

Yukon Lottery Commission
2014 – 2015 ANNUAL REPORT

Celebrating



years

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The Honorable Stacey Hassard
Minister Responsible for Yukon Lottery Commission
Government of Yukon

November 5, 2015

Dear Minister Hassard,

I have the honour to present you with the Annual Report of the Yukon Lottery Commission for the fiscal year ended March 31, 2015.

Respectfully submitted,

Heather Campbell
Chair & Chief Executive Officer,
Yukon Lottery Commission

MESSAGE FROM THE YUKON LOTTERY COMMISSION

On behalf of the Yukon Lottery Commission I am pleased to share with you the 2014/15 Annual Report.

The Commission's role in public lotteries is established through the Yukon *Public Lotteries Act and Regulations* and an agreement between the Government of Yukon, Yukon Lottery Commission and Western Canada Lottery Corporation. The law and the agreement assign the Yukon Lottery Commission and the Western Canada Lottery Corporation with responsibility for the conduct and management of public lotteries in Yukon.



In addition to our responsibilities for public lotteries, the Commission also allocates the profits from the sale of lottery tickets. Through its three funding programs, the Commission contributed over \$1.1 million to art, sport and recreation and shared \$856,482 with the Yukon government for its art, sport and recreation programs. In total, nearly \$2 million in lottery ticket profits were invested in art, sport and recreation throughout the Yukon for 2014/15.

July 16, 2014 marked a significant milestone for the Yukon Lottery Commission — the 40th anniversary of the sale of lottery tickets in Yukon. With the support of our retailers and our funding recipients we were able to mark the occasion with celebrations in communities throughout the Yukon, lottery customer and retailer appreciation events, a one-time contribution of \$100,000 to Sport Yukon's Kids Recreation Fund and an art competition. Another outcome of the 40th anniversary was the revitalization of the Lotteries Yukon logo and website. I invite you to peruse our website and to stop by the Lotteries Yukon office to see the remarkable Yukon artists' works selected as part of the art competition. These commissioned art works are truly a creative expression and interpretation of the positive impact of lotteries in Yukon.

In 2014/15 the Commission continued its focus on building a strong governance structure. A considerable amount of work has gone into clarifying the Commission's relationship with government. I am pleased that the Governance Committee, with the full support of the Commission, has created a draft Governance and Shared Services Agreement. We hope to finalize these agreements in the 2015/16 fiscal year.

I would like to thank the members of the Commission for their hard work over the past fiscal year and offer thanks to the staff of Lotteries Yukon for the support they provide to the Commission and the work they carry out on our behalf.

Sincerely,

Heather Campbell, Chair & CEO
Yukon Lottery Commission

*Photo: Commission members (left to right):
Back row — Bunne Palamar, Trevor Ellis,
Jordan Holloway, Ruth Wilkinson
Front row — Colleen Parker (General Manager),
Frank Curlew, Line Gagnon, and John Spicer
Missing — Heather Campbell, Chair & Chief Executive Officer*

OPERATIONS AND SALES REPORT

Operations

As the Yukon Lottery Commission's secretariat, Lotteries Yukon provides the operational support necessary to implement the Commission's plans. Our efforts in 2014/15 towards the 40th anniversary celebrations paid off and could be felt throughout the Yukon. Whether it was a small promotional give away by one of our many retailers throughout the territory or a community event, the anniversary celebrations were embraced by our retailers, funding recipients in the art, sport and recreation sectors, Commission members and community members at large.

In August 2014, Lotteries Yukon and the Yukon government, Sport and Recreation Branch and Cultural Services Branch, completed work on a Partnership Memorandum of Understanding (MOU). This MOU formalizes for the first time revenue shared by the Yukon Lottery Commission with the Yukon government. More importantly though the MOU is a representation of our commitment to work collaboratively with our partners to provide the best programs and services to our art, sport and recreation clients.

Lotteries Yukon also provides support to retailers and lottery players throughout Yukon. We are able to successfully provide for the sale of lottery tickets in Yukon through our partnership with Western Canada Lottery Corporation and our retail network. In 2014/15 three new retailers joined the network — Talbot Arm Motel in Destruction Bay, The Little Green Apple in Haines Junction and Wykes' Your Independent Grocer in Whitehorse, bringing our total retailers to 36.

Sales

2014/15 was a challenging year for lottery sales across the country due to a significant jackpot drought for the draw based games LOTTO MAX and LOTTO 6/49. Sales for these national games by Western Canada Lottery Corporation were down 11%, with Yukon's sales down by only 2%. Overall Yukon's sales were marginally down by 1% for fiscal 2014/15 compared to the previous fiscal year. We are thankful that our strong customer base supported us through what was a challenging year for draw based games in Canada.

Lottery players also saw changes to WESTERN 6/49 in 2014 when the top prize was increased from 1 to 2 million. This change likely contributed to a 2.4% increase in sales of WESTERN 6/49 for Yukon. A top performer in Yukon, Scratch 'N Win sales increased by 8.4% demonstrating this category continues to be a popular choice for players.



Colleen Parker
General Manager,
Lotteries Yukon

Yukon Sales by Game – Five Year Comparison

Lottery Games	2014/2015	2013/2014	2012/2013	2011/2012	2010/2011
Instant	\$3,027,977	\$2,793,445	\$2,690,205	\$2,694,082	\$2,687,893
Lotto Max	1,776,073	1,934,427	2,308,990	1,982,742	2,388,097
Lotto 649	1,567,391	1,489,904	1,321,140	1,243,468	1,222,754
Keno	1,125,659	1,251,456	1,117,160	993,819	760,222
Extra	744,670	734,521	722,488	662,369	719,433
Sport Select ¹	354,599	434,724	392,649	429,767	428,266
Western 649	332,684	325,603	301,767	297,579	274,022
Western Max ²	163,340	195,044	31,106		
Pick 3	63,427	93,127	70,424	69,422	41,058
Millionaire Life ³	-	-	-	-	40,860
Pay Day ⁴	-	-	16,270	23,208	25,612
Total	\$9,155,820	\$9,252,251	\$8,972,199	\$8,396,456	\$8,588,217
Sales Comparison to prior year	(\$96,431)	\$280,052	\$575,743	(\$191,761)	\$1,392,970
Percentage Comparison	-1%	3%	7%	-2%	19%
Retailers	36	33	33	33	35

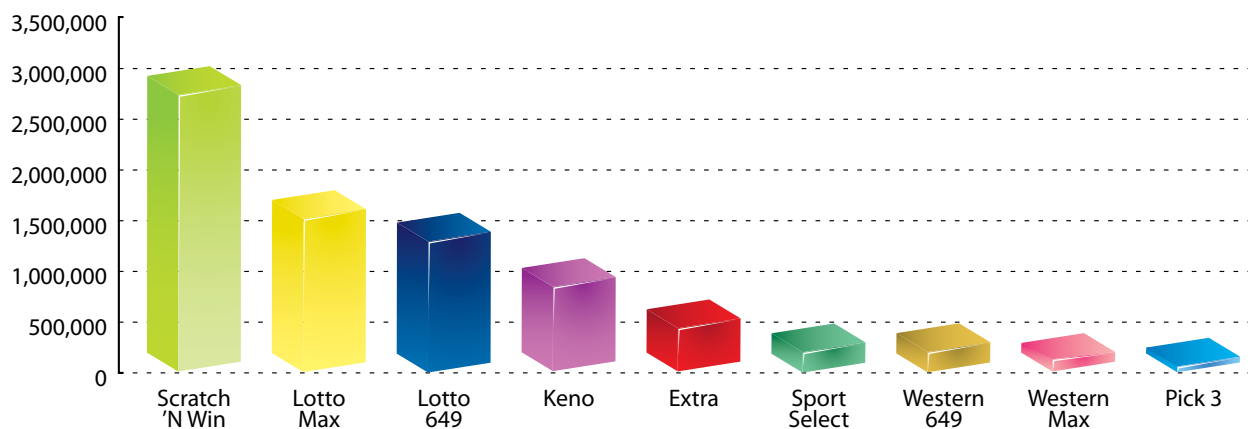
¹ POOLS and PROPS launched September 2010

² Western Max was launched in March 2013

³ Millionaire Life— Special Event Online Game (Sales January and February 2011 only)

⁴ Payday was discontinued in January 2013

2014/15 Sales by Game



REVENUE DISTRIBUTION

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 2014/2015 fiscal year please refer to pages 7-9 of this report.

Recreational Projects Program

The Recreational Projects Program is application driven and provides non profit groups with funding to support art, sport and recreation projects, events or activities. Applications are accepted twice a year; April 15 and October 15. In 2014/2015, \$492,989 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 1246 participants with \$235,484 in funding assistance in 2014/2015. 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 2014/2015 was \$401,525.



Yukon Lottery Commission Funding Programs 2014/2015 Approved Funding*

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT
Beaver Creek	Beaver Creek Community Club	CLP	9,368
Burwash Landing	Burwash Landing Recreation Committee	CLP	9,152
Carcross	Carcross Recreation Board	CLP	13,148
	Robert Service School	RPP	1,600
			14,748
Carmacks	Village of Carmacks	CLP	14,120
Dawson City	City of Dawson	CLP	31,844
	Dawson City Community Radio Society	RPP	2,149
	Dawson City Museum Society	RPP	23,454
	Dawson City Fastball Association	TAP	2,044
	Klondike Active Transport and Trails Society	RPP	2,413
	North Klondyke Highway Music Society	RPP	2,789
	Robert Service School	TAP	1,979
			66,672
Watson Lake	Watson Lake Ski Club	RPP	8,190
Destruction Bay	Kluane Lake Athletic Association	CLP	8,528
Faro	Town of Faro	CLP	12,704
Haines Junction	Village of Haines Junction	CLP	18,416
Keno	Keno Community Club	CLP	8,264
Lorne Mountain	Lorne Mountain Community Association	CLP	12,896
Marsh Lake	Marsh Lake Community Society	CLP	14,420
		RPP	8,478
			22,898
Mayo	Village of Mayo	CLP	13,964
Old Crow	Vuntut Gwitchin First Nation	CLP	11,000
Pelly Crossing	Selkirk First Nation	CLP	12,000
Ross River	Ross River Recreation Society	CLP	12,356
Tagish	Tagish Community Association	CLP	10,904
Teslin	Village of Teslin	CLP	13,376
Upper Liard	Liard First Nation	CLP	9,584
Watson Lake	Town of Watson Lake	CLP	24,176

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 2014/2015 Approved Funding*

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT
Whitehorse	City of Whitehorse	CLP	141,105
	Arctic Edge Skating Club	TAP	3,000
	Arctic Edge Skating Club	RPP	9,538
	Boreal Adventure Running Association	RPP	1,450
	Canadian Ski Patrol — Yukon Zone	RPP	4,996
	Dog Powered Sports Association of Yukon	RPP	4,969
	FH Collins Secondary School	TAP	3,053
	Freedom Trails Therapeutic Riding Association	RPP	1,434
	Friends of Mount Sima Society	RPP	14,630
	Golden Age Society	RPP	2,813
	Klondike Highland Dance Club	RPP	1,000
	Kwanlin Koyotes Ski Club	RPP	2,205
	Mountain View Golf Club	RPP	14,940
	Polarettes and Polar Tumblers Gymnastics Club	TAP	4,250
	Porter Creek Secondary School	TAP	8,060
	Skookum Jim Friendship Centre	RPP	8,181
	Vanier Catholic Secondary School	TAP	3,870
	Whitehorse Curling Club	RPP	3,205
	Whitehorse Curling Club	TAP	1,600
	Whitehorse Glacier Bears Swim Club	TAP	14,044
	Whitehorse Minor Hockey Association	TAP	13,400
Whitehorse Women's Hockey Association	TAP	8,000	
Yukon Academy of Martial Arts	RPP	5,338	
Yukon Dance Festival Society	TAP	1,200	
			276,281
Yukon	All-City Band Society	TAP	22,800
	Alpine Ski Association of Yukon	RPP	7,125
	Alpine Ski Association of Yukon	TAP	7,069
	Association Franco- Yukonnaise	TAP	7,800
	Athletics Yukon	TAP	13,447
	Basketball Yukon	TAP	3,200
	Biathlon Yukon	TAP	4,400
	Blue Feather Music Society	RPP	21,750
	Boys and Girls Club of Yukon	RPP	6,354
	Breakdancing Yukon Society	TAP	2,600
	Breakdancing Yukon Society	RPP	43,868
	Climb Yukon Association	TAP	6,354
	Cross Country Yukon	TAP	3,200
	Cross Country Yukon	RPP	3,600

— continued on the following page

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 2014/2015 Approved Funding*

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT
Yukon — <i>continued</i>	Cycling Association of Yukon	TAP	2,400
	Equine Association of Yukon	TAP	2,000
	Gwaandak Theatre Society	RPP	18,000
	Judo Yukon	TAP	4,645
	Learning Disabilities Association of Yukon	RPP	10,000
	Les EssentiElle	RPP	6,000
	Music Yukon	RPP	25,388
	Nakai Theatre	RPP	17,500
	Snowboard Yukon	TAP	2,600
	Snowboard Yukon	RPP	1,085
	Society of Yukon Bird Observatories	RPP	1,000
	Softball Yukon	TAP	1,506
	Squash Yukon	TAP	2,000
	Synchro Yukon	TAP	1,200
	Table Tennis Yukon	TAP	4,948
	Tennis Yukon	RPP	3,370
	Tennis Yukon	TAP	800
	Volleyball Yukon	TAP	25,352
	Yukon Amateur Speed Skating	TAP	1,600
	Yukon Arts Centre Corporation	RPP	12,342
	Yukon Art Society	RPP	11,157
	Yukon Bluegrass Music Society	RPP	12,000
	Yukon Broomball Association	TAP	3,400
	Yukon Canoe and Kayak Association	RPP	7,911
	Yukon Canoe and Kayak Association	TAP	600
	Yukon Curling Association	RPP	1,831
	Yukon Curling Association	TAP	2,800
	Yukon Film Society	RPP	7,568
	Yukon First Nations Tourism Association	RPP	20,000
	Yukon Fish and Game Association	RPP	6,800
	Yukon Freestyle Ski Association	TAP	5,600
	Yukon Freestyle Ski Association	RPP	41,961
	Yukon Golf Association	TAP	400
	Yukon Handgun Association	RPP	11,931
	Yukon Music Camp Society	RPP	14,500
	Yukon Orienteering Association	TAP	1,600
	Yukon Schools Athletic Association	TAP	4,400
	Yukon Soccer Association	TAP	31,262
	Yukon Sourdough Rendezvous Society	RPP	48,243
	Yukon Quest International Association	RPP	17,123
			548,390

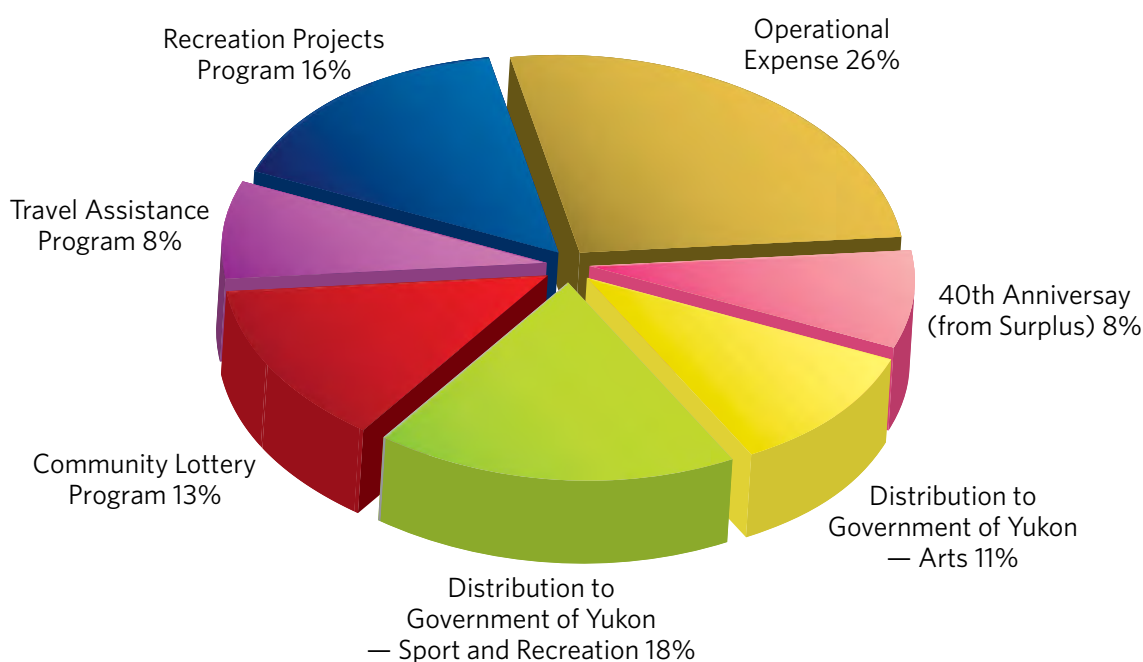
NOTE: CLP = Community Lottery Program, TAP = Travel Assistance Program, RPP = Recreational Projects Program

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

Yukon Lottery Commission Funding Programs 2014/2015 Approved Funding

TOTAL CONTRIBUTIONS TO COMMUNITIES/APPLICANTS	\$ 1,129,997
Total YLC Administered Contributions	\$1,129,997
GOVERNMENT OF YUKON REVENUE SHARING	
Cultural Services Branch	
Yukon Arts Advisory Committee (YAAC)	
Total Cultural Services Branch	\$321,664
Sport & Recreation Branch	
Yukon Sport & Recreation Advisory Committee (YRAC)	
Total Sport & Recreation Branch	\$524,818
Total Funds Released to Yukon Government — YRAC and YAAC	\$ 846,482
Total Funding Approved/Released	\$ 1,976,479
Unclaimed Contributions	\$156,022
Total Contributions/Funds Released 2014/2015	\$1,820,457

Distribution of Yukon Revenue



REVENUE SHARING — GOVERNMENT OF YUKON

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 2014/15 the Yukon Lottery Commission provided the Yukon Recreation Advisory Committee with \$ 524,818 and the Yukon Arts Advisory Council with \$ 321,664.

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.

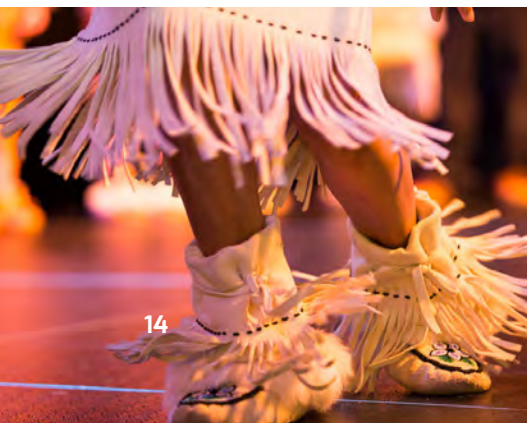




40th Anniversary







FINANCIAL STATEMENTS

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 31, 2015

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, 2015, and the statements of income, changes in equity 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 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 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, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Whitehorse, Canada
July 31, 2015

Crowe MacKay LLP

Chartered Accountants

Yukon Lottery Commission

Statement of Income

For the year ended March 31,	2015	2014
Revenue		
Commissions - Western Canada Lottery Corporation	\$ 2,895,414	\$ 2,895,166
Break-open Tickets (schedule 1)	136,495	141,815
Interest income	54,331	48,856
Terminals	9,495	9,050
	3,095,735	3,094,887
Administration expenses		
Break-open Tickets (schedule 1)	61,695	52,976
Advertising and promotion	7,295	8,600
Amortization	19,213	20,656
Leased equipment	2,559	3,427
Miscellaneous	148	148
Office	8,594	8,807
Postage and courier	428	618
Professional and consulting fees	72,167	22,615
Public relations	4,381	3,824
Rent	80,553	77,956
Repairs and maintenance	12,925	10,121
Telephone and utilities	11,156	12,455
Travel and training	5,345	11,715
Wages and benefits	451,244	441,019
	737,703	674,937
	2,358,032	2,419,950
Commission meeting and program expenditures		
Anniversary - 40th	237,901	-
Directors' honoraria, travel and meetings	33,264	26,223
Retailer incentive	21,151	19,831
	292,316	46,054
Excess of revenue over expenditures before transfer payments	2,065,716	2,373,896
Transfer payments (note 11)	1,820,458	1,292,964
Excess of revenue over expenditures being comprehensive income	\$ 245,258	\$ 1,080,932

Yukon Lottery Commission

Statement of Changes in Equity

For the year ended March 31,	2015	2014
Retained earnings, beginning of year	\$ 3,462,426	\$ 2,381,494
Excess of revenue over expenditures being comprehensive income	245,258	1,080,932
Retained earnings, end of year	\$ 3,707,684	\$ 3,462,426



Yukon Lottery Commission

Statement of Financial Position

March 31, 2015 2014

Assets

Current

Cash (note 4)	\$ 227	\$ 277
Funds held in trust (notes 4 and 5)	5,100,494	4,613,893
Trade receivables (note 6)	534,733	479,956
Inventory	4,856	9,607
Prepaid expenses	12,096	7,305

5,652,406 5,111,038

Property and equipment (note 7) 79,760 66,980

\$ 5,732,166 **\$ 5,178,018**

Liabilities

Current

Trade payables and accruals (note 8)	\$ 248,549	\$ 171,185
Provision, committed to Yukon Government (note 12)	1,367,644	1,303,570
Provision, committed transfer payments (note 9)	408,289	240,837

2,024,482 1,715,592

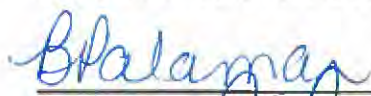

Shareholders' equity

Retained earnings (note 13) 3,707,684 3,462,426

\$ 5,732,166 **\$ 5,178,018**

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,	2015	2014
Cash provided by (used for)		
Operating activities		
Excess of revenue over expenditures being comprehensive income	\$ 245,258	\$ 1,080,932
Items not affecting cash		
Amortization	20,852	22,325
Interest income	(54,331)	(48,856)
	211,779	1,054,401
Change in non-cash working capital items		
Trade receivables	(54,777)	(30,754)
Inventory	4,751	3,474
Prepaid expenses	(4,791)	(642)
Trade payables and accruals	77,364	6,197
Provision, committed to Yukon Government	64,074	68,001
Provision, committed transfer payments	167,452	(404,871)
	465,852	695,806
Investing activities		
Purchase of property and equipment	(33,632)	(4,239)
Interest Income	54,331	48,856
	20,699	44,617
Increase in cash	486,551	740,423
Cash, beginning of year	4,614,170	3,873,747
Cash, end of year	\$ 5,100,721	\$ 4,614,170
Cash consists of:		
Cash	\$ 227	\$ 277
Funds held in trust	5,100,494	4,613,893
	\$ 5,100,721	\$ 4,614,170

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2015

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 31, 2015.

2. Changes in accounting policies

The following new and amended standards were adopted by the Commission effective April 1, 2014:

(a) Amendments to IAS 26 - Recoverable Amount Disclosures for Non-Financial Assets

The Commission has applied the amendments to IAS 36 effective January 1, 2014. The amendments remove the requirement to disclose the recoverable amount of a cash-generating unit in specific circumstances. The amendments introduce additional disclosure requirements applicable to when the recoverable amount is measured at fair value less costs of disposal. The application of these amendments has had no impact on the disclosures in the financial statements.

(b) Amendment to IAS 32 - Offsetting Financial Assets and Financial Liabilities

The Commission has applied the amendments to IAS 32 effective January 1, 2014. The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments had no impact on the disclosures in the financial statements as the Commission had no financial instruments that would be subject to set off.

(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. The significant policies are detailed as follows:

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2015

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 Commission 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
Artwork	Not amortized

(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.

March 31, 2015

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.

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.

March 31, 2015

3. Significant accounting policies (continued)

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.

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.

March 31, 2015

3. Significant accounting policies (continued)

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.

(f) Accounting estimates

The preparation of financial statements in conformity with International Financial Reporting Standards 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.

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2015

3. Significant accounting policies (continued)

(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.

(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 these standards on its financial statements.

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments shall be applied to annual periods beginning on or after January 1, 2016 with earlier application permitted. The Commission does not use a revenue-based depreciation method and does not anticipate the application of these amendments to have a material impact on the 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, 2015

7. Property and equipment

	2015				
	Furniture and equipment	Leasehold improvements	Computer hardware	Artwork	Total
Cost					
Opening	\$ 91,799	\$ 76,391	\$ 57,181	\$ -	\$ 225,371
Additions	8,107	-	-	25,525	33,632
Disposals	-	-	(2,100)	-	(2,100)
Closing	99,906	76,391	55,081	25,525	256,903
Accumulated amortization					
Opening	61,113	44,052	53,226	-	158,391
Provision	6,283	13,382	1,187	-	20,852
Disposals	-	-	(2,100)	-	(2,100)
Closing	67,396	57,434	52,313	-	177,143
Net book value	\$ 32,510	\$ 18,957	\$ 2,768	\$ 25,525	\$ 79,760
					2014
	Furniture and equipment	Leasehold improvements	Computer hardware	Artwork	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

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2015

8. Trade payables and accruals

Included in trade payables and accruals are the following:

	2015	2014
Trade payables and accruals	\$ 72,669	\$ 21,410
Due to Yukon Government, a related party, for wages payable	52,314	43,989
Accrued employee termination benefits	123,566	105,786
	<u>\$ 248,549</u>	<u>\$ 171,185</u>

9. Provision, committed transfer payments

	2015	2014
Provision, opening	\$ 240,837	\$ 645,708
Additions	1,129,999	619,317
Paid during the year	(806,525)	(883,767)
Unclaimed	(156,022)	(140,421)
	<u>\$ 408,289</u>	<u>\$ 240,837</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:

2016	\$ 87,355
2017	87,355
2018	87,355
2019	36,398
	<u>\$ 298,463</u>

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, 2015

11. Transfer payments

	2015	2014
Recreational Projects	\$ 492,989	\$ 153,870
Major Projects	-	261,176
Total Recreational Projects Program	492,989	415,046
Travel Assistance Program	235,484	204,271
Community Lottery Program	401,525	-
Unclaimed funds	(156,022)	(140,421)
Yukon Government - YRAC/YAAC (note 12)	846,482	814,068
	\$ 1,820,458	\$ 1,292,964

Prior to 2014, 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 prior year, the Commission had 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 prior year.

12. Provision, committed to Yukon Government

	2015	2014
Excess of revenue over expenditures before transfer payments	\$ 2,065,716	\$ 2,373,897
Add: 40th Anniversary expenditures	237,901	-
Less: Break-open net (income)/loss (schedule 1)	(74,800)	(88,839)
	2,228,817	2,285,058
Change in contingencies reserve (prior year less current year)	(1,233)	1,531
Transfer to major projects reserve (20% of revenue excluding breakopens)	-	(590,614)
	(1,233)	(589,083)
Total revenue available for distribution	\$ 2,227,584	\$ 1,695,975
	2015	2014
Total revenue available for distribution (from above)	\$ 2,227,584	\$ 1,695,975
Less: Available for Yukon Lottery Commission (62%) (2014 - 52%)	(1,381,102)	(881,907)
Total available for Yukon Government (38%) (2014 - 48%)	\$ 846,482	\$ 814,068

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2015

12. Provision, committed to Yukon Government (continued)

	2015	2014
Sport and Recreation Branch (62%)	\$ 524,818	\$ 504,722
Cultural Services Branch (38%)	321,664	309,346
Total transfer payments to Yukon Government	\$ 846,482	\$ 814,068
	2015	2014
Provision, opening	\$ 1,303,570	\$ 1,235,569
Additions	846,482	814,068
Paid during the year	(782,408)	(746,067)
Provision, closing	\$ 1,367,644	\$ 1,303,570

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 \$2,028,886 (2013 - \$1,997,026) 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 \$489,348 (2014 - \$476,039).

During the year, the Commission committed \$846,482 (2014 - \$814,068) and paid out \$782,408 (2014 - \$746,067) to Yukon Government.

15. Key management compensation

During the year, key management compensation totaled \$157,235 (2014 - \$150,111). 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, 2015

16. Financial instruments

(a) 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.

(b) Credit risk

The Commission has credit risk in trade receivables from Western Canada Lottery Corporation in respect of commissions of \$534,733 (2014 - \$479,956), which is not 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.

(c) 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.

(d) 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 \$25,500 in 2015.

Yukon Lottery Commission

Schedule to the Financial Statements

For the year ended March 31,

Schedule of Break-open Tickets

Schedule 1

	2015	2014
Revenue		
Commission - break-open tickets	\$ 136,495	\$ 141,815
Expenses		
Advertising and promotion	616	683
Amortization	1,639	1,669
Directors' honoraria, travel and meetings	2,809	2,082
Leased equipment	216	272
Miscellaneous	12	12
Office supplies	726	699
Postage and freight	36	49
Professional and consulting fees	6,094	1,796
Public relations	370	304
Rent	6,802	6,190
Repairs and maintenance	1,091	804
Retailer incentive	1,786	1,624
Telephone	942	989
Training	39	675
Travel	413	107
Wages and benefits	38,104	35,021
	61,695	52,976
Excess of revenue over expenditures	\$ 74,800	\$ 88,839

Yukon Lottery Commission

Schedule of Capital Management of Retained Earnings

Schedule 2

For the year ended March 31,

2015

2014

	Operating Surplus	Invested in Capital Assets	Working Capital	Contingencies	Recreational Projects Program Major Projects	Travel Assistance Program	Future Application Transfer Payments	Total	Total
Balance, beginning of year	\$ 1,465,400	\$ 66,982	\$ 100,000	\$ 590,614	\$ 974,706	\$ 86,909	\$ 177,815	\$ 3,462,426	\$ 2,381,494
Excess of revenue over expenditures before transfer payments	1,990,916	-	-	-	-	-	74,800	2,065,716	2,373,896
Balance before transfer payments	3,456,316	66,982	100,000	590,614	974,706	86,909	252,615	5,528,142	4,755,390
Transfer payments	(1,740,996)	-	-	-	-	(235,484)	-	(1,976,480)	(1,433,385)
Unclaimed funds	116,697	-	-	-	5,615	33,710	-	156,022	\$ 140,421
Transfer payments (note 11)	(1,624,299)	-	-	-	5,615	(201,774)	-	(1,820,458)	(1,292,964)
Amortization	1,832,017	66,982	100,000	590,614	980,321	(114,865)	252,615	3,707,684	3,462,426
Investment in Capital Assets	19,213	(20,852)	-	-	-	-	1,639	-	-
Transfers to reserves	(33,632)	33,632	-	-	-	-	-	-	-
Transfers from reserves	(163,091)	-	-	-	-	163,091	-	-	-
	(1,234)	-	-	1,234	-	-	-	-	-
Balance, end of year	\$ 1,653,273	\$ 79,762	\$ 100,000	\$ 591,848	\$ 980,321	\$ 48,226	\$ 254,254	\$ 3,707,684	\$ 3,462,426



Celebrating 40 Years

