projects Program

* The amount of funding approved/allocated may vary from the amount claimed by recipients.

Yukon Lottery Commission Funding Programs 2013/2014 Approved Funding*

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT	
Yukon	All-City Band Society	TAP	\$ 20,200	
	Alpine Ski Association of Yukon	TAP	1,800	
	Association Franco-Yukonnaise	RPP	5,542	
	Athletics Yukon	TAP	7,600	
	Basketball Yukon	TAP	7,381	
	Biathlon Yukon	TAP	3,000	
	Biathlon Yukon	RPP	6,775	
	Blue Feather Music Society	RPP	14,950	
	Breakdancing Yukon Society	TAP	2,600	
	Breakdancing Yukon Society	RPP	15,022	
	Climb Yukon Association	TAP	1,800	
	Cycling Association of Yukon	TAP	2,000	
	Extremely Moving Youth Society	TAP	8,400	
	Gwaandak Theatre Society	RPP	20,208	
	Judo Yukon	TAP	11,339	
	Learning Disabilities Association of Yukon	RPP	10,000	
	Music Yukon	RPP	25,124	
	Nakai Theatre	RPP	14,754	
	Snowboard Yukon	TAP	1,800	
	Snowboard Yukon	RPP	2,163	
	Squash Yukon	TAP	1,800	
	Synchro Yukon	TAP	1,200	
	Table Tennis Yukon	TAP	2,563	
	Tennis Yukon	RPP	1,690	
	Tennis Yukon	TAP	1,200	
	Volleyball Yukon	TAP	15,276	
	Yukon Amateur Speed Skating	TAP	2,200	
	Yukon Art Society	TAP	600	
	Yukon Curling Association	TAP	6,382	
	Yukon First Nations Culture and Tourism Association	RPP	20,000	
	Yukon Freestyle Ski Association	TAP	1,800	
	Yukon Freestyle Ski Association	RPP	2,635	
	Yukon Music Camp Society	RPP	12,305	
	Yukon Schools Athletic Association	TAP	4,400	
	Yukon Soccer Association	TAP	41,419	
	Yukon Sourdough Rendezvous Society	RPP	70,538	
	Yukon Quest International Association	RPP	15,873	
	Adjusting entry for over committment			1,400
				385,739

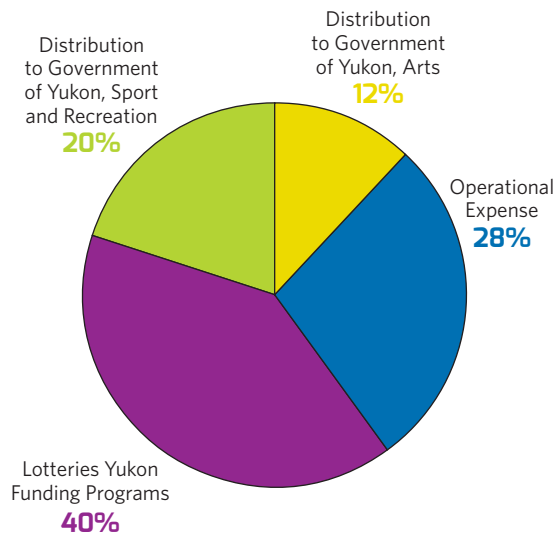
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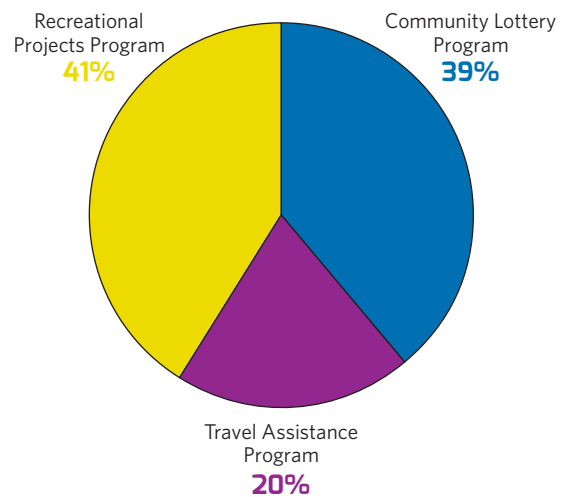
Yukon Lottery Commission Funding Programs 2013/2014 Approved Funding

TOTAL CONTRIBUTIONS TO COMMUNITIES/APPLICANTS	\$619,317
Total YLC Administered Contributions	\$619,317
GOVERNMENT OF YUKON REVENUE SHARING	
Cultural Services Branch Yukon Arts Advisory Committee (YAAC) Total Cultural Services Branch	\$309,346
Sport & Recreation Branch Yukon Sport & Recreation Advisory Committee (YRAC) Total Sport & Recreation Branch	\$504,722
Total Funds Released to Yukon Government — YRAC and YAAC	\$814,068
Total Funding Approved/Released	\$1,433,385
Unclaimed Contributions	\$140,421
Total Contributions/Funds Released 2013/2014	\$1,292,964

Distribution of Yukon Revenue



Percentage of Funding by Program



Yukon Lottery Commission Funding Programs 2013/2014 Approved Funding*

Community Lottery Program

In the past, the Community Lottery Program transfer payments were approved and therefore, committed and expensed in the fiscal year prior to the amounts being released. For 2014/2015, the Commission has determined that these transfer payments should be approved, committed and expensed in the fiscal year in which the amounts are planned for release. This decision resulted in nil funds being expensed for the Community Lottery Program in the current year.

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT
Beaver Creek	Beaver Creek Community Club	CLP	\$ 9,392
Burwash Landing	Burwash Landing Recreation Committee	CLP	9,128
Carcross	Carcross Recreation Board	CLP	13,172
Carmacks	Village Of Carmacks	CLP	14,288
Dawson City	City Of Dawson	CLP	31,868
Destruction Bay	Kluane Lake Athletic Association	CLP	8,588
Faro	Town Of Faro	CLP	12,632
Haines Junction	Village Of Haines Junction	CLP	18,104
Keno	Keno Community Club	CLP	8,264
Lorne Mountain	Lorne Mountain Community Association	CLP	12,896
Marsh Lake	Marsh Lake Community Society	CLP	14,240
Mayo	Village Of Mayo	CLP	13,736
Old Crow	Vuntut Gwitchin First Nation	CLP	10,916
Pelly Crossing	Selkirk First Nation	CLP	11,948
Ross River	Ross River Recreation Society	CLP	12,440
Tagish	Tagish Community Association	CLP	11,000
Teslin	Village Of Teslin	CLP	13,436
Upper Liard	Liard First Nation	CLP	9,584
Watson Lake	Town Of Watson Lake	CLP	24,608
Whitehorse	City Of Whitehorse	CLP	140,426
			400,666

NOTE: CLP = Community Lottery Program* The amount of funding approved/allocated may vary from the amount claimed by recipients.

REVENUE SHARING – YUKON GOVERNMENT

Lottery revenues supplement Yukon government funding for art, sport and recreation; funding is provided to the Yukon Recreational Advisory Committee and the Yukon Arts Advisory Council. In 2013/14 the Yukon Lottery Commission provided the Yukon Recreation Advisory Committee with \$504,722 and the Yukon Arts Advisory Council with \$309,346.

Lottery Revenue for the Arts

Lottery revenues to the Yukon government for arts are provided for under the *Public Lottery Regulations* and the *Arts Act*. Programs are administered by the department of Tourism and Culture with the Yukon Arts Advisory Council making recommendations on funding applications to the Minister of Tourism and Culture. Lottery revenue is used to support the Arts Operating Fund and the Advanced Artist Award.

Lottery Revenue for Sport and Recreation

Lottery revenues to the Yukon government for sport and recreation are provided for under the *Public Lottery Regulations* and the *Recreation Act*. Programs are administered by the department of Community Services, Sport and Recreation Branch. The Yukon Recreation Advisory Committee makes recommendations on funding applications to the Minister of Community Services. Lottery revenues contribute to funding programs for sport governing bodies, recreation groups, high performance athletes and officials, and Sport Yukon.

2013/2014 LOTTO WINNERS

Yukon winners over \$1,000



2013/2014 LOTTO WINNERS



2013/2014 LOTTO WINNERS



Management Responsibility Statement

The management of Yukon Lottery Commission is responsible for preparing the financial statements and the notes to the financial statements.

Management prepares the financial statements in accordance with International Financial Reporting Standards. The financial statements are considered by management to present fairly the Commission's financial position and results of operations.

The Commission, in fulfilling its responsibilities, adheres to the Yukon Financial Administration Act which provides for a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the financial statements.

The financial statements have been reported on by Crowe MacKay LLP, Chartered Accountants, the Commission's auditors. Their report outlines the scope of their examination and their opinion on the financial statements.



General Manager
July 25, 2014



Independent Auditors' Report

To the Members of Yukon Lottery Commission

We have audited the accompanying financial statements of Yukon Lottery Commission, which comprise the statement of financial position as at March 31, 2014, and the statements of comprehensive income, changes in equity and cash flows for the years 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 International Financial Reporting 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the Commission'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 Commission'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 in our audit 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 Yukon Lottery Commission as at March 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Whitehorse, Canada
July 25, 2014


Chartered Accountants

Yukon Lottery Commission

Statement of Comprehensive Income

For the year ended March 31,	2014	2013
Revenue		
Commissions - Western Canada Lottery Corporation	\$ 2,895,166	\$ 2,909,987
Break-open tickets (schedule 1)	141,815	36,623
Interest income	48,856	42,117
Terminals	9,050	8,620
	3,094,887	2,997,347
Administration expenses		
Break-open tickets (schedule 1)	52,976	50,539
Advertising and promotion	8,600	7,984
Amortization	20,656	21,829
Insurance	-	422
Leased equipment	3,427	3,635
Miscellaneous	148	133
Office	8,807	11,366
Postage and courier	618	733
Professional and consulting fees	22,615	25,390
Public relations	3,824	6,312
Rent	77,956	73,786
Repairs and maintenance	10,121	10,976
Retail	-	139
Telephone and utilities	12,455	12,189
Travel and training	11,715	14,435
Wages and benefits	441,019	407,356
	674,937	647,224
	2,419,950	2,350,123
Commission meeting and program expenditures		
Directors' honoraria, travel and meetings	26,223	18,673
Retailer incentive	19,831	19,633
	46,054	38,306
Excess of revenue over expenditures before transfer payments	2,373,896	2,311,817
Transfer payments (note 11)	1,292,964	1,705,553
Excess of revenue over expenditures being comprehensive income	\$ 1,080,932	\$ 606,264

Yukon Lottery Commission**Statement of Changes in Equity**

For the year ended March 31,	2014	2013
Retained earnings, beginning of year	\$ 2,381,494	\$ 1,775,230
Excess of revenue over expenditures being comprehensive income	1,080,932	606,264
Retained earnings, end of year	\$ 3,462,426	\$ 2,381,494

Yukon Lottery Commission

Statement of Financial Position

March 31, 2014 2013

Assets

Current

Cash (note 4)	\$ 277	\$ 220
Funds held in trust (notes 4 and 5)	4,613,893	3,873,527
Trade receivables (note 6)	479,956	449,202
Inventory	9,607	13,081
Prepaid expenses	7,305	6,663

5,111,038

4,342,693

Property and equipment (note 7)

66,980

85,068

\$ 5,178,018

\$ 4,427,761

Liabilities

Current

Trade payables and accruals (note 8)	\$ 171,185	\$ 164,990
Provision, committed to Yukon Government (note 12)	1,303,570	1,235,569
Provision, committed transfer payments (note 9)	240,837	645,708

1,715,592

2,046,267

Equity

Retained earnings (note 13) 3,462,426 2,381,494

3,462,426

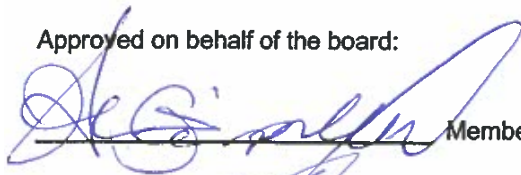
2,381,494


\$ 5,178,018

\$ 4,427,761

Commitments and contingencies (note 10)

Approved on behalf of the board:


_____ Member


_____ Member

Yukon Lottery Commission

Statement of Cash Flows

For the year ended March 31,	2014	2013
Cash provided by (used for)		
Operating activities		
Excess of revenue over expenditures being comprehensive income	\$ 1,080,932	\$ 606,264
Items not affecting cash		
Amortization	22,325	23,606
Interest income	(48,856)	(42,117)
	1,054,401	587,753
Change in non-cash working capital items		
Trade receivables	(30,754)	54,629
Inventory	3,474	(2,011)
Prepaid expenses	(642)	5,057
Trade payables and accruals	6,197	(3,801)
Provision, committed to Yukon Government	68,001	193,819
Provision, committed transfer payments	(404,871)	(176,841)
	695,806	658,605
Investing activities		
Purchase of property and equipment	(4,239)	(3,795)
Interest Income	48,856	42,117
	44,617	38,322
Increase in cash	740,423	696,927
Cash, beginning of year	3,873,747	3,176,820
Cash, end of year	\$ 4,614,170	\$ 3,873,747
Cash consists of:		
Cash	\$ 277	\$ 220
Funds held in trust	4,613,893	3,873,527
	\$ 4,614,170	\$ 3,873,747

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2014

1. Nature of operations

Yukon Lottery Commission ("Commission") was created under the provisions of the Yukon Public Lotteries Act and is responsible for the conduct and management of public lotteries in the Yukon, as set out by agreement with Western Canada Lottery Corporation. This includes the distribution and administration of funds received from government sanctioned lotteries. The Commission's registered office address is 101-205 Hawkins Street, Whitehorse, Yukon Y1A 1X3. The Commission is not subject to income taxes.

These financial statements were authorized for issue at a meeting of the Commission on July 25, 2014.

2. Changes in accounting policies

The following new and amended standards were adopted by the Commission effective April 1, 2013:

(a) IAS 1 - Presentation of Items of Other Comprehensive Income

IAS 1 was amended to require entities to separate items presented in other comprehensive income into two groups, based on whether or not items may be recycled in the future. The adoption did not have any impact on the Commission's financial position or performance.

(b) IFRS 13 - Fair Value Measurement

IFRS 13 improves the consistency and reduces the complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirement does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required, or permitted by other standards within IFRS. The adoption did not have any impact on the Commission's financial position or performance.

(c) IFRS 7 - Financial Instruments (amendments)

Amendments to IFRS 7 require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendments did not have any impact on the Commission's financial position or performance.

3. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant policies are detailed as follows:

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2014

3. Significant accounting policies (continued)

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Commission takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(b) Property and equipment

Property and equipment are recorded at cost. The company provides for amortization using the following methods at rates designed to amortize the cost of the property and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Furniture and equipment	20%	Declining balance
Leasehold improvements	6 years	Straight-line
Computer hardware	30%	Declining balance
Computer software	100%	Declining balance
Break-open machines	30%	Declining balance

(c) Inventory

The inventory of promotional items is valued using the specific item method at the lower of cost and net realizable value. The write-down of inventories to net realizable value is recognized in the period that the write-down occurs. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2014

3. Significant accounting policies (continued)

(d) Transfer payments

Transfer payments are treated as expenditures at the time the transfer payments are approved by the Commission. All unpaid, but approved transfer payments, are included in the provision for committed transfer payments. Approved transfer payments which are not claimed within the required time frame are reversed as unclaimed transfer payments.

(e) Financial instruments

The Commission utilizes various financial instruments. All transaction costs related to financial instruments are separated into one of the following categories based on the purpose for which the asset was acquired. The accounting policy for each category is as follows:

Financial assets at fair value through profit and loss:

This category is comprised of financial assets which are carried in the statement of financial position at fair value, or classified as held-for-trading. Financial assets are classified as held-for-trading if the Commission manages such investments and makes purchases and sale decisions based on their fair value and the assets have been acquired principally for the purpose of selling in the near term. Financial assets classified as held-for-trading or designated at fair value through profit or loss are measured at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as fair value through profit and loss are expensed as incurred. The Commission did not have any financial assets designated at fair value through profit and loss.

Cash, loans and receivables:

Cash and funds held in trust comprise of cash on hand and funds held by Yukon Government in trust, which includes short-term liquid investments.

Financial assets with fixed or determinable payments that are not derivatives and are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method of amortization, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred. Trade receivables are classified as loans and receivables.

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2014

3. Significant accounting policies (continued)

Held to maturity:

Financial assets are classified as held-to-maturity if the Commission has the positive intent and the ability to hold the asset to maturity. Held-to-maturity financial assets are initially measured at fair value and then measured at amortized cost using the effective interest method of amortization. Under this method, estimated future cash receipts are discounted over the asset's expected life to its net carrying value. Net gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment. The Commission did not hold any held-to-maturity financial assets.

Available for sale financial assets:

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss. Financial assets available-for-sale are measured at fair value with changes recognized in other comprehensive income. The Commission did not hold any available-for-sale financial assets.

Other financial liabilities:

This category includes financial liabilities other than those classified as held-for-trading and comprises trade payables. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

Unless otherwise stated, the fair value of the Commission's financial instruments approximate their carrying values. The Commission did not have any financial instruments measured at fair value through profit and loss.

The Commission assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognizes an allowance for impairment when such evidence exists. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has a negative impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2014

3. Significant accounting policies (continued)

a) Assets carried at amortized cost

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When the asset becomes uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying value does not exceed the amortized cost had no impairment been recognized in prior periods.

b) Assets classified as available-for-sale

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses on available-for-sale financial assets in equity, to profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale financial asset increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale financial asset is recognized in other comprehensive income.

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2014

3. Significant accounting policies (continued)

(f) Accounting estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Management makes assumptions and estimates in determining the net realizable value of inventory. The impact of the assumptions and estimates used could result in the over or understatement of net realizable value and the reported amount of inventory on the statement of financial position and any loss or recovery reported on the statement of income resulting from a write-down or recovery to net realizable value.

Management makes assumptions and estimates in determining the useful life of property and equipment. The impact of the assumptions and estimates could result in an under or overstatement of the annual provision for amortization of these assets resulting in an under or overstatement of the net book value of the assets on the statement of financial position.

Management records commitments for transfer payments to recipients and records these as a provision for committed transfer payments. The amount recorded is based on the amount approved by the Commission based on the recipients' expected expenditures. In some cases the amount is not fully applied for, consequently the amount will result in unclaimed amounts that are recorded as a reduction in transfer payments and committed transfer payments when the amounts are known.

(g) Revenue recognition

Lottery commissions are recognized when the lottery tickets are sold by Western Canada Lottery Corporation. Interest income is recognized in the period earned.

(h) Impairment of long-lived assets

The Commission tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(i) Functional and presentation currency

Items are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). These financial statements are presented in Canadian dollars, which is the Commission's functional currency and presentation currency.

(j) Termination benefits

A liability for termination benefits, in respect of severance, is recognized when the Commission can no longer withdraw the offer of severance.

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2014

3. Significant accounting policies (continued)

(k) Accounting standards not yet adopted

IFRS 9 Financial Instruments

IFRS 9 replaces *IAS 39 Financial Instruments: Recognition and Measurement* and shall be applied to annual periods beginning on or after January 1, 2015 with early adoption permitted. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

The Commission is currently evaluating the impact of this standard on its financial statements.

4. Cash

Cash and cash equivalents consist of cash and funds held in trust.

5. Funds held in trust

All general funds of the Commission are held in trust for the Commission by Yukon Government. The account is interest bearing based on a pooled investment portfolio. Most deposits and expenditures are processed through this account which is subject to the provisions of the Yukon Financial Administration Act.

6. Trade receivables

Accounts receivable, in its entirety, is due from Western Canada Lottery Corporation.

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2014

7. Property and equipment

	2014			
	Furniture and equipment	Leasehold improvements	Computer hardware	Total
Cost				
Opening	\$ 88,960	\$ 76,391	\$ 55,782	\$ 221,133
Additions	2,839	-	1,399	4,238
Closing	91,799	76,391	57,181	225,371
Accumulated amortization				
Opening	53,714	30,670	51,681	136,065
Provision	7,399	13,382	1,545	22,326
Closing	61,113	44,052	53,226	158,391
Net book value	\$ 30,686	\$ 32,339	\$ 3,955	\$ 66,980
				2013
	Furniture and equipment	Leasehold improvements	Computer hardware	Total
Cost				
Opening	\$ 85,860	\$ 76,391	\$ 55,087	\$ 217,338
Additions	3,100	-	695	3,795
Closing	88,960	76,391	55,782	221,133
Accumulated amortization				
Opening	45,198	17,289	49,972	112,459
Provision	8,516	13,381	1,709	23,606
Closing	53,714	30,670	51,681	136,065
Net book value	\$ 35,246	\$ 45,721	\$ 4,101	\$ 85,068

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2014

8. Trade payables and accruals

Included in trade payables and accruals are the following:

	2014	2013
Trade payables	\$ 21,410	\$ 23,880
Due to Yukon Government, a related party, for wages payable	43,989	38,205
Accrued employee termination benefits	105,786	102,905
	<u>\$ 171,185</u>	<u>\$ 164,990</u>

9. Provision, committed transfer payments

	2014	2013
Provision, opening	\$ 645,708	\$ 822,549
Additions	619,317	986,419
Paid during the year	(883,767)	(1,077,104)
Unclaimed	(140,421)	(86,156)
	<u>\$ 240,837</u>	<u>\$ 645,708</u>

10. Commitments and contingencies

The Commission has a lease for office space until August 31, 2018 which requires future minimum lease payments.

Future minimum lease payments are as follows:

2015	\$ 87,355
2016	87,355
2017	87,355
2018	87,355
2019	36,398
	<u>\$ 385,818</u>

The Commission has been named as a party to a lawsuit related to Scratch 'n Win lottery tickets. The matter is ongoing and any liability related to this claim is not determinable at this time.

The Commission is responsible for paying their employees of five or more years of service severance and sick pay upon retirement or termination of employment. The accruals for those employees have been set up as a payable in the financial statements. For employees that have been employed by the Commission for less than five years, severance and sick pay is not required to be paid out unless the employee was laid off or terminated without just cause. The Commission is not aware of any future layoffs or termination of employment; therefore, the amount of any liability is not determinable at this time.

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2014

11. Transfer payments

	2014	2013
Recreational Projects	\$ 153,870	\$ 101,418
Major Projects	261,176	285,697
Total Recreational Projects Program	415,046	387,115
Travel Assistance Program	204,271	198,638
Community Lottery Program	-	400,667
Unclaimed funds	(140,421)	(86,156)
Yukon Government - YRAC/YAAC (note 12)	814,068	805,289
Total transfer payments	\$ 1,292,964	\$ 1,705,553

In the prior years, the Community Lottery Program transfer payment was approved and, therefore, committed and expensed in the fiscal year prior to the amounts being released. In the current year, the Commission has determined that these transfer payments should be approved and, therefore, committed and expensed effective in the fiscal year in which the amounts are planned for release. This decision resulted in nil funds being expensed for the Community Lottery Program in the current year.

12. Provision, committed to Yukon Government

	2014	2013
Excess of revenue over expenditures before transfer payments	\$ 2,373,897	\$ 2,311,817
Less: Break-open net (income)/loss (schedule 1)	(88,839)	13,916
	2,285,058	2,325,733
Change in contingencies reserve (prior year less current year)	1,531	(55,901)
Transfer to major projects reserve (20% of revenue excluding breakopens)	(590,614)	(592,146)
Total revenue available for distribution	\$ 1,695,975	\$ 1,677,686
	2014	2013
Total revenue available for distribution (from above)	\$ 1,695,975	\$ 1,677,686
Less: Available for Yukon Lottery Commission (52%)	(881,907)	(872,397)
Total available for Yukon Government (48%)	\$ 814,068	\$ 805,289

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2014

12. Provision, committed to Yukon Government (continued)

	2014	2013
Sport and Recreation Branch (62%)	\$ 504,722	\$ 499,279
Cultural Services Branch (38%)	309,346	306,010
Total transfer payments to Yukon Government	\$ 814,068	\$ 805,289

	2014	2013
Provision, opening	\$ 1,235,569	\$ 1,041,750
Additions	814,068	805,289
Paid during the year	(746,067)	(611,470)
Provision, closing	\$ 1,303,570	\$ 1,235,569

13. Capital management

The Commission considers its retained earnings to represent the Commission's capital. The Commission manages its capital in such a manner that there is sufficient working capital available to ensure the Commission is able to continue its operations without suffering cash shortfalls, and has sufficient funds to provide transfer payments to eligible recipients and funding to Yukon Government for sport, recreation and arts. The Commission does not have any externally imposed capital requirements. The Commission has restricted retained earnings (Schedule 2) for certain specified expenditures.

The Commission has internally restricted retained earnings of \$1,997,026 (2013 - \$1,559,242) to provide for contingencies, an even level of funding, travel, future major projects, and future transfer payments. These restricted amounts are not available for other purposes without approval of the Commission.

14. Related party transactions

During the year, Yukon Government provided employee services to the Commission of \$476,039 (2013 - \$439,751).

During the year, the Commission committed \$814,068 (2013 - \$805,289) and paid out \$746,067 (2013 - \$611,470) to Yukon Government.

15. Key Management Compensation

During the year, key management compensation totaled \$150,111 (2012 - \$138,593). Key management compensation include the General Manager's salaries and benefits and all board members' honoraria.

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2014

16. Financial instruments

Fair value

The Commission's financial instruments include cash, funds held in trust, trade receivables, trade payables and accruals. The fair values approximate their carrying value due to the immediate or short-term maturity of these instruments.

Credit risk

The Commission has credit risk in trade receivables from Western Canada Lottery Corporation in respect of commissions of \$479,956 (2013 - \$437,221) and a trade receivable from Yukon Government of \$0 (2013 - \$11,981), none of which are impaired. Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum exposure to credit risk is the carrying value of its accounts receivable.

Liquidity risk

Liquidity risk is the risk the Commission may not be able to meet its obligations associated with its financial liabilities. The Commission's accounts payable and accruals are all due within one year.

Interest rate risk

The Commission is exposed to the interest rate risk on its funds held in trust. A change in the effective interest rate of 1/2% on its funds held in trust would result in an approximate impact on income of \$23,000 in 2014.

Yukon Lottery Commission**Schedule to the Financial Statements**

For the year ended March 31,

Schedule of break-open tickets**Schedule 1**

	2014	2013
Revenue		
Commission - Break-open tickets	\$ 141,815	\$ 36,623
Expenses		
Advertising and promotion	683	635
Amortization	1,669	1,777
Directors' honoraria, travel and meetings	2,082	1,485
Insurance	-	34
Leased equipment	272	289
Miscellaneous	12	11
Office supplies	699	904
Postage and freight	49	58
Professional and consulting fees	1,796	2,019
Public relations	304	502
Rent	6,190	5,868
Retailer incentive	1,624	1,572
Repairs and maintenance	804	873
Telephone	989	969
Training	675	786
Travel	107	362
Wages and benefits	35,021	32,395
	52,976	50,539
Excess (deficiency) of revenue over expenditures	\$ 88,839	\$ (13,916)

Yukon Lottery Commission
Schedule of - Capital management of retained earnings - Schedule 2

											2014	2013				
	Operating Surplus		Invested in Capital Assets		Working Capital		Contingencies		Recreational Projects		Travel Assistance Program		Future Application Transfer Payments		Total	Total
Balance, beginning of year	\$ 822,252	\$ 85,068	\$ 100,000	\$ 592,145	\$ 616,469	\$ 78,253	\$ 87,307	\$ 2,381,494	\$ 1,775,230							
Excess of revenue over expenditures before transfer payments	2,285,057	-	-	-	-	-	88,839	2,373,896	2,311,817							
Balance before transfer payments	3,107,309	85,068	100,000	592,145	616,469	78,253	176,146	4,755,390	4,087,047							
Transfer payments	(967,938)	-	-	-	(261,176)	(204,271)	-	(1,433,385)	(1,791,709)							
Unclaimed funds	70,441	-	-	-	28,799	41,181	-	140,421	86,156							
Transfer payments (note 11)	(897,497)	-	-	-	(232,377)	(163,090)	-	(1,292,964)	(1,705,553)							
Amortization	2,209,812	85,068	100,000	592,145	384,092	(84,837)	176,146	3,462,426	2,381,494							
Investment in Capital Assets	20,656	(22,325)	-	-	-	-	1,669	-	-							
Transfers to reserves	(4,239)	4,239	-	-	-	-	-	-	-							
Transfers from reserves	(762,360)	-	-	-	590,614	171,746	-	-	-							
	1,531	-	-	(1,531)	-	-	-	-	-							
Balance, end of year	\$ 1,465,400	\$ 66,982	\$ 100,000	\$ 590,614	\$ 974,706	\$ 86,909	\$ 177,815	\$ 3,462,426	\$ 2,381,494							

