



YUKON LOTTERY COMMISSION

Annual Report 2016/17





Athletics Yukon were recipients of the Travel Assistance Program in 2016/17.

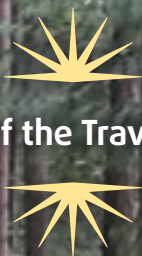


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Yukon Lottery Commission Annual Report for the year ended March 31, 2017.



On the cover:

Yukon Music Camp Society were recipients of the Recreational Projects Program in 2016/17.





Yukon First Nation Culture & Tourism Association's Adäka Cultural Festival
is a Recreational Projects Program recipient.

MESSAGE FROM THE YUKON LOTTERY COMMISSION

I am pleased to share with you the Yukon Lottery
Commission's 2016/17 Annual Report.

The Yukon Lottery Commission is composed of eight dedicated individuals who are responsible for managing interjurisdictional lotteries in the Yukon and reinvesting revenues from the sale of lottery tickets into arts, sport, and recreation across the Yukon. Lotteries revenue is reinvested through the Commission's funding programs and also by sharing lottery revenue with the Yukon government Sport and Recreation Branch and Cultural Services Branch to supplement government programming for arts, sport and recreation. The Commission's work is supported by a small staff at Lotteries Yukon.

The Commission's role is established through the *Yukon Public Lotteries Act and Regulations* and under an Agreement with the Yukon government and Western Canada Lottery Corporation. The Commission also has a Partnership Memorandum of Understanding with the departments of Community Services and Tourism and Culture that recognizes our shared goals concerning healthy and active Yukon communities and formalizes our working relationship with respect to revenue-sharing, collaboration, communication, recognition standards and reporting.

Over the past few years, the Commission has continued to strengthen its governance structure to sustain organizational stability and to improve service delivery. This year the Commission concentrated on clarifying roles and responsibilities between itself and the Yukon government. After significant effort by all sides, I am very pleased to see that this hard work paid off with the Commission signing a Governance Agreement with the Minister Responsible for the *Public Lotteries Act*. This Agreement not only clarifies our respective roles and responsibilities but also clarifies the shared services relationship between the Commission and the Yukon Liquor Corporation.

Each fiscal year the Commission reinvests on average two million dollars in Yukon communities; approximately half through our own funding programs. In 2016, we solicited a third-party evaluation to better understand how our funding programs help Yukoners live healthy, active and full lives engaged in arts, sport and recreation. This evaluation and the Commission's response is available on our website.

I would like to take this opportunity to thank both the Lotteries Yukon staff and members of the Commission for their contributions over the past fiscal year. I look forward to continued growth and positive relationships in 2017/18.

Sincerely,



Heather Campbell
Chair & Chief Executive Officer,
Yukon Lottery Commission

ABOUT LOTTERIES YUKON

LOTTERIES YUKON

The administrative functions for the Yukon Lottery Commission are carried out by Lotteries Yukon.

Lotteries Yukon provides support and services to:

- ▶ lottery retailers,
- ▶ lottery customers,
- ▶ non-profit organizations seeking program funding,
- ▶ members of the public, and
- ▶ the Yukon Lottery Commission.

Lotteries Yukon also receives support from the Western Canada Lottery Corporation for lottery ticket operations and oversight.

Meshell Melvin's artwork "The Artist in the Classroom" was commissioned as part of Lotteries Yukon 40th anniversary and can be viewed at the Lotteries Yukon office.



Government of Yukon

OUR VALUES

We will:

- ▶ Provide the public and retailers with a high standard of service;
- ▶ Act with integrity in the management and conduct of interjurisdictional lotteries and in the allocation of lottery profits;
- ▶ Work collaboratively and cooperatively with our partners;
- ▶ Be fair and transparent in our decision making; and
- ▶ Promote a supportive workplace that engages employees and is respectful, innovative and collaborative.

OPERATIONS

Lotteries Yukon is the administrative arm of the Yukon Lottery Commission. Lotteries Yukon supports the work of the Yukon Lottery Commission, delivers funding programs and shares revenue on behalf of the Commission, and provides support to a network of 35 lottery ticket center retailers across the Yukon.

Lotteries Yukon continues to support the Commission's strategic direction, program delivery and service provision goals. For 2016/17, these goals focused on improving organizational performance, strengthening governance, and advancing a strategic approach to funding arts, sport and recreation in Yukon through inter-departmental cooperation.

Some key efforts in these areas included:

- ▶ reviewing and responding to areas for improvements identified as part of the third party evaluation of the Commission's funding programs;
- ▶ signing a Governance Agreement with the Minister Responsible for the *Public Lotteries Act* to clarify roles and shared services; and
- ▶ continuing to work in partnership with the departments of Community Services and Tourism and Culture under the Partnership Memorandum of Understanding towards our shared goals of supporting healthy and active Yukon communities.

\$591,596

Commission paid to Yukon retailers in 2016/17.

\$1,037,514

Lottery revenue shared with Yukon government for arts, sport, and recreation.

\$1,190,598

Contributed by Lotteries Yukon to Yukon communities and non-profit organizations in 2016/17.

\$5.339 MILLION

Lottery winnings distributed to Yukoners in 2016/17.

\$10,100,772

Ticket sales in 2016/17.

2016/17 SALES

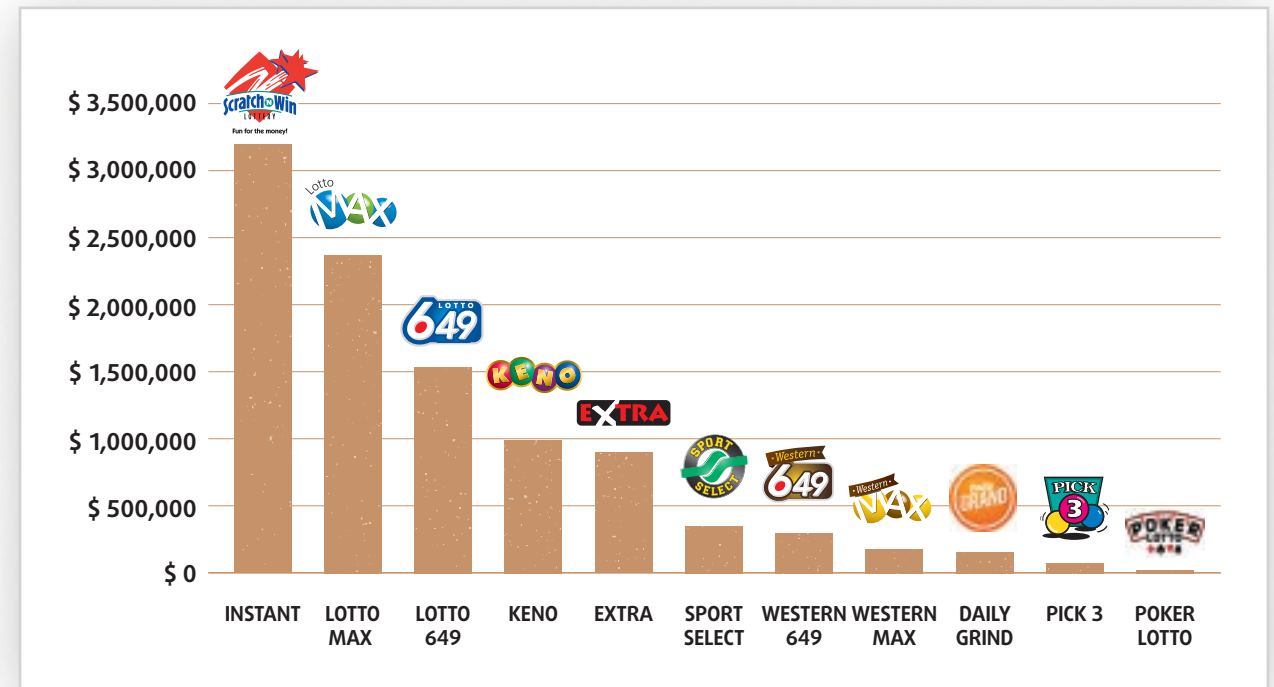


SALES

In fiscal 2016/17, Yukon achieved their second highest year of lottery ticket sales of 10.1 million dollars. Sales were down approximately 6% (\$600,000) from the previous record breaking year. This reduction can be attributed to a lower roll pattern for Lotto Max and Lotto 6/49 jackpots. Scratch'N Win sales continue to increase marginally in Yukon.

A new national lottery game, Daily Grand, was launched in October 2016 along with a new regional game, Poker Lotto, which was introduced in March 2017.

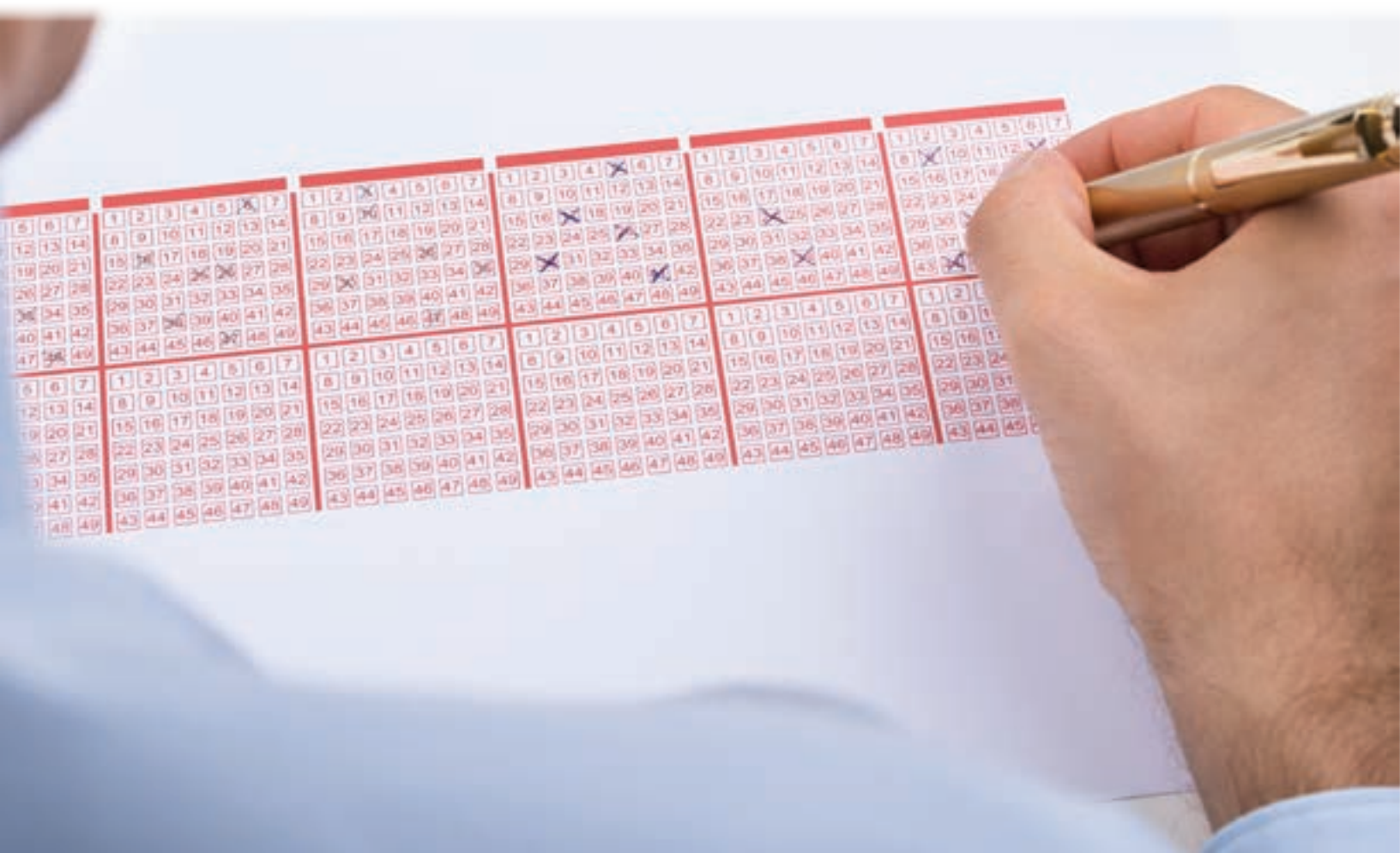
2016/17 SALES BY GAME



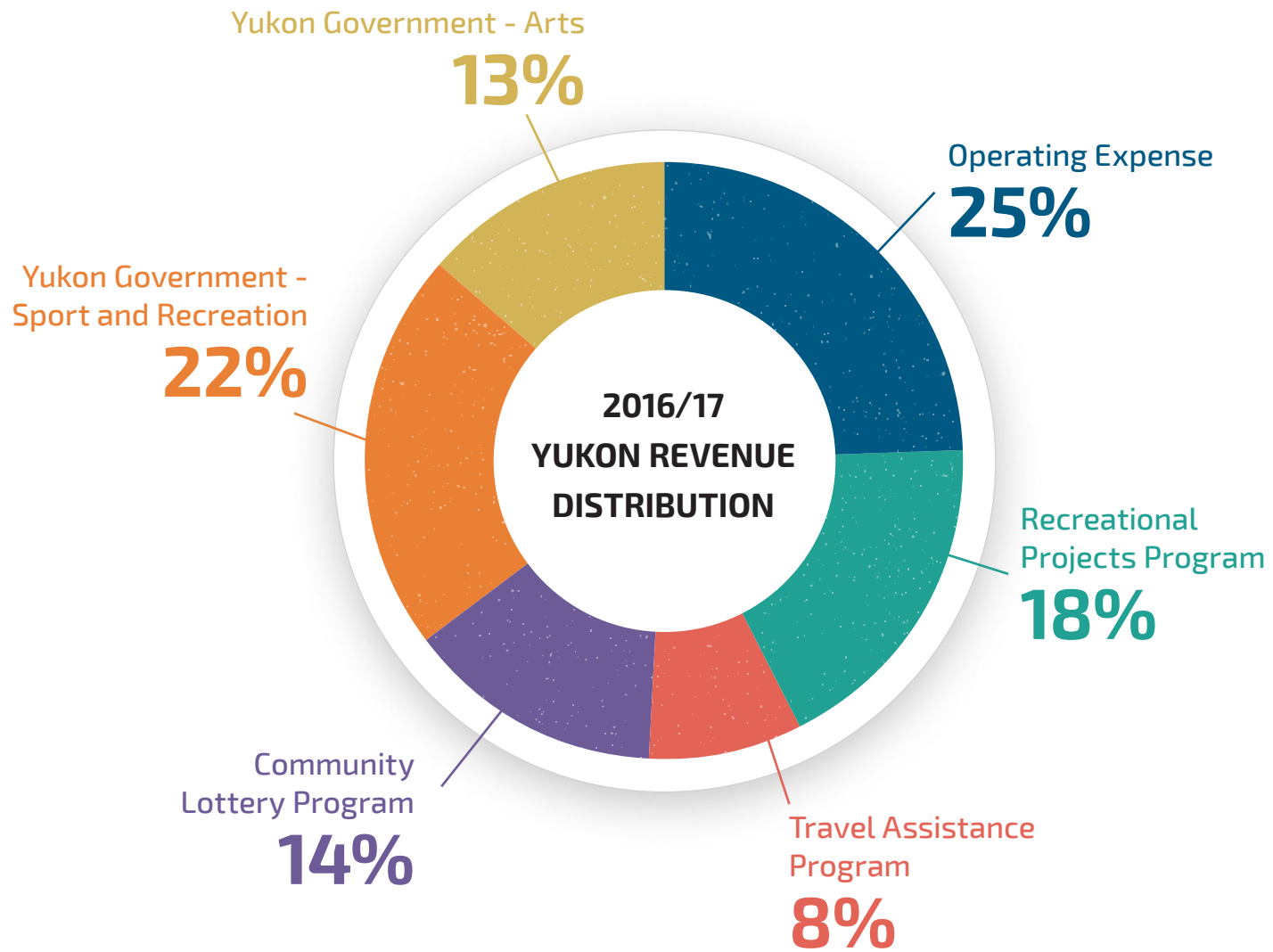
YUKON SALES BY GAME - FIVE YEAR COMPARISON

	2016-17	2015-16	2014-15	2013-14	2012-13
INSTANT	\$3,195,063	\$ 3,100,417	\$ 3,027,977	\$ 2,793,445	\$ 2,690,205
LOTTO MAX	2,372,067	2,727,071	1,776,073	1,934,427	2,308,990
LOTTO 649	1,537,954	1,867,806	1,567,391	1,489,904	1,321,140
KENO	992,212	1,074,454	1,125,659	1,251,456	1,117,160
EXTRA	900,162	971,227	744,670	734,521	722,488
SPORT SELECT	354,503	385,206	354,599	434,724	392,649
WESTERN 649	302,916	334,644	332,684	325,603	301,767
WESTERN MAX ²	181,908	190,576	163,340	195,044	31,106
DAILY GRAND ³	159,226	-	-	-	-
PICK 3	78,541	63,779	63,427	93,127	70,424
POKER LOTTO ⁴	26,220	-	-	-	-
PAYDAY ¹	-	-	-	-	16,270
TOTAL SALES	\$10,100,772	\$ 10,715,180	\$ 9,155,820	\$ 9,252,251	\$ 8,972,199
Sales Comparison to Prior Year	(614,408)	1,559,360	(96,431)	280,052	575,743
Percentage Comparison	-6%	17%	-1%	3%	7%
Number of Retailers	35	36	36	33	33

¹ Payday was discontinued in January 2013 ² Western Max was launched in March 2013 ³ Daily Grand launched October 2016 ⁴ Poker Lotto launched March 2017



REVENUE DISTRIBUTION



DISTRIBUTION OF YUKON REVENUE

Lottery ticket revenue is distributed through three Yukon Lottery Commission funding programs — the Recreational Projects Program, the Travel Assistance Program, and the Community Lottery Program. The Yukon Lottery Commission, through a Partnership Memorandum of Understanding, also shares revenue with the Yukon government department of Tourism and Culture (Cultural Services Branch) and the department of Community Services (Sport and Recreation Branch).



YUKON LOTTERY COMMISSION FUNDING PROGRAMS

2016/17 Approved Funding

YLC FUNDING PROGRAMS

Total Contributions to Communities / Applicants	\$ 1,190,598
Total YLC Administered Contributions	\$ 1,190,598

YUKON GOVERNMENT REVENUE SHARING

Cultural Services Branch Yukon Arts Advisory Committee (YAAC)	
Total Cultural Services Branch	\$ 394,255
Sport & Recreation Branch Yukon Sport & Recreation Advisory Committee (YRAC)	
Total Sport & Recreation Branch	\$ 643,259
Total Funds Released to Yukon Government	\$ 1,037,514
Total Funding Approved / Shared	\$ 2,228,112
Unclaimed Contributions	\$ 81,409
Total Contributions / Funds Released 2016/17	\$ 2,146,703

Yukon Orienteering were recipients of the Travel Assistance Program in 2016/17.

OVER \$2,228,000

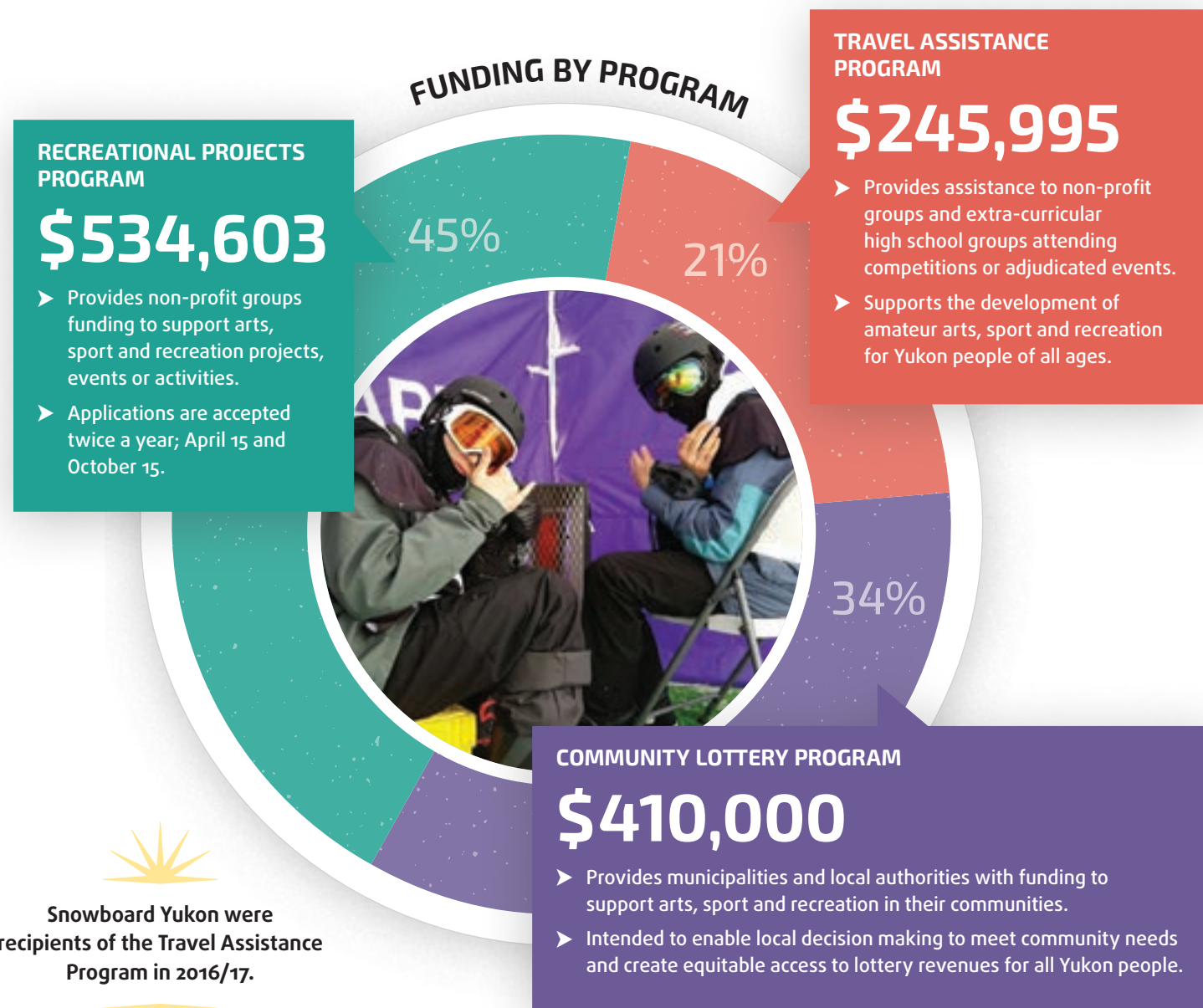
approved funding in 2016/17.

YLC FUNDING PROGRAMS

The Yukon Lottery Commission's legislated mandate provides for programming focused on arts, sport and recreation.

These funding programs are intended to:

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



YUKON LOTTERY COMMISSION FUNDING PROGRAMS 2016/17 Approved Funding*

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT
Beaver Creek	Beaver Creek Community Club	CLP	\$ 10,250
Burwash Landing	Burwash Landing Recreation Committee	CLP	10,250
Carcross	Carcross Recreation Board	CLP	16,400
Carmacks	Village of Carmacks	CLP	16,400
Dawson City	City of Dawson	CLP	32,800
	Dawson City Fastball Association	TAP	2,044
	Dawson City Golf Association	RPP	8,000
	Dawson City Music Festival	RPP	5,398
	Dawson City Ski	RPP	9,000
	North Klondyke Highway Music Society	RPP	1,600
			58,842
Faro	Town of Faro	CLP	12,300
Haines Junction	Village of Haines Junction	CLP	20,500
Keno	Keno Community Club	CLP	6,150
Lorne Mountain	Lorne Mountain Community Association	CLP	12,300
Marsh Lake	Marsh Lake Community Society	CLP	16,400
Mayo	Village of Mayo	CLP	12,300
Old Crow	Vuntut Gwitchin First Nation	CLP	12,300
Pelly Crossing	Selkirk First Nation	CLP	12,300
Ross River	Ross River Recreation Society	CLP	12,300
Tagish	Tagish Community Association	CLP	12,300
Teslin	Village of Teslin	CLP	12,300
	Teslin Recreation Society	RPP	7,894
			20,194
Upper Liard	Liard First Nation	CLP	10,250
Watson Lake	Town of Watson Lake	CLP	24,600
	Watson Lake Outdoor Recreation Society	RPP	7,843
	Watson Lake Silvertip Oldtimer Hockey	TAP	1,362
	Watson Lake Ski Club	RPP	3,624
			37,429

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

Lotteries Yukon delivers three different funding programs:

- TAP**
Travel Assistance Program
- CLP**
Community Lottery Program
- RPP**
Recreational Projects Program



Judo Yukon were recipients of the Travel Assistance Program in 2016/17.

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT
Whitehorse	City of Whitehorse	CLP	147,600
	Arctic Edge Skating Club	TAP	2,800
	Arctic Edge Skating Club	RPP	8,882
	Contagious Mountain Bike Club	RPP	7,291
	Dog Powered Sports Association of Yukon	RPP	6,388
	FH Collins Secondary School	TAP	5,693
	Freedom Trails Therapeutic Riding Association	RPP	1,800
	Friends of Mount Sima Society	RPP	50,000
	Golden Age Society	RPP	2,941
	Heart of Riverdale Community Centre	RPP	17,257
	Klondike Highland Dance Club	TAP	800
	Mountain View Golf Club	RPP	8,316
	Options for Independence Society	RPP	3,354
	Polarettes and Polar Tumblers Gymnastics Club	TAP	5,400
	Porter Creek Secondary School	TAP	6,628
	U Kon Echelon Biking Club	TAP	3,000
	Vanier Catholic Secondary School	TAP	7,644
	Whitehorse Archery	RPP	8,000
	Whitehorse Curling Club	TAP	1,800
	Whitehorse Curling Club	RPP	7,964
	Whitehorse Glacier Bears Swim Club	TAP	10,932
	Whitehorse Minor Hockey Association	TAP	7,320
	Whitehorse Minor Soccer Association	TAP	5,800
	Whitehorse Oldtimers Hockey Association	TAP	4,400
	Whitehorse Women's Hockey Association	TAP	5,327
	Whitehorse Women's Hockey Association	RPP	3,000
	Yukon Dance Festival Society	TAP	1,600
	Yukon Horse and Rider Association	RPP	6,396
	Yukon Roller Girls	TAP	2,800

1,088

Number of participants provided with Travel Assistance Program funding in 2016/17.

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT
Yukon	Alpine Ski Association of Yukon	TAP	5,600
	Athletics Yukon	TAP	20,417
	Athletics Yukon	RPP	2,953
	Basketball Yukon	TAP	14,100
	Biathlon Yukon	TAP	4,400
	Blue Feather Music Society	RPP	25,339
	Breakdancing Yukon Society	RPP	15,762
	Climb Yukon Association	TAP	3,800
	Cross Country Yukon	RPP	8,890
	Guild Society	RPP	11,700
	Gwaandak Theatre Society	RPP	12,800
	Judo Yukon	TAP	8,830
	Judo Yukon	RPP	14,950
	Learning Disabilities Association of Yukon	RPP	10,000
	Music Yukon	RPP	24,300
	Nakai Theatre	RPP	21,286
	Ramschackle Theatre	RPP	8,431
	Skookum Jim Friendship Centre	RPP	4,334
	Snowboard Yukon	TAP	1,600
	Snowsculpture Yukon	RPP	12,500
	Society of Yukon Bird Observatories	RPP	1,546
	Sundog Acoustic Music Society	RPP	14,164
	Synchro Yukon	TAP	2,600
	Table Tennis Yukon	TAP	2,571
	Table Tennis Yukon	RPP	7,913
	Tennis Yukon	TAP	600
	Volleyball Yukon	TAP	30,399
	Yukon Aboriginal Sport Circle	TAP	800
	Yukon Amateur Hockey Association	TAP	21,276
	Yukon Art Society	RPP	13,052
	Yukon Bluegrass Music Society	RPP	10,300
	Yukon Comic Culture Society	RPP	21,016
	Yukon Curling Association	TAP	4,200
	Yukon Dog Musers	TAP	386
	Yukon Film Society	RPP	15,630
	Yukon First Nations Culture and Tourism Assoc.	RPP	25,058
	Yukon Freestyle Ski Association	TAP	3,800
	Yukon Freestyle Ski Association	RPP	8,475
	Yukon Golf Association	TAP	600
	Yukon Medieval Combat Association	TAP	1,200
Yukon Medieval Combat Association	RPP	6,298	
Yukon Music Camp Society	RPP	18,000	
Yukon Orienteering Association	TAP	1,400	
Yukon Quest International Association	RPP	16,575	
Yukon Soccer Association	TAP	42,065	
Yukon Sourdough Rendezvous Society	RPP	28,383	
			530,299

46

Number of Yukon non-profit groups who received Recreational Projects Program funding in 2016/17.

19

Number of Yukon communities allocated Community Lottery Program funding in 2016/17.

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

REVENUE SHARING

Lottery revenues supplement Yukon government funding for arts, sport and recreation.

ARTS

\$394,255

Lottery revenues to 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.
- ▶ The Yukon Arts Advisory Council (YAAC) makes 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.

SPORT AND RECREATION

\$643,259

Lottery revenues to Yukon government for sport and recreation are provided for under the *Public Lottery Regulations* and the *Recreation Act*.

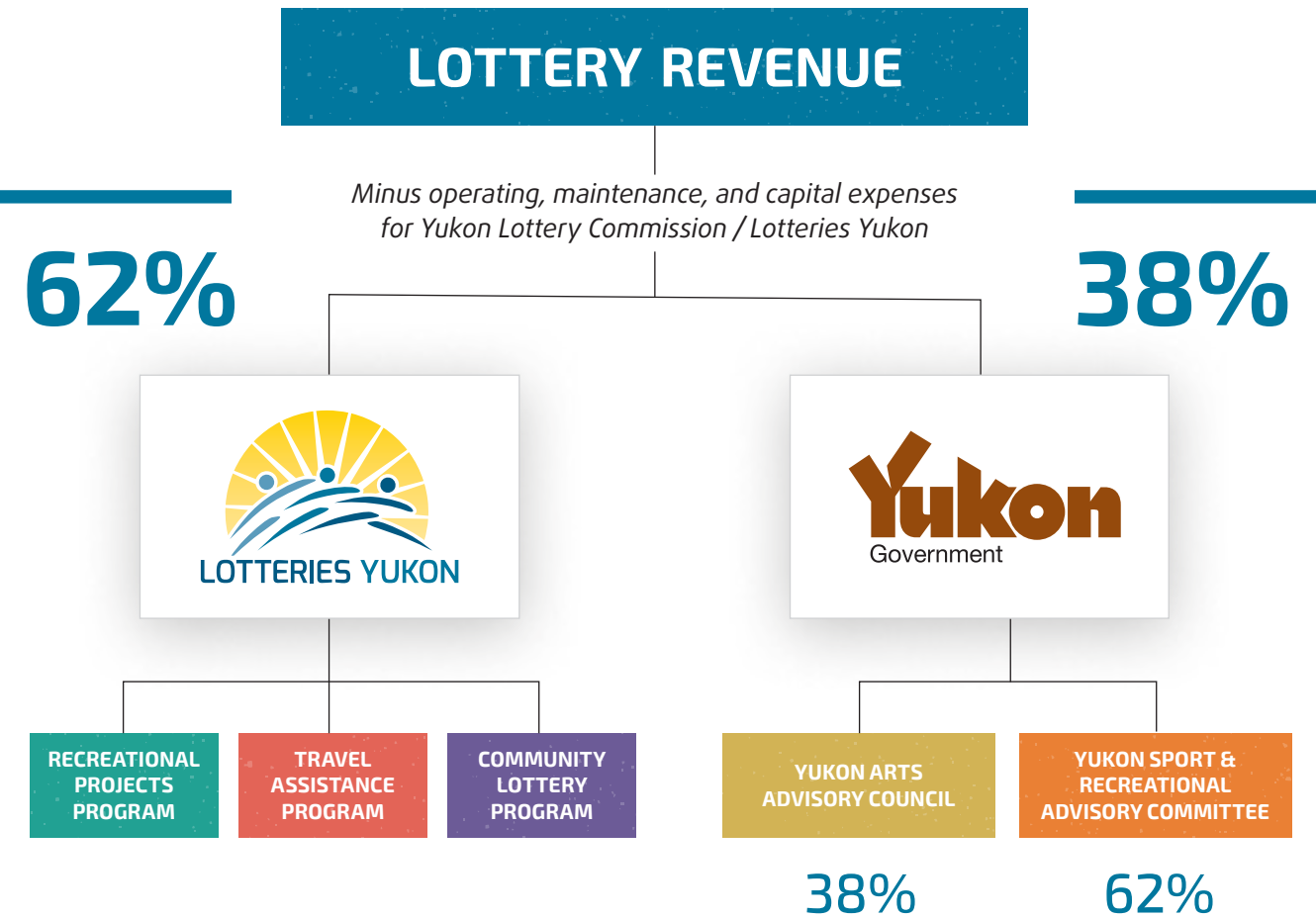
- ▶ Programs are administered by the department of Community Services (Sport and Recreation Branch).
- ▶ The Yukon Recreation Advisory Committee (YRAC) makes recommendations on funding applications to the Minister of Community Services.
- ▶ Lottery revenues contribute to funding programs for sport governing bodies, recreation groups, high performance athletes and officials, and Sport Yukon.

Revenue sharing with Yukon Tourism and Culture supports programming such as the Yukon Circus Society.



Revenue sharing with Yukon Community Services (YRAC) supports sport groups such as Yukon Echelon

YUKON LOTTERY COMMISSION REVENUE SHARING MODEL



Yukon Lottery Commission
Financial Statements
March 31, 2017

Yukon Lottery Commission

Financial Statements

March 31, 2017

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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 Professional Accountants, the Commission's auditors. Their report outlines the scope of their examination and their opinion on the financial statements.


Colin Paul
General Manager
July 27, 2017



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, 2017, and the statements of comprehensive 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, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Whitehorse, Canada
July 27, 2017


Chartered Professional Accountants

Yukon Lottery Commission

Statement of Comprehensive Income

For the year ended March 31,	2017	2016
Revenue		
Commissions - Western Canada Lottery Corporation	\$ 3,273,838	\$ 3,490,195
Break-open Tickets (schedule 1)	108,223	159,990
Interest income	71,093	53,980
Terminals	9,685	9,860
	3,462,839	3,714,025
Administration expenses		
Break-open Tickets (schedule 1)	60,696	54,605
Advertising and promotion	8,107	9,088
Amortization	11,257	19,619
Miscellaneous	-	147
Office	7,379	8,692
Postage and courier	596	62
Professional and consulting fees	50,443	14,394
Public relations	4,408	3,308
Rent	80,049	80,206
Repairs and maintenance	9,388	8,905
Telephone and utilities	9,560	9,278
Travel and training	7,284	13,283
Wages and benefits	438,057	402,583
	687,224	624,170
	2,775,615	3,089,855
Commission meeting and program expenditures		
Anniversary - 40th	-	138
Directors' honoraria, travel and meetings	23,472	23,178
Retailer incentive	14,200	19,699
	37,672	43,015
Excess of revenue over expenditures before transfer payments	2,737,943	3,046,840
Transfer payments (note 11)	2,146,703	2,100,358
Excess of revenue over expenditures being comprehensive income	\$ 591,240	\$ 946,482

See accompanying notes

Yukon Lottery Commission

Statement of Changes in Equity

For the year ended March 31,	2017	2016
Retained earnings, beginning of year	\$ 4,654,166	\$ 3,707,684
Excess of revenue over expenditures being comprehensive income	591,240	946,482
Retained earnings, end of year	\$ 5,245,406	\$ 4,654,166

See accompanying notes

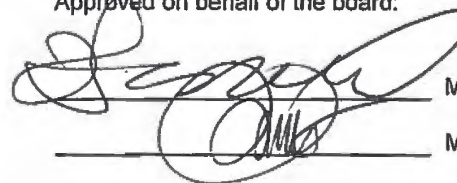

Yukon Lottery Commission

Statement of Financial Position

March 31,	2017	2016
Assets		
Current		
Cash (note 4)	\$ 466	\$ 144
Funds held in trust (notes 4 and 5)	6,604,210	6,374,223
Trade receivables (note 6)	523,439	472,708
Inventory	11,572	9,380
Prepaid expenses	16,131	7,305
	7,155,818	6,863,760
Property and equipment (note 7)	50,594	62,878
	\$ 7,206,412	\$ 6,926,638
Liabilities		
Current		
Trade payables and accruals (note 8)	\$ 243,028	\$ 219,649
Provision, committed to Yukon Government (note 12)	1,304,174	1,620,559
Provision, committed transfer payments (note 9)	413,804	432,264
	1,961,006	2,272,472
Shareholders' equity		
Retained earnings (note 13)	5,245,406	4,654,166
	\$ 7,206,412	\$ 6,926,638

Commitments and contingencies (note 10)

Approved on behalf of the board:

 Member
 Member

See accompanying notes

Yukon Lottery Commission

Statement of Cash Flows

For the year ended March 31,	2017	2016
Cash provided by (used for)		
Operating activities		
Excess of revenue over expenditures being comprehensive income	\$ 591,240	\$ 946,482
Items not affecting cash		
Amortization	12,284	21,368
Interest income	(71,093)	(53,980)
	532,431	913,870
Change in non-cash working capital items		
Trade receivables	(50,731)	62,025
Inventory	(2,192)	(4,524)
Prepaid expenses	(8,826)	4,791
Trade payables and accruals	23,379	(28,900)
Provision, committed to Yukon Government	(316,385)	252,915
Provision, committed transfer payments	(18,460)	23,975
	159,216	1,224,152
Investing activities		
Purchase of property and equipment	-	(4,486)
Interest Income	71,093	53,980
	71,093	49,494
Increase in cash	230,309	1,273,646
Cash, beginning of year	6,374,367	5,100,721
Cash, end of year	\$ 6,604,676	\$ 6,374,367
Cash consists of:		
Cash	\$ 466	\$ 144
Funds held in trust	6,604,210	6,374,223
	\$ 6,604,676	\$ 6,374,367

See accompanying notes

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2017

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 interjurisdictional 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 27, 2017.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

The following new and amended standards were adopted by the Commission effective April 1, 2016:

(a) Amendments to IAS 16 - Clarification of Acceptable Methods of Depreciation and Amortization

During the year, the Commission implemented the amendments to IAS 16. This prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment. The Commission does not use a revenue-based depreciation method. Consequently, there was no effect on the financial statements.

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2017

3. Significant accounting policies

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

(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

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2017

3. Significant accounting policies (continued)

(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.

(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

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2017

3. Significant accounting policies (continued)

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.

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

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2017

3. Significant accounting policies (continued)

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.

(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.

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2017

3. Significant accounting policies (continued)

(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.

(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, 2018 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.

Amendments to IAS 7 - Statement of Cash Flows

These amendments (Disclosure Initiative) require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This standard is effective for reporting periods beginning on or after January 1, 2017, with earlier application permitted.

The Commission is currently evaluating the impact of these two standards on its financial statements.

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2017

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 is all, or substantially all, due from Western Canada Lottery Corporation.

7. Property and equipment

	2017				
	Furniture and equipment	Leasehold improvements	Computer hardware	Artwork	Total
Cost					
Opening	\$ 99,906	\$ 76,391	\$ 58,826	\$ 26,275	\$ 261,398
Closing	99,906	76,391	58,826	26,275	261,398
Accumulated amortization					
Opening	73,906	70,815	53,799	-	198,520
Provision	5,200	5,576	1,508	-	12,284
Closing	79,106	76,391	55,307	-	210,804
Net book value	\$ 20,800	\$ -	\$ 3,519	\$ 26,275	\$ 50,594

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2017

7. Property and equipment (continued)

	2016				
	Furniture and equipment	Leasehold improvements	Computer hardware	Artwork	Total
Cost					
Opening	\$ 99,906	\$ 76,391	\$ 55,081	\$ 25,525	\$ 256,903
Additions	-	-	3,745	750	4,495
Closing	99,906	76,391	58,826	26,275	261,398
Accumulated amortization					
Opening	67,396	57,434	52,313	-	177,143
Provision	6,510	13,381	1,486	-	21,377
Closing	73,906	70,815	53,799	-	198,520
Net book value	\$ 26,000	\$ 5,576	\$ 5,027	\$ 26,275	\$ 62,878

8. Trade payables and accruals

Included in trade payables and accruals are the following:

	2017	2016
Trade payables and accruals	\$ 23,578	\$ 30,660
Due to Yukon Government, a related party, for wages payable	62,681	44,867
Accrued employee termination benefits	156,769	144,122
	\$ 243,028	\$ 219,649

9. Provision, committed transfer payments

	2017	2016
Provision, opening	\$ 432,264	\$ 408,289
Additions	1,190,598	1,150,972
Paid during the year	(1,127,649)	(1,003,782)
Unclaimed	(81,409)	(123,215)
	\$ 413,804	\$ 432,264

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2017

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:

April 1, 2017 to March 31, 2018	\$ 87,355
April 1, 2018 to August 31, 2018	36,398
	<u>\$ 123,753</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.

11. Transfer payments

	2017	2016
Recreational Projects	\$ 534,603	\$ 511,185
Travel Assistance Program	245,995	227,737
Community Lottery Program	410,000	412,050
Unclaimed funds	(81,409)	(123,215)
Yukon Government - YRAC/YAAC (note 12)	1,037,514	1,072,601
	<u>\$ 2,146,703</u>	<u>\$ 2,100,358</u>

12. Provision, committed to Yukon Government

	2017	2016
Excess of revenue over expenditures before transfer payments	\$ 2,737,942	\$ 3,046,840
Add: 40th Anniversary expenditures	-	138
Less: Break-open net income (schedule 1)	(47,527)	(105,385)
	<u>2,690,415</u>	<u>2,941,593</u>
Change in contingencies reserve (prior year less current year)	39,884	(118,959)
	<u>39,884</u>	<u>(118,959)</u>
Total revenue available for distribution	<u>\$ 2,730,299</u>	<u>\$ 2,822,634</u>

Yukon Lottery Commission

Notes to the Financial Statements

March 31, 2017

12. Provision, committed to Yukon Government (continued)

	2017	2016
Total revenue available for distribution (from above)	\$ 2,730,299	\$ 2,822,634
Less: Available for Yukon Lottery Commission (62%)	(1,692,785)	(1,750,033)
Total available for Yukon Government (38%)	<u>\$ 1,037,514</u>	<u>\$ 1,072,601</u>

	2017	2016
Sport and Recreation Branch (62%)	\$ 643,259	\$ 665,013
Cultural Services Branch (38%)	394,255	407,588

Total transfer payments to Yukon Government	<u>\$ 1,037,514</u>	<u>\$ 1,072,601</u>
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	2017	2016
Provision, opening	\$ 1,620,559	\$ 1,367,644
Additions	1,037,514	1,072,601
Paid during the year	(1,353,899)	(819,686)
Provision, closing	<u>\$ 1,304,174</u>	<u>\$ 1,620,559</u>

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 \$2,257,442 (2016 - \$2,292,697) to provide for contingencies, to maintain funding levels for the Commission's funding programs, and for partnership strategic initiatives. 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 \$478,037 (2016 - \$438,464).

During the year, the Commission committed \$1,037,514 (2016 - \$1,072,601) and paid out \$1,353,899 (2016 - \$819,686) to Yukon Government.

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

March 31, 2017

15. Key management compensation

During the year, key management compensation totaled \$162,510 (2016 - \$161,566). Key management compensation include the General Manager's salaries and benefits and all board members' honoraria.

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 \$523,439 (2016 - \$472,708), 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 \$33,000 in 2017.

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

For the year ended March 31,

Schedule of Break-open Tickets**Schedule 1**

	2017	2016
Revenue		
Commission - break-open tickets	\$ 108,223	\$ 159,990
Expenses		
Advertising and promotion	740	819
Amortization	1,027	1,749
Directors' honoraria, travel and meetings	2,142	2,066
Miscellaneous	-	13
Office supplies	675	772
Postage and freight	54	6
Professional and consulting fees	4,604	1,283
Public relations	402	307
Rent	7,306	7,149
Repairs and maintenance	857	794
Retailer incentive	1,372	1,755
Telephone	872	827
Training	328	544
Travel	337	640
Wages and benefits	39,980	35,881
	60,696	54,605
Excess of revenue over expenditures	\$ 47,527	\$ 105,385

Yukon Lottery Commission
Schedule of Capital Management of Retained Earnings

Schedule 2

For the year ended March 31, 2017 2016

	Operating Surplus	Invested in Capital Assets	Working Capital	Contingencies	Recreational Projects Program	Community Lottery Program	Travel Assistance Program	Partnership Strategic Initiatives	Total
Balance, beginning of year	\$ 2,361,469	\$ 62,890	\$ 100,000	\$ 710,807	\$ 980,321	\$ 30,176	\$ 47,115	\$ 361,388	\$ 4,654,166
Excess of revenue over expenditures before transfer payments	2,690,416	-	-	-	-	-	-	47,527	2,737,943
Balance before transfer payments	5,051,885	62,890	100,000	710,807	980,321	30,176	47,115	408,915	7,392,109
Transfer payments	(1,982,117)	-	-	-	-	-	(245,995)	-	(2,228,112)
Unclaimed funds	39,765	-	-	-	-	17,527	24,117	-	81,409
Transfer payments (note 11)	(1,942,352)	-	-	-	-	17,527	(221,878)	-	(2,146,703)
Amortization	3,109,533	62,890	100,000	710,807	980,321	47,703	(174,763)	408,915	5,245,406
Investment in Capital Assets	11,257	(12,284)	-	-	-	-	-	1,027	-
Transfers to reserves	(202,886)	-	-	-	-	-	-	-	-
Transfers from reserves	70,060	-	-	(39,884)	-	(30,176)	202,886	-	-
Balance, end of year	\$ 2,987,964	\$ 50,606	\$ 100,000	\$ 670,923	\$ 980,321	\$ 17,527	\$ 28,123	\$ 409,942	\$ 5,245,406
									\$ 4,654,166



Athletics Yukon were recipients of the Travel Assistance Program in 2016/17.



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