



LGCA

LIQUOR, GAMING & CANNABIS
AUTHORITY OF MANITOBA

ANNUAL REPORT
2021/22

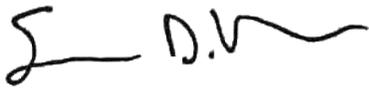
August 31, 2022

Honourable Kelvin Goertzen
Minister of Justice and Attorney General
Room 104, Legislative Building
450 Broadway
Winnipeg, MB R3C 0V8

Dear Minister Goertzen:

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, 2022.

Respectfully,



Stéphane D. Dorge
Chair

Board Members

**Stéphane D.
Dorge**

Chair
Winnipeg

**Sheila
Atkinson**

Member
Brandon

**Joyce
Bateman**

Member
Winnipeg

**William
Duff**

Member
Winnipeg

**Peter
Fuchs**

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Winnipeg

**Rich
Harries**

Vice-Chair
Morden

**Eric
Luke**

Member
Stonewall

**Loren
Schinkel**

Member
Lac du Bonnet

**Jonathan
Webber**

Member
La Salle



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The Liquor, Gaming and Cannabis Authority of Manitoba's (LGCA) offices are located on the territories of Treaty 1, 2 and 5 and operate within all Treaty territories in Manitoba. These are the original lands of the Anishinaabeg, Cree, Oji-Cree, Dakota, and Dene peoples, and the homeland of the Métis Nation.

The LGCA acknowledges and respects the history, land and people of these regions. We respect the Treaties that were made on these territories, affirm our commitment to reconciliation and will endeavour to hold the spirit of the Treaties in the forefront of our minds.



Message from the Chair

Seeing a strategic plan realized is one of the most gratifying aspects of board governance. Our board had this pleasure in 2021/22, as the Liquor, Gaming and Cannabis Authority of Manitoba (LGCA) came to the end of its 2018-2022 strategic plan and undertook the development of its next one. The end of a strategic cycle was an opportunity to reflect on the significant shifts the LGCA has faced over these four years, including the legalization of cannabis, the expansion of our mandate to include horse racing, and the COVID-19 pandemic's impacts on our regulated industries. The LGCA was guided by our values of balance and innovation throughout these shifts, as we ensured our regulatory services met the needs of new industries, while always prioritizing the safety of Manitobans.

Setting our next strategic plan also presented an opportunity for our board to consult extensively with stakeholders. On behalf of my board colleagues, I am grateful to our stakeholders from regulated industries, law enforcement, public health, and social services, for helping us better understand the current and future needs of our industries and their broader impacts on Manitobans. I am confident that the LGCA's forthcoming strategic plan will build on the success of the previous one to carry our regulatory approach into the future.

I also would like to extend my thanks to the outgoing board of the Manitoba Horse Racing Commission. Further to last year's report, in early 2022, legislation to formally integrate horse racing into the LGCA's regulatory mandate was passed, and is set to come into effect prior to the 2022 racing season. The Manitoba Horse Racing Commission board was an invaluable resource as we worked on this multi-year transition. The COVID-19 pandemic created unexpected delays,

and I am appreciative that the Manitoba Horse Racing Commission board continued to serve to ensure the horse racing industry was regulated effectively during this period. Our board looks forward to "taking the reins" on this important regulatory mandate.

Despite another year of challenges and unpredictability due to the COVID-19 pandemic, the LGCA continued in its legislative and public education initiatives. Multiple bills were proclaimed, which opened opportunities for new delivery licensees and reduced red tape. Public and stakeholder consultations from early 2021 led us to engage with government on improvements to our liquor service licensing model, and legislation is expected to be introduced in early 2022/23. The LGCA launched new public education campaigns this year to continue to promote socially responsible engagement with our regulated industries. This included being among the first provinces to promote new national lower-risk gambling guidelines, with our campaign available across Manitoba, in English and French.

As we start to see more normalcy in Manitoba's liquor, gaming and cannabis industries, I am pleased to report the LGCA has continued to focus on service excellence throughout the challenges of the COVID-19 pandemic. The dedication of staff and management through these complex times has shown their commitment to the public interest, and my board colleagues and I commend them on their regulatory accomplishments in 2021/22.

Sincerely,

Stéphane D. Dorge
Chair

Message from the Executive Director and CEO



At the end of 2021/22, we are at long last beginning to emerge from the restrictions and challenges resulting from the COVID-19 pandemic. This year, much like the previous one, has been complicated for Manitoba's liquor, gaming and cannabis industries, and for the Liquor, Gaming and Cannabis Authority of Manitoba (LGCA).

The LGCA continued in our efforts to adapt and transition to new operating environments for our employees and licensees as the public health orders evolved, and I am grateful to all staff for their dedication and agility. Our offices continued to be closed to the public, but we successfully re-oriented to offering formerly in-person services online and by telephone, while maintaining our service standards. LGCA inspectors continued to enforce public health orders in licensed premises, and I am pleased that the LGCA was positioned to offer this support to Manitoba's enforcement strategy.

This year saw the LGCA's framework and services continue to evolve to enable ongoing changes within our regulated industries. Legislative amendments were passed to create opportunities for new businesses to deliver liquor and cannabis on behalf of retail and service licensees, a business model for which there was growing demand throughout the pandemic. Staff had a strong focus on supporting the nascent cannabis industry, as we saw a steady increase in the number of licensed retailers throughout the province. At year end, there were 151 licensed cannabis retailers in Manitoba, more than double the number with which we began the year. Finally, the LGCA released the results of our 2021 liquor modernization consultations, which are summarized in this report on page 15. Stakeholders indicated nearly unanimous support

for a simpler and more flexible liquor service licensing model that balances industry needs with the safe and responsible sale of liquor.

Horse racing regulation was another area in flux this year. As noted by Mr. Dorge, Bill 31, The Horse Racing Regulatory Modernization Act, was passed this year and set for proclamation. This will formally bring the regulation of horse racing and administration of the pari-mutuel levy fund under the LGCA. After an integration project that has spanned three years, we are looking forward to formally undertaking these new regulatory responsibilities and to ensuring both thoroughbred and standardbred racing continue to be provided in a safe and transparent manner for the betting public.

On the precipice of a new strategic plan, I know that the LGCA's team is eager to continue to create efficiencies, bring forward modern approaches, and provide our licensees, stakeholders, and the public with trusted and balanced regulatory services. I am proud of the work I have seen over the past year, and I thank staff and management for their level of dedication, professionalism, and care in upholding the LGCA's mission and values.

Regards,

A handwritten signature in black ink, appearing to read 'K. Dechant'.

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.

Preparations for the integration of horse racing into our existing regulatory framework continued in 2021/22. This initiative began three years ago and was delayed considerably due to challenges of the COVID-19 pandemic. At the end of this fiscal year, Bill 31, The Horse Racing Regulatory Modernization Act, was approved and set to come into force on April 1, 2022. This legislation will repeal The Horse Racing Commission Act, eliminate the Manitoba Horse Racing Commission, and fully integrate horse racing regulatory responsibilities into the LGCA. Many of these functions are similar to those that the LGCA already carries out as Manitoba's regulator of the liquor, gaming and cannabis industries, which creates further preparedness for these additional duties.



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

#1

The LGCA works with government on an ongoing basis to ensure that legislation evolves as needed to maintain a strong framework for our regulated industries. Legislation and regulations were developed this year to create a new category for delivery licences, bring horse racing regulation under the LGCA and prohibit the public consumption of cannabis. Specifically, the following bills were passed to amend the Act:

Bill 5, The Liquor, Gaming and Cannabis Control Amendment Act (Cannabis Social Responsibility Fee), was proclaimed on October 15, 2021, making it a term for retail cannabis agreements to include payment of a social responsibility fee by licensed cannabis retailers.

Bill 6, The Liquor, Gaming and Cannabis Control Amendment Act was proclaimed on October 15, 2021, creating legal prohibitions on the public consumption of cannabis. An exemption was created through regulation to permit topical cannabis products to be used in public places.

Bill 31, The Horse Racing Regulatory Modernization Act (Liquor, Gaming and Cannabis Control Act and Pari-Mutuel Levy Act amended), passed in the legislature and an order-in-council set a proclamation date of April 1, 2022. Once in force, this legislation will dissolve the Manitoba Horse Racing Commission and will bring the regulation of horse racing and administration of the pari-mutuel levy under the LGCA.

Bill 60, The Liquor, Gaming and Cannabis Control Act (2), was proclaimed on December 17, 2021. This amendment created a new licence category for third-party delivery companies to deliver liquor or cannabis for retail and service licensees, as well as provisions for a minor agents program. This forthcoming program will strengthen the LGCA's capacity to enforce age verification requirements. Finally, the amendments repealed 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 articulated 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.

Coming in 2022/23



The LGCA undertook extensive stakeholder consultations this year to inform the development of our next strategic plan. We will launch the new strategic plan in 2022/23 to chart the course of the LGCA for the next four years.

The 2018-2022 strategic plan set 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-one employees provide operational and ancillary services, lead 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. Designed to provide licensees with access to what they need from the LGCA, the structure of this unit recognizes the specialization necessary for regulating the liquor, gaming and cannabis industries, and the soon to be added horse racing industry. Operational strength and breadth have been created through the combination of service provision for multiple industries. This nimble and blended approach allows us to deliver knowledgeable and streamlined services to licensees every time they engage with the LGCA.

There are five departments in the Operations Unit: charitable services, commercial licensing, commercial inspections, gaming integrity, and social occasions and horse racing. Together, these departments authorize and monitor 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 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 await horse racing's formal integration into our mandate, 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, 2022 are published in this report beginning on page 24.

Finances and Resources

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

- Fees received by the LGCA under the Act (e.g., licence and permit fees);
- Amounts 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. 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.



Our 2020/21 annual report, including financial statements, was tabled in the legislature in accordance with the Act on September 23, 2021.

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 conducted one appeal hearing in 2021/22.

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 five applications for information under FIPPA in 2021/22.



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 2021/22.



The Workplace Safety and Health Act and associated regulations are in place to protect the safety and health of workers in Manitoba. During 2021/22, the LGCA launched a new Safe Work Program that meets the legislated 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. 2021/22 brings an end to the LGCA's current multi-year strategic plan, and steps are underway to develop our next multi-year strategic plan. We conducted an evaluation to assess our progress over the strategic plan's four-year lifespan, which is guiding the steps we will put in place to further support French language services in the coming years. In 2021/22, the LGCA increased its total bilingual capacity by filling two designated bilingual positions with bilingual incumbents.

We delivered all of our public education campaigns with bilingual messaging using public space and digital advertising, and with the launch of our new Know My Gambling Limits campaign, we developed parallel French and English language sections on our Know My Limits website for the new campaign's educational information.



Contributing to innovation



The LGCA is committed to supporting high-quality, innovative research linked to our regulatory mandate and offer scholarships for graduate students who are conducting liquor, gambling or cannabis research at Manitoba universities.

In 2021/22, the LGCA awarded scholarships to the following graduate students:



| Student | Program | Research |
|------------------------|--|--|
| Stephanie Dudok | Doctor of Philosophy (Clinical Psychology) | Improving access to and navigation of late-life mental health substance use and addiction services |

| | | |
|----------------------|--|--|
| Alanna Single | Doctor of Philosophy (Clinical Psychology) | Examining the relation between social anxiety and cannabis use in emerging adulthood |
|----------------------|--|--|

We held a virtual symposium in June 2021 featuring LGCA research staff and past LGCA scholarship recipients who presented their cannabis- and alcohol-related research findings.

| | |
|---|---|
| Jasmine Thomas, Ph.D. Senior Research Analyst, LGCA | Thresholds for lower-risk cannabis consumption limits |
|---|---|

| | |
|---|---|
| Jona Frolich, M.Ed. Ph.D. Student | Efficacy of a minimally-guided internet treatment for alcohol misuse and emotional problems in young adults |
|---|---|

| | |
|---|--|
| Karli Rapinda, M.A. Ph.D. Student | Testing the efficacy of an online self-help program for cannabis misuse in young adult Canadians |
|---|--|

Adapting for the COVID-19 Pandemic

The LGCA adapted our service provision as the COVID-19 pandemic evolved. We continued to meet the needs of licensees, permit holders and applicants through virtual services such as by telephone and our online portal, MyLGCA.ca. Our offices reopened to the public on March 1, 2022.

As Manitoba's public health orders were revised and varied by region, sector and facility type throughout 2021/22, the LGCA constantly monitored Manitoba's pandemic response levels and focused on supporting licence and permit holders. Staff supported licence and permit applicants with adjusting their applications in coordination with the public health orders at the time. Further, staff applied their expertise to assist clients with understanding what means were available to operate licensed businesses and activities, and to hold community and family social occasions. The LGCA's corporate website was continually updated to mirror public health order information that was specific to licensed premises and events, which helped broaden the government's communications about requirements under the public health orders. As public health restrictions were lifted and Manitoba businesses began to reopen, the LGCA's efforts transitioned to processing an increased volume of licence and permit applications for activities postponed during the pandemic.

In May 2020, the government designated LGCA inspectors to enforce public health orders in licensed premises, and this responsibility was carried forward through 2021/22. LGCA inspectors conducted a total of 11,866 inspections as part of this role in 2021/22, and issued 57 warnings and 26 tickets for non-compliance with public health orders.



Manitoba Justice awarded the LGCA with a COVID-19 leadership coin for our efforts in support of enforcing the public health orders. As one of the many government agencies that assisted with Manitoba COVID-19 pandemic enforcement strategy, LGCA inspectors focused on educating licensees and customers when violations were observed and issued tickets in the case of repeated offences or serious incidents.



Educating for safety



The LGCA is legislatively mandated to encourage the responsible consumption of liquor and cannabis, and responsible participation in gaming. We direct our public education at adult Manitobans using a non-judgmental and educative approach with a focus on setting limits for consuming the products or participating in the activities that we regulate.

During 2021/22, the LGCA ran four public education campaigns across Manitoba in English and French. Campaigns used a variety of online, street level, billboard, transit and convenience store advertising, as well as streaming audio and social media platforms.



Know My Drinking Limits: We enhanced this campaign to include a new message designed to encourage people to limit how much they are drinking.

With the legalization of cannabis, more adults are celebrating special events by consuming or gifting cannabis. The new campaign provided safety tips to reduce risks for those who consume or gift cannabis.

Cannabis Over the Holidays: This year marked our first holiday campaign, which approached the festive season in a non-denominational manner.



Know My Gambling Limits: The Canadian Centre on Substance Use and Addiction released national guidelines for lower-risk gambling and the LGCA was one of the first agencies to promote this important information.

Legal Online Gambling: In response to an increase in public complaints about unlicensed raffles being conducted on social media, we launched a new campaign solely on social media and targeted websites to educate Manitobans about how to tell the difference between legal and illegal raffles.



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, 2021 to March 31, 2022. Active licences are as at March 31, 2022.

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 2021/22, we delivered 342 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.

Gaming integrity staff are 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.

Licence for liquor and cannabis delivery – A first in Canada



With the proclamation of Bill 60, The Liquor, Gaming and Cannabis Control Act (2) on December 17, 2021, the LGCA created a new licence category for third-party delivery companies to deliver liquor and cannabis for retail and service licensees. With the addition of a separate delivery licence, the LGCA is able to set terms and conditions related to third-party delivery of liquor and cannabis in Manitoba. This helps ensure delivery of these products is done in a safe and secure manner, and in line with existing Smart Choices responsible service training. By the end of 2021/22, the LGCA issued one delivery licence, and is supporting another 12 existing delivery companies in the application process.

| Liquor Service, Retail and Manufacturing | 21/22 | 20/21 |
|--|---------------|--------|
| Active service licences | 1,949 | 1,959 |
| Active retail licences | 482 | 490 |
| Active manufacturer licences | 32 | 28 |
| New licence approvals | 85 | 70 |
| Changes of ownership | 31 | 23 |
| Service inspections | 10,093 | 11,814 |
| Retail inspections | 2,738 | 3,503 |
| Manufacturer inspections | 59 | 76 |
| Last Drink Program referrals | 10 | 8 |



2021 Liquor Service Licence Stakeholder Consultations Report to Stakeholders



Manitoba’s current liquor licence framework was created in 2014 as part of the amalgamation of liquor and gaming regulatory services into what is now the LGCA. At the time, 12 licence types were streamlined to three, however, little was changed in terms of the kinds of operations that are eligible for licensing within these licence types. As a result, today’s service licence categories continue to be complex and overlapping.

In 2021, the LGCA began consultations with the public and industry to simplify the regulatory model for liquor service licences and provide more flexibility for the industry to meet shifting consumer preferences. The LGCA’s board met with key stakeholder industry associations, and First Nations, municipal, business, law enforcement, health and addictions, and internal government stakeholders were invited to submit feedback through online consultations. All current service licensees and applicants also were invited to provide their feedback through a

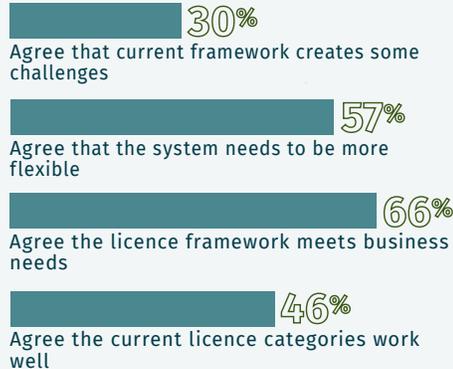
consultation survey. Due to the COVID-19 pandemic, in-person consultations or licensee town halls were not possible.

The findings from these consultations will help the LGCA examine current liquor service licence regulatory processes. Ultimately, stakeholders’ perspectives will inform legislative and regulatory development as we work to modernize the liquor service licence framework. The LGCA strives to engage the public and industry, and will continue to maintain clear lines of communication as the liquor service licence framework is modernized.

Stakeholder meetings

1. Overall satisfaction with current framework due to previous modernization efforts.
2. Streamline current licences and allow more flexibility.
3. Mixed support for stand-alone bar licence.
4. Impact of COVID-19 on the hospitality industry.
5. Need for continued engagement and proactive communication.

Stakeholder survey results



Concerns

about increased liquor access

- Increased law enforcement needs
- Proactive public health and safety
- Strong public education needs

Final thoughts



Modernization of liquor service licences is the long-term goal



Need to balance industry needs with public safety and social responsibility

Outcome: Changes to service framework under consideration by government. The LGCA will continue stakeholder outreach to address industry needs.

We must ask for valid ID, even if we know you. Bring ID.



| Social Responsibility Checks | 21/22 | 20/21 |
|------------------------------------|-------|-------|
| Smart Choices certification checks | 2,481 | 3,484 |
| Age control identification checks | 1,295 | 1,834 |

Single event sports betting

On August 27, 2021, Bill C-218, An Act to amend the Criminal Code (sports betting), came into force to legalize single event sport betting in Canada. This federal legislative amendment authorizes provinces and territories to conduct and manage single event sport betting in their jurisdictions. Prior to this, Canadians could only place wagers on sports through parlay betting where a win is dependent on



multiple event outcomes. The Canadian Gaming Association estimates that approximately \$10 billion per year is wagered illegally on single event sports betting*, and that this modernization to the Criminal Code (Canada) will allow the provinces and territories to provide Canadians with legal, regulated sports betting options instead.

* Source: Sports Betting Fact Sheet, Canadian Gaming Association

| Lottery Ticket Retailers and Video Lottery Terminal (VLT) Siteholders | Lottery Ticket Retailers | | VLT Siteholders | |
|---|--------------------------|-------|-----------------|-------|
| | 21/22 | 20/21 | 21/22 | 20/21 |
| Active licences | 936 | 920 | 422 | 418 |
| New licence approvals | 33 | 19 | 0 | 1 |
| Changes of ownership | 74 | 71 | 17 | 8 |
| Inspections | 968 | 861 | 2,074 | 1,984 |
| First Nation VLT siteholder reports | - | - | 72 | 103 |

| Gaming Suppliers and Gaming Service Suppliers | 21/22 | 20/21 |
|---|-------|-------|
| Active licences | 62 | 61 |
| New licence approvals | 4 | 5 |
| Licensing investigations | 4 | 8 |
| Annual licence reviews and renewals | 34 | 41 |

| Gaming Integrity | 21/22 | 20/21 |
|--|-------|-------|
| Authorizations (for central systems, games, game hardware and software, table games, rules of play, equipment, bingo paper, breakopen tickets, showdowns and ballot draws) | 333 | 281 |
| Inspections | 53 | 34 |
| Investigations | 9 | 2 |

| Gaming Industry Employees | 21/22 | 20/21 |
|--|-------|-------|
| Active employees (Aseneskak Casino, Manitoba Liquor and Lotteries Corporation, Sand Hills Casino and South Beach Casino) | 2,205 | 1,136 |
| New licence approvals | 380 | 174 |
| Licensing investigations | 44 | 25 |
| Annual licence reviews and renewals | 2,195 | 1,649 |

| Retail Cannabis | 21/22 | 20/21 |
|--------------------------|--------------|--------------|
| Active licences | 151 | 72 |
| New licence approvals | 79 | 43 |
| Licensing investigations | 55 | 51 |
| Inspections | 985 | 586 |
| Retailer field audits | 0 | 1 |
| Audit inventory reports | 1,319 | 512 |

Rise in number of retail cannabis stores



The total number of retail cannabis stores in the province more than doubled during 2021/22, to a total of 151 stores at year end. Manitoba moved to an open market for cannabis retailers in June 2020, which enables any business interested in establishing a retail cannabis store in any Manitoba community that allows the retail sale of cannabis to apply to the Manitoba Liquor and Lotteries Corporation for a cannabis store retailer agreement. The LGCA is not involved with the selection of locations for cannabis stores. Rather, applicants must apply to the LGCA for licensing once they have an agreement in place with the Manitoba Liquor and Lotteries Corporation.



Community Services

For the period from April 1, 2021 to March 31, 2022. Active licences and permits are as at March 31, 2022.

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, and charitable event operations and 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 licensed charitable events 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.

| Social Occasions | 21/22 | 20/21 |
|--|--------------|--------------|
| Social occasion liquor permits | 2,146 | 554 |
| Pre-event assessments | 574 | 288 |
| Inspections at social occasion permit events | 79 | 70 |
| Social occasion raffle licences | 1,337 | 235 |

| Charitable Gaming Events | 21/22 | 20/21 |
|---------------------------------|--------------|--------------|
| Charitable licensees | 1,036 | 725 |
| Active licences | 1,959 | 1,429 |
| New licence approvals | 1,541 | 957 |
| Inspections | 269 | 179 |
| Audit event reports | 2,481 | 2,525 |

Canadian cloud-based hosting for electronic raffle systems



The popularity of Manitoba charities using electronic raffle systems has grown, as has the demand to use cloud-based hosting services for these systems. Since 2017/18, when we approved the first online raffle in the province, the LGCA required gaming suppliers to use cloud-based hosting services located in Manitoba for their electronic raffle systems. In light of evolving technologies and the increasing use of cloud-based hosting services, the LGCA reviewed conditions surrounding the physical location requirements of servers to ensure compliance with the Criminal Code (Canada). As a result, in 2021/22, we updated our standards for electronic raffle systems conducted and managed in Manitoba, and began allowing the use of cloud-based hosting services that rely on servers located anywhere in Canada. The first LGCA-approved electronic raffle system to use a cloud-based server installation outside of Manitoba occurred in January 2022 on Amazon Web Services, Inc.

Charitable Gaming Overview (*in \$ millions)

| Event Type | Licensed Events | | Gross Revenue* | | Prizes Paid* | | Total Expenses* | | Net Profit* | |
|--------------------------------|-----------------|------------|----------------|--------------|--------------|--------------|-----------------|--------------|--------------|--------------|
| | 21/22 | 20/21 | 21/22 | 20/21 | 21/22 | 20/21 | 21/22 | 20/21 | 21/22 | 20/21 |
| Bingo | 49 | 84 | 4.63 | 8.74 | 3.51 | 6.65 | 0.57 | 1.33 | 0.55 | 0.76 |
| Breakopen | 18 | 31 | 0.34 | 0.63 | 0.25 | 0.45 | 0.04 | 0.07 | 0.05 | 0.11 |
| Raffle | 332 | 241 | 40.35 | 31.97 | 16.23 | 12.13 | 6.68 | 6.15 | 17.44 | 13.69 |
| Texas hold'em poker tournament | 9 | 5 | 0.32 | 0.16 | 0.22 | 0.11 | 0.05 | 0.03 | 0.05 | 0.02 |
| Media bingo | 11 | 8 | 13.61 | 20.30 | 7.73 | 3.15 | 1.63 | 3.40 | 4.25 | 13.75 |
| Other | 3 | 2 | 0.02 | 0.05 | 0.01 | 0.03 | 0.00 | 0.00 | 0.01 | 0.02 |
| Totals | 422 | 371 | 59.27 | 61.85 | 27.95 | 22.52 | 8.97 | 10.98 | 22.35 | 28.35 |

In addition, 1,119 licences were issued to charitable organizations that, due to reporting thresholds, were not required to submit financial reports or licence fees (46 bingo, 11 breakopen, 1,059 raffle, two Texas hold'em poker tournament, and one other).

| Licensing Authorities under Orders-in-Council | 21/22 | 20/21 |
|---|-------|-------|
| First Nation gaming commission inspections | 14 | 15 |
| First Nation gaming commission annual audit reports | 39 | 30 |
| Municipal annual inspections | 109 | 21 |
| Municipal licensing authority reports | 133 | 145 |

Impressive adoption of the LGCA's online application services



The LGCA added more services to our online portal, MyLGCA.ca, this year. Eligible charitable and religious organizations can now apply for media bingos and Texas hold'em poker tournaments through MyLGCA.ca. These were added to the already available applications for liquor permits and raffle licences for social occasions, eligibility to hold a charitable gaming licence, and charitable raffle, bingo and breakopen licences.



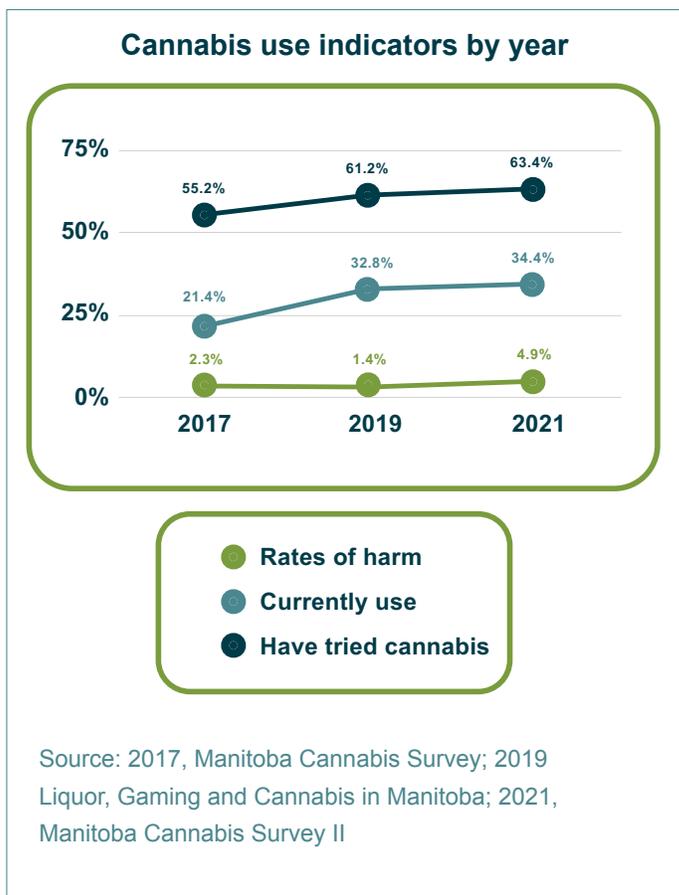
were received through MyLGCA.ca

2021 Manitoba Cannabis Survey



In support of our organization’s operational needs, legislative development initiatives and public education campaigns, we conduct research to obtain practical and accurate data about the industries we regulate. In 2021/22, the LGCA conducted the Manitoba Cannabis Survey II (MCS II), which collected information from a sample of 2,000 adult Manitobans to measure their cannabis-related knowledge and behaviours, and to determine how these have changed in Manitoba since legalization.

MCS II illustrated that although cannabis consumption has increased since 2018, most people in Manitoba who use cannabis do so only occasionally (i.e., once a month or less). Importantly, the use of concentrates such as shatter, a higher-risk form of cannabis, was shown to have decreased since legalization. We found that the most common reasons people say they use cannabis include for relaxation or fun, to reduce pain, to help with sleep, to reduce stress, and to socialize.



Public sentiment about the consumption of cannabis in different types of venues also was assessed. The public was divided on the issue of licensed cannabis consumption lounges or cafes, with 37% opposed and 38% in support of such spaces. Similarly, temporary spaces for cannabis consumption at festivals, concerts or conventions remained divided, with 38% opposed and 42% in support. Nearly 50% of respondents were in favour of alcohol prohibition in cannabis consumption spaces. Research like this is used to inform legislative and regulatory development, to ensure the LGCA’s framework continues to evolve along with changing industry needs, consumer preference, and social responsibility best practices.

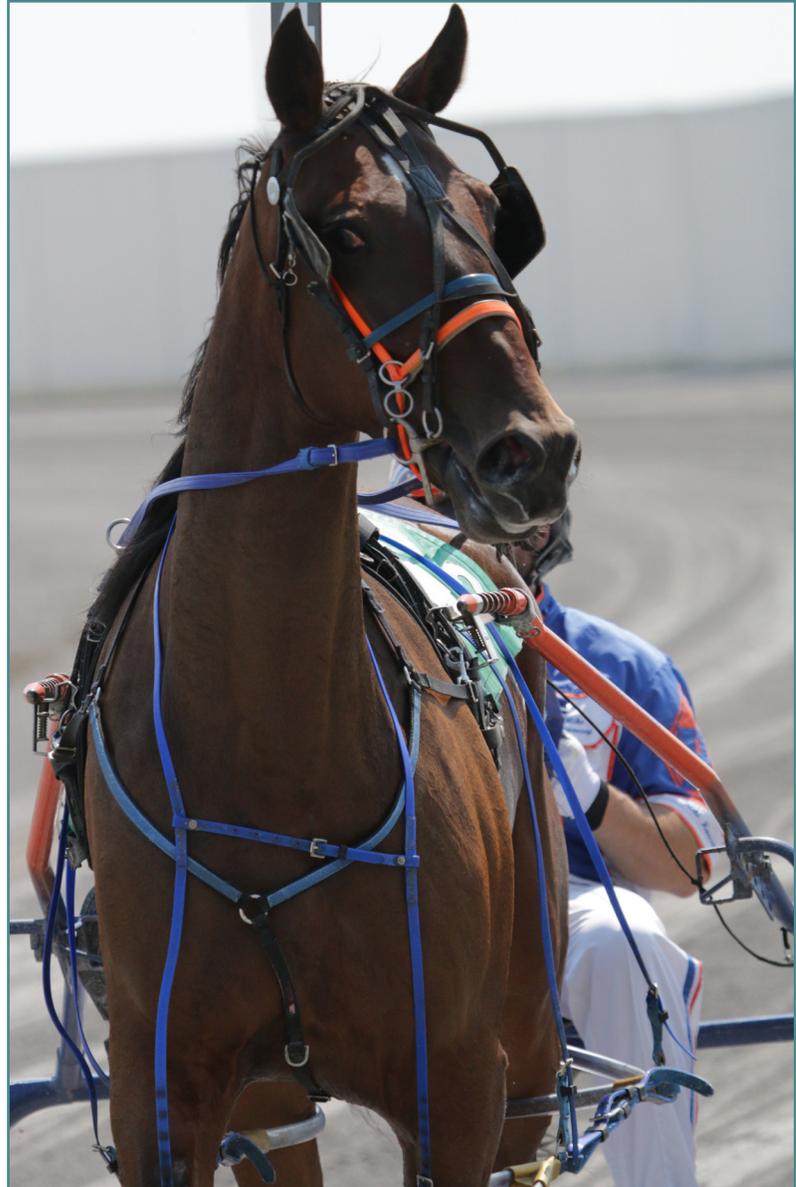
Integrating horse racing regulation within the LGCA

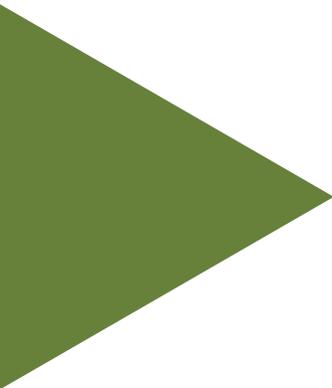


Administrative oversight of the Manitoba Horse Racing Commission continued in 2021/22 through the dual appointment of our executive director as the executive director to both organizations. Work continued to further prepare for the transition of the Manitoba Horse Racing Commission's regulatory responsibilities into those of the LGCA. This will occur on April 1, 2022, when Bill 31, The Horse Racing Regulatory Modernization Act, is set to come into force. This will dissolve the Manitoba Horse Racing Commission, and will make the LGCA Manitoba's horse racing regulator for the 2022 horse racing season.

The COVID-19 pandemic continued to present challenges to live horse racing

during the 2021 racing season. Collaboration between the Manitoba Horse Racing Commission, Manitoba Public Health, and industry stakeholders ensured racing could happen in a safe and socially distant manner in the province. Racing occurred with in-person spectators, when allowed by public health orders, with Assiniboia Downs conducting 51 days of live thoroughbred racing, and live standardbred racing held for 10 days at the Miami Agricultural Society grounds. These races were broadcast and available worldwide through simulcast wagering.





Financial Statements and other related information

For the year ended March 31, 2022

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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 22, 2022



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, 2022, 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, 2022, 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.

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

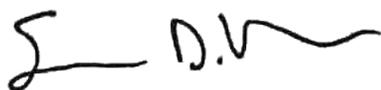
Winnipeg, Manitoba
June 30, 2022

LIQUOR, GAMING AND CANNABIS AUTHORITY OF MANITOBA

STATEMENT OF FINANCIAL POSITION

| As at March 31 | 2022 | 2021 |
|---|---------------------|---------------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 5,706,084 | \$ 4,177,605 |
| Accounts receivable (Note 4) | 18,439 | 448,661 |
| Long-term investment (Note 5) | 146,079 | 146,079 |
| | <u>5,870,602</u> | <u>4,772,345</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 6) | 733,733 | 691,076 |
| Deferred revenue (Note 7) | 523,579 | 481,988 |
| Severance benefits (Note 8) | 935,034 | 934,925 |
| Non-vested sick leave benefits (Note 8) | 131,649 | 138,147 |
| Retirement benefits (Note 8) | 105,515 | 107,795 |
| | <u>2,429,510</u> | <u>2,353,931</u> |
| Net financial assets | <u>3,441,092</u> | <u>2,418,414</u> |
| Non-financial assets | | |
| Tangible capital assets (Note 9) | 2,960,214 | 3,075,071 |
| Prepaid expenses | 43,346 | 141,272 |
| | <u>3,003,560</u> | <u>3,216,343</u> |
| Commitments (Note 10) | | |
| Accumulated surplus | \$ 6,444,652 | \$ 5,634,757 |

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 | 2022 | 2022 | 2021 |
|---|-------------------|------------------|------------------|
| | Budget | Actual | Actual |
| Revenue | | | |
| Licence fees - gaming | \$ 6,078,800 | \$ 5,877,387 | \$ 5,999,857 |
| Licence fees - liquor | 1,678,480 | 1,203,034 | 1,195,108 |
| Licence fees - cannabis | - | 150,883 | 88,849 |
| MLLC funding transfer | 1,710,000 | 1,711,609 | 1,610,660 |
| Social responsibility fee | 900,000 | 898,391 | 564,340 |
| Other revenue | 413,040 | 20,640 | 26,880 |
| Interest earned | - | 1,851 | 7,586 |
| | <u>10,780,320</u> | <u>9,863,795</u> | <u>9,493,280</u> |
| Expenses | | | |
| Salaries and benefits | 7,565,960 | 5,954,401 | 6,504,965 |
| Public education | 720,000 | 964,897 | 516,668 |
| Rent | 444,050 | 488,479 | 466,431 |
| Amortization | 320,780 | 363,605 | 335,491 |
| Transportation | 321,850 | 269,237 | 238,607 |
| Legal and professional fees | 300,030 | 576,918 | 180,438 |
| Supplies and services | 230,290 | 129,250 | 175,577 |
| Communications | 204,360 | 146,490 | 144,740 |
| Education, training, conferences | 100,000 | 51,821 | 55,210 |
| Other expenses | 49,050 | 33,490 | 35,776 |
| Board | 69,900 | 43,646 | 31,941 |
| Accommodations | 63,300 | 31,190 | 17,341 |
| Human resources/systems support | 16,320 | 476 | 9,837 |
| Horse racing expenses | 350,000 | - | - |
| | <u>10,755,890</u> | <u>9,053,900</u> | <u>8,713,022</u> |
| Annual surplus | 24,430 | 809,895 | 780,258 |
| Accumulated surplus, beginning of year | <u>4,876,700</u> | <u>5,634,757</u> | <u>4,854,499</u> |
| Accumulated surplus, end of year | \$ 4,901,130 | \$ 6,444,652 | \$ 5,634,757 |

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 | 2022 | 2022 | 2021 |
|--|--------------|--------------|--------------|
| | Budget | Actual | Actual |
| Annual surplus | \$ 24,430 | \$ 809,895 | \$ 780,258 |
| Acquisition of capital assets | (132,000) | (248,748) | (113,993) |
| Amortization of capital assets | 320,800 | 363,605 | 335,491 |
| | 188,800 | 114,857 | 221,498 |
| Decrease (increase) in prepaid expense | - | 97,926 | (78,458) |
| Increase in net financial assets | 213,230 | 1,022,678 | 923,298 |
| Net financial assets, beginning of year | 1,871,200 | 2,418,414 | 1,495,116 |
| Net financial assets, end of year | \$ 2,084,430 | \$ 3,441,092 | \$ 2,418,414 |

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 | 2022 | 2021 |
|---|---------------------|--------------|
| Cash flows from operating activities | | |
| Annual surplus for the year | \$ 809,895 | \$ 780,258 |
| Amortization | 363,605 | 335,491 |
| | <u>1,173,500</u> | 1,115,749 |
| Changes in non-cash items | | |
| Accounts receivable | 430,222 | 112,419 |
| Prepaid expenses | 97,926 | (78,458) |
| Accounts payable and accrued liabilities | 42,657 | (225,169) |
| Deferred revenue | 41,591 | 26,605 |
| Provision for employee severance benefits | 109 | (151,424) |
| Provision for employee retirement benefits | (2,280) | (900) |
| Provision for employee sick leave benefits | (6,498) | (22,514) |
| | <u>1,777,227</u> | 776,308 |
| Cash flows used in capital activities | | |
| Acquisition of capital assets | <u>(248,748)</u> | (113,993) |
| Increase in cash and cash equivalents for the year | 1,528,479 | 662,315 |
| Cash and cash equivalents, beginning of year | <u>4,177,605</u> | 3,515,290 |
| Cash and cash equivalents, end of year | \$ 5,706,084 | \$ 4,177,605 |

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

NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED MARCH 31, 2022

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 the LGCA board regulations. 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, 2022. 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 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. 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.

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 this 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 income 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

| | 2022 | 2021 |
|------------------------------------|------------------|-------------------|
| MLLC | \$ - | \$ 366,805 |
| Other trades | 445 | 62,317 |
| Gaming event licensees | 14,144 | 17,337 |
| First Nation casinos | 3,850 | 2,100 |
| Interest on short-term investments | - | 102 |
| | <u>\$ 18,439</u> | <u>\$ 448,661</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 \$1,851 (\$1,154 in 2021).

6. Accounts Payable and Accrued Liabilities

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Accrued vacation pay | \$ 491,388 | \$ 536,417 |
| Salaries and benefits payable | 102,661 | 86,751 |
| Accounts payable and accrued liabilities | 136,627 | 64,726 |
| Other | 3,057 | 3,182 |
| | <u>\$ 733,733</u> | <u>\$ 691,076</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 | \$ 481,988 | \$ 1,044,421 | \$ 1,002,830 | \$ 523,579 |

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, 2022. 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, 2022. The LGCA's actuarially-determined net liability of accounting purposes as at March 31, 2022 was \$752,320 (\$774,178 in 2021). An actuarial gain of \$46,244 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 \$77,414 (\$246,825 in 2021).

Significant long-term actuarial assumptions used in the March 31, 2022 valuation and in the determination of the March 31, 2022 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, 2022 includes the following components:

| | <u>2022</u> | 2021 |
|-----------------------------|-------------------|------------|
| Accrued benefit liability | \$ 752,320 | \$ 774,178 |
| Unamortized actuarial gains | <u>182,714</u> | 160,747 |
| Severance benefit liability | <u>\$ 935,034</u> | \$ 934,925 |

The total expenses related to severance benefits at March 31, 2022 include the following components:

| | <u>2022</u> | 2021 |
|-----------------------------|----------------|-----------|
| Interest on obligation | \$ 43,960 | \$ 51,258 |
| Current period benefit cost | <u>57,840</u> | 62,149 |
| | <u>101,800</u> | 113,407 |

| | | |
|---|-----------------|----------|
| Amortization of actuarial gain over expected average remaining service lifetime | <u>(24,277)</u> | (18,003) |
|---|-----------------|----------|

| | | |
|--|------------------|-----------|
| Total expense related to severance benefit | <u>\$ 77,523</u> | \$ 95,404 |
|--|------------------|-----------|

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 contribution for this year were \$359,055 (\$410,762 in 2021).

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, 2022, a reserve of \$105,515 (\$107,795 in 2021) 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 \$2,280 (decreased by \$900 in 2021). Significant long-term actuarial assumptions used in the March 31, 2022 valuation and in the determination of the March 31, 2022 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

| | 2022 | | | |
|--------------------------|---------------------|---------------------|-----------|---------------------|
| | Opening Balance | Additions | Disposals | Closing Balance |
| Cost | | | | |
| Furniture and fixtures | \$ 1,532,603 | \$ 20,842 | \$ - | \$ 1,553,445 |
| Leasehold improvements | 1,884,418 | 112,278 | - | 1,996,696 |
| Computer equipment | 1,331,810 | 106,081 | - | 1,437,891 |
| Equipment | 125,110 | 9,547 | - | 134,657 |
| | <u>4,873,941</u> | <u>248,748</u> | - | <u>5,122,689</u> |
| Accumulated Amortization | | | | |
| Furniture and fixtures | 351,176 | 120,064 | - | 471,240 |
| Leasehold improvements | 296,099 | 147,158 | - | 443,257 |
| Computer equipment | 1,099,610 | 81,599 | - | 1,181,209 |
| Equipment | 51,985 | 14,784 | - | 66,769 |
| | <u>1,798,870</u> | <u>363,605</u> | - | <u>2,162,475</u> |
| Net book value | <u>\$ 3,075,071</u> | <u>\$ (114,857)</u> | \$ - | <u>\$ 2,960,214</u> |
| | | | | 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>\$ 3,296,569</u> | <u>\$ (221,498)</u> | \$ - | <u>\$ 3,075,071</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:

| | |
|------|---------------------|
| 2023 | \$ 279,215 |
| 2024 | 280,340 |
| 2025 | 280,340 |
| 2026 | 280,340 |
| 2027 | <u>280,340</u> |
| | \$ <u>1,400,575</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 2021). As at March 31, 2022, \$2,000,000 (\$2,000,000 in 2021) 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.

14. Subsequent Events

The Horse Racing Regulatory Modernization Act (Liquor, Gaming and Cannabis Control Act and Pari-Mutuel Levy Act Amended), was passed and received Royal Assent on May 12, 2021, and came into force as at April 1, 2022. This legislation transfers responsibility for the regulation of horse racing in Manitoba to the LGCA.



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