



LIQUOR, GAMING & CANNABIS
AUTHORITY OF MANITOBA

ANNUAL REPORT
2020/21



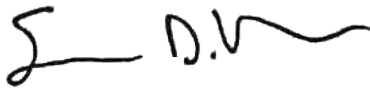
August 31, 2021

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

Dear Minister Friesen:

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, 2021.

Respectfully,



Stéphane D. Dorge
Acting Chair

Board Members

**Stéphane D.
Dorge**

Acting Chair
Winnipeg

**Sheila
Atkinson**

Member
Brandon

**Joyce
Bateman**

Member
Winnipeg

**William
Duff**

Member
Winnipeg

**Peter
Fuchs**

Member
Winnipeg

**Rich
Harries**

Member
Morden

**Loren
Schinkel**

Member
Lac du Bonnet

**Jonathan
Webber**

Member
La Salle

As at March 31, 2021



Table of Contents

Message from the Chair	2
Message from the Executive Director and CEO	3
About the Liquor, Gaming and Cannabis Authority of Manitoba	4
Response to the COVID-19 Pandemic	10
Operations Overview	
Commercial Services	12
Community Services	19
Financial Statements and other related information	24
Management's Responsibility for Financial Reporting	25
Independent Auditor's Report	26
Statement of Financial Position	28
Statement of Operations and Accumulated Surplus	29
Statement of Changes in Net Financial Assets	30
Statement of Cash Flows	31
Notes to Financial Statements	32



Message from the Chair

One of the many objectives of strategic planning is that it forces boards and management to prepare their organizations for unknown challenges and obstacles. The strength of a strategic plan is revealed when these challenges and obstacles put the organization and its people to the test. As the emergence of the COVID-19 pandemic and its global impacts came to define 2020/21, this certainly tested the capacity and resilience of the Liquor, Gaming and Cannabis Authority of Manitoba (LGCA). As acting chair, it is gratifying to report that, despite the difficult circumstances created by this unprecedented event, the LGCA continued to meet its obligations toward the people, charities and businesses we serve across the province. Despite early uncertainties, rapidly evolving conditions and licensees' shifting operating environments, LGCA management and staff maintained the service and information channels needed to ensure Manitobans' continued confidence in the regulation of liquor, gaming and cannabis.

By focusing on our overarching values of teamwork, service excellence, innovation and stewardship, the LGCA successfully realigned its human and technical resources to maintain regulatory services. This included redeploying staff to support broader pandemic response needs, and implementing temporary budget and staffing reduction initiatives to decrease annual spending by more than ten percent. By reducing regulatory costs for Manitoba Liquor and Lotteries Corporation by one million dollars, funds could be directed to the Province of Manitoba's relief programs for businesses and individuals impacted by the pandemic.

Notwithstanding the ever-changing operating environment, the LGCA continued its legislative,

operational, consultative and public education initiatives. Several bills spanning a range of regulatory and operational matters, including social responsibility, additional liquor sales opportunities, and new accountabilities for horse racing regulation, were active and in various stages before the Manitoba Legislative Assembly during the fiscal year. When public consultations were conducted to assess citizen interest in licensed cannabis consumption sites, Manitobans told the LGCA it was too soon to consider such a significant change. Also, our board consulted with the hospitality industry as part of the LGCA's ongoing collaborative efforts to seek opportunities to cut red tape and modernize liquor licensing. Finally, the LGCA, long recognized as a leader in public education and social responsibility, continued to facilitate training, provide consumer information, and ensure public education messaging in support of safe sales and service, and lower-risk product use.

In spite of this year's challenges, the LGCA recorded a successful and productive year in service to Manitobans, their charities and their businesses. Our achievements are due to the commitment, expertise and hard work of the LGCA's management and staff. On behalf of my board colleagues, I extend sincere thanks to this team of people and commend them on their efforts and accomplishments during this extraordinary time.

Sincerely,

Stéphane D. Dorge
Acting Chair

Message from the Executive Director and CEO



As usual, April 1st marked the beginning of a new fiscal year for the LGCA. However, as we all know, the 2020/21 fiscal year was anything but usual.

At the outset of the year, the LGCA responded to the COVID-19 pandemic by transitioning to new operating environments for our employees, and for the businesses, charities and people we serve. Our offices were closed to the public, and all programs were reoriented from in-person interactions to focus on online and phone service. Commercial and charitable gaming activities were suspended or limited at the time, as was liquor service in licensed establishments. Meanwhile, preparations were underway for a June implementation of the final phase of cannabis retail store licensing, as a result of Manitoba's move to an open market. At the same time, proposed legislation was before the Manitoba Legislative Assembly to authorize the transition of regulatory responsibilities for thoroughbred and standardbred horse racing to the LGCA.

This was just the start of a year that would bring many more shifts and pivots for our programs and staff. Throughout the year, public health orders resulted in evolving contractions and resumptions in some industries, and maintained the status quo in others. I recognize how difficult the COVID-19 pandemic has been on many of our licensees, and I thank the charities, businesses and citizens who worked collaboratively with us to maintain operations where possible, and to pursue new opportunities where available.

In recognition of the pandemic's challenges for the hospitality industry, the delivery and takeout of wine, beer, cider and coolers was authorized with food sales early in the year. In support of charitable fundraising efforts, electronic chase the card events were approved to allow charities to run them online through certified platforms.

Charitable fundraising also became easier late in the year, when the MyLGCA.ca client service portal was expanded to accept online raffle and bingo licence applications. Not surprisingly, entrepreneurs responded positively to the expanded cannabis retail licensing eligibility, with the number of stores more than doubling over the previous year. I am pleased to report that, despite this significant increase, compliance with regulatory requirements for public safety and age control remained strong among licensed cannabis retailers.

Beyond meeting the accountabilities of our legislated mandate, the strength and flexibility of the LGCA's staff and their capacity to serve were revealed when the LGCA was asked to assist with Manitoba's public health measures. During the year, employees were redeployed to conduct public health order inspections, to help with the preparation of personal protective equipment for health care workers, and to provide support to the COVID-19 Testing Task Force.

At the time of writing, public health restrictions remain in place and are expected to continue to influence our operations well into the next fiscal year. As such, it is rewarding to report to Manitobans that despite the challenges brought about by the COVID-19 pandemic, the LGCA continued to provide regulatory approvals, oversight and public education as authorized and mandated by The Liquor, Gaming and Cannabis Control Act. We look forward to continuing to do so in 2021/22.

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 the LGCA and empower us to regulate liquor, gaming and cannabis in Manitoba.

During 2020/21, the LGCA continued to prepare for the integration of horse racing to its existing regulatory framework. Many of the functions conducted by Manitoba's current horse racing regulator, the Manitoba Horse Racing Commission, are similar to those of the LGCA, making the LGCA well-positioned to add horse racing to our existing responsibilities.

Our Mandate

- Regulate liquor sales, service and manufacturing
- Regulate gaming events, employees, products and operations
- Regulate cannabis sales and distribution
- Provide information and advice to government about 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 related matters.



Legislation update



The LGCA works with government on an ongoing basis to ensure that legislation evolves as needed to maintain a strong framework for the oversight of our dynamic regulated industries. Legislative amendments were enacted during the year to allow

restaurants to sell liquor for consumption off-site with delivery and takeout food orders, and to remove the Act's previous restrictions on Sunday liquor and cannabis sales.

Four Bills were at second reading before the legislature at the end of the fiscal year:

Bill 5, The Liquor, Gaming and Cannabis Control Amendment Act (Cannabis Social Responsibility Fee) will make it a term of a cannabis retailer agreement that operators must pay the government a 6% fee, based on annual revenue, to assist with costs related to the regulation and social impacts of cannabis.

Bill 6, The Liquor, Gaming and Cannabis Control Amendment Act, will prohibit cannabis consumption in public places, unless permitted via regulation.

Bill 31, The Horse Racing Regulatory Modernization Act (Liquor, Gaming and Cannabis Control Act and Pari-Mutuel Levy Act amended) will bring the regulatory responsibilities for horse racing under the LGCA. Once passed, the Manitoba Horse Racing Commission will be eliminated and the LGCA will oversee horse racing regulation and the pari-mutuel levy.

Bill 60, The Liquor, Gaming and Cannabis Control Amendment Act (2), will make several changes to the Act. First, it will create a new licence category for third-party companies that deliver liquor and cannabis for licensees. Second, it will allow the LGCA to develop a minor agents program, strengthening the LGCA's capabilities around age-restricted enforcement. Lastly, it will repeal the requirement for marketing representatives to register with the LGCA.



2018-2022 Strategic Plan

Our strategic plan was launched in 2018 to set the LGCA's course with an extended mandate to regulate cannabis. The plan articulates the LGCA's direction in recognition that liquor, gaming and cannabis are products deemed to require oversight that reflects Manitobans' expectations for public safety and consumer protection.

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 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. Seventy-four employees provide operational and ancillary services, led by a chief executive officer (CEO) who is also appointed the executive director in accordance with the Act.

We license and oversee liquor, gaming and cannabis in Manitoba through the following structure:

Operations

The Operations Unit provides licensing and compliance services, organized by various regulatory program areas.

During 2020/21, the Operations Unit saw significant change as it was redesigned for a new, optimized structure that focuses on what licensees need from our services. Services for the liquor, gaming and cannabis industries, as well as the soon to be added horse racing industry, were reviewed with the purpose of recognizing specialization, while combining service provision to multiple industries to make the LGCA stronger operationally. This nimble and blended approach allows us to provide knowledgeable and streamlined services to licensees every time they engage with the LGCA.

This unit is comprised of five departments: charitable services, commercial licensing, commercial inspections, gaming integrity, and social occasions and horse racing. Each department authorizes and monitors the businesses, organizations, individuals and activities that operate in Manitoba's liquor, gaming and cannabis industries. This includes issuing licences, permits and approvals, and ensuring compliance with applicable legislation, regulations, and terms and conditions. Staff provide advice and service 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. As we wait for horse racing to be formally integrated into our mandate via Bill 31, the LGCA functionally oversees the Manitoba Horse Racing Commission, with the executive director dually-appointed as executive director of the Manitoba Horse Racing Commission.



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

The Finance and Administration 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. Complete financial statements for the year ended March 31, 2021 are published in this report beginning on page 24.



Our 2019/20 annual report, including financial statements, was tabled in the legislature in accordance with the Act on September 29, 2020.

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 approved by the board, reviewed by the minister responsible for the Act, and approved by Treasury Board. As part of Manitoba's fiscal focus beyond core government, the LGCA's budget is integrated in the summary budgeting process for the minister's primary department, Manitoba Justice.

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 request for proposals for audit services to the LGCA was conducted in 2020/21. The successful proponent was BDO Canada LLP, which was appointed by the Lieutenant-Governor-in-Council as the LGCA's auditor for a period of five years.

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 cancellations. 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. The board did not conduct any appeal hearings in 2020/21.

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 four applications for information under FIPPA in 2020/21.



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. The LGCA did not receive any disclosures in 2020/21.



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 the needs of our organization.



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. Work continued on the multi-year French language services plan in 2020/21, with the LGCA increasing its capacity to service the public in French by designating five positions as bilingual and establishing a francophone advisory committee. The LGCA conducted two Know My Limits public education campaigns, both of which delivered bilingual messaging in public spaces in Manitoba's francophone communities and on the Know My Limits website.



Response to the COVID-19 Pandemic

Like other organizations, the LGCA adjusted its service model in 2020/21 due to the COVID-19 pandemic. The year began with the majority of the licensees that the LGCA oversees being required to close due to public health orders put in place to help curb the spread of the virus. At the same time, the LGCA transitioned to providing services virtually by telephone and online, with our offices closed to the public.

The LGCA focused on supporting licensees and permit holders to understand and adjust to the changes required due to the COVID-19 pandemic. Online services were added to allow liquor service licensees to add outdoor patio areas, and to notify the LGCA of their choice to sell beer, wine, cider or coolers with delivery and takeout food orders. Permit and licensing staff worked steadily to assist licensees and permit holders to amend permits and licences for postponed or cancelled events and activities.

In May 2020, government designated additional officials to enforce public health orders, and LGCA inspectors joined the more than 3,000 other provincial and municipal personnel in this responsibility. With respect to this additional enforcement authority, the LGCA focused on the public health orders and how they relate to licensed operations. Inspectors enforced requirements for capacity limits, social distancing and patio operations, and responded to complaints about licensed premises violating public health orders. In keeping with our progressive model for enforcement in licensed establishments, inspectors focused on educating licensees and customers when violations were observed, and issued tickets in the case of repeated offences or serious incidents. LGCA inspectors conducted a total of 13,901 inspections for enforcement responsibilities of the Act and public health orders in 2020/21, and issued 52 warnings and 17 tickets totalling \$55,436 in fines.



COVID-19

Know My Limits

Pace yourself.

No more than 2 drinks over 3 hours.

STOP AT **2** DRINKS OVER **3** HOURS

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

LGCA
LIQUOR, GAMING & CANNABIS
AUTHORITY OF MANITOBA

Timely public education



LGCA launched its updated Know My Drinking Limits campaign in late 2020. The timing of the campaign coincided with the holiday season as well as with changes brought by the COVID-19 pandemic. Canadian research and polls found that the sale and consumption of alcohol both increased during the pandemic, and that the risks of drinking at home vary from those of drinking while out socially at a public place. The Know My Drinking Limits campaign is designed to help Manitobans lower these risks by setting limits on how often and how much they consume alcohol, in keeping with Canada's Low-Risk Alcohol Drinking Guidelines.

Know My Limits

Set a weekly maximum.

Whether at home or out, no more than 10 drinks for women or 15 drinks for men.

MAX. **10** DRINKS A WEEK
MAX. **15** DRINKS A WEEK

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

LGCA
LIQUOR, GAMING & CANNABIS
AUTHORITY OF MANITOBA

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 services.

Commercial Services

For the period from April 1, 2020 to March 31, 2021. Active licences are as at March 31, 2021.

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.

Regulatory training



The LGCA uses training strategically to support clients to achieve and maintain compliance. In 2020/21, we delivered 325 training sessions for commercial and charitable licensees on audit reporting, responsible service, age control measures, public safety, and regulatory compliance.

To assess and confirm regulatory compliance, inspections staff follow a risk-based model to inspect licensees, and auditors review licensee financial reports and activities, including cannabis inventory reports. 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.

Liquor delivery and takeout opportunities



On April 15, 2020, government passed Bill 15, The Liquor, Gaming and Cannabis Control Amendment Act, to authorize the sale of liquor with delivery and takeout food orders by licensed dining rooms and lounges.

While this Bill was initiated as a permanent measure and well before the start of the COVID-19 pandemic, it ultimately became an opportunity for restaurants seeking ways to increase revenues by offering liquor sales with their delivery and takeout options at a time when public health directives required many premises to close for in-person service.

The LGCA's strategy for this change included releasing terms and conditions before the legislation had passed. While unusual, this approach allowed eligible licensees to start preparing for expanded services by updating their menus, pricing and delivery processes, such as ensuring that delivery drivers who deliver liquor with food orders completed the Smart Choices responsible service training. By the end of the fiscal year, nearly 300 licensees had begun to sell liquor with delivery and takeout orders.



A modern take on the outdoor beer garden



The Beer Can @ The Fortune, built from a shipping container and operating in what had been an empty parking lot in Winnipeg's downtown, was issued a unique hospitality venue (UHV) licence by the LGCA in June 2020. This innovative use of unused public space created an entertainment destination offering beers produced by local brewers, food truck fare and live performances in a fully-outdoor area, with an approved capacity of 150 people. These kinds of novel concepts for outdoor liquor service have become more common throughout the COVID-19 pandemic, as various restrictions were placed on indoor service to reduce transmission.



A 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. Each UHV licensee receives terms and conditions that are specific to the unique type of experience they offer.

Liquor Service, Retail and Manufacturing

	20/21	19/20
Active service licences	1,959	2,009
Active retail licences	490	484
Active manufacturer licences	28	23
New licence approvals	70	146
Changes of ownership	23	31
Service inspections	11,814	10,404
Retail inspections	3,503	2,414
Manufacturer inspections	76	41
Last Drink Program referrals	8	39



Social Responsibility Checks	20/21	19/20
Smart Choices certification checks	3,484	5,768
Age control identification checks	1,834	3,297

How old am I?

Places that sell alcohol don't guess, they ask. It's the law.
Bring ID.

LGCA
LIQUOR, GAMING & CANNABIS
AUTHORITY OF MANITOBA

Always drink responsibly.

Lottery Ticket Retailers and Video Lottery Terminal (VLT) Siteholders	Lottery Ticket Retailers		VLT Siteholders	
	20/21	19/20	20/21	19/20
Active licences	920	919	418	442
New licence approvals	19	11	1	1
Changes of ownership	71	47	8	14
Inspections	861	1,261	1,984	2,865
First Nation VLT siteholder reports	-	-	103	112

Gaming Suppliers and Gaming Service Providers	20/21	19/20
Active licences	61	64
New licence approvals	5	3
Licensing investigations	8	16
Annual licence reviews and renewals	41	41

Gaming Integrity	20/21	19/20
Authorizations (for central systems, games, game hardware and software, table games, rules of play, equipment, bingo paper, breakopen tickets, showdowns and ballot draws)	281	526
Inspections	34	102
Investigations	2	6

Gaming Industry Employees	20/21	19/20
Active employees (Aseneskak Casino, Manitoba Liquor and Lotteries Corporation, Sand Hills Casino and South Beach Casino)	1,136	2,769
New licence approvals	174	591
Licensing investigations	25	82
Annual licence reviews and renewals	1,649	2,639



Retail Cannabis	20/21	19/20
Active licences	72	29
New licence approvals	43	9
Licensing investigations	51	4
Inspections	586	389
Retailer field audits	1	11
Audit inventory reports	512	318

Manitoba’s retail cannabis framework enters phase 3



Manitoba’s framework for retail cannabis has consisted of three phases. In 2017, the government conducted a request for proposals for retail cannabis stores and conditionally accepted four proposals from the submissions. Further expansion began in 2018 when the government conducted pre-qualifications seeking potential retailers interested in operating retail cannabis stores in Manitoba in underserved communities. The third phase of Manitoba’s retail cannabis framework commenced on June 1, 2020, when the provincial market opened for



any business to apply to the Manitoba Liquor and Lotteries Corporation for a cannabis store retailer agreement to establish a store in any Manitoba community that allows the retail sale of cannabis. While the LGCA is not involved with the selections of locations for cannabis stores, applicants must apply to the LGCA for licensing once they have an agreement in place with the Manitoba Liquor and Lotteries Corporation.

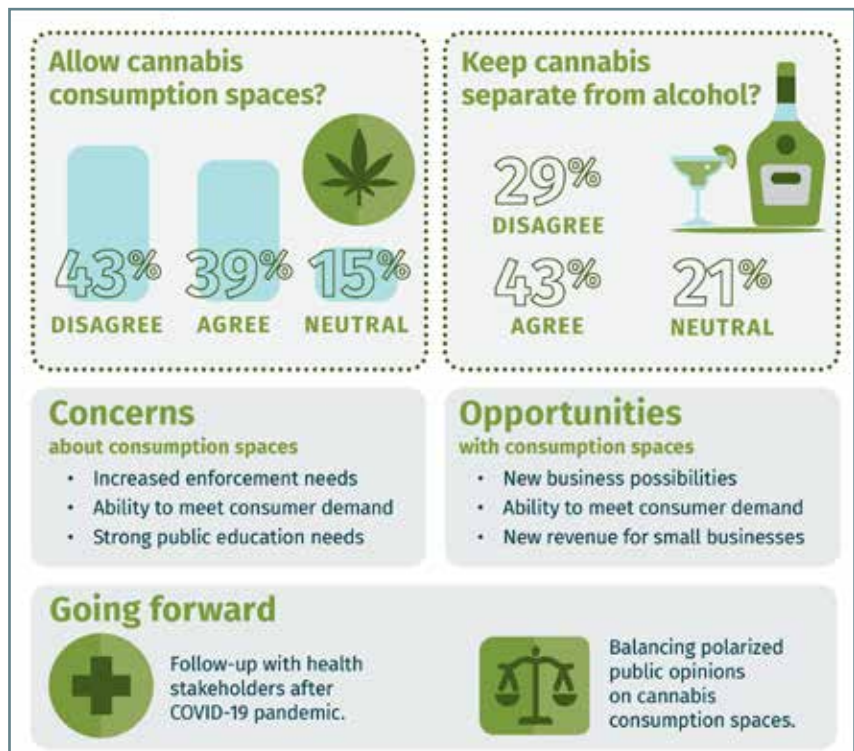
Public consultations



As part of its ongoing research and regulatory analyses, the LGCA consults with the public and stakeholders of the liquor, gaming and cannabis industries. In 2020/21, the LGCA conducted two such consultations. The first was a targeted consultation with liquor service licensees, industry organizations, and various stakeholders representing First Nations, law enforcement, public health, addictions services and government. These consultations explored options to simplify the regulatory framework for licensed premises that serve liquor to their customers. Responses were received from 20 stakeholder groups and 700 licensees. The information gathered from these consultations will be used to inform changes to reduce red tape and streamline the current liquor service licensing framework in Manitoba.

The LGCA also conducted consultations with the public and stakeholders to determine the level of entrepreneurial and consumer demand for a licence category that would authorize on-site service and consumption of edible or ingestible cannabis products (i.e., no smoking or vaping) at licensed premises.

In-person consultations such as town halls were not possible due to the COVID-19 pandemic, so these consultations involved a brief online survey and targeted stakeholder questionnaires. A total of 800 online surveys were collected, with results indicating mixed support for these types of licensed premises. The LGCA recognizes that the COVID-19 pandemic may have influenced public and stakeholder opinions, given the complexities at the time of socializing in public. The LGCA plans to consult again on this topic in the future as the cannabis industry evolves and the pandemic impacts subside.



Community Input and Local Option

Municipalities may conduct plebiscites to prohibit the local sale of cannabis in their communities, in accordance with the Act.

The LGCA was notified in 2019/20 that the Town of Altona would conduct a plebiscite on this issue, and the plebiscite was held in October 2020 after delays due to the COVID-19 pandemic. Residents of the Town of Altona voted to allow licensed retail cannabis stores in the community. As of March 31, 2021, six communities have voted to prohibit the local sale of cannabis.



Community Services

For the period from April 1, 2020 to March 31, 2021. Active licences and permits are as at March 31, 2021.

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.

New online services for charitable gaming



A redesigned MyLGCA.ca was launched in March 2021. Enhancements to the LGCA's online portal now allow charitable and religious organizations to apply online for eligibility to hold a charitable gaming licence and, once approved, to apply online for their raffle, bingo and breakopen event licences. This redesign was the final step in a review of charitable services begun early in 2020, which was intended to modernize and reduce red tape in the way we license, inspect and audit charitable gaming events. This review involved all levels of management and staff, and looked at functions that could be improved for internal efficiencies and service provision to the public.



Social Occasions	20/21	19/20
Social occasion liquor permits	554	7,611
Pre-event assessments	288	2,731
Inspections at social occasion permit events	70	743
Social occasion raffle licences	235	4,670

Charitable Gaming Events	20/21	19/20
Charitable licensees	725	1,645
Active licences	1,429	3,019
New licence approvals	957	2,674
Inspections	179	907
Audit event reports	2,525	2,813



Charitable Gaming Overview (* in \$ millions)											
Event Type	Licensed Events		Gross Revenue*		Prizes Paid*		Total Expenses*		Net Profit*		
	20/21	19/20	20/21	19/20	20/21	19/20	20/21	19/20	20/21	19/20	
Bingo	84	163	8.74	29.08	6.65	22.85	1.33	3.53	0.76	2.70	
Breakopen	31	70	0.63	2.03	0.45	1.49	0.07	0.16	0.11	0.38	
Raffle	241	319	31.97	38.86	12.13	16.98	6.15	6.32	13.69	15.56	
Texas hold'em poker tournament	5	19	0.16	0.79	0.11	0.55	0.03	0.17	0.02	0.07	
Media bingo	8	4	20.30	4.09	3.15	2.18	3.40	0.74	13.75	1.17	
Other	2	17	0.05	0.06	0.03	0.05	0.00	0.00	0.02	0.01	
Totals	371	592	61.85	74.91	22.52	44.10	10.98	10.92	28.35	19.89	

In addition, 758 licences were issued to charitable organizations that, due to reporting thresholds, were not required to submit financial reports or licence fees (70 bingo, 26 breakopen and 662 raffle).



Licensing Authorities under Orders-in-Council	20/21	19/20
First Nation gaming commission inspections	15	72
First Nation gaming commission annual audit reports	30	35
Municipal annual inspections	21	88
Municipal licensing authority reports	145	124

Electronic chase the card



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. These licensed raffles are commonly held in local community centres and legions, with in-person attendance of participants.

Due to public health orders put in place to decrease the spread of COVID-19, the charitable organizations that conduct fundraising activities involving chase the card raffles were forced to postpone or cancel their events. As a result, in 2020/21, the

LGCA licensed two electronic chase the card raffles – the very first of their kind in Manitoba. The Winnipeg Football Club and CancerCare Manitoba each sought approval to conduct their own electronic versions of this game. The systems that each organization applied to use were subject to the LGCA’s gaming integrity approval process. Further, the LGCA developed gaming technical integrity standards to ensure that the game’s rules and procedures were adapted to the online environment. Both organizations are operating these raffles and to date, the jackpots have not been won and are continuing to grow.



Integrating horse racing into our regulatory mandate



The LGCA's administrative oversight of the Manitoba Horse Racing Commission has continued through the dual appointment of our executive director to both organizations. Regulatory integration of the Manitoba Horse Racing Commission into the LGCA's framework also carried on; however, impacts due to the COVID-19 pandemic caused delays to the passing of The Horse Racing Regulatory Modernization Act. The Horse Racing Regulatory Modernization Act was reintroduced on October 14, 2020 as Bill 31 and received second reading on March 10, 2021. Bill 31 was studied at Standing Committee on March 23, 2021 and was moved to third reading. It had been anticipated that the regulatory integration would have been completed in 2020/21, but it is now projected to come into effect during 2021/22, prior to the 2022 live racing season.

The COVID-19 pandemic also presented challenges to live horse racing for the 2020 racing season. Uncertainty in early 2020 raised the question of whether live racing would occur during the season, as many jurisdictions around the world closed their tracks. Collaboration between the Manitoba Horse Racing Commission, Manitoba Public Health and industry stakeholders ensured racing could be held in a safe and socially distant manner. Thoroughbred racing occurred without in-person spectators, with races broadcast and available worldwide through simulcast wagering. Standardbred racing was centralized at a single racetrack, the Miami Agricultural Society Grounds in Miami, Manitoba, and the Manitoba Standardbred Racing Industry entered the simulcast market this season by broadcasting live racing to partner racetracks.

Despite the uncertainty created by the pandemic, Manitoba's horse racing industry was able to have a successful year while ensuring public and race participant safety. Assiniboia Downs conducted 50 days of live thoroughbred racing and the Miami Agricultural Society Grounds held 10 days of live standardbred racing.



Financial Statements and other related information

For the year ended March 31, 2021

Management's Responsibility for Financial Reporting	25
Independent Auditor's Report	26
Statement of Financial Position	28
Statement of Operations and Accumulated Surplus	29
Statement of Changes in Net Financial Assets	30
Statement of Cash Flows	31
Notes to Financial Statements	32

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of the management of the Liquor, Gaming and Cannabis Authority of Manitoba and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to the audit report date.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the external audit is to express an independent opinion on whether the financial statements of the Liquor, Gaming and Cannabis Authority of Manitoba are fairly represented in all material respects in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management:



Kristianne Dechant
Executive Director and CEO



Lauren McWilliams
Director, Finance and Administration

June 23, 2021



Tel.: 204 956 7200
Fax.: 204 926 7201
Toll Free: 800 268 3337
www.bdo.ca

BDO Canada LLP
201 Portage Avenue - 26th Floor
Winnipeg MB R3B 3K6 Canada

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Liquor, Gaming and Cannabis Authority of Manitoba (the "Organization"), which comprise the statement of financial position as at March 31, 2021, 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 Organization as at March 31, 2021, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Organization 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.

Other Matter

The financial statements of the Organization for the year ended March 31, 2020 were audited by another auditor who expressed an unqualified opinion on those financial statements on June 24, 2020

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 Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization'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 management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

BDO Canada LLP

Chartered Professional Accountants

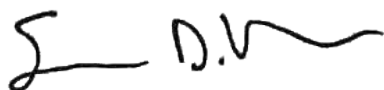
Winnipeg, Manitoba
June 23, 2021

LIQUOR, GAMING AND CANNABIS AUTHORITY OF MANITOBA

STATEMENT OF FINANCIAL POSITION

As at March 31	2021	2020
Financial assets		
Cash and cash equivalents	\$ 4,177,605	\$ 3,515,290
Accounts receivable (Note 4)	448,661	561,080
Long-term investments (Note 5)	146,079	146,079
	<u>4,772,345</u>	<u>4,222,449</u>
Liabilities		
Accounts payable and accrued liabilities (Note 6)	691,076	916,245
Deferred revenue (Note 7)	481,988	455,383
Severance benefits (Note 8)	934,925	1,086,349
Non-vested sick leave benefits (Note 8)	138,147	160,661
Retirement benefits (Note 8)	107,795	108,695
	<u>2,353,931</u>	<u>2,727,333</u>
Net financial assets	<u>2,418,414</u>	<u>1,495,116</u>
Non-financial assets		
Tangible capital assets (Note 9)	3,075,071	3,296,570
Prepaid expenses	141,272	62,813
	<u>3,216,343</u>	<u>3,359,383</u>
Commitments (Note 10)		
Accumulated surplus	\$ 5,634,757	\$ 4,854,499

Approved 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	2021	2021	2020
	Budget	Actual	Actual
Revenue			
Licence fees - gaming	\$ 6,181,350	\$ 5,999,857	\$ 6,201,717
Licence fees - liquor	1,740,267	1,195,108	1,652,358
Licence fees - cannabis	40,000	88,849	32,500
MLLC funding transfer	1,431,000	1,610,660	2,061,352
Social responsibility fee	1,744,000	564,340	913,648
Other revenue	369,950	26,880	19,410
Interest earned	78,458	7,586	68,800
	<u>11,585,025</u>	<u>9,493,280</u>	<u>10,949,785</u>
Expenses			
Salaries and benefits	8,235,653	6,504,965	7,460,641
Public education	720,000	516,668	498,600
Rent	441,984	466,431	444,429
Amortization	359,153	335,491	354,653
Transportation	361,900	238,607	314,000
Legal and professional fees	292,025	180,438	297,564
Supplies and services	273,930	175,577	268,804
Communications	227,568	144,740	199,458
Education, training, conferences	100,000	55,210	105,204
Other expenses	401,808	35,776	44,707
Board	70,204	31,941	40,610
Accommodations	69,400	17,341	57,499
Human resources/systems support	16,320	9,837	8,818
Loss on disposal of tangible capital assets	-	-	2,283
	<u>11,569,945</u>	<u>8,713,022</u>	<u>10,097,270</u>
Annual surplus	15,080	780,258	852,515
Accumulated surplus, beginning of year	<u>4,045,765</u>	<u>4,854,499</u>	<u>4,001,984</u>
Accumulated surplus, end of year	<u>\$ 4,869,579</u>	<u>\$ 5,634,757</u>	<u>\$ 4,854,499</u>

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

LIQUOR, GAMING AND CANNABIS AUTHORITY OF MANITOBA

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended March 31	2021	2021	2020
	Budget	Actual	Actual
Annual surplus	\$ 15,080	\$ 780,258	\$ 852,515
Acquisition of capital assets	(170,000)	(113,993)	(175,716)
Amortization of capital assets	359,153	335,491	354,653
Loss on disposal of capital assets	-	-	2,283
	189,153	221,498	181,220
Increase in prepaid expense	-	(78,458)	(27,047)
Increase in net financial assets	204,233	923,298	1,006,688
Net financial assets, beginning of year	741,199	1,495,116	488,428
Net financial assets, end of year	\$ 945,432	\$ 2,418,414	\$ 1,495,116

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	2021	2020
Cash flows from (used in) operating activities		
Annual surplus for the year	\$ 780,258	\$ 852,515
Amortization	335,491	354,653
Loss on disposal of tangible capital assets	-	2,283
	<u>1,115,749</u>	<u>1,209,451</u>
 Changes in non-cash items		
Accounts receivable	112,419	(33,320)
Prepaid expenses	(78,458)	(27,047)
Accounts payable and accrued liabilities	(225,169)	(183,417)
Deferred revenue	26,605	(15,759)
Provision for employee severance benefits	(151,424)	(44,995)
Provision for employee retirement benefits	(900)	1,632
Provision for employee sick leave benefits	(22,514)	(16,723)
	<u>776,308</u>	<u>889,822</u>
Cash provided by operating activities		
 Cash flows used in capital activities		
Acquisition of capital assets	(113,993)	(175,716)
Increase in cash and cash equivalents for the year	662,315	714,106
Cash and cash equivalents, beginning of year	<u>3,515,290</u>	<u>2,801,184</u>
Cash and cash equivalents, end of year	<u>\$ 4,177,605</u>	<u>\$ 3,515,290</u>

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

NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED MARCH 31, 2021

1. Nature of Organization

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. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board, and reflect the following significant accounting policies:

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.

Employee Future Benefits

- (i) The cost of severance obligations is determined using the annual actuarial report as at March 31, 2021. 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 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 unionized Regulatory Services Division employees of 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 and Lotteries Corporation employees who transferred to the LGCA.

The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are determined by an actuary using the projected benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees will retire. Actuarial gains and losses are recognized over the expected remaining service life.

- (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 annual entitlement.

Tangible Capital Assets

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

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

Prepaid Expenses

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

Revenue Recognition

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 when received.

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 and is recognized on an accrual basis.

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenues and expenses in the periods in which they become known.

Financial Instruments

The financial instruments of the LGCA consist of cash and cash equivalents, long-term investments, accounts receivable and accounts payable.

All of the LGCA's financial instruments are carried at cost or amortized cost.

Financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

3. Financial Instruments and Financial Risk Management

The LGCA has exposure to the following risks from its use of financial instruments:

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.

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

Accounts receivable 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.

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 invoice or the fair values of its financial instruments. The 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.

4. Accounts Receivable

	2021	2020
MLLC	\$ 366,805	\$ 523,139
Other trades	62,317	1,003
Gaming event licensees	17,337	20,993
First Nations casinos	2,100	4,600
Interest on short-term investments	102	10,787
Liquor service/retail beer vendor/ cannabis licensees	-	558
	<u>\$ 448,661</u>	<u>\$ 561,080</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 \$1,154 (\$2,695 in 2020).

6. Accounts Payable and Accrued Liabilities

	2021	2020
Accrued vacation pay	\$ 536,417	\$ 784,661
Salaries and benefits payable	86,751	64,702
Accounts payable and accrued liabilities	64,726	63,644
Other	3,182	3,238
	<u>\$ 691,076</u>	<u>\$ 916,245</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.

	Opening Balance	Receipts During Year	Transferred To Revenue	Closing Balance
Licence fees	\$ 455,383	\$ 952,912	\$ 926,307	\$ 481,988

8. Employee Benefits

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, 2021. 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, 2021. The LGCA's actuarially-determined net liability for accounting purposes as at March 31, 2021 was \$774,178 (\$982,499 in 2020). An actuarial gain of \$74,903 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 the year amount to \$246,825 (\$175,369 in 2020).

Significant long-term actuarial assumptions used in the March 31, 2021 valuation and in the determination of the March 31, 2021 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	2.50%
b) real rate	<u>0.50%</u>
	<u>3.00%</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, 2021 includes the following components:

	<u>2021</u>	<u>2020</u>
Accrued benefit liability	\$ 774,178	\$ 982,499
Unamortized actuarial gains	160,747	103,850
Severance benefit liability	<u>\$ 934,925</u>	<u>\$ 1,086,349</u>

The total expenses related to severance benefits at March 31, 2021 include the following components:

	<u>2021</u>	<u>2020</u>
Interest on obligation	\$ 51,258	\$ 58,822
Current period benefit cost	<u>62,149</u>	<u>91,744</u>
	<u>113,407</u>	<u>150,566</u>
Effect of change in assumptions	-	(287)
Amortization of actuarial gain over expected average remaining service lifetime	<u>(18,003)</u>	<u>(19,905)</u>
Total expense related to severance benefit	<u>\$ 95,404</u>	<u>\$ 130,374</u>

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. The assumptions include a 3.2% discount rate and a 3.75% annual salary increase.

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 \$410,762 (\$439,546 in 2020).

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, 2021, a reserve of \$107,795 (\$108,695 in 2020) 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 decreased by \$900 (increased

by \$1,632 in 2020). Significant long-term actuarial assumptions used in the March 31, 2021 valuation and in the determination of the March 31, 2021 present value of the accrued basis pension 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	2.50%
b) productivity component	<u>0.50%</u>
	<u>3.00%</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%.

9. Tangible Capital Assets

2021

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furniture and fixtures	\$ 1,532,603	\$ -	\$ -	\$ 1,532,603
Leasehold improvements	1,884,418	-	-	1,884,418
Computer equipment	1,217,817	113,993	-	1,331,810
Equipment	125,110	-	-	125,110
	<u>4,759,948</u>	<u>113,993</u>	-	<u>4,873,941</u>
Accumulated Amortization				
Furniture and fixtures	219,906	131,270	-	351,176
Leasehold improvements	169,066	127,033	-	296,099
Computer equipment	1,040,703	58,907	-	1,099,610
Equipment	33,704	18,281	-	51,985
	<u>1,463,379</u>	<u>335,491</u>	-	<u>1,798,870</u>
Net book value	\$ <u>3,296,570</u>	\$ <u>(221,498)</u>	\$ -	\$ <u>3,075,071</u>

2020

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Furniture and fixtures	\$ 1,493,996	\$ 38,607	\$ -	\$ 1,532,603
Leasehold improvements	1,847,390	37,028	-	1,884,418
Computer equipment	1,163,199	97,029	42,411	1,217,817
Equipment	122,058	3,052	-	125,110
	<u>4,626,643</u>	<u>175,716</u>	<u>42,411</u>	<u>4,759,948</u>
Accumulated Amortization				
Furniture and fixtures	74,788	145,118	-	219,906
Leasehold improvements	43,104	125,962	-	169,066
Computer equipment	1,019,537	61,293	40,128	1,040,702
Equipment	11,424	22,280	-	33,704
	<u>1,148,853</u>	<u>354,653</u>	<u>40,128</u>	<u>1,463,378</u>
Net book value	\$ <u>3,477,790</u>	\$ <u>(178,937)</u>	\$ <u>2,283</u>	\$ <u>3,296,570</u>

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:

2022	\$ 278,990
2023	279,215
2024	280,340
2025	280,340
2026	<u>280,340</u>
	<u>\$ 1,399,225</u>

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 (\$2,000,000 in 2020). As at March 31, 2021, \$2,000,000 (\$2,000,000 in 2020) of these advances were unused and available.

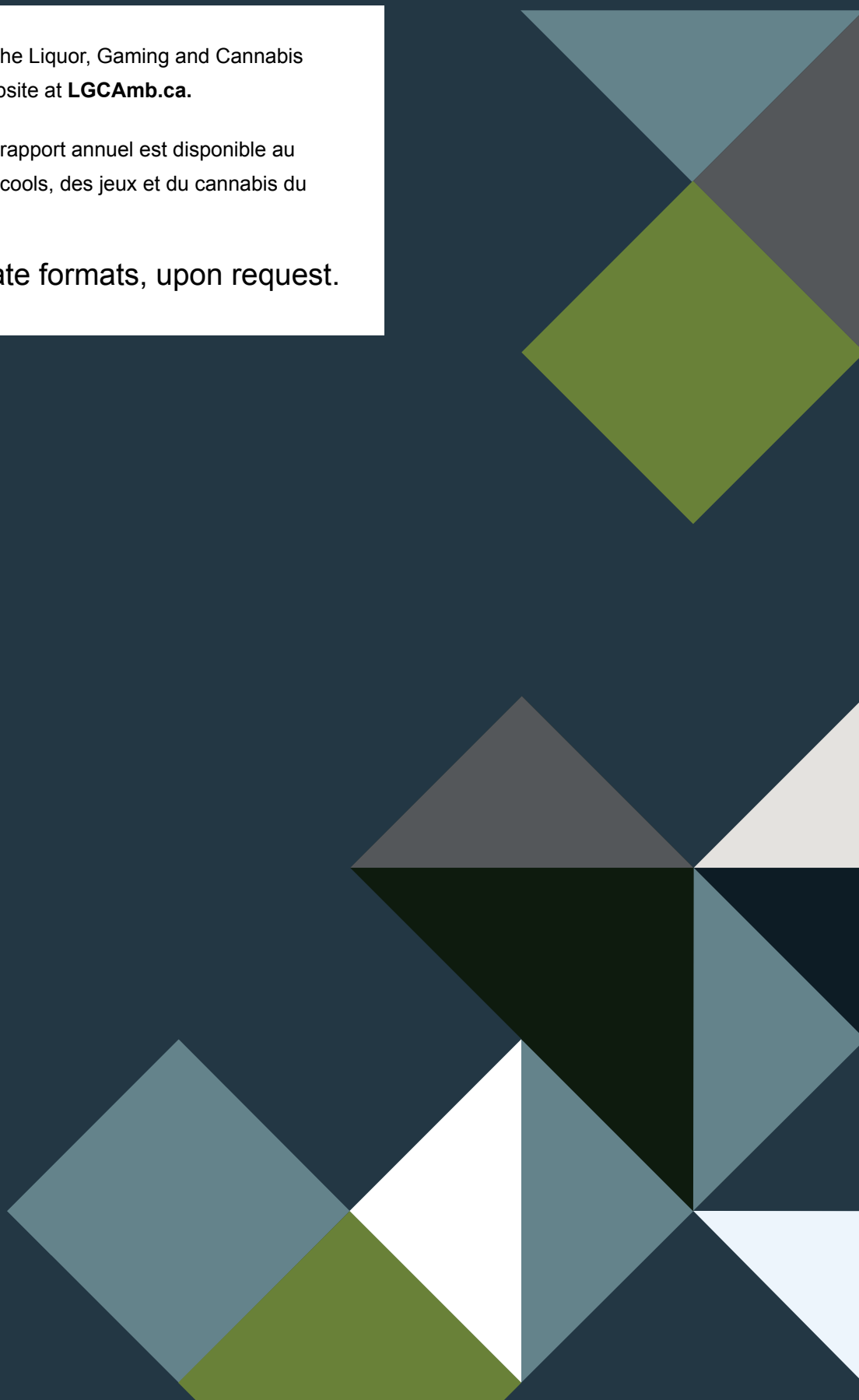
13. Related Party Transactions

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