

# LGCA

LIQUOR, GAMING & CANNABIS  
AUTHORITY OF MANITOBA

ANNUAL REPORT  
2018/19

August 31, 2019

The Honourable Cliff Cullen  
Minister of Justice and Attorney General  
Room 104, Legislative Building  
450 Broadway  
Winnipeg, MB R3C 0V8

Dear Minister Cullen:

I am pleased to present you with the annual report of the Liquor, Gaming and Cannabis Authority of Manitoba for the fiscal year ended March 31, 2019.

Respectfully,



Bonnie Mitchelson  
Chair

## Board Members

**Bonnie  
Mitchelson**  
Chair  
Winnipeg

**Sheila  
Atkinson**  
Member  
Brandon

**Catherine C.  
Cronin**  
Member  
Winnipeg

**William  
Duff**  
Member  
Beausejour

**Stéphane  
Dorge**  
Vice-Chair  
Winnipeg

**Christine  
Payne**  
Member  
Winnipeg


**Loren  
Schinkel**  
Member  
Lac du Bonnet

As at March 31, 2019



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# Message from the Chair

This was a year of exceptional change across the country, as a result of the federal government's decision to legalize cannabis effective October 17, 2018. This significant public policy shift required the Manitoba government, along with all provincial and territorial governments, to establish a safe and secure framework for the sale of this long illegal product.

The Liquor and Gaming Authority of Manitoba saw its regulatory responsibilities expand with cannabis legalization, and we became the Liquor, Gaming and Cannabis Authority of Manitoba (LGCA). As we built the regulatory structure for non-medical cannabis, we were ever mindful of our government's priorities to keep cannabis out of the hands of youth; eliminate the illegal cannabis market; create new opportunities for entrepreneurs; and promote social responsibility and public education.

Our board is well aware of the time, research, thought and attention paid over the last few years to transition cannabis from an illegal substance to a legitimate consumer product. We wish to acknowledge the significant contributions of the LGCA's management and staff, legislative counsel, and colleagues from many Manitoba government departments and parallel regulators in other provinces, who worked together to establish a reasonable and practical regulatory system for the retail sale of cannabis.

We would also like to acknowledge and thank the LGCA's management and staff for their commitment and expertise in continuing to provide exemplary licensing and compliance services to our liquor and gaming licence and permit holders, while taking on the challenge of an additional regulated industry.

The federal government has indicated that edible, extract and topical cannabis will be authorized for retail sale before the end of 2019. Further, we are aware that our mandate may be expanded in the coming year to include the regulation of horse racing. As we move forward, we will continue to seek ways to reduce red tape, improve regulatory services, streamline our processes, and provide reasoned and informed advice to the government. We are also cognizant of the importance of renewing and transforming our funding model to ensure Manitobans continue to receive appropriate regulatory protection balanced with strong fiscal accountability.

As we evolve and take on new responsibilities, our board will continue to work with licensees and other stakeholders to meet our mandate in a respectful and balanced way.

Sincerely,

A handwritten signature in black ink that reads "Bonnie Mitchelson". The signature is fluid and cursive.

Bonnie Mitchelson  
Chair

# Remarks from the Executive Director and CEO



As noted by our Chair, the Liquor, Gaming and Cannabis Authority of Manitoba (LGCA) directed significant attention and resources this year to establishing a practical and stable regulatory structure for the retail sale of cannabis, while also continuing to provide comprehensive and consistent regulatory services for all products and services we oversee. The stories of these achievements are detailed in this report, together with a feature section on cannabis regulation beginning on page 10, and our financial statements beginning on page 24.

While the public's attention was focused on cannabis legalization in late 2018, the LGCA also was occupied with a longstanding co-location project that saw all of our Winnipeg operations move under one roof in December. This initiative finalized the amalgamation of liquor and gaming regulatory services to provide one-stop access in the capital region of Manitoba, reduce annual lease costs, and pave the way for further internal integration of our processes.

As a modern regulator, the LGCA has prioritized technology as a way to innovate services and broaden our information reach. MyLGCA.ca continues to grow as a hub for many licence and permit applicants and holders. By the end of this fiscal year, over half of the social occasion permit applications received by the LGCA were being submitted online, compared to just 3% when MyLGCA.ca launched in 2015. As well, we noted a significant increase in visits to our corporate website, LGCAMB.ca, in the lead-up to cannabis legalization, primarily as a result of our public education campaigns about the new laws and

lowering risks associated with cannabis use. We will continue to expand our online presence in 2019/20 with the addition of new service modules and online materials.

Reflecting upon our 2018/19 results, I am aware that it is important to look beyond our workplace to see how our work is valued and recognized by the broader community. In particular, I note that the Canadian Institute for Substance Use Research recognized the strength of the LGCA's risk-based licensing and enforcement program in early 2019. LGCA inspectors joined Red River Community College's faculty to deliver sections of its Cannabis 101 course in autumn 2018. Further, in an evaluation of the LGCA's Smart Choices Liquor and Gaming Responsible Service Certification, 92% of respondents said that the program is useful for working in the hospitality industry. Finally, the LGCA's cannabis public education campaigns received three international awards, and a nomination for Manitoba's Service Excellence Award for the LGCA's work on the cannabis file was pending on March 31.

To my LGCA colleagues, both management and staff, I express my appreciation for your excellent work during the year. Each of you bring skills, expertise and knowledge that contribute to the overall success of the LGCA and those we serve.

Regards,

A handwritten signature in black ink, appearing to read 'F.J.O. Josephson'. The signature is fluid and cursive, with a horizontal line underneath the name.

F.J.O. (Rick) Josephson  
Executive Director and CEO



# About the Liquor, Gaming and Cannabis Authority of Manitoba

The Liquor, Gaming and Cannabis Authority of Manitoba (LGCA) is created by The Liquor, Gaming and Cannabis Control Act (the Act), and with respect to its gaming accountabilities, as authorized by the Criminal Code (Canada). The Act and associated regulations establish and empower the LGCA to regulate liquor, gaming and cannabis in Manitoba.

The regulation of cannabis was added to our mandate on October 17, 2018, the date of the federal legalization of cannabis for

non-medical purposes. In response to the federal government's decision to legalize cannabis as a consumer product, The Safe and Responsible Retailing of Cannabis Act (Liquor and Gaming Control Act and Manitoba Liquor and Lotteries Corporation Act Amended) was tabled in the Manitoba Legislature on December 5, 2017, received Royal Assent on June 4, 2018, and was proclaimed October 17, 2018. This extended the former Liquor and Gaming Authority of Manitoba's regulatory mandate for liquor and gaming to include cannabis, and established the LGCA.

## Our Mandate

- Regulate persons who sell, serve or manufacture liquor
- Regulate gaming events and persons who are involved in gaming
- Regulate the integrity of lottery schemes
- Regulate persons who sell and distribute cannabis
- Provide information and advice to the minister about activities respecting liquor, gaming and cannabis

The LGCA also may develop, promote and support initiatives or programs to encourage the responsible consumption of liquor or cannabis, and responsible participation in gaming. We also may seek public input and conduct research on matters related to these products.

# 2018-2022 Strategic Plan

Several initiatives coincided with the extension of our regulatory oversight to cannabis. Foundationally, the board developed and launched a new strategic plan to set the LGCA's course as a changed organization. The plan articulates the LGCA's vision, mission and values, in recognition that liquor, gaming and now, cannabis are products deemed to require oversight that reflects Manitobans' expectations for public safety and consumer protection and education.

## Vision

To inspire confidence in the regulation of Manitoba's liquor, gaming and cannabis industries.

## Mission

To serve the public interest by regulating liquor, gaming and cannabis in a respectful, impartial and balanced manner.

## Values

- **Respect:** We promote a professional culture that recognizes the diversity of our staff and stakeholders.
- **Innovation:** We are flexible, forward-thinking and adaptive to the dynamic industries we regulate.
- **Integrity:** We hold ourselves to uncompromising ethical standards in all our interactions.
- **Balance:** We recognize our stakeholders' interests and are fair and impartial in carrying out our legislated mandate.
- **Accountability:** We deliver value to Manitobans by being open, transparent and effective in our work.

The strategic plan also sets four goals to provide direction and enable measurement of the LGCA's progress in providing service to all Manitobans and our regulated industries. Each goal's icon appears in this report to illustrate how our achievements link to these four strategic goals.



**Service Excellence:** Ensure all regulatory services are effective, streamlined and balance diverse stakeholders' needs with the public interest.



**Innovation:** Continually improve our services relevant to the changing environment through innovative and socially responsible policies and programs.



**Stewardship:** Ensure the LGCA's sustainability by being transparent, accountable and fiscally responsible.



**Our Team:** Develop and support an engaged, professional and collaborative team.

# Structure

The LGCA is led by a minimum seven-member board appointed by the Lieutenant-Governor-in-Council and reporting to the minister responsible for the Act. Ninety-one employees provide operations and ancillary services, led by a chief executive officer (CEO) who is also appointed as executive director in accordance with the Act.

We license and oversee liquor sales, service and manufacturing; gaming employees, products and operations; and retail cannabis stores, through the following structure:

## Operations

To increase efficiency and avoid duplication, the Operations Division is comprised of two units: licensing and compliance. These units provide complementary services to authorize and monitor the businesses, organizations, individuals and activities that operate in Manitoba's liquor, gaming and retail cannabis industries. This includes licensing and approving all regulated liquor, gaming and cannabis activities and equipment, and ensuring compliance with applicable legislation, regulations, and terms and conditions. Staff provide advice and assistance to applicants, licensees, permit holders, the general public and other stakeholders. They also respond to consumer complaints; conduct liquor, gaming and cannabis inspections, investigations and audits; mediate disputes; and recommend remedies and sanctions.

## Ancillary Services

Additional services are provided as authorized by the Act and in support of corporate and operational activities. Human resources services are provided within a specialized unit, and information technology (IT), corporate communications, policy and research activities are provided within the Corporate Services Division. Staff in this division also provide advice and services to the minister responsible for the Act, the board and senior management.

The Finance Division is responsible for the administration and management of the LGCA's financial activities, as required under Part 2 of the Act, including general accounting, budget planning, financial management and reporting; managing and safeguarding assets; borrowing and investing; and banking. This also includes accurately recording, consolidating and reporting the LGCA's financial activities to be presented for audit by the Office of the Auditor General of Manitoba. Complete financial statements for the year ended March 31, 2019, are published in this report beginning on page 24.





# Finances and Resources

In accordance with the Act, the LGCA may be funded by:

- fees received by the LGCA under the Act (e.g. licence and permit fees);
- amounts appropriated by the Manitoba legislature for the LGCA; and
- amounts that the LGCA, with the approval of Treasury Board, directs the Manitoba Liquor and Lotteries Corporation to pay to the LGCA.

The Act permits the LGCA to establish its own bank account and operating line of credit. Operational objectives and budget estimates are detailed in the annual business plan, which is approved by the board, reviewed by the minister responsible for the Act, and approved by Treasury Board.

During the year, the LGCA's planning and budgeting calendar was adjusted to align with that of the minister's primary department, Manitoba Justice. In keeping with the Manitoba government's commitment to fiscal accountability, the LGCA was integrated into the department's summary budgeting process for 2019/20 as part of Manitoba's fiscal focus beyond core government departments.

The Office of the Auditor General of Manitoba is appointed as the LGCA's auditor. In accordance with the Act, the LGCA's annual report is tabled by the minister in the Manitoba legislature, and is published in print and at LGCamb.ca.



A new corporate website, LGCamb.ca, was launched as a one-stop source of information about liquor, gaming and cannabis regulatory services.

## Hearings

The board conducts quasi-judicial hearings in response to licensing and compliance appeals made by applicants and stakeholders. The executive director has the authority under the Act to deny licences, permits, and gaming integrity approval applications; issue orders requiring licensees to follow special terms and conditions; order corrective action to remedy deficiencies; and order sanctions, including fines, licence suspensions, and licence revocations. The business or individual named in such an order has the right to appeal to the LGCA. Objectors to the public notice process for liquor service licences can also appeal, in the case of a decision to issue a licence. Appeal hearings are open to the public, although the board may order that a hearing, or any part of a hearing, be closed to the public under certain circumstances defined by the Act. The board conducted four appeal hearings in 2018/19.



Our 2017/18 annual report, including financial statements, was tabled in the legislature in accordance with the Act on October 11, 2018.

# Related Authorities Reporting



The Freedom of Information and Protection of Privacy Act (FIPPA) provides a right of access to records held by public bodies and regulates

how public bodies manage personal information. The LGCA processed nine applications for information under FIPPA in 2018/19.



The Public Interest Disclosure (Whistleblower Protection) Act gives government employees and others a clear process for disclosing

significant and serious wrongdoing in the Manitoba public service and provides protection from reprisal. The LGCA did not receive any disclosures under this legislation in 2018/19.



The Workplace Safety and Health Act and associated regulations are in place to protect the safety and health of workers in Manitoba.

The LGCA has a Safe Work Program that meets the legislative requirements and needs of our organization under the Workplace Safety and Health Act. Extensive work was completed over the 2018/19 fiscal year to develop the program to ensure the safety and health of all LGCA employees. Our program complies with legislation and regulations while being mindful of the LGCA's

operations and the needs of our staff. Tasks completed during the 2018/19 fiscal year include a hazard analysis, critical job inventory, safe work procedures and safety training for all staff.



The Francophone Community Enhancement and Support Act provides a framework for enhancing the vitality of Manitoba's

Francophone community. One of its key elements is the requirement

for public bodies to prepare multi-year strategic plans related

to the provision of French language services.

In 2018/19, the LGCA finalized our strategic plan and moved forward on several initiatives, including the review of our organizational structure to identify potential positions to be designated as bilingual, developing terms of reference for a Francophone Advisory Committee, and ensuring that two province-wide public education campaigns were conducted bilingually.

Bonjour. Hello

## New head office



A longstanding strategic priority for the LGCA was achieved this year with the December 2018 opening of a new head office at 1055 Milt Stegall Drive in Winnipeg. Consolidation of our two Winnipeg offices allows us to provide single-window client access to businesses, charitable organizations, community groups and individuals in the capital region. The LGCA also continues to offer regional services through our offices in Brandon and Thompson.



Co-location in a single head office was identified as a key driver to integrating the province's liquor and gaming regulatory functions. A multi-faceted communication strategy was implemented to advise all stakeholders of our new location and other details prior to the physical relocation. The move also involved a phased plan to migrate our IT and systems network, which meant that IT services were offline for only one day.



# A Framework for Legal Cannabis

Ninety-five years after it was made illegal, the federal government legalized cannabis in October 2018. To prepare for this significant legal, policy and cultural shift, in 2016, we began preliminary policy research and started to consider operational alternatives for retail cannabis licensing. This work evolved over the next three years and expanded as our organization was directed formally to integrate cannabis into our regulatory framework. When the Act and accompanying regulations were proclaimed on October 17, 2018, the LGCA was established and six licensed retail cannabis stores began operating in Manitoba. As of March 31, 2019, there were 21 licensed stores.

Manitoba's key policy aims set the tone for the regulation for cannabis, under which the LGCA ensures that cannabis is purchased, distributed and sold in a manner that is in the public interest:

- keeping cannabis out of the hands of young persons;
- eliminating the illegal cannabis market;
- creating new opportunities for entrepreneurs; and
- promoting social responsibility and public education.

## A Public-Private Model for Manitoba

Manitoba's retail model is based on public sector regulation, wholesale and distribution, with private entrepreneurs operating the retail cannabis network, which includes brick-and-mortar stores and online sales. This model has resulted in a risk-based licensing and compliance regulatory regime that authorizes and oversees private sector sales and service. It also enables the government to acquire and balance cannabis product distribution for retailers through the Manitoba Liquor and Lotteries Corporation as the sole wholesaler and distributor for Manitoba.

The LGCA licenses all private retail stores, whose employees must act in accordance with all provincial requirements. Prior to beginning work



Eliminating the illegal market is a key goal of legalization. The LGCA lists all licensed stores at [LGCAMB.ca](http://LGCAMB.ca), along with a map to ensure individuals who choose to use cannabis know where to buy cannabis legally.



Traffic to our website increased 740% following the legalization of cannabis.

in a retail store, all employees must successfully complete the LGCA's Smart Choices Cannabis Retail Certification program. As of March 31, 2019, inspectors had delivered this training to 587 retail store employees. Delivering the program in-person has helped this new industry and its employees become comfortable with responsible sales requirements, such as checking identification and refusing sales to intoxicated customers, and build relationships with LGCA representatives.



## Integrating Cannabis into our Operations

The Act and accompanying regulations establish the framework for the legal distribution and retail sale of cannabis, including: retail store licensing, inspections, audit, investigations, public education, research, mandatory training, community input, remedial measures, order-making powers and appeal hearings.

Our legislated duties that fall within this framework are:

- to regulate persons who sell and distribute cannabis;
- to provide information and advice to the minister about activities respecting cannabis;
- to encourage responsible consumption of cannabis;
- to obtain public input on matters pertaining to cannabis; and
- to conduct research on matters related to cannabis.

Operationally, these new duties have been assumed by the LGCA's existing staff complement and expertise. For example, applications to sell cannabis at a retail store and to deliver online cannabis orders are processed by the licensing unit. The eligibility criteria includes: a business agreement with the Minister of Growth, Enterprise and Trade or the Manitoba Liquor and Lotteries Corporation, a suitability

assessment to ensure the honesty and integrity of the retail ownership, compliance with security and sales operations requirements, and ongoing compliance with regulatory requirements.

The compliance unit conducts regular inspections and inventory audits to monitor regulatory controls and ensure that cannabis retailers are complying with the terms and conditions of their licences. As regulatory oversight of cannabis retailers is new, we have designated all cannabis licensees as high-risk and prioritized bi-weekly inspections and monthly audit reporting. Our auditors provided training and guidance to licensees to support monthly inventory reporting.



New modules were developed and implemented into the LGCA's regulatory management system. This proprietary system developed by our IT department already tracked and monitored licensed liquor and gaming activities, and was expanded to include our new oversight and enforcement responsibilities for retail cannabis stores.



The LGCA is pleased with the compliance of Manitoba's cannabis stores. Stores were compliant with all requirements in 98% of the 293 cannabis store inspections conducted by March 31, 2019. Remedies were achieved through education and training.

## Community Input and Local Option

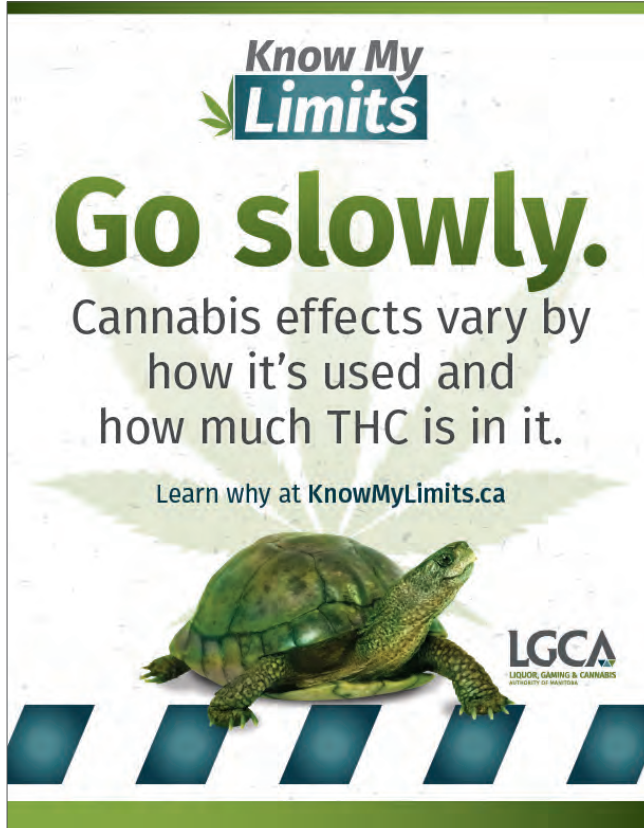
The government had long indicated that it would honour municipalities' wishes to prohibit retail cannabis stores in their communities. Municipalities may conduct plebiscites to prohibit the local retail sale of cannabis in accordance with the Act.

In October 2018, six communities voted to prohibit the local sale of cannabis. Manitobans are able to purchase cannabis from licensed retail stores in other communities or online and consume the cannabis at home, including in their yard. While municipalities are able to prohibit the local retail sale of cannabis, they cannot ban people from consuming cannabis on their own property or purchasing legal cannabis elsewhere.



Pre-set fines for cannabis infractions under the Act were developed to parallel the set fine categories for Manitoba's liquor-related offences.

## Award-winning public education



Our baseline 2017 Manitoba Cannabis Survey revealed numerous knowledge gaps about legalization and lower-risk use of cannabis. Based on this research, the LGCA designed a two-phase public education campaign to inform Manitobans aged 19 years and older about forthcoming cannabis laws, and strategies for lower-risk cannabis use. The campaign ran across the province from September 2018 to January 2019, in the lead up to legalization and its early days.

The LGCA's cannabis public education campaign was recognized at two international advertising competitions.

**2019 Hermes Creative Awards**  
Platinum–Print Media Advertising  
Campaign category



**2019 Muse Creative Awards**  
Silver–Advertising Campaign category  
Silver–Poster Series category



## Cannabis in 2019/20: Edible, Extract and Topical Products

Three new classes of cannabis products will become legal for sale under the Cannabis Act (Canada) on October 17, 2019. The LGCA recognizes there are some challenges unique to these new products, but we are confident that our robust framework for licensing, compliance and social responsibility will extend to them once they are legalized.

# Operations: Licensing and Compliance

The LGCA strives to be neutral by taking a balanced and independent approach to regulating liquor, gaming and cannabis in the public interest. This approach served us well as a fair and modern regulator of liquor and gaming, and now applies to retail cannabis regulation. The LGCA's licensing and enforcement services are divided into two streams: commercial licences and community licences.

All commercial licence and community licence statistics provided in this report are for the period from April 1, 2018 to March 31, 2019. Active licenses are as of March 31, 2019.

## Commercial Services

The LGCA provides commercial licensing and compliance services to restaurants, hotels, entertainment venues, casinos, gaming industry employees, small businesses, gaming suppliers and service providers, liquor and gaming manufacturers, and retail cannabis stores.

Licensing staff determine eligibility of licence applicants through background reviews in accordance with legislated and regulatory requirements. Licences are granted in accordance with the Act and accompanying regulations, and are issued with terms and conditions specific to each licence type.

To assess and confirm regulatory compliance, inspections staff follow a risk-based model to inspect licensees, and auditors review licensee activity and financial reports including cannabis inventory reporting. Investigators conduct gaming employee and supplier investigations to support the licensing process. They also respond to referrals from other LGCA departments and the public, and investigate complaints about licensed establishments.

Gaming integrity staff ensure that gaming schemes and equipment operated in Manitoba perform in a manner that is fair, safe, secure, honest and auditable. Gaming integrity authorizations are issued and inspections are conducted in accordance with the Act, accompanying regulations and standards developed for the different schemes and equipment.



The Canadian Institute for Substance Use Research gave the LGCA a “B” for its risk-based licensing and enforcement program, which was significantly higher than the Canadian average.





<b>Liquor Service, Retail and Manufacturing</b>	<b>18/19</b>	<b>17/18</b>
Active service licences	<b>1,989</b>	1,982
Active retail licences	<b>496</b>	490
Active manufacturer licences	<b>19</b>	14
New licence approvals	<b>148</b>	134
Changes of ownership	<b>26</b>	42
Service inspections	<b>8,386</b>	9,386
Retail inspections	<b>1,951</b>	2,171
Manufacturer inspections	<b>19</b>	27
Last Drink Program referrals	<b>68</b>	71

<b>Social Responsibility Checks (at liquor licensees and retail cannabis stores)</b>	<b>18/19</b>	<b>17/18</b>
Smart Choices certification checks	<b>3,230</b>	3,813
Age control identification verifications	<b>2,001</b>	2,298

## New opportunities for local liquor manufacturers



The LGCA is committed to creating opportunities for Manitoba businesses, including local liquor manufacturers, and under the Act, we may authorize liquor retailers to operate at temporary locations. Authorizing liquor sales at farmers' markets is consistent with other Canadian jurisdictions, many of which have long allowed local manufacturers to retail their products at these types of events. During the summer of 2018, the LGCA authorized Capital K Distillery, a Manitoba family-owned liquor manufacturer, to operate temporary retail locations at farmers' markets in Manitoba. Providing this type of temporary authorization is an example of how Manitoba's liquor laws create options for business innovation within a framework of public safety and social responsibility.



## Licensing flexibility for unique hospitality experiences



Under the Act, the LGCA is authorized to issue liquor service licences to premises that offer a unique hospitality experience that cannot be accommodated under other liquor service licence categories. These premises, which often provide a tourism-related or attraction-based environment, can apply for a unique hospitality venue (UHV) licence.

The LGCA has issued 15 UHV licences to specialized venues such as casinos, brewery tasting rooms, The Metropolitan Entertainment Centre and The Common in The Forks Market. During the 2018/19 year, The Forks Market's UHV licence for The Common was extended to include retail space and the second floor of the facility. Patrons now are able to enjoy beer or wine purchased in The Common while exploring the shops of The Forks Market. A new UHV licence also was issued to the Assiniboine Park Zoo, one of Manitoba's premier attractions.

The LGCA authorized a policy change this year to increase the capacity of breweries' UHV-licensed tasting rooms from 50 to 100 people. Increasing the number of people allowed in these establishments acknowledges that tasting rooms offer a unique experience and recognizes the interest and support for craft brewing.



In 2018, the LGCA worked in partnership with True North Sports + Entertainment, the City of Winnipeg, Economic Development Winnipeg and the Winnipeg Police Service to license the safe and responsible service of liquor at Winnipeg Jets White Out home playoff games. The LGCA authorized the extension of the Bell MTS Place entertainment facility's licence to the downtown area for a total of nine playoff games in 2018 and work is already underway for potential playoff games in 2019.

<b>Gaming Industry Employees</b>	<b>18/19</b>	<b>17/18</b>
Active employees (Aseneskak Casino, Sand Hills Casino, South Beach Casino and Manitoba Liquor and Lotteries Corporation)	<b>2,934</b>	2,835
New licence approvals	<b>942</b>	766
Licensing investigations	<b>127</b>	106
Annual licence reviews and renewals	<b>2,609</b>	2,591

<b>Lottery Ticket Retailers and Video Lottery Terminal (VLT) Siteholders</b>	<b>Lottery Ticket Retailers</b>		<b>VLT Siteholders</b>	
	<b>18/19</b>	<b>17/18</b>	<b>18/19</b>	<b>17/18</b>
Active licences	<b>918</b>	902	<b>470</b>	484
New licence approvals	<b>33</b>	23	<b>8</b>	13
Changes of ownership	<b>62</b>	69	<b>9</b>	17
Licensing investigations	<b>–</b>	–	<b>7</b>	9
Inspections	<b>1,091</b>	1,540	<b>2,371</b>	2,413
First Nation VLT siteholder reports	<b>–</b>	–	<b>135</b>	122

<b>Gaming Suppliers and Gaming Service Providers</b>	<b>18/19</b>	<b>17/18</b>
Active licences	<b>61</b>	53
New licence approvals	<b>5</b>	11
Licensing investigations	<b>7</b>	3
Annual licence reviews and renewals	<b>46</b>	44

<b>Gaming Integrity</b>	<b>18/19</b>	<b>17/18</b>
Authorizations (for central systems, games, game hardware and software, table games, rules of play, equipment, bingo paper, breakopen tickets, showdowns and ballot draws)	<b>712</b>	580
Inspections	<b>105</b>	95
Investigations	<b>16</b>	2

Retail Cannabis	18/19	17/18
Active licences	21	–
New licence approvals	21	–
Proponent investigations	5	–
Inspections	293	–
Retailer field audits	5	–
Audit inventory reports	79	–



## Training as a Regulatory Tool

The LGCA uses training strategically to support clients to achieve and maintain compliance. In 2018/19, we delivered 292 training sessions for commercial and charitable licensees on audit reporting, responsible service, age control measures, public safety and regulatory compliance.

The legalization of cannabis prompted a significant amount of training, as auditors conducted training on reporting processes and inspectors delivered in-person training to 587 retail store employees for Smart Choices Cannabis Retail Certification.

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## Horse racing regulatory modernization



At the direction of the government, the LGCA began to prepare to integrate the regulatory responsibilities of the Manitoba Horse Racing Commission into our organization. The LGCA has become adept at regulatory integration, given our experience in extending our framework to include cannabis. Similarities in the regulatory role of both organizations will also ease this process.

This initiative will begin in earnest in the coming fiscal year. The proposed approach is to achieve full legislative, regulatory and operational integration in 2020, subject to the legislative calendar. As part of the phased plan, the LGCA will hold stakeholder consultations and analyze the Manitoba Horse Racing Commission's current regulatory processes during the 2019 racing season.

No major changes have been made to The Horse Racing Commission Act since its inception in 1965. Among the LGCA's plans to provide valuable improvements to the industry are streamlining processes and removing burdensome regulatory requirements. Recognizing that the horse racing industry has an established history, the LGCA will focus on learning from the industry to guide legislative recommendations to create a modern regulatory model.



# Community Services

The LGCA issues licences and permits for eligible community-based events and activities, including socials, festivals, charitable fundraisers, family celebrations and special events. Licences and permits are granted in accordance with the Act and accompanying regulations, and are issued with terms and conditions specific to each licence or permit type. We also license charitable gaming events in accordance with the Act and as permitted by the Criminal Code (Canada).

Prior to permit events, LGCA staff work with event organizers to confirm venue suitability and provide information and training about responsible liquor service, charitable gaming event operations and event reporting. In keeping with a risk-based approach, inspectors visit socials, festivals, and charitable gaming events to assess and confirm regulatory compliance, and to identify and remedy gaps.

Audit reviews are conducted on charitable events we license, and on First Nation gaming commission activity reports and municipal licensing authorities. These reviews confirm that record-keeping and reporting practices comply with legislation, regulation and audit standards.

## Streamlining applications for social occasions



We continued to streamline our services and cut red tape for the groups and individuals who apply for social occasion permits each year. While online permit applications have been available since 2015, hundreds of permit applications have continued to be submitted in paper format. Processing time is longer for paper applications due to the time needed for the application to reach us and for data entry by LGCA staff.

A project to eliminate paper applications was undertaken in collaboration with Liquor Marts in Winnipeg during 2018/19, for implementation on April 1, 2019. Posters and postcards are prominently displayed in Winnipeg Liquor Marts to direct applicants to MyLGCA.ca. People who prefer to submit a paper application are welcome to visit our Winnipeg office, where an LGCA staff member will assist them.



76% of all social occasion raffle licences were received online.

Social Occasions	18/19	17/18
Social occasion liquor permits	8,075	8,500
Pre-event assessments	3,644	3,502
Inspections at social occasion permit events	473	549
Social occasion raffle licences	4,919	5,095



Charitable Gaming Events	18/19	17/18
Charitable licensees	1,718	1,574
Active licences	3,181	3,109
New licence approvals	2,783	2,677
Inspections	655	937
Audit event reports	2,876	3,009

## Charitable Gaming Overview (\* in \$ millions)

Event Type	Licensed Events		Gross Revenue*		Prizes Paid*		Total Expenses*		Net Profit*	
	18/19	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19	17/18
Bingo	171	181	29.09	30.77	22.07	24.12	3.64	3.62	3.38	3.03
Breakopen	51	95	2.18	2.35	1.58	1.70	0.17	0.18	0.43	0.47
Raffle	355	425	38.72	36.23	17.06	15.15	6.57	6.53	15.09	14.55
Texas hold'em poker tournament	24	27	0.76	0.92	0.53	0.66	0.10	0.14	0.13	0.12
Media bingo	7	11	4.25	3.94	2.86	2.02	0.79	0.71	0.60	1.21
Other	17	12	0.08	0.10	0.07	0.08	0.00	0.01	0.01	0.01
<b>Totals</b>	<b>625</b>	<b>751</b>	<b>75.08</b>	<b>74.31</b>	<b>44.17</b>	<b>43.73</b>	<b>11.27</b>	<b>11.19</b>	<b>19.64</b>	<b>19.39</b>

In addition, 2,261 licences were issued to charitable organizations that, due to reporting thresholds, were not required to submit financial reports or licence fees (82 bingo, 18 breakopen, 2,159 raffle, two Texas hold'em poker tournament, and three other).



Our charitable gaming processing went paperless during the fiscal year. This shift to our internal workflow has made a significant difference in how quickly we process charitable gaming event applications.



## Chase the ace



Chase the ace is a 50/50-style raffle in which a jackpot increases until it is won. These events have become popular in the last several years, and the LGCA licenses many chase the ace raffles in Manitoba to ensure the fairness and integrity of the ongoing draws. There were 210 active chase the ace raffles in 2018/19.

In chase the ace raffles, organizers pre-select a specific card, often an ace, and participants purchase tickets for a draw. The draw is held and the draw winner picks a card from a deck of facedown playing cards; if that person picks the pre-selected card, they win the prize. If a person picks a card other than the pre-selected card, the jackpot increases and the event continues on future dates until someone picks the pre-selected card.

Jackpots for these events can grow to be very large. For example, the Royal Canadian Legion Branch #19 in The Pas had a jackpot of \$1,009,870 in April 2018 for its chase the ace, which was licensed by the LGCA. In keeping with our risk-based approach, LGCA inspectors began attending and overseeing every chase the ace draw for this event after January 2018, as an extra measure to ensure integrity as the jackpot grew.

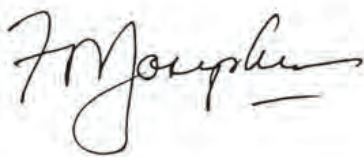
Licensing Authorities under Orders-In-Council	18/19	17/18
First Nation gaming commission inspections	50	50
First Nation gaming commission annual audit reports	35	35
Municipal inspections	47	65
Municipal licensing authority reports	132	142

# Management Report

The management of the Liquor, Gaming and Cannabis Authority of Manitoba (LGCA) is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information that it has prepared for this report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgments are made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by the Office of the Auditor General of Manitoba (OAG), whose opinion is included herein. The OAG has access to the board members of the LGCA, with or without management present, to discuss the results of their audit and the quality of financial reporting at the LGCA.



F. J. O. (Rick) Josephson  
Executive Director and CEO



Richard Green  
Chief Financial Officer

June 20, 2019



**Auditor General**  
MANITOBA

**INDEPENDENT PRACTITIONER'S REASONABLE ASSURANCE REPORT ON COMPLIANCE**

To the Board of the Liquor, Gaming and Cannabis Authority of Manitoba:

We have undertaken a reasonable assurance engagement of the accompanying Management's Certification of Compliance (Certification) of the Liquor, Gaming and Cannabis Authority of Manitoba's compliance during the period April 1, 2018, to March 31, 2019, with the criteria established by the provisions of *The Liquor, Gaming, and Cannabis Control Act*, regulations, Orders in Council and other applicable legislation (the specified requirements) as outlined in the Certification.

***Management's Responsibility***

Management is responsible for measuring and evaluating the Liquor, Gaming and Cannabis Authority of Manitoba's compliance with the specified requirements and for preparing the Liquor, Gaming and Cannabis Authority of Manitoba's Certification. Management is also responsible for such internal control as management determines necessary to enable the Liquor, Gaming and Cannabis Authority of Manitoba's compliance with the specified requirements.

***Our Responsibility***

Our responsibility is to express a reasonable assurance opinion on management's Certification based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements 3530, *Attestation Engagements to Report on Compliance*. This standard requires that we plan and perform this engagement to obtain reasonable assurance about whether management's Certification is fairly stated, in all material respects.

Reasonable assurance is a high level of assurance, but is not a guarantee that an engagement conducted in accordance with this standard will always detect a material instance of non-compliance with specified requirements when it exists. Instances of non-compliance can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report. A reasonable assurance compliance reporting engagement involves performing procedures to obtain evidence about management's statement of the entity's compliance with specified requirements. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of the risks of material misstatement of management's Certification, whether due to fraud or error, and involves obtaining evidence about management's Certification.

We believe the evidence we obtained is sufficient and appropriate to provide a basis for our opinion. Information relevant to the Liquor, Gaming and Cannabis Authority of Manitoba's compliance with the specified requirements is set out in management's Certification.

### *Our Independence and Quality Control*

We have complied with the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The office applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### *Opinion*

In our opinion, management's statement that the Liquor, Gaming and Cannabis Authority of Manitoba complied with the specified requirements as outlined in management's Certification during the period April 1, 2018, to March 31, 2019, is fairly stated, in all material respects.

We do not provide a legal opinion on the Liquor, Gaming and Cannabis Authority of Manitoba's compliance with the specified requirements.

### *Purpose of Statement*

Management's Certification has been prepared to report to the Board members of the Liquor, Gaming and Cannabis Authority of Manitoba on the Liquor, Gaming and Cannabis Authority of Manitoba's compliance with the specified requirements. As a result, management's Certification may not be suitable for another purpose.

*Office of the Auditor General*

Office of the Auditor General

Winnipeg, Manitoba

June 20, 2019


# Management's Certification of Compliance

To: Board members of the Liquor, Gaming and Cannabis Authority of Manitoba

We hereby confirm that for the year ended March 31, 2019, the Liquor, Gaming and Cannabis Authority of Manitoba has complied with the criteria established by the provisions of The Liquor, Gaming and Cannabis Control Act, regulations, Orders-in-Council and other applicable legislation as outlined in the attached schedule.



F. J. O. (Rick) Josephson  
Executive Director and CEO



Richard Green  
Chief Financial Officer

June 20, 2019

# LIQUOR, GAMING AND CANNABIS AUTHORITY OF MANITOBA

## SCHEDULE OF LEGISLATIVE AND RELATED AUTHORITIES

### Orders-in-Council

415/2014	Appointment of OAG as auditor of LGCA	125/2015	Appointment of Executive director
17/2019	Appointments to Board	341/1997	Working capital advances

### The Liquor, Gaming and Cannabis Control Act (C.C.S.M. c. L153)

Section 3(1)	Liquor, Gaming and Cannabis Authority of Manitoba	Section 17	Property
Section 4(1)	Composition of the authority	Section 18(1)	Investment of money
Section 6	Remuneration of members	Section 18(2)	Investment and interest to be paid to authority
Section 10(1)	Executive director	Section 19	Fiscal year
Section 12	Annual budget	Section 20	Audit
Section 13(1)	Funding	Section 21(1)	Annual report
Section 14(1)	Borrowing by authority	Section 104(4)	Costs of background investigations
Section 14(2)	Advance out of Consolidated Fund	Section 108(1)	Licence fees
Section 15	Banking and accounts	Section 114(6)	Costs of investigation
Section 16(1)	Fees and penalties		
Section 16(2)	Disposition of penalty amounts		

### Licensing and Appeals Regulation (63/2014)

Section 10(1)	Application fees – liquor licences	Section 15	Gaming service provider licence fees
Section 10(2)	Application fee – brew pub endorsement	Section 17(1)	Person responsible for payment of licence fee
Section 10(3)	Additional categories	Section 17(2)	Licence fees payable by MLLC
Section 11(1)	Liquor service licence fees	Section 17(3)	Licence fees payable by gaming operators
Section 11(2)	Retail liquor licence fees	Section 18(3)	Annual fee must be paid
Section 11(3)	Manufacturer's endorsement	Section 19(1)	Payment of annual fee for licence
Section 12	Gaming licence fees	Section 19(2)	Fee for late payment of annual fee
Section 13(1)	Gaming event licence fee	Section 20(3)	Late renewal applications
to 13(3)			
Section 14(1)	Gaming supplier licence fees		

### Licensing and Appeals Regulation (63/2014) Amendments

Section 10.1	Application fee – cannabis licences	Section 19(2)	Repealed
Section 16.1	Cannabis licence fees	Section 20(3)	Repealed

### Miscellaneous Liquor Provisions Regulation (64/2014)

Section 7(1)	Marketing representatives and agents
to 7(2)	

### Social Occasion and Special Sale Permits Regulation (66/2014)

Section 20(1)	Social occasion permit fees	Section 21	Special sale permit fees
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### The Public Sector Compensation Disclosure Act (C.C.S.M. c. P265)

Section 2(1)	Disclosure required	Section 3(1)	Manner of disclosure
Section 2(2)	Consistent reporting required	Section 3(2)	Information to be disclosed



**Auditor General**  
MANITOBA

**INDEPENDENT AUDITOR'S REPORT**

To the Legislative Assembly of Manitoba, and  
To the Board of the Liquor, Gaming and Cannabis Authority of Manitoba:

***Opinion***

We have audited the financial statements of the Liquor, Gaming and Cannabis Authority of Manitoba, which comprise the statement of financial position as at March 31, 2019, and the statement of operations and accumulated surplus, the statement of changes in net financial assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Liquor, Gaming and Cannabis Authority of Manitoba as at March 31, 2019, and its operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

***Basis for Opinion***

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Liquor, Gaming and Cannabis Authority of Manitoba's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate the Liquor, Gaming and Cannabis Authority of Manitoba or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Liquor, Gaming and Cannabis Authority of Manitoba's financial reporting process.

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



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

*Office of the Auditor General*

Office of the Auditor General

Winnipeg, Manitoba

June 20, 2019

# LIQUOR, GAMING AND CANNABIS AUTHORITY OF MANITOBA

## STATEMENT OF FINANCIAL POSITION

As at March 31	Actual 2019	Actual 2018
<b>Financial assets</b>		
Cash and cash equivalents	\$ 2,801,184	\$ 5,159,208
Accounts receivable (Note 4)	527,760	497,594
Long-term investment (Note 5)	146,079	146,079
	<b>3,475,023</b>	<b>5,802,881</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	1,099,662	924,508
Deferred revenue (Note 7)	471,142	448,238
Severance benefits (Note 8)	1,131,344	1,045,104
Retirement benefits (Note 8)	107,063	108,840
Non-vested sick leave benefits (Note 8)	177,384	172,168
Total employee future benefits	1,415,791	1,326,112
	<b>2,986,595</b>	<b>2,698,858</b>
Net financial assets	<b>488,428</b>	<b>3,104,023</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 9)	3,477,790	250,367
Prepaid expenses	35,766	73,764
	<b>3,513,556</b>	<b>324,131</b>
<b>Accumulated surplus</b>	<b>\$ 4,001,984</b>	<b>\$ 3,428,154</b>

On behalf of the Board:



Board Member



Board Member

The accompanying notes are an integral part of these financial statements.

LIQUOR, GAMING AND CANNABIS AUTHORITY OF MANITOBA  
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

For the year ended March 31	Budget 2019	Actual 2019	Actual 2018
<b>Revenue</b>			
Licence fees – gaming	\$ 6,148,700	\$ <b>6,194,566</b>	\$ 6,162,867
Licence fees – liquor	1,756,300	<b>1,700,404</b>	1,736,517
Licence fees – cannabis	40,000	<b>21,667</b>	0
MLLC funding transfer	2,975,000	<b>2,975,000</b>	2,700,000
Other revenue	20,750	<b>24,560</b>	45,340
Interest earned	49,550	<b>81,907</b>	51,498
<b>Total</b>	<b>10,990,300</b>	<b>10,998,104</b>	10,696,222
<b>Expenses</b>			
Salaries and benefits	7,798,300	<b>7,568,115</b>	7,521,832
Rent	675,300	<b>641,290</b>	676,648
Public education	550,000	<b>493,163</b>	247,579
Supplies and services	371,300	<b>350,575</b>	281,530
Transportation	347,600	<b>325,934</b>	323,964
Legal and professional fees	371,900	<b>251,109</b>	352,181
Communications	273,700	<b>245,953</b>	262,449
Amortization	187,900	<b>155,475</b>	58,980
Education, training, conferences	125,000	<b>133,959</b>	160,937
Accommodations	69,300	<b>80,732</b>	78,193
Loss on disposal of tangible capital assets	61,800	<b>73,765</b>	1,661
Board	70,400	<b>51,185</b>	71,829
Other expenses	53,000	<b>44,682</b>	34,175
Human resources/systems support	16,600	<b>8,337</b>	8,451
	<b>10,972,100</b>	<b>10,424,274</b>	10,080,409
<b>Annual surplus</b>	18,200	<b>573,830</b>	615,813
<b>Accumulated surplus, beginning of year</b>	3,428,154	<b>3,428,154</b>	2,812,341
<b>Accumulated surplus, end of year</b>	\$ 3,446,354	\$ <b>4,001,984</b>	\$ 3,428,154

The accompanying notes are an integral part of these financial statements.

# LIQUOR, GAMING AND CANNABIS AUTHORITY OF MANITOBA

## STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended March 31	Budget 2019	Actual 2019	Actual 2018
Annual surplus	\$ 18,200	\$ 573,830	\$ 615,813
Acquisition of tangible capital assets	(4,008,900)	(3,456,663)	(51,204)
Amortization of tangible capital assets	187,900	155,475	58,980
Loss on disposal of tangible capital assets	61,800	73,765	1,661
	(3,759,200)	(3,227,423)	9,437
Decrease (increase) in prepaid expenses	0	37,998	(8,394)
<b>Increase (decrease) in net financial assets</b>	<b>(3,741,000)</b>	<b>(2,615,595)</b>	<b>616,856</b>
<b>Net financial assets</b> , beginning of year	<b>3,104,023</b>	<b>3,104,023</b>	<b>2,487,167</b>
<b>Net financial assets</b> , end of year	<b>\$ (636,977)</b>	<b>\$ 488,428</b>	<b>\$ 3,104,023</b>

The accompanying notes are an integral part of these financial statements.

# LIQUOR, GAMING AND CANNABIS AUTHORITY OF MANITOBA

## STATEMENT OF CASH FLOWS

As at March 31	2019	2018
<b>Operating transactions</b>		
Annual surplus	\$ 573,830	\$ 615,813
Loss on disposal of tangible capital assets	73,765	1,661
Changes in non-cash items		
Accounts receivable	(30,166)	(461,921)
Prepaid expenses	37,998	(8,394)
Accounts payable and accrued liabilities	175,154	(15,397)
Deferred revenue	22,904	(16,121)
Provision for employee severance benefits	86,240	80,631
Provision for employee pension benefits	(1,777)	(125,005)
Provision for employee sick leave benefits	5,216	(2,282)
Amortization	155,475	58,980
Cash provided by operating transactions	<u>1,098,639</u>	127,965
<b>Capital transactions</b>		
Cash used to acquire tangible capital assets	<u>(3,456,663)</u>	(51,204)
Increase (decrease) in cash and cash equivalents	<u>(2,358,024)</u>	76,761
<b>Cash and cash equivalents, beginning of year</b>	<u>5,159,208</u>	5,082,447
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,801,184</u>	<u>\$ 5,159,208</u>
<b>Supplemental cash flow information</b>		
Interest received	84,652	45,621

The accompanying notes are an integral part of these financial statements.

# Notes to Financial Statements

## 1. Nature of Operations

The Liquor, Gaming and Cannabis Authority of Manitoba (LGCA) was established by The Liquor, Gaming and Cannabis Control Act and accompanying Lieutenant Governor in Council and LGCA board regulations. As per this act, the Liquor and Gaming Authority of Manitoba is continued under the name LGCA. The LGCA regulates liquor sales, service and manufacturing, cannabis sales and distribution, and regulates gaming employees, products and operations.

## 2. Summary of Significant Accounting Policies

### a. Basis of Accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards, established by the Public Sector Accounting Board.

### b. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

### c. Employee Future Benefits

(i) The cost of severance obligations is determined using the annual actuarial report as at March 31, 2019. Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. For legacy Manitoba Gaming Control Commission employees and former non-unionized Regulatory Services Division employees of the Manitoba Liquor Control Commission who transferred to the LGCA, the maximum payout is currently 23 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the LGCA. For former unionized Regulatory Services Division employees of the Manitoba Liquor Control Commission who transferred to the LGCA, the entitlement is one week's pay for each complete year of continuous service, to a maximum of 25 weeks at the employee's weekly salary at the date of retirement. The Manitoba Liquor and Lotteries Corporation (MLLC) will maintain the severance liability to March 31, 2014, for all former Manitoba Liquor Control Commission employees who transferred to the LGCA.

(ii) All LGCA employees belong to the Province of Manitoba's Civil Services Superannuation Fund (Superannuation Fund), which is a multi-employer joint trustee plan. The Superannuation Fund is a defined benefit plan, providing a pension on retirement based

on the member's age at retirement, length of service and highest earnings averaged over five years.

The joint trustee board of the Superannuation Fund determines the required contribution rates.

The LGCA's contribution to the Superannuation Fund is recorded as an expense for the year.

(iii) The cost of non-vested sick leave benefits is determined by an estimation of the number of days earned during the year that will be used in future periods in excess of the annual entitlement.

### d. Tangible Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20% declining balance basis
Furniture and fixtures	10% declining balance basis
Computer equipment	30% declining balance basis
Leasehold improvements	Straight-line method over remaining term of lease

### e. Prepaid Expenses

Prepaid expenses include rent, insurance and supplies and are charged to expenses over the periods expected to benefit from it.

### f. Revenues

Revenues are recorded on an accrual basis except for gaming event licence fees, supplier licence fees, social occasion permit fees, and licence application fees, which are recognized on a cash receipt basis.

The annual funding transfer from the Manitoba Liquor and Lotteries Corporation is the amount that the LGCA, with the approval of the Treasury Board, directs the Manitoba Liquor and Lotteries Corporation to pay to the LGCA.

### g. Expenses

Expenses are recorded on an accrual basis.

### h. Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

## 3. Financial Instruments and Financial Risk Management

### Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value or (b) cost or amortized cost.

The LGCA records its financial assets at cost. Financial assets include cash and cash equivalents, temporary investments and accounts receivable. The LGCA also records its financial liabilities at cost. Financial liabilities are accounts payable.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

The LGCA did not incur any re-measurement gains and losses during the year ended March 31, 2019 (2018 - \$nil).

The LGCA has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk, interest risk, and foreign currency risk.

#### Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the LGCA to credit risk consist principally of cash and cash equivalents, and accounts receivable.

The maximum exposure of the LGCA to credit risk as at March 31, 2019 was:

	2019	2018
Cash and cash equivalents	\$ 2,801,184	\$ 5,159,208
Accounts receivable	527,760	497,594
	<u>\$ 3,328,944</u>	<u>\$ 5,656,802</u>

Cash and cash equivalents: The LGCA is not exposed to significant credit risk as the deposits are primarily held by the Minister of Finance.

Accounts receivable: The LGCA is not exposed to significant credit risk as the receivable is composed of fees due from clients and payment in full is typically collected when it is due. The LGCA does not use an allowance for doubtful accounts. The policy is to write off any accounts deemed uncollectible during the year.

The aging of accounts receivable as at March 31, 2019 was:

Current	\$ 521,205
30 to 60 days past billing date	3,222
61 to 90 days past the billing date	875
More than 90 days past the billing date	2,458
	<u>\$ 527,760</u>

#### Liquidity risk

Liquidity risk is the risk that the LGCA will not be able to meet its financial obligations as they come due.

The LGCA manages liquidity risk by maintaining adequate cash balances. The LGCA prepares and monitors forecasts of cash flows from operations, and anticipated investing and financing activities. The LGCA continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the LGCA's income or the fair values of its financial instruments. The significant market risk the LGCA is exposed to is interest rate risk.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents. The interest rate risk on cash and cash equivalents is considered to be low, because of their short-term nature.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The LGCA is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

#### 4. Accounts Receivable

	2019	2018
MLLC	\$ 503,811	\$ 459,523
Liquor service/retail beer vendor/ cannabis licensees	992	7,125
First Nation casinos	6,500	6,650
Social occasion permit holders	1,250	3,775
Gaming event licensees	3,147	1,712
Interest on short-term investments	8,823	11,568
Other trades	3,237	7,241
	<u>\$ 527,760</u>	<u>\$ 497,594</u>

#### 5. Long-Term Investment

The Province of Manitoba had accepted responsibility for the severance pay benefits of \$146,079 accumulated to March 31, 1998 for certain employees. Effective March 31, 2009, the Province of Manitoba placed the amount of \$146,079 into an interest-bearing trust account to be held on the LGCA's behalf until the cash is required to discharge the related liabilities. Interest earned on this investment this year was \$2,513 (2018 - \$1,002).

## 6. Accounts Payable and Accrued Liabilities

	2019	2018
Accounts payable and accrued liabilities	\$ 232,762	\$ 119,718
Salaries and benefits payable	11,076	19,666
Accrued vacation pay	851,596	783,283
Other	4,228	1,841
	<u>\$ 1,099,662</u>	<u>\$ 924,508</u>

## 7. Deferred Revenue

Deferred revenue consists of liquor service, retail beer vendor, and retail cannabis licence fees received to be recognized as revenue in the year in which the related revenues are earned.

	Balance at Beginning of Year	Receipts During Year	Transferred to Revenue	Balance at End of Year
Licence fees	\$ 448,238	\$ 923,500	\$ 900,596	\$ 471,142

## 8. Employee Future Benefits

### a. Severance Benefits

The amount of the estimated liability for accumulated severance pay benefits for LGCA employees is determined using the annual actuarial report of severance obligations as at March 31, 2019. It should be noted that the Manitoba Liquor and Lotteries Corporation will maintain the severance liability earned to March 31, 2014 for all former Regulatory Services Division employees of the Manitoba Liquor Control Commission who transferred to the LGCA. The LGCA will continue to accrue the severance liability for former Manitoba Gaming Control Commission employees and will accrue the severance liability for former Regulatory Services Division employees of the Manitoba Liquor Control Commission April 1, 2014, and onwards.

For former Manitoba Gaming Control Commission employees and former non-unionized Regulatory Services Division employees of the Manitoba Liquor Control Commission who transferred to the LGCA, the maximum payout is currently 23 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the LGCA. For former unionized Regulatory Services Division employees of the Manitoba Liquor Control Commission who transferred to the LGCA, the entitlement is one week's pay for each complete year of continuous service, to a maximum of 25 weeks at the employee's weekly salary at the date of retirement.

An actuarial report was completed for the severance pay liability as of March 31, 2019. The LGCA's

actuarially-determined net liability for accounting purposes as at March 31, 2019, was \$1,021,573 (2018 - \$927,826). An actuarial gain of \$11,161 will be amortized over the expected average remaining service life of the employee group. This gain will begin to be amortized at the beginning of the next fiscal year. Severance payments for this year amounted to \$18,770 (2018 - \$53,575).

Significant long-term actuarial assumptions used in the March 31, 2019 valuation and in the determination of the March 31, 2019 present value of the accrued severance benefit obligation were:

Annual rate of return	
(i) inflation component	2.00%
(ii) real rate of return	<u>4.00%</u>
	<u>6.00%</u>

Annual salary escalation rates	
(i) general increases	
a) salary increase	2.00%
b) real rate	<u>0.75%</u>
	<u>2.75%</u>

(ii) service, merit and promotional increases. The rates used vary by age groupings from a high of 3.0% to a low of 0%.

The severance benefit liability at March 31, 2019 includes the following components:

	2019	2018
Accrued benefit liability	\$ 1,021,573	\$ 927,826
Unamortized actuarial gains	109,771	117,278
Severance benefit liability	<u>\$ 1,131,344</u>	<u>\$ 1,045,104</u>

The total expenses related to severance benefits at March 31, 2019 include the following components:

	2019	2018
Interest on obligation	\$ 57,083	\$ 60,177
Current period benefit cost	66,595	76,378
	<u>123,678</u>	<u>136,555</u>
Amortization of actuarial gain over expected average remaining service lifetime	<u>(18,668)</u>	<u>(2,349)</u>
Total expense related to severance benefit	<u>\$ 105,010</u>	<u>\$ 134,206</u>

### b. Retirement Benefits

All employees of the LGCA are members of the Province of Manitoba's defined benefit Superannuation Fund.

In accordance with the provisions of The Civil Service Superannuation Act, LGCA employees are eligible for pension benefits. Plan members are required to



contribute to the Superannuation Fund at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The LGCA is required to match contributions contributed to the Superannuation Fund by the employees at prescribed rates, which is recorded as an operating expense. Under The Civil Service Superannuation Act, the LGCA has no further pension liability. At December 31, 2017, the Superannuation Fund had a deficit of \$4.4 billion.

The LGCA's portion of contributions to the Superannuation Fund is recognized as an operating expense in the period of contribution. Total contributions for this year were \$436,434. Contributions for the 2017/18 year were \$445,742.

For employees whose annual earnings exceed the limit under the Superannuation Fund or are a disability retirement, a pension liability is established. Based on the annual actuarial report of pension obligations as at March 31, 2019, a reserve of \$107,063 (2018 - \$108,840) has been established as a pension liability. Due to the nature of the liability, actuarial gains or losses are recognized in operations in the year. Pension costs realized this year were reduced by \$1,777 (2018 - reduced by \$125,005). Significant long-term actuarial assumptions used in the March 31, 2019 valuation and in the determination of the March 31, 2019 present value of the accrued basic pension benefit obligations were:

Annual rate of return	
(i) inflation component	2.00%
(ii) real rate of return	<u>4.00%</u>
	<u>6.00%</u>

#### Annual salary escalation rates

(i) general increases	
a) salary increase	2.00%
b) productivity component	<u>0.75%</u>
	<u>2.75%</u>

(ii) service, merit and promotional increases.  
The rates used vary by age groupings from a high of 3.0% to a low of 0%.

#### c. Non-Vested Sick Leave Benefits

All employees are credited with sick day credits for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in the most recent collective agreement. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plans are included in the financial statements. The accrued benefit obligation related to sick leave entitlement earned by employees is determined using a valuation model developed by an actuary. The valuation is based on employee demographics, sick leave usage and actuarial assumptions. The cost of non-vested sick leave benefits is determined by an estimation of the number of days earned during the year that will be used in future periods in excess of the annual entitlement. These assumptions include a 3.60% discount rate and a 3.75% annual salary increase.

## 9. Tangible Capital Assets

### March 31, 2019

	Equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
<b>Cost</b>					
Opening balance	\$ 56,276	\$ 466,290	\$ 1,128,811	\$ 64,397	\$ 1,715,774
Additions	113,612	1,421,784	73,877	1,847,390	3,456,663
Disposals	(47,830)	(394,078)	(39,489)	(64,397)	(545,794)
Closing Balance	\$ 122,058	\$ 1,493,996	\$ 1,163,199	\$ 1,847,390	\$ 4,626,643
<b>Accumulated amortization</b>					
Opening balance	\$ 51,353	\$ 341,559	\$ 1,008,098	\$ 64,397	\$ 1,465,407
Amortization	6,600	58,172	47,599	43,104	155,475
Disposals	(46,529)	(324,943)	(36,160)	(64,397)	(472,029)
Closing Balance	\$ 11,424	\$ 74,788	\$ 1,019,537	\$ 43,104	\$ 1,148,853
				<b>Net book value</b>	<b>\$ 3,477,790</b>

## March 31, 2018

	Equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
<b>Cost</b>					
Opening balance	\$ 54,442	\$ 447,563	\$ 1,110,566	\$ 64,397	\$ 1,676,968
Additions	1,834	21,466	27,904		51,204
Disposals		(2,739)	(9,659)		(12,398)
Closing Balance	\$ 56,276	\$ 466,290	\$ 1,128,811	\$ 64,397	\$ 1,715,774
<b>Accumulated amortization</b>					
Opening balance	\$ 50,313	\$ 331,417	\$ 971,037	\$ 64,397	\$ 1,417,164
Amortization	1,040	12,013	45,927		58,980
Disposals		(1,871)	(8,866)		(10,737)
Closing Balance	\$ 51,353	\$ 341,559	\$ 1,008,098	\$ 64,397	\$ 1,465,407
				<b>Net book value</b>	<b>\$ 250,367</b>

### 10. Cannabis

On October 17, 2018, non-medical cannabis became legal in Canada. The Liquor, Gaming and Cannabis Control Act outlines many of the new cannabis laws in Manitoba and gives the LGCA the authority to regulate the sale and distribution of cannabis in the province.

Revenues related to the LGCA's cannabis regulatory responsibilities include cannabis retail licence and application fees. These fees are classified as "Licence fees – cannabis" on the Statement of Operations and Accumulated Surplus.

Expenses related to cannabis regulatory responsibilities include primarily public education and professional fees.

### 11. Commitments

The LGCA has an operating lease expiring on December 16, 2033 for its Winnipeg premises and an operating lease expiring on January 31, 2028 for its Brandon premises.

The minimum annual lease payment for the next five years is:

2020	\$278,990
2021	278,990
2022	278,990
2023	279,215
2024	280,340

### 12. Budgeted Figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the board.

### 13. Working Capital Advance

The Minister of Finance, with Lieutenant Governor in Council approval by Orders in Council (341/1997), has arranged for working capital advances to be available to the LGCA. The aggregate of the outstanding advances is not to exceed \$2,000,000 (2018 - \$2,000,000). As at March 31, 2019, \$2,000,000 (2018 - \$2,000,000) of these advances were unused and available.

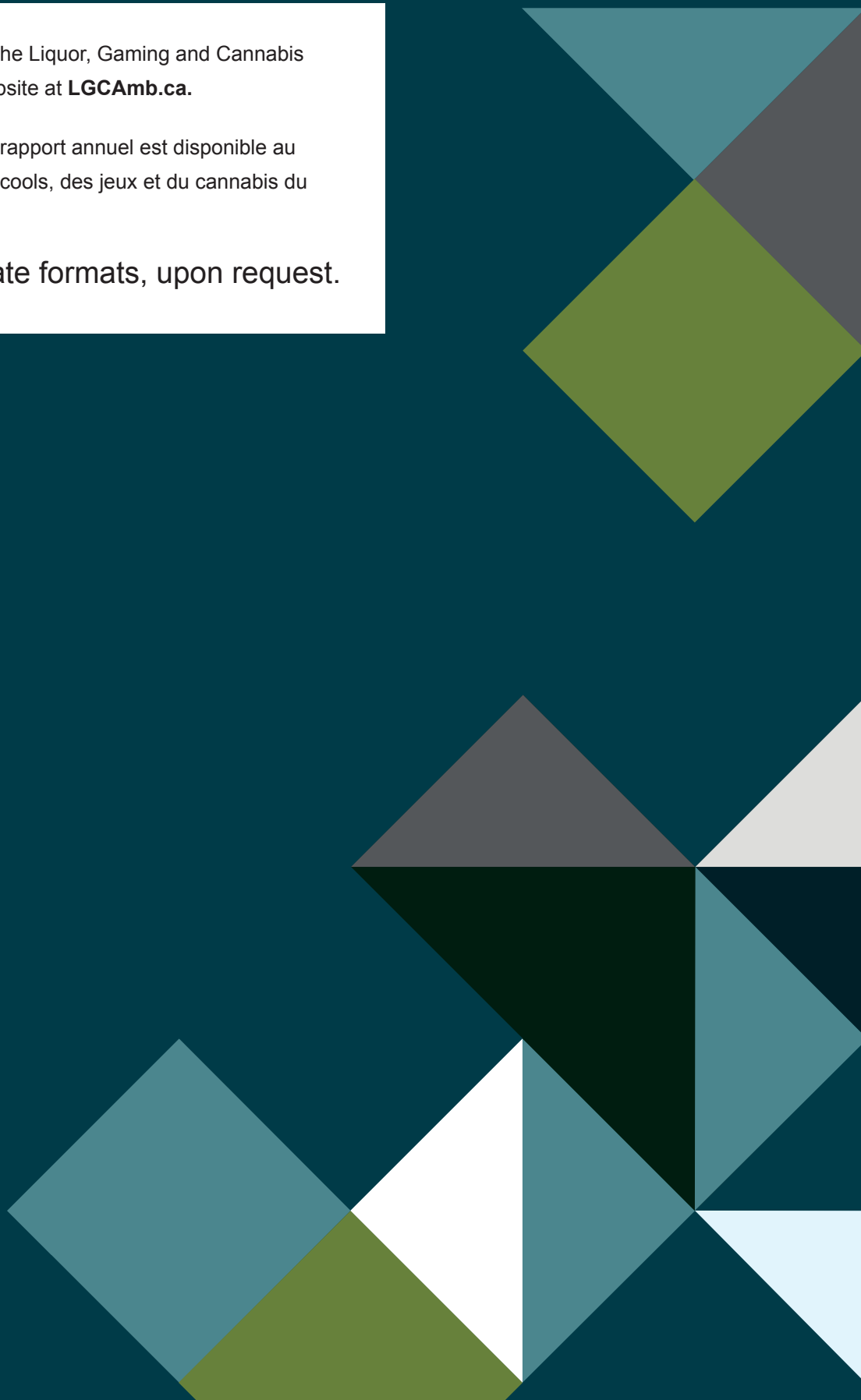
### 14. Related Party Transactions

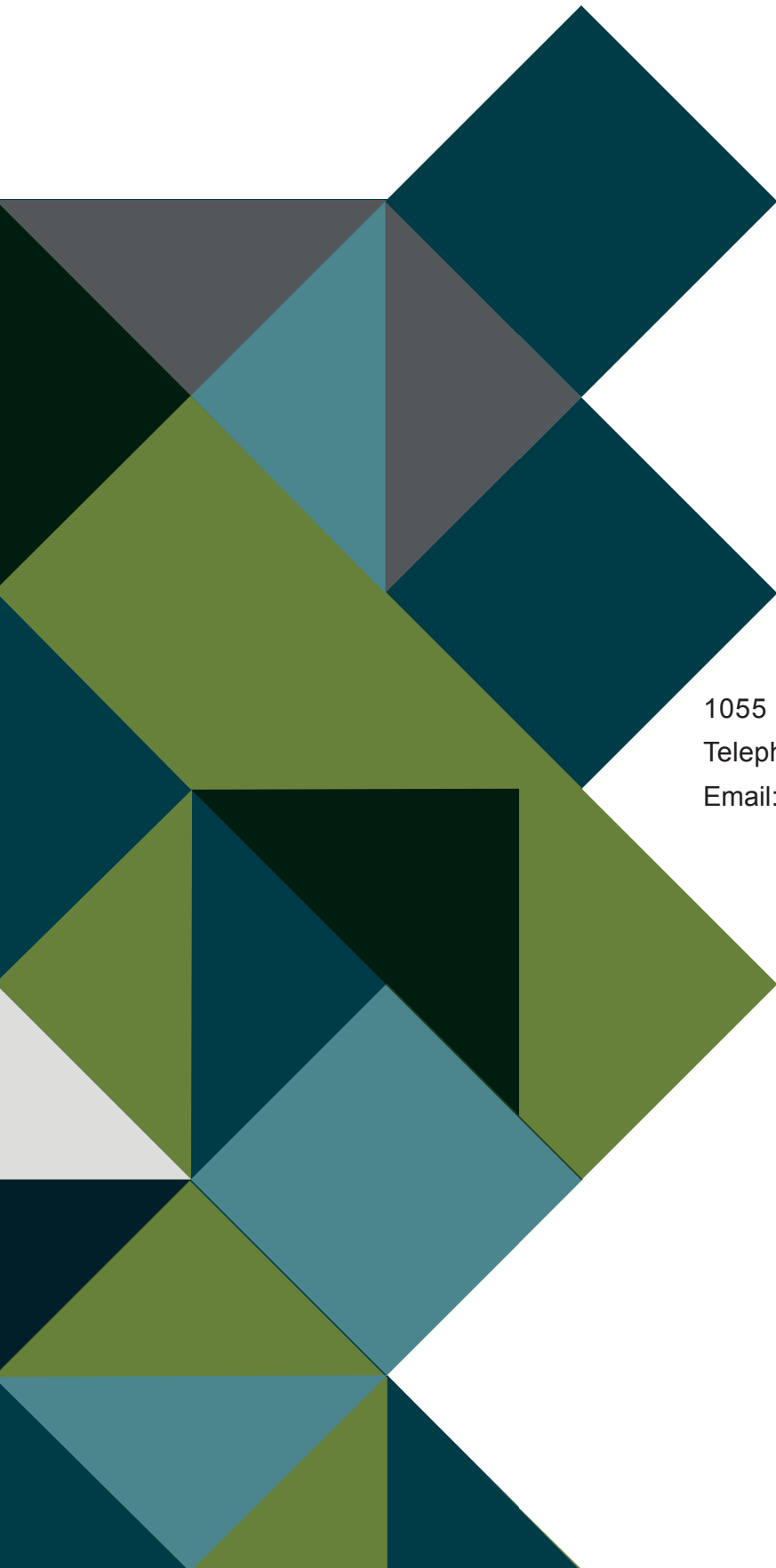
The LGCA is related in terms of common ownership to all Province of Manitoba created departments, agencies, and Crown corporations. The LGCA enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

This report is available on the Liquor, Gaming and Cannabis Authority of Manitoba's website at **LGCamb.ca**.

La version française de ce rapport annuel est disponible au site web de la Régie des alcools, des jeux et du cannabis du Manitoba au **LGCamb.ca**.

Available in alternate formats, upon request.





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