

ACCOUNT NO.

NAME

TERMS

ADDRESS

RATING

CREDIT LIMIT

Manitoba Lotteries Commission

ITEMS

ACCT.

DEBIT

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CREDIT

BALANCE



Annual Report 1977/78

BOARD OF DIRECTORS

D. Perfumo - Chairman
F. Law - Vice Chairman
K. Dyck
E.J. Bloomer

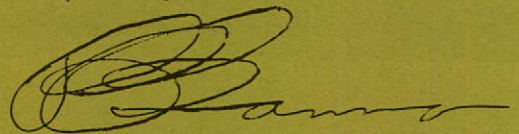
EXECUTIVE DIRECTOR

Don Fletcher

His Honour Francis L. Jobin
Lieutenant Governor of the
Province of Manitoba.

I have the honour to submit the
Annual Report of the Manitoba
Lotteries Commission for the year
ended March 31, 1978.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'R. Banman', with a stylized, flowing script.

Honourable R. Banman
Minister of Fitness, Recreation
and Sport, and
Minister responsible for the
administration of the Manitoba
Lotteries Act.

“Where Manitobans Win All Ways . . .”

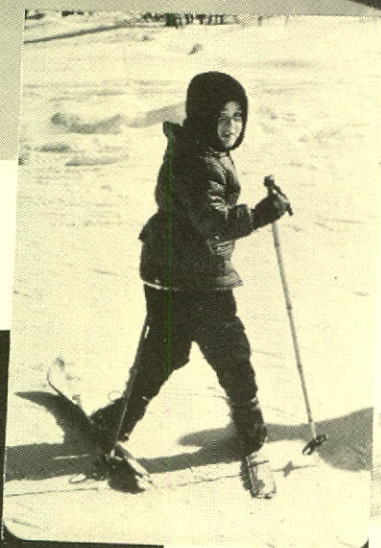
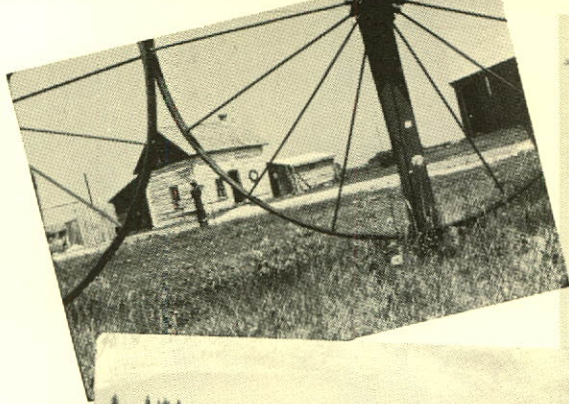
Revenue from the sale of the Western Express and the Provincial lottery tickets in Manitoba stays in Manitoba. The Provincial Government uses the funds to help finance a wide variety of cultural and recreational activities as provided in the Lotteries Act. With revenue realized from the sale of lottery tickets, the Province has greatly enhanced its capability to develop culture, recreation and sport.

During the 1977-78 fiscal year, lottery revenues transferred to the Province of Manitoba Consolidated Trust Fund were allocated 75% to the Department of Tourism, Recreation and Cultural Affairs' Cultural and Recreational Development Fund, and 25% to the Department of Health and Social Development, Fitness and Amateur Sport Branch. These funds are intended to be allocated by the Departments to assist projects and activities located throughout Manitoba. In excess of \$1.5 million of lottery revenue was expended by the two Departments this year to assist culture, recreation and sport.

Within the City of Winnipeg, the Department of Tourism, Recreation and Cultural Affairs provided substantial funding from lottery profits during the year. In addition to the grant to the City of Winnipeg which helped to support the city's cultural and recreational programs, grants were also made directly to the Winnipeg Centennial Folk Festival and the Winnipeg Symphony Orchestra. Of the total grants paid by the Department of Tourism, Recreation and Cultural Affairs from lottery revenues in 1977-78, approximately 30% were paid to support activities within Winnipeg.

Rural Manitoba was the beneficiary of approximately 70% of the total grants paid by the Department of Tourism, Recreation and Cultural Affairs from lottery revenue in 1977-78. Seven local government districts, forty-two rural municipalities, four towns, seven villages, and thirty-three remote communities received grants to assist recreational and cultural programs and special projects. The Interlake Festival and Dance Canada also received financial support.

Organized amateur sport in Manitoba received considerable benefit from grants paid by the Department of Health and Social Development, Fitness and Amateur Sport Branch, from lottery revenues in 1977-78. In addition to providing direct financial support to many recognized sport associations for special projects, leadership development and travel programs, lottery revenue grants provided the necessary funding to assist the Town of Dauphin in hosting the 1978 Manitoba Winter Games as well as having provided significant financial assistance to the thirteen Manitoba Games Regional Committees. The Manitoba Sports Federation, the Sports Injury Treatment Centre, the Canada Winter Games, the Ski Hill construction at Mount Agassiz, and many other projects were beneficiaries of lottery revenues.



PHOTOS COURTESY OF MANITOBA GOVERNMENT TRAVEL

Report from the Chairman

Change is the name of the lottery game. The marketplace demands that lottery products continually offer new and more exciting features to the consuming public. This past year ended March 31, 1978 was no exception.

In June, 1977 the popular Western Express \$1 lottery increased its grand prize fund to five \$100,000 prizes per bi-weekly draw. Over the year, ticket sales in the Express increased 15% from an average of 277,000 tickets per draw last year to an average of 319,000 tickets per draw this year.

Additionally the \$5 Provincial Millionaire lottery changed slightly by offering an overlapping monthly draw for six one million dollar prizes in September, 1977. Ticket sales increased dramatically on this monthly draw (65%) over the corresponding period.

Besides the changes in the products themselves, changes in the administration and in the profit sharing occurred as well. Beginning April, 1977 and finally concluding in June, 1977, the Manitoba Lotteries Commission, on behalf of the Government of Manitoba, negotiated an agreement with the Western Lottery — Manitoba Distributor Inc., the non-profit lottery distribution company, owned and operated by the Manitoba Arts Council, the Advisory Council on Fitness and Amateur Sport and the United Way of Winnipeg.

The nature of the agreement allowed the Western Lottery — Manitoba Distributor Inc., to obtain a higher profit from the sale of the \$5 Provincial lottery ticket, (the Manitoba Lotteries Commission would retain a gross profit of only 15¢ per ticket) in return for which the Western Lottery — Manitoba Distributor Inc., would assume all advertising and promotional expenses and responsibilities. Further, the Western Lottery — Manitoba Distributor Inc., was required to establish a fund of at least \$500,000 to ensure a financial base to offset any future potential liabilities. The agreement was intended to encourage increased sales of the \$5 ticket and to provide additional benefits to the Western Lottery — Manitoba Distributor Inc. constituent members. The members of the corporation agreed that these accrued benefits of their lottery operations will be firstly applied to current and past deficits of programs financed by the member organizations prior to financial support being

given to new programs of those recipient organizations with deficits.

As a result of these major changes in the profit sharing it is noted that the financial statement of the Manitoba Lotteries Commission shows a relatively stable position compared to the previous year.

However, the total profits to the citizens of Manitoba from participation in the Western Express and Provincial lottery products, when combining the financial pictures of both the Manitoba Lotteries Commission and the Western Lottery — Manitoba Distributor Inc., shows a major increase over the previous year. While the Manitoba Lotteries Commission's profits increased slightly to \$3,421,000 compared to the previous year's figure of \$3,214,000, the Western Lottery — Manitoba Distributor's profit increased dramatically from \$961,000 in 1976/77 to an excess of \$2,055,000 in 1977/78. Lottery profits between the two organizations in the year increased by 30% over the previous year's operations.

The continued success of these lottery products in Manitoba can be attributed to the

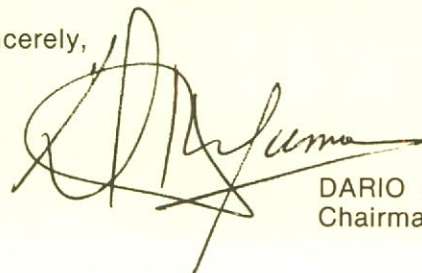
- continued confidence of the public in the integrity of the management and in the nature of those lottery products in which the Government is involved;
- the efficient and continued efforts of the partners involved to produce, market and distribute the type of lottery products that are acceptable to the public.

In addition, the people of Manitoba can be assured that besides being amongst the most efficient lottery operations in the country, the current lottery structure in Manitoba provides for 100% accountability of all aspects of the operations including

- ticket distribution and sales
- administration and management fees
- retained profits by the distributor and the Government of Manitoba.

On behalf of the Board of Directors and the staff of the Manitoba Lotteries Commission, I take great pleasure in presenting the 1977/78 Annual Report.

Sincerely,



DARIO J. PERFUMO
Chairman of the Board

Auditor's Report



MANITOBA

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

THE MANITOBA LOTTERIES COMMISSION AUDITOR'S REPORT

I report that the accounts and financial statements of The Manitoba Lotteries Commission have been examined under my direction for the fiscal year ended March 31, 1978. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the financial statements, being Exhibits A, B, C and Schedule 1, together with the notes thereto, present fairly the financial position of The Manitoba Lotteries Commission as at March 31, 1978 and the results of its operations for the year then ended. The financial statements were prepared on an accounting basis consistent with that of the preceding year and are in agreement with the books of the Commission.

W.K. Ziprick, C.A.,
Provincial Auditor

October 30, 1978
Winnipeg, Manitoba

Balance Sheet

as at March 31, 1978
(with 1977 figures for comparison)

Exhibit A

ASSETS	1978	1977
Cash.	\$ 527,160	\$ 386,684
Funds on deposit with the Minister of Finance, interest bearing (Note 2)	2,950,000	1,500,000
Accrued interest receivable	39,279	21,360
Accounts receivable:		
Western Canada Lottery Foundation	379,655	259,501
The Western Lottery — Manitoba Distributor Inc. .	-	445,060
Other	-	4,916
	<u>379,655</u>	<u>709,477</u>
Furnishings and equipment, at cost.	22,529	22,529
Less — Accumulated depreciation	<u>22,529</u>	<u>22,529</u>
	<u>-</u>	<u>-</u>
Capital contributed to the Western Canada Lottery Foundation.	100,000	100,000
	<u>\$ 3,996,094</u>	<u>\$ 2,717,521</u>
LIABILITIES		
Accounts payable and accrued liabilities:		
The Western Lottery — Manitoba Distributor Inc. .	\$ 151,583	\$ -
Other	<u>7,000</u>	<u>34,406</u>
	<u>158,583</u>	<u>34,406</u>
General Reserve, Exhibit B (Note 2)	<u>3,837,511</u>	<u>2,683,115</u>
	<u>\$ 3,996,094</u>	<u>\$ 2,717,521</u>

Statement of General Reserve

Exhibit B

for the year ended March 31, 1978
(with 1977 figures for comparison)

	1978	1977
Balance, beginning of year	\$ 2,683,115	\$ 1,062,221
Add:		
Excess of revenues over expenditures, Exhibit C. .	3,421,458	3,214,651
Book value adjustments on disposal of furnishings and equipment	-	8,625
	<u>3,421,458</u>	<u>3,223,276</u>
Deduct:		
Funds transferred to the Trust and Special Division of the Consolidated Fund for cultural and recreational purposes. These funds are administered by the Government and reported on in the Public Accounts of the Province	2,263,643	1,600,000
Adjustment of prior years' revenues and expenditures	3,419	2,382
	<u>2,267,062</u>	<u>1,602,382</u>
Balance, at end of year, Exhibit A	<u>\$ 3,837,511</u>	<u>\$ 2,683,115</u>

Statement of Revenue & Expenditures

for the year ended March 31, 1978
(with 1977 figures for comparison)

Exhibit C

	1978	1977
Revenues:		
Net ticket revenues, Schedule 1	\$ 3,214,222	\$ 3,200,478
Investment income (Note 2)	258,023	135,091
Miscellaneous income	364	362
Total net revenues	<u>3,472,609</u>	<u>3,335,931</u>
Expenditures:		
Advertising and promotion	4,238	65,837
Audit and accounting fees	8,410	4,894
Board members' fees and expenses	6,024	5,684
Cartage	514	911
Depreciation — furnishings and equipment	-	1,761
Equipment rentals and maintenance	585	457
Miscellaneous	4,140	1,649
Office and storage space rental	2,101	4,828
Office supplies	188	419
Postage, telephone and telex	544	626
Salaries	22,879	32,724
Travel	1,528	1,490
Total expenditures	<u>51,151</u>	<u>121,280</u>
Excess of revenues over expenditures, Exhibit B.	<u>\$ 3,421,458</u>	<u>\$ 3,214,651</u>

Schedule of Net Ticket Revenues

Schedule 1

for the year ended March 31, 1978 (Notes 1 and 3)
(with 1977 figures for comparison)

YEAR ENDED 1978

	Ticket Sales	Cost of Tickets Sold	Net Ticket Revenues
The Western Express Lottery:			
Draws (1978-26)	\$ 8,316,640	\$ 5,282,836	\$ 3,033,804
The Provincial Lottery:			
Draws (1978-10)	3,044,638	2,864,220	180,418
The Olympic Lottery:			
Draws (1978-Nil)	-	-	-
The Western Lottery:			
Series (1978-Nil)	-	-	-
	<u>\$11,361,278</u>	<u>\$ 8,147,056</u>	<u>\$ 3,214,222</u>

YEAR ENDED 1977

	Ticket Sales	Cost of Tickets Sold	Net Ticket Revenues
The Western Express Lottery:			
Draws (1977-26)	\$ 7,272,278	\$ 4,420,217	\$ 2,852,061
The Provincial Lottery:			
Draws (1977-4)	1,430,507	1,180,475	250,032
The Olympic Lottery:			
Draws (1977-2)	634,757	630,736	4,021
The Western Lottery:			
Series (1977-2)	333,651	239,287	94,364
	<u>\$ 9,671,193</u>	<u>\$ 6,470,715</u>	<u>\$ 3,200,478</u>

Notes to Financial Statements

March 31, 1978

1. The Provincial Lottery:

During the fiscal year ended March 31, 1978, the Provincial Lottery was changed from a bi-monthly to a monthly draw. The first monthly draw was held September 25, 1977.

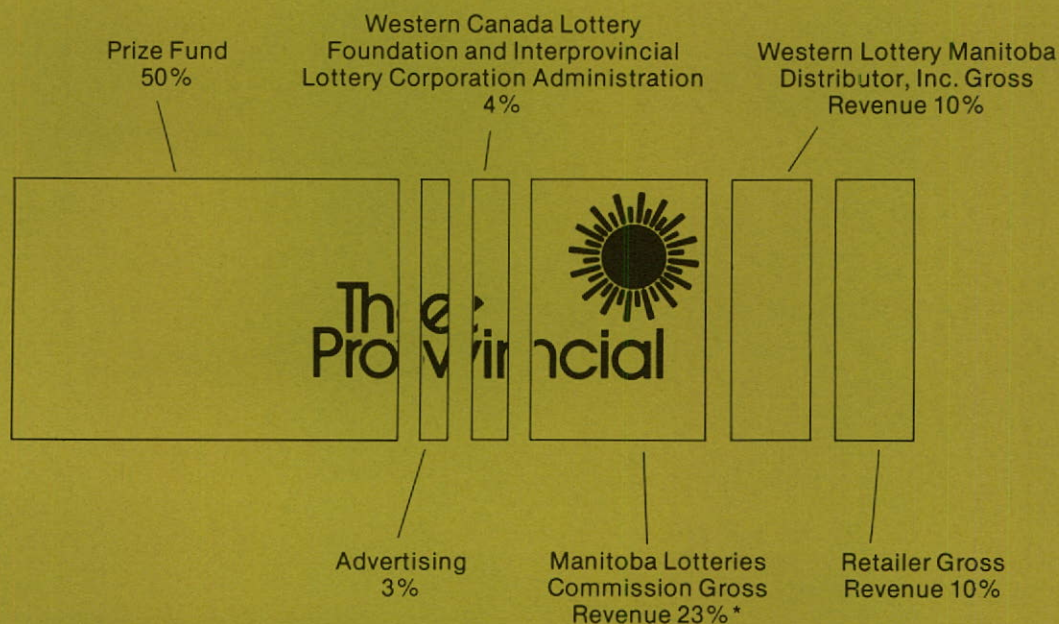
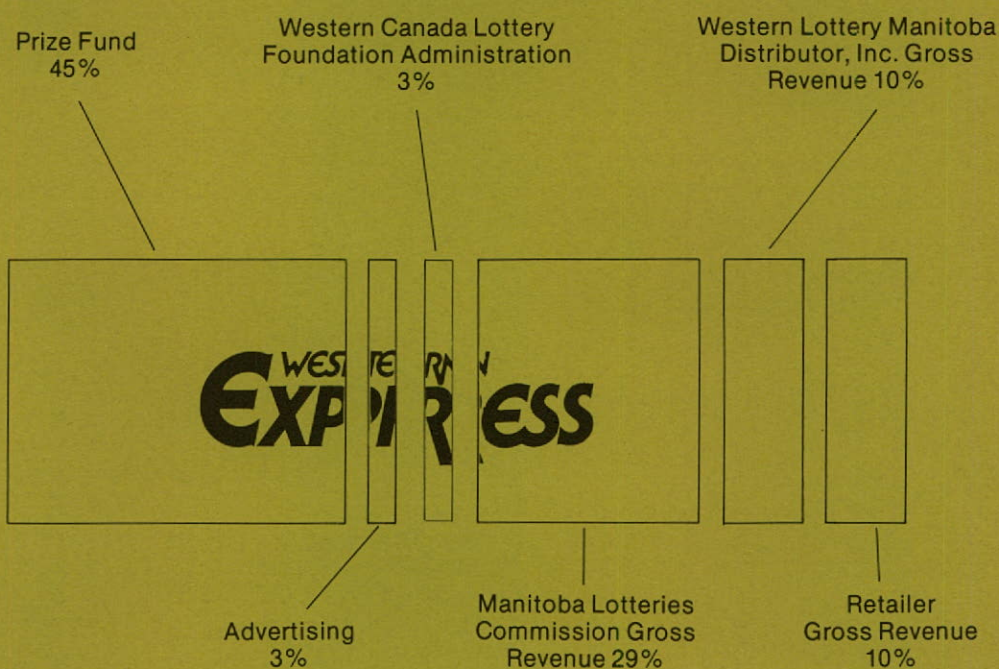
2. Interest on funds on deposit with the Minister of Finance:

Funds earned by the Commission are being held by the Government of the Province of Manitoba in two accounts, one of which is an interest bearing account. The interest bearing account will be discontinued when the present investments mature and those funds will be amalgamated into one non-interest bearing account.

3. Agreement with The Western Lottery — Manitoba Distributor Inc.:

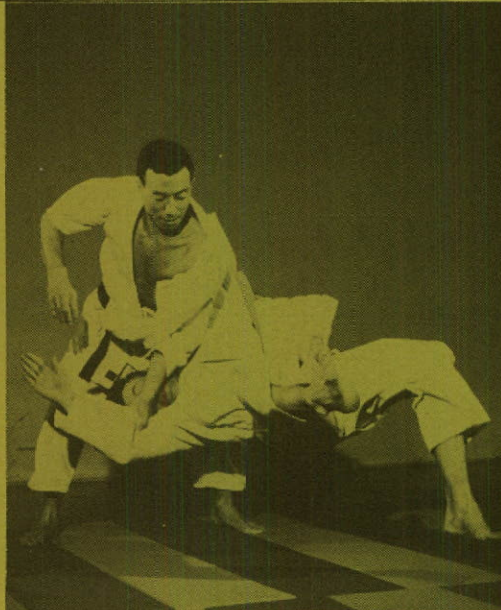
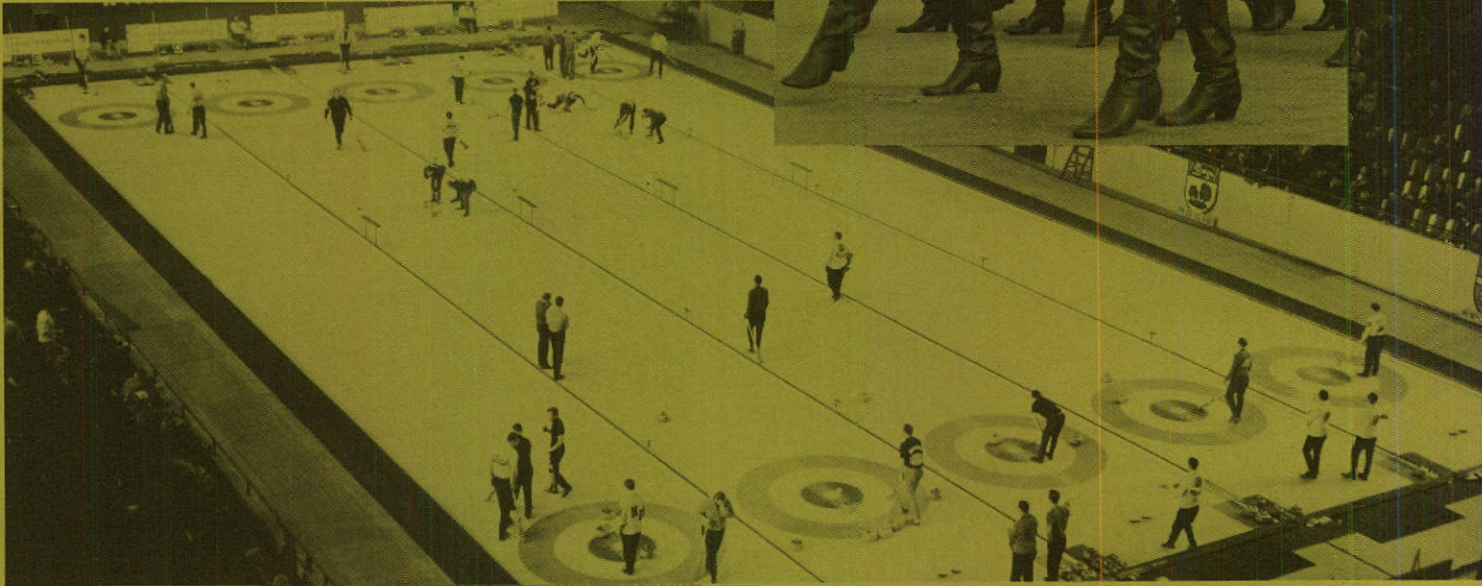
During the fiscal year ended March 31, 1978 the Commission entered into an agreement with The Western Lottery — Manitoba Distributor Inc., retroactive to January 1, 1977, to sell the Provincial Lottery ticket to the Distributor at a per ticket price that is equal to the per ticket cost to the Commission plus the sum of 15 cents. The effect of this agreement was a reduction in net ticket revenues to the Commission which amounted to approximately \$153,000 for three months in the fiscal year ended March 31, 1977 and approximately \$617,000 for twelve months for the year ended March 31, 1978.

The Lottery Ticket . . .



* By agreement the Manitoba Lotteries Commission rebates all profits on the Provincial to Western Lottery Manitoba Distributor, Inc. and retains only 15¢ or 3% per ticket.

NOTE: The above figures are approximate and may vary from time to time according to volumes of tickets sold.



PHOTOS COURTESY OF MANITOBA GOVERNMENT TRAVEL



**WESTERN
Express**
The Provincial

Manitoba Lotteries Commission