



LIQUOR, GAMING & CANNABIS
AUTHORITY OF MANITOBA

ANNUAL REPORT
2019/20



August 31, 2020

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, 2020.

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, 2020




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Message from the Chair

The Liquor, Gaming and Cannabis Authority of Manitoba (LGCA) has seen its responsibilities expand again this year. Following last year's announcement that horse racing regulation would be integrated into our mandate, considerable work took place throughout 2019/20 to prepare for this shift. Bill 39, The Horse Racing Regulatory Modernization Act, was introduced on March 19, 2020, and it is expected that the LGCA will assume these responsibilities prior to the 2021 racing season.

Another important change took place in the fall of 2019 when the federal government legalized cannabis edible, extract and topical products. The LGCA had already undertaken significant work to create a robust regulatory framework, which allowed for a seamless expansion into oversight of the sale of these additional products. A new LGCA public education campaign launched across the province to coincide with legalization, recognizing the importance of educating Manitobans about the particular risks and safety considerations of edibles and extracts.

As well as these external shifts, the LGCA saw internal change this year with the retirement of executive director and CEO F.J.O. (Rick) Josephson, who led the LGCA and its legacy organizations since 1997. Under his leadership, Manitoba saw the development of three First Nation casinos, the amalgamation of regulatory services for liquor and gaming, and the legalization of cannabis. On behalf of the board, I want to thank Mr. Josephson for his professionalism and many years of service, during which his steadfast commitment to excellence shaped the LGCA's reputation as a balanced and streamlined regulator.

In October 2019, the board and I were pleased to appoint Kristianne Dechant as the new

executive director and CEO. She was already familiar to many stakeholders and well-respected by staff and the board, having been with the organization since 2005 with responsibilities for policy development, research, corporate communications and public education. Ms. Dechant's leadership capacity and knowledge of our regulated industries positions her well to lead our team of dedicated staff in carrying forward the LGCA's growth and innovation in the coming years.

We end this year on an uncertain note, with our regulated industries significantly impacted by the COVID-19 pandemic. Whatever challenges this brings, our board remains committed to working with stakeholders and government to provide relevant and effective regulation. Through this pandemic and beyond, we will continue to enhance our services and find efficiencies for licensees, as we strive for a regulatory framework that is modern and transparent, while maintaining public safety.

Sincerely,

Bonnie Mitchelson
Chair

Remarks from the Executive Director and CEO



In October 2019, I began my new role as the Liquor, Gaming and Cannabis Authority of Manitoba's (LGCA) executive director and CEO. I am honoured to have this opportunity to lead an organization with such dynamic responsibilities, and to continue to serve Manitobans in a regulatory role. Manitobans expect the LGCA to be balanced and effective as we ensure that the liquor, gaming and cannabis industries operate in the public interest. I look forward to leading the LGCA as we continue to thrive as a trusted regulator, and I am pleased to report on some key achievements here.

As noted by our chair, October 2019 brought the legalization by the federal government of cannabis edible, extract and topical products. In preparation of the legalization of cannabis in 2018, the LGCA purposefully crafted legislation, regulation and processes that would be nimble enough to adapt to an evolving industry, so we were well-positioned to regulate this new class of products. The LGCA's efforts in this regard were recognized in July 2019 when we received a Partnership award at the 21st Annual Manitoba Service Excellence Awards. This award recognized the innovative partnership between the LGCA and the many other government departments that resulted in the development of Manitoba's regulatory framework for retail cannabis. Not only does this illustrate the strength of our team, but also the LGCA's commitment to collaborating with other government entities for our common goal, to benefit all Manitobans.

The LGCA continues to strengthen our client services and find ways to use technology to streamline our work. In 2019/20, this included phasing out the use of paper applications for social occasion permits for one-time special events where liquor is served. Throughout the year, we gradually reduced the availability of paper applications at liquor retailers, and instead encouraged Manitobans to apply for their permits online at MyLGCA.ca. By the end of the

fiscal year, 93% of permit applications were being submitted online, which significantly reduces the time applicants wait for their permits. We will continue to focus on enhancing services in the coming year, including through expansion of MyLGCA.ca. We will also apply this same lens of service enhancement and red tape reduction to our efforts to integrate horse racing regulation into our mandate.

Lastly, I want to express my gratitude to my colleagues, both management and staff, for their steadfast work this year and their support as I have transitioned to this role. We end this year in the midst of a global pandemic, as noted by our chair, and staff have been unwavering in their commitment to assisting clients in understanding the impacts of public health restrictions on their businesses and events. I am confident that the knowledge, skills and dedication of our team will allow the LGCA to continue to provide exemplary regulatory services to our diverse clients and stakeholders throughout these complex times and beyond.

Regards,

A handwritten signature in black ink, appearing to read 'K. Dechant', written in a cursive style.

Kristianne Dechant
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, is authorized by the Criminal Code (Canada). The Act and associated regulations establish and empower the LGCA to regulate liquor, gaming and cannabis in Manitoba.

On October 17, 2019, the federal government legalized cannabis edibles, extracts and topical products. The LGCA was well-positioned for the additional regulatory responsibilities required for these new products, having previously developed a strong and anticipatory framework for

cannabis regulation to meet the mandate of the Cannabis Act (Canada) in 2018. The LGCA's regulations and processes were easily adaptable to the expanded list of legalized non-medical cannabis products.

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.

Manitoba Service Excellence Award



The Manitoba Civil Service recognized our innovative partnerships with other government departments and agencies for the work that created the framework for non-medical cannabis in Manitoba.



The LGCA received the Partnership award in 2019/20 for Manitoba's Introduction of Retail Non-medical Cannabis.

2018-2022 Strategic Plan

With the extension of our regulatory oversight to cannabis in 2018, the board developed and launched a strategic plan to set the LGCA's course as a changed organization. The plan articulates the LGCA's vision, mission and values, all in recognition that liquor, gaming and 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 at 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, lead 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

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 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, corporate communications, policy and research activities are provided within the Strategic Services and Public Affairs Unit.

The Finance Unit 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, 2020, are published in this report beginning on page 20.





Our 2018/19 annual report, including financial statements, was tabled in the legislature in accordance with the Act on October 10, 2019.

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 that the LGCA, with the approval of Treasury Board, directs the Manitoba Liquor and Lotteries Corporation to pay to the LGCA; and
- Amounts appropriated by the Manitoba legislature for the LGCA.

The Act permits the LGCA to establish its own bank account and operating line of credit. An annual budget is developed and is approved by the board, reviewed by the minister responsible for the Act, and approved by Treasury Board. Last 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 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.

Leadership Change

In 2019, F.J.O. (Rick) Josephson, the LGCA's long-standing executive director and CEO, retired. Mr. Josephson served the LGCA and its legacy agencies since 1997, when he became the executive director of the Manitoba Gaming Control Commission, Manitoba's initial independent regulatory body for gaming. Mr. Josephson was also a key player in establishing Manitoba's unique framework for First Nations gaming, including roles as co-chair of the 2003 First Nation casino review committee and as the province's designate for First Nation casino operations. Mr. Josephson was highly regarded by staff and stakeholders alike for his balanced and reasonable approach, which guided the LGCA in defining its educative and client-focused orientation to regulation. Under his direction, the organization evolved from a small agency solely focused on charitable gaming to become a regulatory leader responsible for the regulation of three dynamic industries in Manitoba. Congratulations, Rick, on your retirement.

Hearings

The board conducts quasi-judicial hearings in response to appeals made by applicants, licensees 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. The board conducted two appeal hearings in 2019/20.

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 three applications for information under FIPPA in 2019/20.



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 2019/20.



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 this legislation.



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 2019/20, the LGCA continued work from its multi-year French language services plan, including installing bilingual signage at our Winnipeg office and increasing the number of bilingual employees providing frontline services. Our public education campaigns for cannabis and liquor were conducted bilingually, with French materials distributed and displayed in Manitoba's Francophone communities.





The 8th Canadian Edition of Consumer Behaviour – Buying, Having, Being¹ cited our public education campaign promoting Canada’s low-risk drinking guidelines. The textbook is a study of consumers’ behaviours when making purchases and understanding the reasons behind their purchase. Our red cup advertisement that shows how to measure standard drinks was shared as an example of how marketers can use concerns about risky behaviour in their messages.

Know My Limits

How does your drink measure up?

According to Canada’s Low-Risk Drinking Guidelines, a standard drink is:

Drink Type	Volume	Alcohol Content
BEER OR COOLER:	12 OZ./341 ML	(5% ALC/VOL)
WINE:	5 OZ./142 ML	(12% ALC/VOL)
HARD LIQUOR:	1.5 OZ./43 ML	(40% ALC/VOL)

Always drink responsibly.
Learn more at KnowMyLimits.ca

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¹ Solomon, M., Main, K., White, K., Dahl, D. (Eds.). (2021). Consumer behaviour: buying, having, being (8th ed.). Pearson Canada Inc.

Operations Overview

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 serves us well as a fair and modern regulator of these three dynamic industries. The LGCA's licensing and enforcement services are divided into two streams: commercial and community.

Commercial Services

For the period from April 1, 2019 to March 31, 2020. Active licences are as at March 31, 2020.

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 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.

The gaming integrity department is responsible for ensuring 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.



In 2019/20, all paper records and files for liquor and gaming licensing programs were made digital, eliminating the need to keep and store paper files.

Liquor Service, Retail and Manufacturing	19/20	18/19
Active service licences	2,009	1,989
Active retail licences	484	496
Active manufacturer licences	23	19
New licence approvals	146	148
Changes of ownership	31	26
Service inspections	10,404	8,386
Retail inspections	2,414	1,951
Manufacturer inspections	41	19
Last Drink Program referrals	39	68

Mixing it up



In July 2019, the LGCA amended its policy regarding pre-mixed alcoholic drinks in licensed establishments. The change responded to requests from licensees, who are now allowed to use slushy machines and to pre-mix batches of cocktails such as sangria and pitchers of cocktails to serve customers.

Social Responsibility Checks	19/20	18/19
Smart Choices certification checks	5,768	3,230
Age control identification checks	3,297	2,001

Gaming Industry Employees	19/20	18/19
Active employees (Aseneskak Casino, Sand Hills Casino, South Beach Casino and Manitoba Liquor and Lotteries Corporation)	2,769	2,934
New licence approvals	591	942
Licensing investigations	82	127
Annual licence reviews and renewals	2,639	2,609

The Forks Market – A Unique Manitoba Experience



A unique hospitality venue (UHV) licence may be issued to the operator of a casino, gaming centre or premises that offers a unique hospitality experience that cannot be accommodated under another liquor service licence category. Winnipeg's Forks Market is a one-of-a-kind tourism and historical attraction in Manitoba that was granted a UHV licence in 2016. The Forks Market sells locally-produced craft beer and wine by the glass, highlighting different local producers on a rotational basis. Existing food vendors provide food service and visitors are able to carry liquor as they walk through free-standing retail vendors.

In the summer of 2019, a new patio was developed at The Forks Market and the LGCA extended the venue's existing UHV licence for a capacity of 5,507 people and to include the large new patio area. This extension allows for a larger licensed area for visitors to experience local food and beverage offerings at this Manitoba destination.

Lottery Ticket Retailers and Video Lottery Terminal (VLT) Siteholders	Lottery Ticket Retailers		VLT Siteholders	
	19/20	18/19	19/20	18/19
Active licences	919	918	442	470
New licence approvals	11	33	1	8
Changes of ownership	47	62	14	9
Inspections	1,261	1,091	2,865	2,371
First Nation VLT siteholder reports	-	-	112	135

Gaming Suppliers and Gaming Service Suppliers	19/20	18/19
Active licences	64	61
New licence approvals	3	5
Licensing investigations	16	7
Annual licence reviews and renewals	41	46

Gaming Integrity	19/20	18/19
Authorizations (for central systems, games, game hardware and software, table games, rules of play, equipment, bingo paper, breakopen tickets, showdowns and ballot draws)	526	712
Inspections	102	105
Investigations	6	16

Retail Cannabis	19/20	18/19
Active licences	29	21
New licence approvals	9	21
Licensing Investigations	4	-
Proponent investigations	-	5
Inspections	389	293
Retailer field audits	11	5
Audit inventory reports	318	79

Regulatory Training

The LGCA uses training strategically to support clients to achieve and maintain compliance. In 2019/20, we delivered 262 training sessions for commercial and charitable licensees on audit reporting, responsible service, age control measures, public safety, and regulatory compliance.

Community Input and Local Option

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

As of March 31, 2020, six communities have voted to prohibit the local sale of cannabis and the LGCA was notified in 2019/20 that another, the Town of Altona, will conduct a plebiscite on this issue. While municipalities are able to prohibit the local retail sale of cannabis, they cannot ban people from consuming cannabis on their own property or from purchasing legal cannabis elsewhere.



Along with the legalization of cannabis edibles, extracts and topicals came new public safety concerns. The LGCA provided focused messaging about keeping cannabis products out of reach from children and pets. Our campaign posters promoting safe storage were seen in health centres around Manitoba, including The Children's Hospital of Winnipeg. We also provided materials to veterinary clinics in the province.

Know My Limits

Store cannabis safely.

Cannabis isn't for kids or pets – keep it out of their reach.

Learn more at [KnowMyLimits.ca](https://www.knowmylimits.ca)

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Integrating Horse Racing into our Regulatory Mandate



The LGCA is progressing towards the integration of the regulatory responsibilities of the Manitoba Horse Racing Commission into our organization. On March 19, 2020, the government introduced Bill 39, The Horse Racing Modernization Act, which will amend The Liquor, Gaming and Cannabis Control Act to expand our authority to the regulation of horse racing. It will also repeal The Horse Racing Commission Act and eliminate the current Manitoba Horse Racing Commission.

Recognizing that horse racing has an established history, we conducted formal consultations in June 2019 with the main stakeholder groups of Manitoba's horse racing industry. No significant changes have been made to The Horse Racing Commission Act since its inception in 1965, so these consultation findings are being used to inform and guide the LGCA's development of a modern legislative framework for horse racing. Among the LGCA's plans to provide valuable improvements to the horse racing industry in Manitoba are streamlining processes and removing burdensome regulatory requirements. In March 2020, we shared the findings from these consultations with the release of Manitoba's Horse Racing Modernization: 2020 Report to Stakeholders.

The LGCA is adept at regulatory integration, given our experience in extending our framework to include cannabis. Currently, the LGCA has administrative oversight of the Manitoba Horse Racing Commission through dual appointment of the executive director to both organizations. This structure assists with the melding of the Manitoba Horse Racing Commission into the LGCA's existing regulatory regime and will remain in place until full integration is achieved.

Full integration of horse racing regulation into the LGCA is expected to take effect in time for the 2021 live racing season.



Community Services

For the period from April 1, 2019 to March 31, 2020. Active licences and permits are as at March 31, 2020.

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 to provide information and training about responsible liquor service, charitable 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 municipal and First Nation gaming commission activity reports. These reviews confirm that record-keeping and reporting practices comply with legislation, regulation and audit standards.

Online Applications for Social Occasions



In 2019/20, we began work to fully transition social occasion permit applications to our online portal, MyLGCA.ca. The processing time for these applications decreases significantly when they are submitted online.

Beginning April 1, 2019, paper applications were no longer accepted by Winnipeg Liquor Marts, and on January 1, 2020, paper applications were removed from rural Liquor Marts. The LGCA has worked with Liquor Marts to direct applicants to MyLGCA.ca, including providing stores with posters promoting the shift to online applications and postcards for customers to take away that share information about how to apply for a social occasion permit and find MyLGCA.ca. Paper applications are still available upon request by contacting the LGCA.

93% of social occasion permit applications were submitted online in March 2020, compared to 64% in April 2019.

Social Occasions	19/20	18/19
Social occasion liquor permits	7,611	8,075
Pre-event assessments	2,731	3,644
Inspections at social occasion permit events	743	473
Social occasion raffle licences	4,670	4,919

NEED A LIQUOR PERMIT FOR YOUR SPECIAL EVENT?

As of April 1, 2019, Winnipeg Liquor Marts no longer accept permit applications.

Apply online!

My LGCA

Visit **MyLGCA.ca** to apply for liquor permits and raffle licences for your one-time special event. **MyLGCA.ca** is available 24/7 and offers a simple and fast application process.

You can also apply in person at the LGCA's Winnipeg office at 1055 Milt Stegall Drive, from 8:30 a.m. to 4:30 p.m., Monday to Friday.

Questions?
Contact the LGCA at 204-927-5300 or email permit@LGCAMB.ca.

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Charitable Gaming Events	19/20	18/19
Charitable licensees	1,645	1,718
Active licences	3,019	3,181
New licence approvals	2,674	2,783
Inspections	907	655
Audit event reports	2,813	2,876

Charitable Gaming Overview (* in \$ millions)

Event Type	Licensed Events		Gross Revenue*		Prizes Paid*		Total Expenses*		Net Profit*	
	19/20	18/19	19/20	18/19	19/20	18/19	19/20	18/19	19/20	18/19
Bingo	163	171	29.08	29.09	22.85	22.07	3.53	3.64	2.70	3.38
Breakopen	70	51	2.03	2.18	1.49	1.58	0.16	0.17	0.38	0.43
Raffle	319	355	38.86	38.72	16.98	17.06	6.32	6.57	15.56	15.09
Texas hold'em poker tournament	19	24	0.79	0.76	0.55	0.53	0.17	0.10	0.07	0.13
Media bingo	4	7	4.09	4.25	2.18	2.86	0.74	0.79	1.17	0.60
Other	17	17	0.06	0.08	0.05	0.07	0.00	0.00	0.01	0.01
Totals	592	625	74.91	75.08	44.10	44.17	10.92	11.27	19.89	19.64

In addition, 2,191 licences were issued to charitable organizations that, due to reporting thresholds, were not required to submit financial reports or licence fees (83 bingo, 18 breakopen, 2,083 raffle, three Texas hold'em poker tournament, and four other).



Licensing Authorities under Orders-in-Council

	19/20	18/19
First Nation gaming commission inspections	72	50
First Nation gaming commission annual audit reports	35	35
Municipal inspections	88	47
Municipal licensing authority reports	124	132

Chasing the Card in Manitoba



Chase the card, commonly referred to as chase the ace, is a 50/50-style raffle in which a jackpot increases until it is won. The LGCA licenses many of these each year and ensures the fairness and integrity of the ongoing draws. To assist the many licensees that operate these popular events, the LGCA released Chase the Card Standard Rules of Play in 2019/20. These provide uniform direction to licensees and also guide licensees with the development of clear and consistent rules for their own individual chase the card events. There were 200 active licensed chase the card raffles in Manitoba in 2019/20.

Jackpots for chase the card raffles can grow to be large. For example, three chase the card jackpots in Manitoba this year reached over \$100,000 before someone won, including the Whitemouth Recreation Association's raffle that continued to the last remaining card in February 2020 with a jackpot of \$230,367. Regular inspections by the LGCA increase in frequency as jackpots grow. In keeping with our risk-based approach, LGCA inspectors began attending and overseeing every draw commencing in mid-January 2020 that the Whitemouth Recreation Association held. This also coincided with the event's relocation to a larger venue to accommodate a larger capacity of players. LGCA inspectors attended the final card jackpot draw and observed no issues. Our oversight of charitable gaming events provides an extra measure of ensuring integrity and fairness for those who participate in chase the card events.



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.



Kristianne Dechant
Executive Director and CEO




Richard Green
Director, Finance

June 24, 2020

MANAGEMENT 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, 2020, 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.



Kristianne Dechant
Executive Director and CEO



Richard Green
Director, Finance

June 24, 2020

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	270/2019	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 11(1)	Liquor service licence fees	Section 17(2)	Licence fees payable by MLLC
Section 11(2)	Retail liquor licence fees	Section 17(3)	Licence fees payable by gaming operators
Section 11(3)	Manufacturer's endorsement	Section 18(3)	Annual fee must be paid
Section 12	Gaming licence fees	Section 19(1)	Payment of annual fee for licence
Section 13(1)	Gaming event licence fee	Section 19(2)	Fee for late payment of annual fee
to 13(3)		Section 20(3)	Late renewal applications
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



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, 2020, 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, 2020, 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
Winnipeg, Manitoba
June 24, 2020

LIQUOR, GAMING AND CANNABIS AUTHORITY OF MANITOBA

STATEMENT OF FINANCIAL POSITION

As at March 31	Actual 2020	Actual 2019
Financial assets		
Cash and cash equivalents	\$ 3,515,290	\$ 2,801,184
Accounts receivable (Note 4)	561,080	527,760
Long-term investment (Note 5)	146,079	146,079
	<u>4,222,449</u>	<u>3,475,023</u>
Liabilities		
Accounts payable and accrued liabilities (Note 6)	916,245	1,099,662
Deferred revenue (Note 7)	455,383	471,142
Severance benefits (Note 8)	1,086,349	1,131,344
Retirement benefits (Note 8)	108,695	107,063
Non-vested sick leave benefits (Note 8)	160,661	177,384
	<u>1,355,705</u>	<u>1,415,791</u>
	<u>2,727,333</u>	<u>2,986,595</u>
Net financial assets	<u>1,495,116</u>	488,428
Non-financial assets		
Tangible capital assets (Note 9)	3,296,570	3,477,790
Prepaid expenses	62,813	35,766
	<u>3,359,383</u>	<u>3,513,556</u>
Accumulated surplus	\$ 4,854,499	\$ 4,001,984

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 2020	Actual 2020	Actual 2019
Revenue			
Licence fees – gaming	\$ 6,174,100	\$ 6,201,717	\$ 6,194,566
Licence fees – liquor	1,749,200	1,652,358	1,700,404
Licence fees – cannabis	40,400	32,500	21,667
MLLC funding transfer	1,365,000	2,061,352	2,975,000
Social responsibility fee	1,610,000	913,648	0
Other revenue	22,000	19,410	24,560
Interest earned	70,100	68,800	81,907
	11,030,800	10,949,785	10,998,104
Expenses			
Salaries and benefits	8,030,000	7,460,641	7,568,115
Public education	565,000	498,600	493,163
Rent	425,100	444,429	641,290
Amortization	363,600	354,653	155,475
Transportation	384,000	314,000	325,934
Legal and professional fees	369,500	297,564	251,109
Supplies and services	240,800	268,804	350,575
Communications	264,500	199,458	245,953
Education, training, conferences	125,000	105,204	133,959
Accommodations	66,000	57,499	80,732
Other expenses	55,400	44,707	44,682
Board	69,200	40,610	51,185
Human resources/systems support	16,100	8,818	8,337
Loss on disposal of tangible capital assets	0	2,283	73,765
	10,974,200	10,097,270	10,424,274
Annual surplus	56,600	852,515	573,830
Accumulated surplus, beginning of year	4,001,984	4,001,984	3,428,154
Accumulated surplus, end of year	\$ 4,058,584	\$ 4,854,499	\$ 4,001,984

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 2020	Actual 2020	Actual 2019
Annual surplus	\$ 56,600	\$ 852,515	\$ 573,830
Acquisition of tangible capital assets	(140,000)	(175,716)	(3,456,663)
Amortization of tangible capital assets	363,600	354,653	155,475
Loss on disposal of tangible capital assets	0	2,283	73,765
	223,600	181,220	(3,227,423)
Decrease (increase) in prepaid expenses	0	(27,047)	37,998
Increase (decrease) in net financial assets	280,200	1,006,688	(2,615,595)
Net financial assets , beginning of year	488,428	488,428	3,104,023
Net financial assets , end of year	\$ 768,628	\$ 1,495,116	\$ 488,428

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

LIQUOR, GAMING AND CANNABIS AUTHORITY OF MANITOBA

STATEMENT OF CASH FLOWS

For the year ended March 31	2020	2019
Operating transactions		
Annual surplus	\$ 852,515	\$ 573,830
Loss on disposal of tangible capital assets	2,283	73,765
Changes in non-cash items		
Accounts receivable	(33,320)	(30,166)
Prepaid expenses	(27,047)	37,998
Accounts payable and accrued liabilities	(183,417)	175,154
Deferred revenue	(15,759)	22,904
Provision for employee severance benefits	(44,995)	86,240
Provision for employee pension benefits	1,632	(1,777)
Provision for employee sick leave benefits	(16,723)	5,216
Amortization	354,653	155,475
Cash provided by operating transactions	889,822	1,098,639
Capital transactions		
Cash used to acquire tangible capital assets	(175,716)	(3,456,663)
Increase (decrease) in cash and cash equivalents	714,106	(2,358,024)
Cash and cash equivalents, beginning of year	2,801,184	5,159,208
Cash and cash equivalents, end of year	\$ 3,515,290	\$ 2,801,184
Supplemental cash flow information		
Interest received	66,836	84,652

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, 2020. 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 Service 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.

Manitoba has established a social responsibility fee intended to offset the costs of the cannabis regulatory regime. The social responsibility fee is 6% of annual non-medical cannabis sales. The LGCA receives a portion of the social responsibility fee proportionate to its annual cannabis regulatory expenditures.

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, 2020 (2019 - \$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, 2020 was:

	2020	2019
Cash and cash equivalents	\$ 3,515,290	\$ 2,801,184
Accounts receivable	561,080	527,760
	<u>\$ 4,076,370</u>	<u>\$ 3,328,944</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, 2020 was:

Current	\$ 552,154
30 to 60 days past billing date	(359)
61 to 90 days past the billing date	8,028
More than 90 days past the billing date	1,257
	<u>\$ 561,080</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

	2020	2019
MLLC	\$ 523,139	\$ 503,811
Liquor service/retail beer vendor/ cannabis licensees	558	992
First Nation casinos	4,600	6,500
Social occasion permit holders	0	1,250
Gaming event licensees	20,993	3,147
Interest on short-term investments	10,787	8,823
Other trades	1,003	3,237
	<u>\$ 561,080</u>	<u>\$ 527,760</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 \$2,695 (2019 - \$2,513).

6. Accounts Payable and Accrued Liabilities

	2020	2019
Accounts payable and accrued liabilities	\$ 63,644	\$ 232,762
Salaries and benefits payable	64,702	11,076
Accrued vacation pay	784,661	851,596
Other	3,238	4,228
	<u>\$ 916,245</u>	<u>\$ 1,099,662</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	\$ 471,142	\$ 911,724	\$ 927,483	\$ 455,383

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, 2020. 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, 2020. The LGCA's actuarially-determined net liability for accounting purposes as at March 31, 2020, was \$982,499 (2019 - \$1,021,573). An actuarial gain of \$13,984 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 \$175,369 (2019 - \$18,770).

Significant long-term actuarial assumptions used in the March 31, 2020 valuation and in the determination of the March 31, 2020 present value of the accrued severance benefit obligation were:

Annual rate of return	
(i) inflation component	2.00%
(ii) real rate of return	<u>3.75%</u>
	<u>5.75%</u>

Annual salary escalation rates

(i) general increases	
a) salary increase	2.00%
b) real rate	<u>0.50%</u>
	<u>2.50%</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, 2020 includes the following components:

	2020	2019
Accrued benefit liability	\$ 982,499	\$ 1,021,573
Unamortized actuarial gains	103,850	109,771
Severance benefit liability	<u>\$ 1,086,349</u>	<u>\$ 1,131,344</u>

The total expenses related to severance benefits at March 31, 2020 include the following components:

	2020	2019
Interest on obligation	\$ 58,822	\$ 57,083
Current period benefit cost	<u>91,744</u>	<u>66,595</u>
	<u>150,566</u>	<u>123,678</u>
Effect of change in assumptions	<u>(287)</u>	
Amortization of actuarial gain over expected average remaining service lifetime	<u>(19,905)</u>	<u>(18,668)</u>
Total expense related to severance benefit	<u>\$ 130,374</u>	<u>\$ 105,010</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, 2018, the Superannuation Fund had a deficit of \$5.2 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 \$439,546. Contributions for the 2018/19 year were \$436,434.

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, 2020, a reserve of \$108,695 (2019 - \$107,063) 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 increased by \$1,632 (2019 - reduced by \$1,777). Significant long-term actuarial assumptions used in the March 31, 2020 valuation and in the determination of

the March 31, 2020 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>3.75%</u>
	<u>5.75%</u>

Annual salary escalation rates	
(i) general increases	
a) salary increase	2.00%
b) productivity component	<u>0.50%</u>
	<u>2.50%</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, 2020

	Equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost					
Opening balance	\$ 122,058	\$ 1,493,996	\$ 1,163,199	\$ 1,847,390	\$ 4,626,643
Additions	3,052	38,607	97,029	37,028	175,716
Disposals			(42,411)		(42,411)
Closing Balance	\$ 125,110	\$ 1,532,603	\$ 1,217,817	\$ 1,884,418	\$ 4,759,948
Accumulated amortization					
Opening balance	\$ 11,424	\$ 74,788	\$ 1,019,537	\$ 43,104	\$ 1,148,853
Amortization	22,280	145,118	61,293	125,962	354,653
Disposals			(40,128)		(40,128)
Closing Balance	\$ 33,704	\$ 219,906	\$ 1,040,702	\$ 169,066	\$ 1,463,378
				Net book value	\$ 3,296,570

March 31, 2019

	Equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost					
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
Accumulated amortization					
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
				Net book value	\$ 3,477,790

10. 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:

2021	278,990
2022	278,990
2023	279,215
2024	280,340
2025	280,340

11. Budgeted Figures

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

12. Working Capital Advance

The Minister of Finance, with Lieutenant-Governor 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 (2019 - \$2,000,000). As at March 31, 2020, \$2,000,000 (2019 - \$2,000,000) of these advances were unused and available.

13. 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.





1055 Milt Stegall Drive, Winnipeg, MB R3G 0Z6
Telephone: 204-927-5300 | Toll-free: 1-800-782-0363
Email: information@LGCamb.ca | Website: LGCamb.ca