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Annual Report

Evolving for Albertans

Evolving for Albertans

As the Crown commercial enterprise and government agency responsible for overseeing Alberta's gaming, liquor and cannabis industries, we must constantly evolve since customers' needs and expectations are constantly changing.



As a customer-focused organization, our innovation and modernization focus is on evolving to better serve Albertans. Highlights include:

- Moving Alberta's online gambling initiative forward to ensure Albertans have a safe place to gamble online and further developing and implementing Winner's Edge, Alberta's province-wide player loyalty program. Evolution of these advancements will continue to incorporate GameSense tools to help members monitor and manage gaming activity.
- Since the creation of Alberta's privatized liquor model in 1993, the province's retail liquor marketplace has evolved — providing Albertans with unparalleled selection, convenience and responsible customer service. Continued modernization of liquor policies has expanded the accessibility of liquor products. This continued modernization includes the opportunity to enjoy liquor in provincial parks and home delivery of liquor products from licensed premises (restaurants and/or bars).
- Supporting evolving cannabis product offerings and licensed retail cannabis stores. Alberta has the most stores, over 420, in Canada as of March 31, 2020. This aligns with AGLC's commitment to ensure Albertans can purchase recreational cannabis products safely, keep cannabis out of the hands of children and youth and limit the illicit cannabis market.
- Upholding our commitment to offering Albertans choices they can trust through our regulatory framework. Our approaches and processes have evolved to remain effective in reducing social harms while allowing for growth and innovation.
- Staying connected with our stakeholders and Albertans. Every year, we solicit feedback and consult to learn about the changing needs of customers, businesses and stakeholders. This is an instrumental factor to AGLC's success.

The evolution of our services is ultimately achieved through the hard work and dedication of our employees. We are proud to be recognized as one of Alberta's Top 75 Employers. AGLC will continue providing opportunities for growth while fostering a healthy work environment that empowers employees to reach their full potential in supporting the ongoing evolution of the gaming, liquor and cannabis industries.

Board Chair and President & Chief Executive Officer Message

AGLC has undergone a remarkable evolution in pursuit of our vision to be a leader in creating gaming, liquor and cannabis experiences trusted by Albertans.

We have a storied history of evolving to meet the needs of Albertans. From privatization of what was the Alberta Liquor Control Board (ALCB) to updating and modernizing gaming technologies and the introduction of the legal cannabis market: our organization has been positively reshaped by the interests and needs of Albertans.

Positive advancements include the Casino Modernization Program and our Winner's Edge player loyalty program in all casinos in Alberta that provide members GameSense tools to better manage their play. Another example is how Alberta's unique privatized liquor model delivers unparalleled liquor product selection, convenience and responsible customer service Albertans look for. Additionally, with AGLC's leadership, a robust regulatory framework for private cannabis retailers was quickly established. Leaning on our experience with liquor retailing, the distribution and operation of albertacannabis.org ensures access to legally produced products while also keeping cannabis out of the hands of children and youth. Each of these examples highlight our ability to meet the evolving expectations of Albertans.

We are also focused on executing further advancements including progressing the launch of our province's legal online gambling platform, continuing liquor policy modernization and the evolution of cannabis product offerings. We plan to further increase our strength in serving Albertans through our Modernization Enhancement Regulatory Applications (MERA) project which will improve service delivery to businesses and revolutionize how we interact with applicants and licensees.

As our organization adapts, we also draw from our strengths, which includes facilitating an approach that strikes balance between public health and safety, integrity, financial return to government and business development. As the needs of Albertans and industry evolve, it is through the ongoing application of our balanced approach that will ensure the Board, executive and staff make good decisions to support our province. This includes staying connected with stakeholders and Albertans to reduce potential harms related to gambling, drinking and cannabis use; and, with a focus on public awareness and education, to promote responsible consumption. It also includes our commitment to consult with stakeholders to ensure AGLC is as transparent, responsive and efficient as possible. We highly value our stakeholders as partners in our continued evolution to innovate for the future.

While our sights were set on future opportunities, a global pandemic erupted. The Government of Alberta declared a public health emergency due to the COVID-19 pandemic on March 17, 2020. AGLC quickly created and implemented measures to minimize the risk of transmission, while following the guidelines set forth by public health agencies and the direction of Alberta's Chief Medical Officer of Health. The impact of COVID-19 is unprecedented. Looking towards the next fiscal year, we know it will be a very difficult one for Albertans, AGLC and the stakeholders we serve. We will work hand-in-hand with our stakeholders to get through this and adapt to the business conditions we face by leveraging the expertise of our industries and our employees. We will focus on sustainability, business continuity and business recovery.

We are proud of how our employees, management team and Board work together with stakeholders to be agile in an ever-changing marketplace. We also appreciate the dedication to customer service excellence our employees uphold, alongside the effective governance and guidance of our Board.

AGLC delivers an important role in Alberta. Our organization and network are poised to continue supporting the priorities of the Government of Alberta. This includes creating business development opportunities and reducing red tape to facilitate ease of doing business in Alberta while protecting and securing sustainable revenue for the province.

In partnership with industry, we know AGLC can facilitate the entrepreneurial makeup of Alberta so it can thrive while also being aligned with government direction. AGLC's ongoing evolution will focus on consistently applying a consumer and customer lens to decisions, ensuring that we continue offering...**Choices Albertans can trust.**



Original signed by

Len Rhodes

Board Chair



Original signed by

Alain Maisonneuve

President and Chief Executive Officer

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Supporting Alberta

Who We Are

Alberta Gaming, Liquor and Cannabis (AGLC) is the Crown commercial enterprise that oversees the gaming, liquor and cannabis industries in Alberta. We uphold a commitment to balancing choice and social responsibility to ensure choices Albertans can trust.

Visit aglc.ca for more information.



WELCOME
WE ARE
OPEN
PLEASE COME IN

Albertans Benefit



We generate revenue for the benefit of Albertans. Revenue provided to the Government of Alberta supports provincial programs and initiatives in areas such as healthcare, education, social services, housing and infrastructure.

In 2019-20, \$2 billion net income from gaming, liquor and cannabis was directed to the province's General Revenue Fund (GRF).

Note: Gaming net income of \$949 million was allocated to Alberta Lottery Fund between April 1, 2019 to December 4, 2019. On December 5, 2019 the Alberta Lottery Fund was disestablished. Beginning December 5, 2019, gaming net income is allocated directly to the province's GRF.

Local Business Benefits

Thousands of direct and indirect jobs in the provincial economy are connected to gaming, liquor and cannabis industries. Independent operators and retailers serve their communities as local casino providers, liquor stores, cannabis stores and more. This generates economic activity in communities throughout Alberta. Our lottery ticket and video lottery terminal (vlt) products are also delivered through networks of private business operators. These products directly support important business sectors in the province including the retail, hotel and restaurant industries.

-  **19 traditional casinos**
-  **5,486 licensed restaurants, bars and lounges**
-  **4 racing entertainment centres (RECs)**
-  **2,282 licensed liquor retailers**
-  **5 Host First Nation casinos**
-  **189 Alberta liquor manufacturers**
-  **21 bingo facilities**
-  **630 liquor agencies**
-  **795 vlt retail locations**
-  **428 cannabis retail stores**
-  **2,799 lottery ticket centres**

Industry Benefits

Regulatory education supports well-trained employees as key workers in Alberta's gaming, liquor and cannabis industries. Our regulatory model, including SMART Programs and inspections, helps ensure better knowledge thereby creating value through regulatory compliance, employee development and customer service excellence.

70,995 SMART training certifications issued

101 GAIN sessions provided in 23 communities

3,935 gaming inspections conducted

4,574 cannabis inspections conducted

98% charitable gaming compliance rate

99% liquor compliance rate

24,118 liquor inspections conducted

1,016 due diligence disclosures received¹

Community Benefits

Proceeds earned through charitable gaming events support important community programs and services across the province. Over 19,700 charitable gaming event licences were issued last year.

\$321 million earned by charities through charitable gaming activities

Public Benefits

Choice is balanced with social responsibility. We aim to reduce social harms related to gambling, liquor and cannabis by focusing on public awareness and education to enable healthy and informed choices.

14,890 casino gaming terminals in casinos & RECs (13,422 in casinos, 1,468 in RECs)

5,933 vlts

28,960 liquor products

411 cannabis products

95% of Albertans gamble responsibly

88% of Albertans drink responsibly

Note: AGLC is currently collecting baseline data based on Canada's Lower-Risk Cannabis Use Guidelines. A responsible cannabis consumer methodology and associated targets are pending development as a national standardized tool and/or metric has not yet been established.

Consumer Benefits

As part of our commitment to customer service excellence, we connect with our stakeholders to actively seek feedback continuously, including through annual surveys. We also consult throughout the year as polices and opportunities evolve. We also have Alberta's only legal online recreational cannabis store that ensures cannabis products stay out of the hands of minors.

93% stakeholder satisfaction index

Employee Benefits

We invest in people, technology and processes to increase our strength in serving Albertans. We are proud to be recognized as one of **Alberta's Top 75 Employers**.

1. AGLC's Due Diligence Unit conducts a full investigation for each disclosure received whether from a company (applicant or associated applicant) or individual (personal). Between April 1, 2019 – March 31, 2020, 486 gaming and 530 cannabis disclosures were received.

Organization

Structure

Vision

Driven by a balanced approach, AGLC will be a leader in creating gaming, liquor and cannabis experiences trusted by Albertans.

Mission

Ensuring responsible gaming, liquor and cannabis choices for the benefit of Albertans.

Values



Integrity

We play by the rules, do the right thing and do what we say we'll do.



Respect

We create an environment where each individual is valued and heard. We celebrate the diversity that makes us stronger.



Collaboration

Together we are better. Working as a team with our partners we achieve extraordinary results.



Innovation

We imagine the possibilities. We challenge ourselves to look beyond what is to what can be.



Excellence

We are all leaders. We work with passion, pride and purpose, and own our part in the success of the team.



Legal Status

AGLC is a provincial corporation defined by Alberta legislation and associated regulation, specifically: *The Gaming, Liquor and Cannabis Act* (GLCA) and Gaming, Liquor and Cannabis Regulation (GLCR).

In addition, AGLC has responsibilities under and is subject to, a number of Alberta statutes, regulations and policies including, but not limited to, the:

- *Financial Administration Act* and any related regulations and directives
- *Fiscal Planning and Transparency Act*
- *Government Organization Act*
- *Auditor General Act*
- *Freedom of Information and Protection of Privacy Act*
- *Alberta Public Agencies Governance Act*
- Government of Alberta's expense and expense disclosure policies
- *Conflicts of Interest Act*
- *Lobbyists Act*
- *Public Interest Disclosure (Whistleblower Protection) Act*
- *Public Sector Compensation Transparency Act*
- *Reform of Agencies, Boards and Commissions Compensation Act*
- Beverage Container Recycling Regulation

Accountability

Government of Alberta
 President of Treasury Board and Minister of Finance
 Honourable Travis Toews

AGLC Board¹
 Chair, Len Rhodes²
 Patti Grier³
 Elan Harper⁴
 Angela Tu Weissenberger⁵
 Tongjie (TJ) Zhang⁵
 Vincent Vavrek⁵

AGLC President & Chief Executive Officer
 Alain Maisonneuve⁶

Office of the President & Chief Executive Officer

Divisions⁷

Corporate Services provides corporate business support services including financial and procurement services, strategy and enterprise risk, internal audit, facilities management, general administrative services, and records management guidance.

Kandice Machado, Vice President, Corporate Services and Chief Financial Officer

Human Resources helps support AGLC's business and strategic goals, is accountable for strategic human resource policies, practices and programs including health, safety and business continuity.

Wendy Romanko, Vice President, Human Resources

Liquor Services oversees the liquor supply chain in Alberta. This includes ensuring adherence with the legislation, policies and processes overseeing the registration, importation, storage, distribution and sale of liquor products. This division also manages the collection of federal customs and excise duties and provincial markups. It also works closely with the liquor industry on modernization initiatives.

Jody Korchinski, Vice President, Liquor Services

Notes:

1. On May 13, 2020, W. Kent Breedlove, Jack Fujino and Robert (Bob) Sartor were appointed.
2. Appointed as Chair of the Board August 15, 2019.
3. Re-appointed to the Board on January 28, 2020.
4. Appointed to the Board on August 15, 2019.
5. Appointed to the Board on November 5, 2019.
6. AGLC's President & Chief Executive Officer is a non-voting member of the Board.
7. Divisional structure reflects all organizational changes implemented and/or announced as at March 31, 2020.

Policy & Public Affairs is responsible for policy and program development, communications, brand and digital media, issues and stakeholder relations, and public education initiatives. The division serves as spokespersons for AGLC on corporate issues while ensuring media and Albertans are provided clear and accurate information.

Angelle Sasseville, Vice President, Policy & Public Affairs

Regulatory Services is responsible for ensuring the integrity of the gaming, liquor and cannabis industries in Alberta. This includes compliance, audit services, investigations and stakeholder training.

Dave Berry, Vice President, Regulatory Services

Office of the Chief Operating Officer

Niaz Nejad, Chief Operating Officer

Cannabis manages the business operations, acts as the wholesaler and distributor of recreational cannabis in the province and also operates Alberta's online cannabis sales through albertacannabis.org.

Enterprise Project Management Office manages enterprise portfolio and governance, enterprise architecture, IT business consulting and project delivery.

Gaming drives the business operations related to the conduct and management of the province's gaming industry including product marketing, relationship management and business development, supply chain and customer service excellence.

Information Technology provides information systems services including infrastructure, application, data, IT security and end user support in support of AGLC's businesses.

Governance

As set out in the GLCA, the Board of AGLC is responsible for the governance of AGLC and overseeing the management of AGLC's business affairs.

Mandate

The responsibilities of the Board are set out in the Mandate and Roles Document (MRD). This includes:

- ensuring that the powers and duties of AGLC are appropriately carried out;
- establishing the policies of AGLC;
- conducting hearings and making decisions respecting licenses and registrations;
- overseeing compliance by AGLC with all relevant enactments and policies;
- monitoring the financial performance of AGLC and ensures that effective internal controls and reporting systems are in place;
- establishing internal governance practices and structures, including rules and procedures for the conduct of its meetings and hearings and for making decisions and orders;
- ensuring that material developments and significant emerging legal and other issues are disclosed to the Minister;
- ensuring that the strategic plan and business plan are implemented and updated annually;
- developing a position description for the CEO, provides a recommendation to the Minister regarding the appointment of the CEO and monitors and evaluates the performance of the CEO; and
- carrying out any policy directives from the Minister under Section 7 of the GLCA.

Membership

The AGLC Board consists of up to nine independent members, appointed by the Lieutenant Governor in Council, acting on the recommendation of the President of Treasury Board, Minister of Finance. From amongst the members, the Lieutenant Governor in Council designates a Chair of the Board. Board members serve terms of appointment of up to three years in length (and a maximum service of up to ten years in total).

AGLC's Board functions independently of management and its members must remain free from any business relationship that would impede their ability to make decisions in the best interests of Albertans and AGLC.

AGLC follows all Government of Alberta practices related to compensation for board members of provincial agencies, boards and commissions.

Biographies of the Board members are available online at aglc.ca.

Responsibility

AGLC's Board has three major areas of responsibility in its governance role for AGLC.

1. Monitoring Responsibilities

In its monitoring responsibilities, the Board is primarily concerned with ensuring that management performs its duties. The Board ensures that the powers and duties of AGLC are appropriately carried out, that appropriate monitoring processes and control systems are in place and that AGLC's financial reports meet the highest standards. The Board also oversees and monitors the administration of AGLC by the President & Chief Executive Officer, who ensures policies of the Board are implemented and advises and informs the Board on the operations of AGLC.

2. Policy Responsibilities

The AGLC Board has the responsibility for developing, maintaining and revising its policies and for determining and approving the policies for which it is responsible through legislation. The Board may advise the President of Treasury Board, Minister of Finance on policy matters. In addition, the Board has the responsibility to follow policy decisions directed by the Minister with respect to gaming, liquor and cannabis, pursuant to the GLCA, section 7(1).

3. Regulatory Responsibilities

The Board's regulatory responsibilities are prescribed by legislation. In its regulatory role, the Board functions as an administrative tribunal. Within the limits of its legislative jurisdiction, the Board conducts hearings, develops and applies policies and rules, and makes decisions on gaming, liquor and cannabis licences and registrations.

When conducting hearings, the Board has the powers, privileges and immunities of a commissioner under the *Public Inquiries Act*. As a result, the Board may hold an inquiry into any matter related to the GLCA.

In 2019-20 the Board conducted a total of 22 hearings held in St. Albert and Calgary. These hearings are in addition to the Board and committee meetings held throughout the year.

Hearing Panel Office

The Hearing Panel Office (HPO) serves as a hub for all administrative matters related to hearings. It liaises with the hearing participants and supports the Hearing Panel ensuring consistent information is provided to all parties involved in the hearing process. For more information on the Board hearings, visit aglc.ca/hearings.

Committees

The board may create committees when necessary or appropriate. These committees are made up of board members and are assigned particular duties to assist the board in carrying out its governance responsibilities. In 2019-20, the board had two standing committees.

Audit & Finance Committee: The committee provides oversight of AGLC's governance, risk management, internal control practices, financial performance and business planning.

Governance & Human Resources Committee: The committee ensures board governance policies and procedures are in place to support a well-functioning and progressive governance system. Additionally, the committee supports the board member recruitment process, facilitates the President & Chief Executive Officer's performance evaluation and ensures succession planning is in place for the organization.

Public Interest Disclosure (Whistleblower Protection) Act

Supplemental Information Required by Legislation

AGLC has established an office responsible for monitoring and responding to reports made under the *Public Interest Disclosure (Whistleblower Protection) Act* and/or AGLC's Code of Conduct and Ethics. AGLC's Legal Counsel and Ethics Officer acts as the designated officer for any such disclosure.

Section 32 of the Act requires public bodies in Alberta to report annually on the following parts of the Act:

- The number of disclosures received by, or referred to, the designated officer, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;
- The number of investigations commenced by the designated officer as a result of disclosures;
- In the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

In 2019-20, there were no disclosures received under the *Public Interest Disclosure (Whistleblower Protection) Act*.

Internal Audit

Internal Audit operates under a mandate approved by the Audit & Finance Committee, a committee of the Board. The independence of Internal Audit is assured, as the Audit & Finance Committee has the responsibility for the hiring, compensation and performance reviews of the Director, Internal Audit. The Audit Committee also meets independently with the Office of the Auditor General of Alberta.



A Modern Regulator

We are responsive to stakeholder needs and feedback. Regulations and policies are reviewed to ensure that they meet Albertans' current expectations and that they provide for an effective balance. We engage with stakeholders as a best practice. AGLC is dedicated to a regulatory and policy environment that maintains our commitment to compliance while reduces barriers for our licensees and industry stakeholders. We are equally dedicated to providing education about responsible and moderate consumption to support consumers in making healthy and informed choices.



Our Balanced Approach

As the organization responsible for overseeing the gaming, liquor and cannabis industries in Alberta, AGLC must ensure that a balanced approach is taken when developing regulations, policies and programs that impact these industries. We ensure this balanced approach by following our Guiding Principles.



Focus on Consumers

- Prioritize consumer choice and accessibility.
- Reflect consumers' needs and expectations in product and service offerings.



Reduce Barriers and Encourage Economic Growth

- Support economic development, industry and job growth.
- Ensure fair and equitable treatment of licensees, registrants and applicants.
- Excel at customer service and reflect stakeholders' needs and expectations.
- Maximize revenues and economic benefits for Albertans.



Focus on Public Health and Safety

- Reflect a commitment to public health and social responsibility.
- Promote public safety.
- Prevent minors from gambling, consuming liquor and using cannabis.

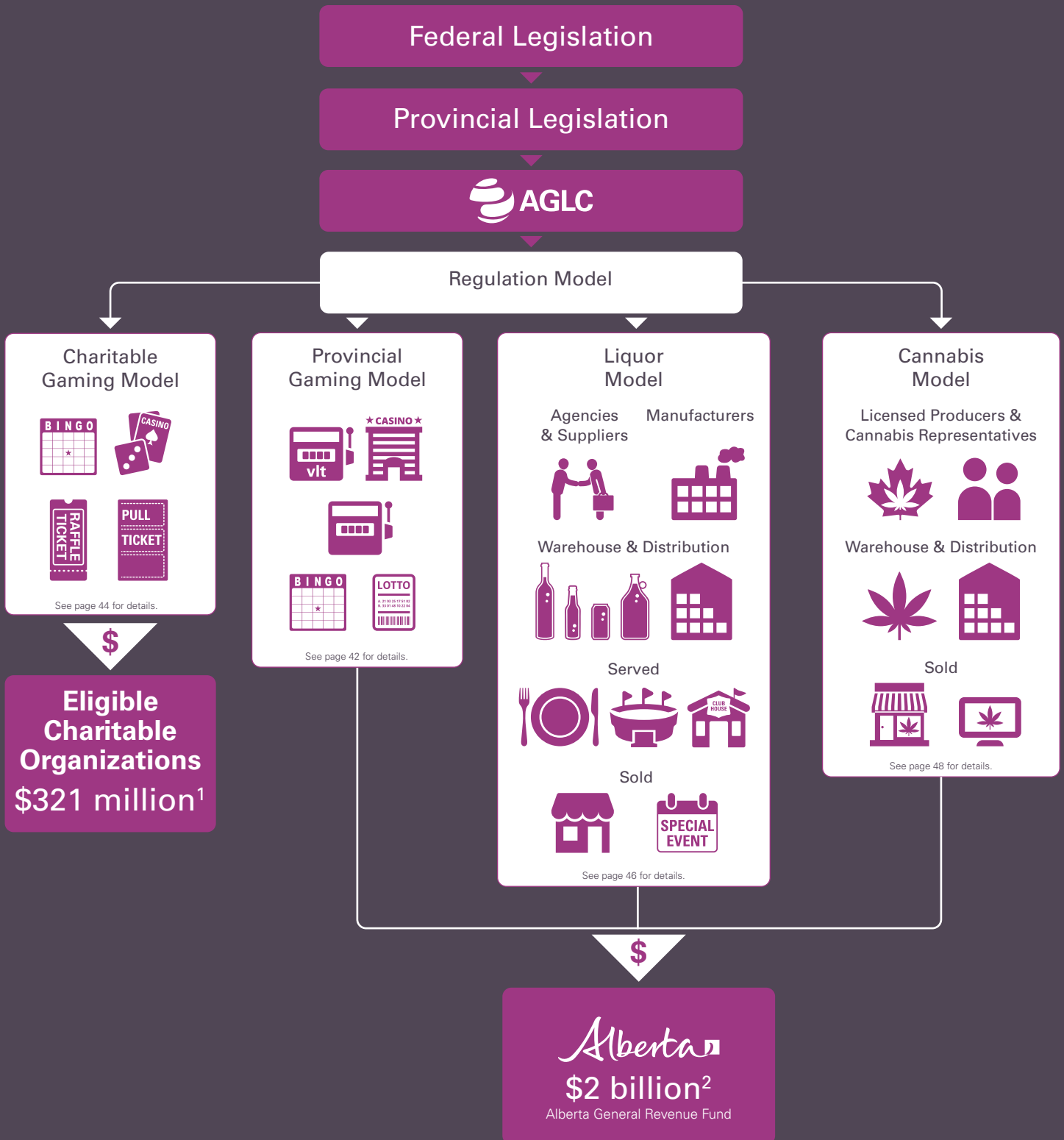


Maintain Stakeholder Integrity

- Support the integrity of licensees' and registrants' operations and activities.
- Limit illegal product sales and related criminal activities.
- Promote fair, reliable and stable practices.
- Protect revenues generated and ensure oversight, transparency and appropriate use.

Legislation

Our core businesses are conducted in alignment with legislation and our models efficiently deliver benefits to Albertans.



Notes:

1. See page 44 for details.
2. See AGLC Financial Statements, Note 11 and 12, pages 90 & 91 for details.

Strategy and Performance



Strategic Directions

Our four Strategic Directions guide the organization as we strive to achieve our Vision and provide choices Albertans can trust. These Strategic Directions propel us forward and set the overall direction of AGLC; as such, they guide our business priorities and are the foundation of our corporate planning.

Responsible Growth



We will responsibly generate and grow revenue for the benefits of Albertans.

Culture of Moderation



We will foster a culture of moderation by promoting responsible gaming experiences and responsible liquor and cannabis consumption.

Effective Regulation



We will ensure a relevant and balanced regulatory environment that manages risk and allows gaming, liquor and cannabis businesses to operate efficiently.





Organizational Strength



We will increase employee engagement and improve the technology and processes we use to serve Albertans.

The AGLC Annual Report 2019-20 includes measurement of performance against our Strategic Directions, as described in our 2019-22 AGLC Business Plan.

Performance at a Glance¹

Strategic Direction	Performance Measure	Target	Actual
 Responsible Growth	Gaming Net Operating Results (in thousands of dollars)	\$1,414,120	\$1,331,371 ²
	Liquor Net Operating Results (in thousands of dollars)	\$823,328	\$844,857 ²
	Cannabis Net Operating Results (in thousands of dollars)	\$(31,378)	\$(14,244) ²
 Effective Regulation ³	Stakeholder Satisfaction ⁴	92%	93%
	Compliance Charitable Gaming Activities ⁵	95%	98%
	Compliance Liquor Licensees ⁵	95%	99%
 Culture of Moderation ³	Responsible Gamblers ⁶	97%	95%
	Responsible Drinkers ⁶	85%	88%
	GameSense Awareness	34%	32%
	DrinkSense Awareness	31%	27%
 Organizational Strength	AGLC Reputation Index ⁷	80%	83%

Notes:

- On March 11, 2020, the World Health Organization declared the COVID-19 virus a pandemic. In response, a number of public health measures were implemented including a directive from the Government of Alberta to close casinos, racing entertainment centres and bingo hall operations throughout Alberta effective March 17, 2020. All business lines of AGLC will be affected due to these measures and will be reflected in the 2019-20 Net Operating Income.
- See Financial Statements – AGLC, Note 14, page 93.
- Cannabis targets will be set once a baseline has been established with at least two years of results.
- See Methodology Details, page 61, for the calculation of the Stakeholder Satisfaction Index.
- Calculated by total inspections during period, minus incidents resulting in penalties, divided by total inspections during period.
- See Methodology Details, page 60 & 61, for the calculation of Responsible Gamblers and Responsible Drinkers. Due to a methodology change these metrics exclude Albertans that do not gamble or consume alcohol. The target amounts for 2019-20 using the new methodology were set in the 2019-22 AGLC Business Plan.
- See Methodology Details, page 61, for the calculation of AGLC's Reputation Index.



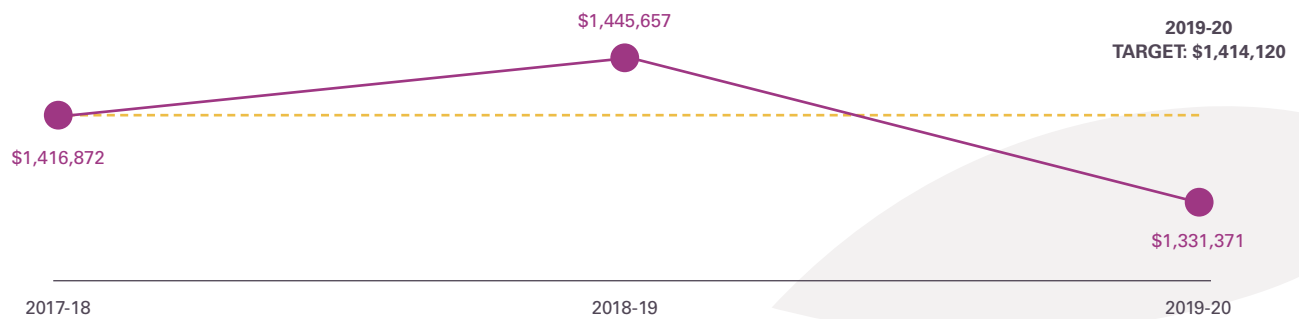
Responsible Growth

We will responsibly generate and grow revenue for the benefits of Albertans.

AGLC is committed to promoting responsible growth of the gaming, liquor and cannabis industries for the benefit of Albertans. Growth leads to increased benefits for Albertans through expanded choice and options with respect to gaming, liquor and cannabis, as well as an increased overall financial contribution to government. We also manage responsible growth through our focus on reducing potential harms related to gaming, liquor and cannabis.

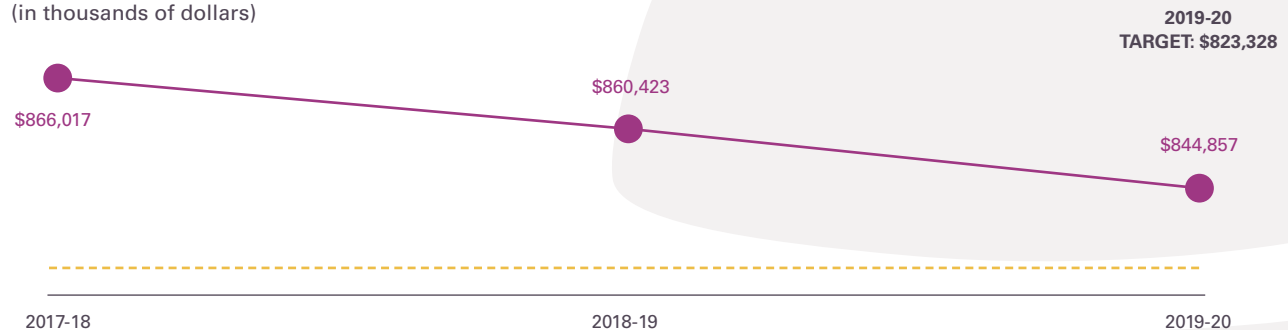
Performance Measure: Gaming Net Operating Income

(in thousands of dollars)



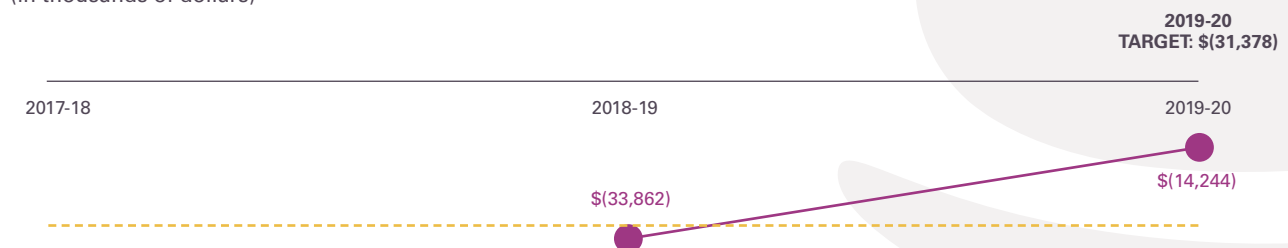
Performance Measure: Liquor Net Operating Income

(in thousands of dollars)



Performance Measure: Cannabis Net Operating Income

(in thousands of dollars)



Highlights:

- Alberta's player loyalty program, Winner's Edge, was implemented at all Alberta casinos.
- Lotto Max draws are now twice a week and can now reach a maximum jackpot of \$70 million.
- Started replacement of vlt terminals with a modern, supported platform (TwinStar) to meet player expectations and modernize electronic gaming.
- New cannabis products under the Edibles, Extracts and Topicals categories were launched in January 2020.
- AGLC's cannabis supply agreements with licensed producers continued to grow. As at March 31, 2020, AGLC has supply agreements with 48 licensed producers, six of which are Alberta-based.
- Following an open procurement process, a new long-term warehouse and distribution contract was signed with Connect Logistics Services to ensure reliable and stable liquor and cannabis distribution in Alberta.



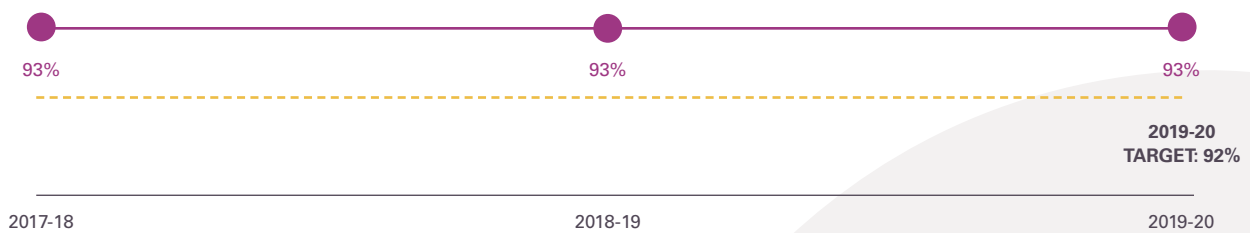


Effective Regulation

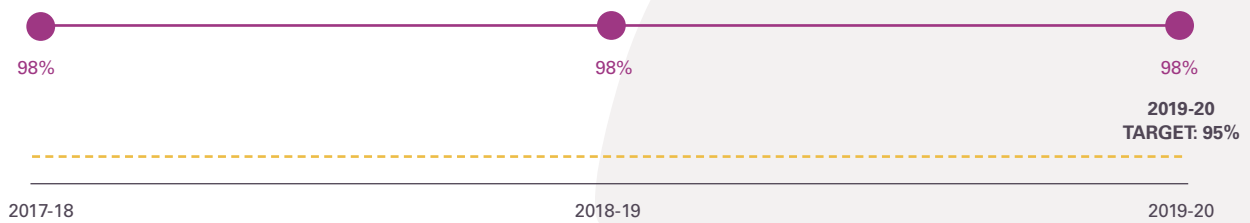
We will ensure a relevant and balanced regulatory environment that manages risk and allows gaming, liquor and cannabis businesses to operate efficiently.

AGLC is dedicated to a balanced regulatory environment that maintains our commitment to compliance and reducing unnecessary barriers for our licensees and industry. We also remain relevant and effective in reducing social harms and mitigating risks.

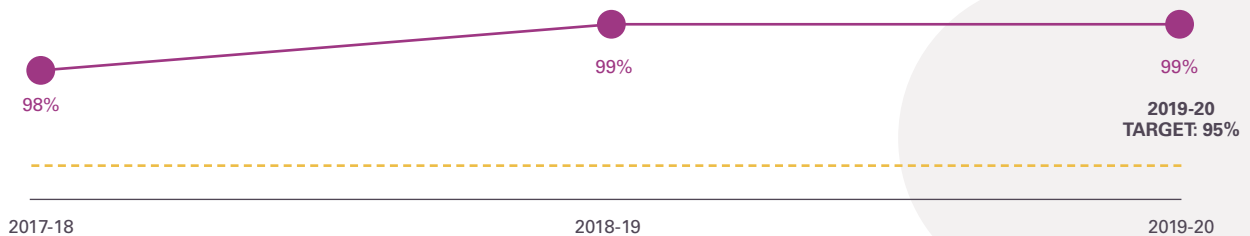
Performance Measure: Stakeholder Satisfaction¹



Performance Measure: Compliance — Charitable Gaming Activities²



Performance Measure: Compliance — Liquor Licensees²



Notes:

1. See Methodology Details, page 61, for the calculation of Stakeholder Satisfaction Index.
2. Calculated by the total inspections during period, minus incidents resulting in penalties, divided by total inspections during period.

Highlights:

- Completed consultation with liquor manufacturers on contract, collaboration and blending policies. Liquor Manufacturer policies were amended including:
 - Adding definitions of kombucha and refreshment beverages.
 - Amending the production threshold for spirits by using litres of absolute alcohol.
 - Amending the definition of small manufacturer.
- Off-Sales policy was amended to permit Class A licensees to sell liquor for off-site consumption. Liquor can be sold through take-out or delivery from licensed premises (restaurants and bars) with or without the purchase of food.
- Policy modernization, including red tape reduction initiatives, resulted in several liquor policies being revamped including:
 - Allowing Alberta small manufacturers to use any approved warehouse in Alberta to store and distribute their beer products in addition to the centrally authorized warehouses.
 - Allowing Class D (liquor stores) and Class A (minors prohibited) licensees to open on Christmas Day at their discretion.
 - Supporting additional types of businesses being eligible for Class B licences. Class B licences are open to the public but their primary purpose is not the sale or provision of food or beverages. This would include businesses such as funeral homes, large format bikes (party bikes), spas, salons and barbershops.
- Alberta's cannabis retail network is healthy and continues to grow with 428 retail stores as of March 31, 2020.



"Great news for Alberta's bars and restaurants as we head into the holidays. Cheers to @GrantHunterUCP and @AGLC for making it easier for licensed establishments to let their patrons enjoy a drink on Christmas Day."

Mark von Schellwitz @RestaurantsWest Dec 17, 2019

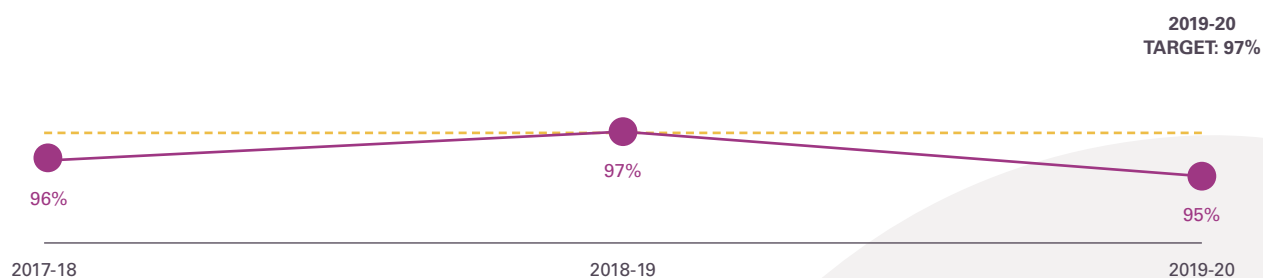


Culture of Moderation

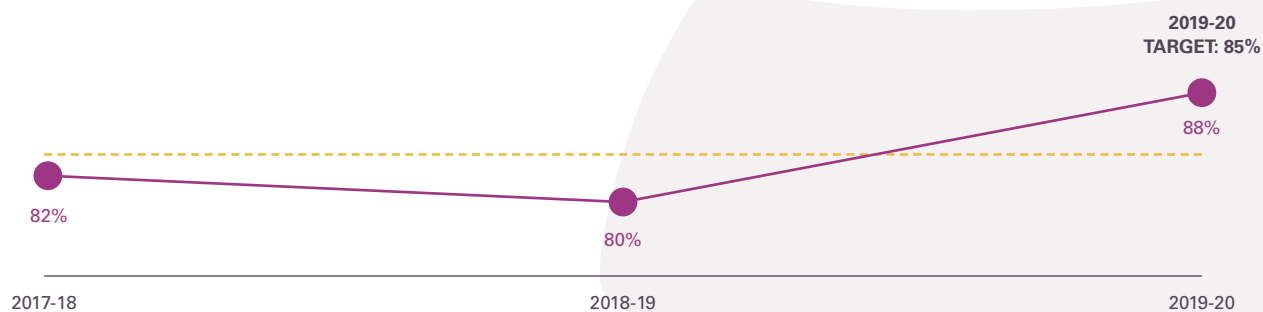
We will foster a culture of moderation by promoting responsible gaming experiences and responsible liquor and cannabis consumption.

By promoting a culture of moderation in Alberta, AGLC aims to reduce social harms related to gambling, liquor and cannabis. We focus on public awareness and education to enable responsible consumption. We keep Albertans informed and educated to help Alberta consumers make healthy and informed choices.

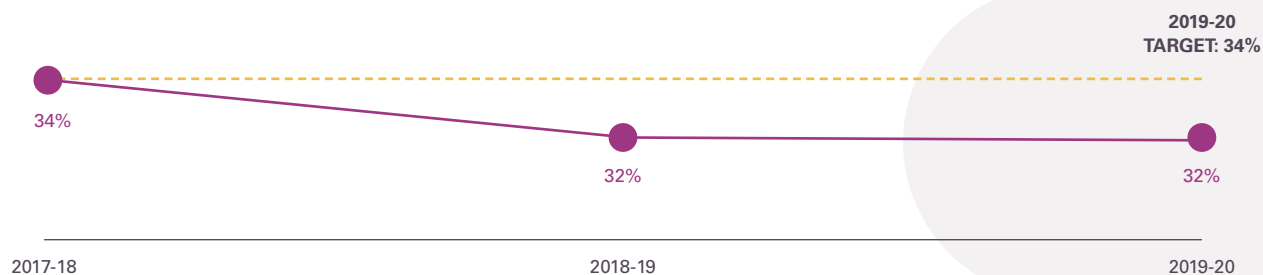
Performance Measure: Responsible Gamblers¹



Performance Measure: Responsible Drinkers¹



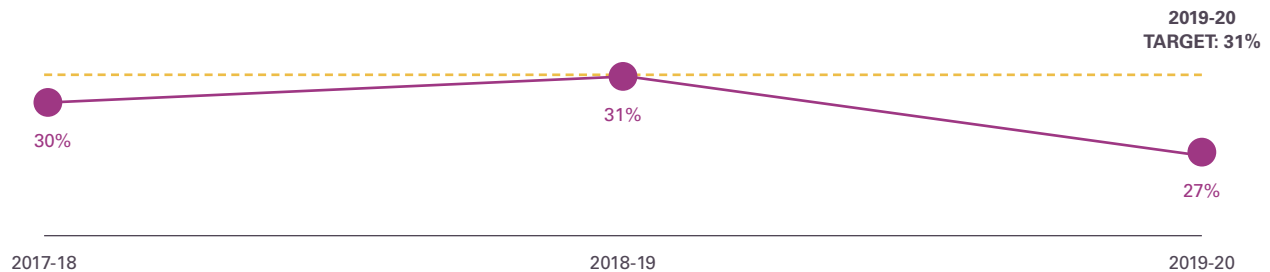
Performance Measure: GameSense Awareness



Note:

1. See Methodology Details, pages 60 & 61, for the methodology of the calculation of Responsible Gamblers and Responsible Drinkers.

Performance Measure: DrinkSense Awareness



Highlights:

- Our progress in encouraging Albertans to make healthy and safe choices and prevent gambling-related harms includes:
 - Continuing to update GameSense brand items in casinos and RECs.
 - Continuing to build stakeholder relationships by attending tradeshow and post-secondary fairs.
 - Launching demo slot machines in casinos and RECs, allowing players to learn about randomness and how slot machines work.
 - Adding new activities for patron interaction with GameSense Advisors casino staff and tools on GameSenseAB.ca, including the Cost of Play Calculator.
- DrinkSense, our responsible alcohol consumption program, promotes Canada's Low-Risk Alcohol Drinking Guidelines and provides specific information for moms-to-be through the Dry9 campaign. DrinkSense, Dry9 and Low Risk Drinking Guidelines campaign was in market to improve awareness of these responsible drinking initiatives.
- Best Bar None (BBN), our voluntary accreditation program recognizing excellence in Alberta's bar and restaurant industry, continued in 2019-20 with a total of 190 licensed establishments successfully accredited (106 in Edmonton and area, 50 in Calgary, 14 in Grande Prairie, 11 in Lethbridge and nine in Banff).
- Our Cannabis Public Education Program was updated to reflect the evolution of the cannabis model.
 - Materials were updated to reflect the availability of new cannabis product categories in collaboration with Alberta Health and Alberta Health Services.
 - Staff visited a number of post-secondary institutions during the year to provide information on Canada's Lower-Risk Cannabis Use Guidelines.



"Absolutely! You should check out the Best Bar None program in #Alberta @AGLC @SaceTalks There are great policies & procedures, including training that help to address many issues including #SexualViolence #CPTED #Security #FASD and more."

Rethink Urban @RethinkUrban Jun 25, 2019

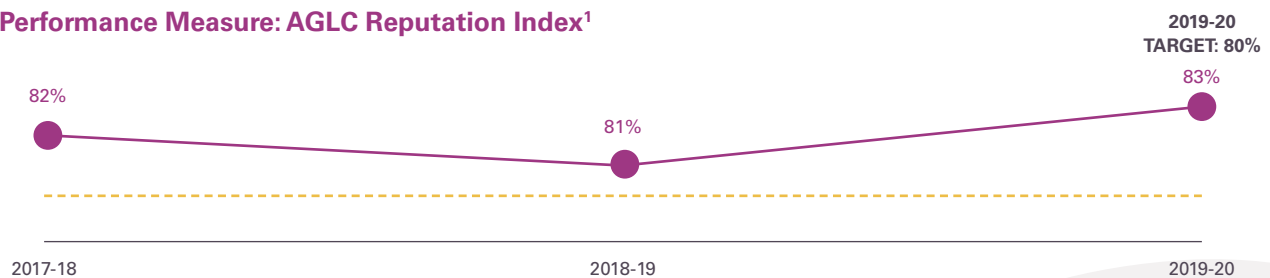


Organizational Strength

We will increase employee engagement and improve the technology and processes we use to serve Albertans.

AGLC is a values-driven organization that is dedicated to serving Albertans. We do so by investing in our employees and in our systems, processes and technology, to be more effective and efficient in all that we do.

Performance Measure: AGLC Reputation Index¹



Highlights:

- Our new Emerging Leaders Program, an in-house introductory leadership program, was developed to assist employees with developing leadership competencies needed to grow in their current positions, enhance their contribution to their teams and business areas, and prepare them for future opportunities.
- In support of AGLC's Code of Conduct, a new Respect in the Workplace online training course was created for all current and new employees. This training, aligned with our value of Respect, reinforcing our commitment to providing a respectful and inclusive workforce.
- Ongoing work to strengthen internal technology, capabilities and processes includes progress in the replacement of our Enterprise Resource Planning system and enhancing our records management program.

Note:

1. See Methodology Details, pages 61, for the methodology of the calculation of AGLC Reputation Index.

Our Employees

AGLC employees are dedicated to supporting Alberta's gaming, liquor and cannabis industries. Our corporate culture promotes living AGLC's values of integrity, respect, collaboration, innovation and excellence to inspire engagement and guide us in serving Albertans. Our team of dedicated, high performers is driven to provide stakeholders with outstanding service and Albertans with choices they can trust.

Employer of Choice

February 2020 marked the fourth time AGLC was selected as one of Alberta's Top 75 Employers.

Employers are evaluated using a number of criteria to determine which organizations offer the most progressive and forward-thinking programs. This award confirms that we offer a workplace that attracts new talent, as well as retains and engages our current employees.

We are proud to be an employer of choice in Alberta.

Employee Engagement

We are committed to our employees and to continuously improving our organization through employee engagement. Employee Engagement sessions were conducted as part of strategic planning, which engaged a range of perspectives and insights on AGLC and the industries we oversee.

AGLC's Executive Team used input from the 2018 Employee Engagement Survey to develop an action plan focused on three corporate priorities: Professional Growth and Development; Respect, Diversity and Inclusion; and Innovation.

Employee Recognition

Recognizing employees for a job well done helps sustain a positive corporate culture.

Our Special Thanks and Recognition (STAR) Program is used to acknowledge employee contributions and the commitment of employees.

This is accomplished through day-to-day recognition and formal awards such as the dedicated service milestones. STAR ensures employees feel appreciated for behaviours that are aligned with AGLC values. It also reinforces actions that contribute to business objectives for the benefit of Albertans.

Employee Development

With many opportunities for career advancement and development, we foster a work environment that encourages individuals to develop their abilities and leadership potential.

Initiatives that support employee learning and growth include: AGLC In-house Courses; operational health and safety training; and encouraging internal development opportunities. Overall efforts help facilitate the development and engagement of our workforce, which is a priority for AGLC.

Succession Planning

It is important for AGLC to have a plan in place to advance existing talent within the organization.

Succession planning allows AGLC to plan for both the foreseen and unexpected absences of people who hold leadership roles in the organization and identifies opportunities for employee development and growth. This planning supports greater operational sustainability and stability.



Business

Where the Money Goes

We collect and disburse funds from our gaming, liquor and cannabis business lines according to the GLCA, other legislation, policies and agreements.

We are responsible for:

- regulating Alberta's charitable gaming activities and for conducting and managing provincial lottery activities;
- regulating the manufacture, importation, sale, purchase, possession, storage, transportation, use and consumption of liquor in Alberta; and
- regulating private retail cannabis, the distribution of cannabis and operation of Alberta's online cannabis store, albertacannabis.org.

We are committed to working with stakeholders in Alberta's gaming, liquor and cannabis industries to deliver a balanced regulatory environment. This includes reducing unnecessary barriers for businesses while also reducing social harms and mitigating risks to generate a wide range of economic and social benefits across the province.

Provincial Gaming

We record sales from video lottery terminals (vlts), casino gaming terminals (e.g. slot machines) and electronic bingo and ensure prizes are paid and the appropriate federal taxes remitted.

Commissions are paid to retailers/operators. Eligible charitable organizations are paid a commission from casino gaming terminals operating during their licensed casino events and electronic bingo and keno operating during charitable gaming events in licensed bingo facilities. All related AGLC operating costs are deducted and the income from Western Canada Lottery Corporation (WCLC) for ticket lottery sales in Alberta is added. The net operating results from provincial gaming are transferred to the province's General Revenue Fund¹.

Charitable Gaming

Other than fees for licences and trustee services for charitable proceeds from traditional casino events, AGLC does not receive any revenue from charitable gaming. Eligible charitable and religious groups that conduct raffles, sell pull tickets and conduct bingo and casino table games use the proceeds from these gaming activities for approved charitable or religious purposes. The groups pay private sector suppliers for the cost of products and services they obtain to conduct their events.

1. Gaming net income was allocated to Alberta Lottery Fund between April 1, 2019 to December 4, 2019. On December 5, 2019 the Alberta Lottery Fund was disestablished. Beginning December 5, 2019, gaming net income is allocated directly to the province's General Revenue Fund.

Liquor

We pay liquor suppliers for their products when the product is sold to licensees. Payments are also made for federal taxes and duties, warehousing, distribution, container deposits and recycling fees. AGLC adds a markup to liquor sold and collects this on behalf of the Government of Alberta. Liquor markup is applied as a flat rate per litre depending on the product type and alcohol content; markup rates are established in policy and reviewed regularly. Visit aglc.ca for the Liquor Markup Rate Schedule. The related operating costs of AGLC are deducted and the net operating results from liquor are transferred to the province's General Revenue Fund.

Cannabis

We pay cannabis licensed producers for their products when the product is received by AGLC. Licensed producers charge AGLC the agreed upon landed cost, which includes the excise duty and provincial duty on cannabis that they remit directly to the federal government. The Government of Alberta collects a provincial duty on all wholesale purchases. For the 2019-20 fiscal year, AGLC did not apply markup to the wholesale price of cannabis (for sales to cannabis retailers). However, AGLC sets the wholesale price for retailers as well as the retail price for cannabis products sold directly to customers on albertacannabis.org. The related operating costs of AGLC are deducted from income generated. The cannabis net operating results are included in the transfer to the province's General Revenue Fund.

Provincial Gaming Key Facts¹

Gaming is one of our core businesses. We manage a portfolio of products and services to drive and sustain gaming revenue growth for the benefit of Albertans. We conduct and manage electronic gaming in Alberta by providing equipment to retail operators through four distinct channels: slot machines (casino gaming terminals) which are supplied to casinos and Racing Entertainment Centres (RECs); video lottery terminals (vlts) which are provided to licensed premises; lottery ticket terminals which are made available to various retail outlets; and bingo halls which are equipped with electronic bingo devices.

In each of these channels, the retail operator earns a commission reflective of the retail space and services it provides. Charitable organizations also earn a commission on electronic gaming in casinos and bingo halls.

AGLC takes a balanced approach in managing gaming activities in the province, one that respects the interests of Albertans. This is achieved by providing Albertans with a wide variety of entertaining gaming products as well as the tools required to participate in gaming activities in a healthy and informed manner.

Slot Terminals

(As at March 16, 2020)

	2019-20 ¹	2018-19	2017-18
Casinos			
Edmonton	4,962	4,780	4,480
Calgary	4,741	4,591	4,616
Other	3,719	3,724	3,715
RECs	1,468	805	1,349
TOTAL	14,890	13,900	14,160

vlts

(As at March 16, 2020)

	2019-20 ¹	2018-19	2017-18
Within the Distributed Network (bars, pubs, gaming entertainment centres (GECs))			
Number of operating vlts	5,933	5,973	5,974
vlt retail locations	795	820	836
GECs (included in the total number of retail locations above)	72	72	73
Within Casinos			
Number of operating vlts	464	462	448

Notes:

1. See Financial Statements - AGLC, Note 14, page 94 for breakdown of gaming activities.
2. On March 11, 2020, the World Health Organization declared the COVID-19 virus a pandemic. In response, a number of public health measures were implemented including a directive from the Government of Alberta to cease vlt operations and close all casinos, racing entertainment centres and bingo hall operations throughout Alberta effective March 17, 2020.

Vlt Revenue 2019-20

Vlts are programmed to payout, on average, 92 per cent of all credits wagered. Ultimately, what players walk away with in winnings (cash) depends on their behaviour (how long they played and/or how much money they inserted in).

The following table depicts how credits played and won compares to cash-in and cash-out.

Credits (in thousands of dollars)		Cash (in thousands of dollars)	
Credits Played	\$6,914,345	Cash In	\$2,226,819
Credits Won (Prizes)	(\$6,368,837)	Cash Out	(\$1,681,311)
Net Sales	\$545,508	Net Sales	\$545,508
Payout Percentage:		Cashout Percentage:	
Credits Won/Credits Played	92%	Cash-Out/Cash-In	76%

Lottery Ticket Centres

(As at March 31, 2019)

	2019-20	2018-19	2017-18
Number of Lottery Ticket Centres	2,799	2,792	2,731

Charitable Gaming Key Facts

We are responsible for maintaining the accountability of Alberta's gaming activities, including charitable gaming events. The *Criminal Code* (Canada) requires that groups participating in charitable gaming are charitable or religious in nature and that the proceeds from gaming activities be directed to charitable or religious purposes. In general, the criteria used to determine eligibility includes: relief of poverty, advancement of education, advancement of religion and other purposes beneficial to the community.

AGLC issues licences to eligible organizations, ensures that gaming activities are carried out in accordance with the policies that govern them and oversees the use of gaming proceeds by charitable groups. We are dedicated to ensuring integrity in charitable gaming, so that the charitable gaming model can continue to deliver benefits to communities across Alberta each year.

Eligible organizations may apply for charitable gaming licences to conduct and manage events. In accordance with Alberta's charitable gaming model, Host First Nation (HFN) casinos operate in parallel to traditional casinos. The HFN is the casino facility operator; a dedicated HFN licensed charity, as a separate and distinct organization, conducts and manages the charitable casino event at each HFN facility.

For more detail related to charitable gaming please visit aglc.ca/charitable-gaming.

Summary

In 2019-20, 19,796 charitable gaming licences were issued; charitable gaming activities related to these licences generated over \$321 million in proceeds.

	2019-20					2018-19	2017-18
	Bingos ³	Casinos ⁴	Pull Tickets ⁵	Raffles ⁶	Total	Total	Total
Charity Licences ¹	943	3,464	277	15,112	19,796	19,455	18,013
(in thousands of dollars) Total Gross	\$114,107	\$1,115,201	\$83,166	\$167,891	\$1,480,365	\$1,584,138	\$1,578,935
Prizes/Winnings	(75,446)	(893,671)	(58,089)	(67,314)	(1,094,520)	(1,169,700)	(1,180,345)
Expenses ²	(30,177)	(143,780)	(14,823)	(32,428)	(221,208)	(234,917)	(230,747)
	(105,623)	(143,780)	(72,912)	(99,742)	(1,315,728)	(1,404,617)	(1,411,092)
Net proceeds	8,484	77,750	10,254	68,149	164,637	179,521	167,843
Electronic Gaming Proceeds	7,577	149,529			157,106	167,680	163,095
Keno Proceeds	153	15			168	194	220
Total Proceeds to Charity	\$16,214	\$227,294	\$10,254	\$68,149	\$321,911	\$347,395 ⁷	\$331,158

Notes:

1. Bingo and pull ticket licences are generally in effect for two years. Licences for casinos and raffles are generally issued for a single event.
2. Expenses include fixed fees/event expenses (including licence fees), pool expenses and electronic bingo net sales (sales less prizes). After program expenses are paid, electronic bingo net sales are returned to charities in the electronic gaming proceeds and proceeds to charity rows.
3. Includes current year information for bingo events conducted at licensed bingo facilities and prior year data for bingo events conducted at community bingo facilities. Does not include community bingos with gross sales under \$2,500.
4. Includes data for HFN casinos.
5. Includes current year information for pull tickets sold at licensed bingo facilities and prior year information for pull-tickets sold at all other locations.
6. Includes prior year information for raffles with gross sales over \$20,000 and current year information for raffles with gross sales under \$20,000.
7. Data is collected from many sources and may be based on the current fiscal year and/or prior year therefore it does not reconcile with AGLC financial statements. On March 11, 2020, the World Health Organization declared the COVID-19 virus a pandemic. In response, a number of public health measures were implemented including a directive from the Government of Alberta to close casinos, racing entertainment centres and bingo hall operations throughout Alberta effective March 17, 2020.

Use of Proceeds

Proceeds earned from charitable gaming activities must be used for approved charitable or religious purposes in accordance with the *Criminal Code* (Canada).

These proceeds help support thousands of programs and services provided by charitable organizations to their communities. Licensed HFN charities also use proceeds to support many programs and services provided to the HFN communities.

For a summary of the use of proceeds by charitable and religious groups and of the use of HFN casino proceeds, refer to the tables below:

Use of Proceeds by Charitable Groups

For 2018-19

Facility	34.0%
Equipment/Uniforms/Vehicles	15.3%
Wages, Salaries, Fees for Service and Honorariums	14.5%
Raffle < \$20,000 Expenditures	9.9%
Administrative Costs	7.5%
Travel	5.4%
Program Support/Development	5.3%
Promotional Activities	1.8%
Bursaries and Scholarships	1.3%
Research	1.1%
Donations within Alberta	<1%
Donations outside of Alberta	<1%
Sports	<1%
Senior Citizen Activities	<1%
Youth Development	<1%
Volunteer Expenses	<1%
Endowment Funds	<1%
Education	<1%
Debt Retirement	<1%

Use of HFN Casino Proceeds

For 2018-19

Housing and Infrastructure	41.5%
Education	18.7%
Medical/Health Aid and Relief	8.4%
Charity Worker Wages and Expenses	7.9%
Administrative Costs/Wages, Salaries, Fees for Service and Honorariums	6.3%
Culture	4.2%
Facility	2.4%
Sports/Youth Development	2.0%
Aid of the Distressed	1.8%
Children/Adults in Care	1.6%
Addictions Treatment & Aftercare Programs	1.6%
Elders/Senior Citizens	1.5%
Community Safety Programs	1.4%
Historical Resources	<1%
Promotional Activities	<1%
Equipment/Uniforms/Costumes/Vehicles	<1%
Donations within Alberta	<1%

Visit the charitable gaming section "Who Benefits" on aglc.ca to see which charitable organizations have received funding from casinos and bingo halls.

Note:

- Charitable organizations report on use of proceeds on an ongoing basis, therefore complete data for 2019-20 is not yet available and will be reported in the 2020-21 Annual Report.

Liquor Key Facts

We are responsible for overseeing the liquor supply chain in Alberta and ensuring progressive developments in the industry while building strong relationships with liquor stakeholders.

The rules and regulations for liquor sales, distribution and consumption in Alberta are established by AGLC in accordance with the GLCA and GLCR. In Alberta, we have a private liquor retail model. Liquor retailing is managed by the private liquor industry. AGLC oversees warehousing, delivery and importation through a private logistics provider.

In compliance with federal law, AGLC is the legal importer of record for liquor in Alberta. Manufacturers and suppliers sell liquor products of their choosing to businesses (licensees) through AGLC. Licensees then sell liquor products to consumers.

Liquor Licences

Licences are issued to companies and individuals for the sale of liquor.

	2019-20	2018-19	2017-18
Class A (open to the public)	5,486	5,506	5,374
Class B (facilities where people pay an entrance fee or buy a ticket)	873	764	678
Class C (private clubs)	774	776	781
Class D (retail outlets that sell liquor for off-premises consumption)	2,282	2,255	2,197
Class E (liquor manufacturers and packaging) ¹	189	158	119
Class F (ferment on premises)	18	9	–
TOTAL	9,622	9,468	9,149

Liquor Manufacturing (Class E) Licences in Alberta¹

	2019-20	2018-19	2017-18
Breweries	126	113	81
Distilleries	40	29	21
Estate Manufacturers	15	13	14
Packaging	3	2	3
Refreshment Beverages	5	1	–
TOTAL	189	158	119

Note:

1. Class E manufacturer licences are issued for the manufacture of liquor in breweries, wineries, distilleries, and cideries.

Liquor Products & Sales

Market demand determines product availability and sales.

Liquor Products Available

(as at March 31, 2020)

	2019-20	2018-19	2017-18
Spirits	5,570	5,053	4,862
Wine	15,378	14,605	13,866
Refreshment Beverages	1,029	808	660
Beer	6,983	6,230	4,946
TOTAL	28,960	26,696	24,334

Liquor Sales by Type

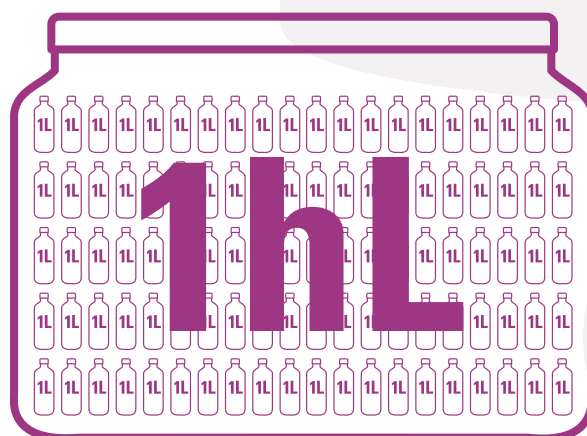
(in thousands of dollars)

	2019-20	2018-19	2017-18
Spirits	\$835,818	\$792,153	\$756,281
Wine	629,657	611,992	609,418
Refreshment Beverages	183,312	162,131	150,561
Beer	972,456	1,028,914	1,061,563
TOTAL	\$2,621,243	\$2,595,190	\$2,577,823

Liquor Sales by Volume

(in hectolitres, hL)

	2019-20	2018-19	2017-18
Spirits	286,805	274,445	267,893
Wine	457,786	445,795	450,577
Refreshment Beverages	367,538	322,919	302,014
Beer	2,365,873	2,496,794	2,560,870
TOTAL	3,478,002	3,539,953	3,581,354



What is a hectolitre?

A hectolitre is equivalent to 100 litres (1 hL = 100 L)

Cannabis Key Facts

We are responsible for overseeing the cannabis industry in Alberta.

The distribution of cannabis is similar to the way AGLC distributes alcohol. The key difference being that AGLC purchases cannabis products from licensed producers versus the consignment model in place for liquor. AGLC sets the wholesale price, sells and distributes the products to licensed cannabis retailers. Central distribution ensures a level playing field for all retailers and prevents small or remote retailers from being penalized for delivery costs by making sure product is shipped at the same price no matter where it's going.

The policies and rules for cannabis sales and distribution in Alberta are established in accordance with the GLCA and GLCR. In Alberta, we have a private model for cannabis retail sales and AGLC is responsible for online cannabis sales. All cannabis retailers must have a licence that is issued by AGLC and all cannabis licence applicants undergo extensive mandatory background checks. Physical stores are subject to government regulations and AGLC licensing terms and conditions. Online sales and home delivery are available through a website operated by AGLC (albertacannabis.org).

Cannabis Licences

Licences are issued to retailers for the sale of cannabis.

	2019-20	2018-19
Licences Issued	387	75

Cannabis Products Available

(number of stock keeping units (SKUs), as at March 29, 2020)

	2019-20 ¹	2018-19
Dried Flower	204	147
Milled Flower	0	3
Pre-Roll	89	26
Oils/Spray	16	23
Capsule/Soft Gel	12	28
Seed	0	1
Extracts	2	N/A
Vapes	63	N/A
Edibles	19	N/A
Beverage (Non-Liquid)	5	N/A
Beverage	1	N/A
TOTAL	411	228

Note:

1. Edibles, extracts and topicals were legalized on October 17, 2019.

Cannabis Sales by Type¹

(in thousands of dollars)

	Wholesale	E-Commerce	2019-20 ¹ Total	2018-19 Total
Dried Flower	\$166,228	\$2,401	\$168,629	\$55,314
Milled Flower	1,324	30	1,354	3,341
Pre-Roll	62,464	311	62,774	4,577
Oils/Spray	12,997	769	13,766	8,877
Capsule/Soft Gel	6,201	425	6,627	4,366
Seed	136	21	157	239
Extracts	329	16	344	N/A
Vapes	8,626	148	8,775	N/A
Edibles	2,659	119	2,778	N/A
Beverage (Non-Liquid)	504	16	520	N/A
Beverage	4	0	4	N/A
TOTAL	\$261,472	\$4,256	\$265,728	\$76,714

Cannabis Sales by Volume²

(in kilograms, kg)

	2019-20 ¹	2018-19
Dried Flower	22,258	6,967
Milled Flower	236	553
Pre-Roll	7,225	537
Oils/Spray	1,545	924
Capsule/Soft Gel	483	429
Seed	13	21
Extracts	63	N/A
Vapes	374	N/A
Edibles	757	N/A
Beverage (Non-Liquid)	22	N/A
Beverage	8	N/A
TOTAL	32,984	9,431

Note:

1. Due to rounding to the nearest whole number, totals displayed may reflect a small variance.
2. Sales in kg is calculated using Dried Cannabis Equivalent for each product.



Corporate Social Responsibility

We are dedicated to making positive, meaningful contributions to the economic and social well-being of our province.

For AGLC, corporate social responsibility (CSR) includes recognizing the impacts our activities, and the activities of our stakeholders operating in the gaming, liquor and cannabis industries, have on Alberta's economy, society and the environment. Most importantly, it includes ensuring our industries operate in a socially responsible manner. Social responsibility is paramount to our mandate and is connected to our balanced approach that ensures consumer choice and revenue generation is balanced with programs and tools that encourage responsible use and reduce potential social harms.

Our CSR initiatives are evident through our continued evolution to meet the needs of Albertans and our stakeholders. They are also evident in employee engagement, workplace wellness and policies as they extend to impact corporate culture, programs and decision-making.

Together, our CSR initiatives help create shared value to meet the needs of both stakeholders and employees by focusing on social responsibility, economic impact, environment, governance, and stakeholder engagement.

Social Responsibility



We care about customers' well-being and actively look for ways to educate Albertans about responsible gambling, liquor consumption and cannabis use.

Highlight: Cannabis Public Education

AGLC created a responsible cannabis awareness program centred on providing Albertans with current and fact-based information about cannabis use, laws and regulations aligned with Canada's Lower-Risk Cannabis Use Guidelines.

After consulting with Alberta Health and Alberta Health Services, AGLC launched a responsible use website, an educational campaign and supplied mandatory and optional informational tools for licensed cannabis retail stores to support customers in making informed choices.

Please visit aglc.ca for cannabis facts, as well as GameSense and DrinkSense information.

Economic Impact



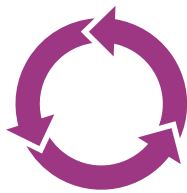
Albertans' gaming, liquor and cannabis activities have direct impacts to Alberta's economy and proceeds are directed into the province's General Revenue Fund to help fund important services like healthcare and education.

Highlight: Transfers to General Revenue Fund

We collect and disburse funds in our gaming, liquor and cannabis businesses according to the GLCA, other legislation, policies and agreements. Proceeds from gaming, liquor and cannabis are transferred to the province's General Revenue Fund.

See page 40 for more information on where the money goes.

Environment



We continuously seek improvements to reduce the environmental impact of our industries. We do so through internal and external partner initiatives.

Highlight: Container Recycling & Conservation Efforts

AGLC works in partnership with Beverage Container Management Board (BCMB) in container recycling efforts throughout the province. BCMB reported that, in 2019, more than 2 billion containers (soft drinks, juice, water and liquor bottles and cans) were returned to recycling depots with a return rate of 85.3 per cent.

Our new Liquor Distribution Centre (LDC) in St. Albert supports a number of conservation efforts to help minimize our impacts to the environment. The LDC has a built-in waste management system to safely and efficiently dispose of waste alcohol products and also acts as a recycling hub for liquor containers, packaging and normal office waste.

Governance



Our regulatory environment balances risks to public health and safety, integrity of operations and revenues within a framework that enables economic growth in Alberta's gaming, liquor and cannabis industries while reducing unnecessary barriers for business.

Highlight: Anti-Money Laundering (AML) Program

Money laundering is the process where funds acquired through criminal activity are placed into the financial system to conceal the illegal proceeds. These funds can then be used to finance criminal and terrorist activities. Our AML Program ensures casinos and racing entertainment centres comply with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), associated regulations and Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) guidelines by collecting and reporting key transaction information to AGLC consistently and accurately.

Stakeholder Engagement



We are committed to connecting with our stakeholders to understand their needs and perspectives.

Highlight: Large Format Bikes Consultation

In 2019, Large Format Bikes were identified as a liquor industry opportunity in Alberta. AGLC consulted with stakeholders to develop policies supporting this new activity while ensuring it was provided in a fun and socially responsible manner. Partners in health, policing and the liquor industry were all consulted to guide evidence informed policy in support of the new business opportunity.

Please see page 58 for more information on AGLC's Annual Satisfaction Surveys, which ensure we have a balanced view of the needs of customers, businesses and stakeholders.

Procurement

We value our relationships with our business partners.

Our purchasing and procurement approach for products and services is non-discriminatory and meets all legislated requirements. We conduct open, fair, transparent and competitive procurement processes.

Our Vendor Code of Conduct and Ethics includes: Social Responsibility, Environmental Requirements, Business Ethics Standards and Management System Requirements.

Annual Satisfaction Surveys

AGLC conducted six annual satisfaction surveys to understand gaming, liquor and cannabis in Alberta as well as AGLC’s performance in serving Albertans.

Advanis is an independent professional survey company that was contracted to conduct surveys on behalf of AGLC.

Surveys and Objectives

1. Survey of Albertans	2. Social Responsibility	3. Charitable Gaming Licensees	4. Gaming Retailers	5. Liquor Licensees and Registered Liquor Agencies	6. Cannabis Licensees
Objectives					
Tracks Albertans’ level of satisfaction with how the liquor business, legal gaming and legal cannabis business is run in Alberta, as well as the awareness level of responsible drinking, gambling and cannabis use.	Determines the incidence of Albertans who drink alcohol and gamble responsibly .	Tracks the satisfaction of services provided by AGLC to charitable gaming licensees through response time, knowledge of employees, access to information and online services.	Measures the satisfaction of gaming retailers with the services provided by AGLC which includes vlt, casino, and lottery ticket retailers.	Measures the levels of satisfaction for both liquor licensees and registered liquor agencies with the services provided by AGLC which includes the licensing, product & pricing and the customs & excise programs.	Measures the satisfaction of the services provided by AGLC to cannabis licensees which includes account representatives, cannabis call centre, albertacannabis.org and the delivery service.
Reviews Albertans’ confidence , that AGLC responsibly manages gaming, liquor and cannabis revenues to deliver benefits to Albertans.	Assesses Albertans’ awareness of harm reduction programs related to drinking and gambling.				
Tracks Albertans’ perceptions of AGLC.	Collects data to build a structure of what is considered responsible cannabis use ; AGLC is using this data to develop programs to promote responsible cannabis use .				

Methodology Summary

	1. Survey of Albertans	2. Social Responsibility	3. Charitable Gaming Licensees ³	4. Gaming Retailers	5. Liquor Licensees and Registered Liquor Agencies	6. Cannabis Licensees
Timing (2020)	Feb. 10 – Feb. 29	Feb. 10 – Feb. 27	Feb. 18 – Mar. 30	Feb. 18 – Mar. 30	Feb. 18 – Mar. 30	Feb. 18 – Mar. 30
Sample Size	1,004 ¹	1,104 ¹	1,610 (3,576 in 2019)	1,178 (1,116 in 2019)	1,257 (1,401 in 2019)	247 (49 in 2019)
Total Invited			4,307	3,621 vlts: 799 Casino: 28 Ticket: 2,794	9,564 Licensees: 8,867 Agencies: 697	405
Avg. Duration (in minutes)	18 (14 in 2019)	11 (10 in 2019)	2 (12 in 2019)	9 (7 in 2019)	8 (8 in 2019)	7 (6 in 2019)
# of Questions	59 (47 in 2019)	53 (42 in 2019)	7 (36 in 2019)	19 (17 in 2018)	35 (32 in 2019)	15 (10 in 2019)
% Participated	14% (12% in 2019)	16% (13% in 2019)	37% (53% in 2019)	33% (30% in 2019)	13% (15% in 2019)	61% (74% in 2019)
Method	Random Digit Dialing ² (including cell phone numbers, consisting of Alberta residents)	Random Digit Dialing ² (including cell phone numbers, consisting of Alberta residents)	Online Survey (phone followup)	Online Survey (phone followup)	Online Survey (phone followup)	Online Survey (phone followup)
Margin of error	95% confidence level +/- 3.1%	95% confidence level +/- 2.9%	95% confidence level +/- 1.9%	95% confidence level +/- 2.3%	95% confidence level +/- 2.6%	95% confidence level +/- 3.9%

Limitations and Notes:

- Quotas were established to ensure a good distribution across age, gender and location within the province. The 2020 sample was weighted to match the population distribution based on the most recent census data available from Statistics Canada, established in 2016.
- Advans utilized a Random Digit Dialing (RDD) methodology to sample among the population of Alberta for the purpose of this research. Although RDD is considered the most effective way to achieve a sample that is representative of the population, it also has some limitations:
 - Due to the sensitivity of the topics covered in the questionnaire, respondents may be influenced through Social Desirability Bias, which is that incidences of responsible gambling and alcohol usage is self-reported and respondents tend to answer in such a way that makes them look favourable to the interviewer. As such, it is possible that the incidence of alcohol or gambling abuse is under-reported. The impact of Social Desirability Bias in survey responses is not measurable.
 - While Albertans were contacted in a randomized manner, only those who agreed to participate in the survey are included in the sample. Among those Albertans contacted 14 per cent (Survey of Albertans) and 16 per cent (Social Responsibility) took part in the research.
- Participation in the Charitable Gaming Licensees survey saw a decrease of 16 per cent from last year (53 per cent to 37 per cent) due in large part to the COVID-19 pandemic. Phone call followups were canceled to alleviate the stress of licensees dealing with this situation.

Methodology Details

Responsible Gamblers

The responsible gamblers calculation is completed by Advanis using responses to the following questions in the Social Responsibility Survey that are based on the Centre for Addiction and Mental Health's Problem Gambling Severity Index (PGSI):

Thinking of the last 12 months:

- Have you bet more than you could really afford to lose?
- Have you needed to gamble with larger amounts of money to get the same feeling of excitement?
- Have you gone back another day to try to win back the money you lost?
- Have you borrowed money or sold anything to gamble?
- Have you felt that you might have a problem with gambling?
- Has gambling caused you any health problems, including stress or anxiety?
- Have people criticized your betting or told you that you had a gambling problem, whether or not you thought it was true?
- Has your gambling caused any financial problems for you or your household?
- Have you felt guilty about the way you gamble or what happens when you gamble?

The answers for each question are totalled to provide an overall score. The higher the score, the greater the risk that gambling is a problem. Answers were coded on a scale of zero (respondent never engages in specified behaviour) to three (respondent always engages). The answers for each question were totalled to provide an overall score and respondents were considered to gamble responsibly if they had an overall score of two or less. The calculation includes gamblers (respondents who stated that they gamble).

Responsible Drinkers

The responsible drinkers calculation is completed by Advanis using responses to the following questions in the Social Responsibility Survey that are based on Canada's Low-Risk Alcohol Drinking Guidelines developed by the College of Family Physicians of Canada and the Canadian Centre on Substance Abuse:

- Do you drink beer, wine, coolers or other alcoholic beverages?

If answered yes:

- On average, how many days per week do you drink alcohol?
On a typical day, how many drinks do you consume?

Respondents were considered to consume alcohol responsibly if they meet the following criteria:

- Female: two or less drinks per day, or 10 or less drinks per week (calculated by multiplying the number of drinks per day, by the number of days per week on which alcohol is consumed).
- Male: three or less drinks per day, or 15 or less drinks per week (calculated by multiplying the number of drinks per day, by the number of days per week on which alcohol is consumed).

The calculation includes drinkers only (respondents who stated that they consume alcohol).

Stakeholder Satisfaction Index

The Stakeholder Satisfaction Index is calculated by AGLC and is determined using an average of the satisfied responses from a series of questions asked in the four stakeholder satisfaction surveys (charitable gaming licensees, gaming retailers, liquor licensees and registered liquor agencies and cannabis licensees). The questions are focused on satisfaction related to: response time, knowledge of employees, courtesy of employees, access to information, online services, ease of access to services, contact frequency, training materials and overall service.

AGLC Reputation Index

The AGLC Reputation Index is calculated by averaging six separate dimensions (emotional appeal, financial performance, vision and leadership, workplace, social responsibility and products and services), each comprised of questions directed to Albertans, AGLC employees and AGLC stakeholders based on trust, confidence, responsibility and satisfaction.

Employee Engagement

This measurement is calculated based on questions in AGLC's Employee Engagement Survey (Note: The most recent set of results available is the 2018 survey results).

What Albertans are saying about Alberta Gaming, Liquor & Cannabis.



Here's why Albertans are confident that AGLC is promoting responsible gambling behaviours:



"Because of my volunteering for children's sports and activities, money goes back into the community and how they do it, it is very regulated for good reason."



"When I go any place with vlts there is a poster to remind you, be responsible."



"Always see the little kiosk in casinos, gives information about problem gambling. To know your limit."

Here's why Albertans are confident that AGLC is promoting responsible drinking behaviours:



"I see a lot of marketing material on that topic including TV ads and posters. Lots of good effort in reaching Albertans."



"I think they've done a good job on the liquor consumption side of things, public awareness."



"I see a lot of promotion of responsible drinking, advertising, marketing and things like that."

Here's why Albertans are confident that AGLC is promoting responsible cannabis use:



"It's a new industry. I think there's still things that need to be learned but I think so far they're doing a pretty good job."

"The information is out there, I know that AGLC is putting the information out there."

"I think they are trying to get all of the illegal cannabis out, I am sure they are on top of it."

Financial Statements

AGLC

Statement of Management's Responsibility for Financial Reporting

The accompanying financial statements of the Alberta Gaming, Liquor and Cannabis Commission (AGLC) have been prepared by management and approved by the AGLC Board (Board). The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Management is responsible for the integrity and fairness of the financial statements. Where required, management has made informed judgments and estimates regarding the expected future effects of current events and transactions with appropriate consideration to materiality. In the opinion of management, the financial statements have been properly prepared and fairly represent the financial position, operational results and cash flows of AGLC.

Management has developed and implemented appropriate systems of internal controls and supporting procedures which have been designed to provide reasonable assurance that assets are protected; transactions are properly authorized, executed and recorded; and the financial statements are free from material misstatements. AGLC maintains a team of internal auditors whose functions include an ongoing review of internal controls and their applications. The Director, Internal Audit, has direct and unrestricted access to the Audit and Finance Committee.

The Board, assisted by the Audit and Finance Committee, is responsible for overseeing management in performance of its financial reporting duties. The Audit and Finance Committee meets regularly with management and external auditors to review the scope and findings of audits and to satisfy itself that the committee's responsibility has been properly discharged.

The Audit and Finance Committee has reviewed the financial statements and has recommended their approval by the Board.

The Office of the Auditor General of Alberta was engaged to perform an independent external audit of these financial statements and prepared an Independent Auditor's Report, which is presented as part of the financial statements. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Original signed by

Alain Maisonneuve

President and Chief Executive Officer

Original signed by

Kandice Machado

Vice President, Corporate Services and Chief Financial Officer



Independent Auditor's Report

To the Members of the Alberta Gaming, Liquor and Cannabis Commission

Report on the Financial Statements

Opinion

I have audited the financial statements of the Alberta Gaming, Liquor and Cannabis Commission (the Commission), which comprise the statement of financial position as at March 31, 2020, and the statements of net income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Commission in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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 Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Commission'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 Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Commission 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.

I 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 I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]

Auditor General

May 20, 2020
Edmonton, Alberta

Statement of Financial Position

As at March 31
(in thousands of dollars)

	Note	2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents	5	\$ 174,753	\$ 180,060
Trade and other receivables		3,670	33,706
Lease receivable	10	3,598	–
Inventories and prepaid expenses	6	99,340	58,037
		281,361	271,803
Non-Current Assets			
Property and equipment	7	283,837	262,065
Intangible assets	8	66,129	59,876
Investment properties	9	145,717	147,341
Lease receivable	10	14,980	–
Right-of-use assets	10	5,917	–
Investment in Western Canada Lottery Corporation	17	19,777	33,491
		536,357	502,773
TOTAL ASSETS		\$ 817,718	\$ 774,576
LIABILITIES			
Current Liabilities			
Trade and other payables		\$ 194,716	\$ 205,406
Lease liabilities	10	5,415	–
Due to Alberta Lottery Fund	11	–	50,142
		200,131	255,548
Non-Current Liabilities			
Due to General Revenue Fund	12	475,699	476,087
Lease liabilities	10	19,119	–
Net defined benefit pension liability	13	53,940	63,907
		548,758	539,994
EQUITY			
Retained surplus		83,300	–
Accumulated other comprehensive loss	13	(14,471)	(20,966)
		68,829	(20,966)
TOTAL LIABILITIES AND EQUITY		\$ 817,718	\$ 774,576

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

Approved by:

BOARD

Original signed by

Elan Harper

Audit and Finance Committee Chair

MANAGEMENT

Original signed by

Alain Maisonneuve

President and Chief Executive Officer

Statement of Net Income

For the year ended March 31
(in thousands of dollars)

	Note	2020	2019
Cannabis revenue		\$ 265,728	\$ 76,714
Cannabis cost of sales		(247,270)	(71,977)
Cannabis net revenue	14	18,458	4,737
Gaming net sales		1,636,930	1,735,993
Commissions and federal payments		(408,702)	(434,322)
Gaming net revenue	14	1,228,228	1,301,671
Liquor net revenue	14	874,774	886,891
Net Revenue		2,121,460	2,193,299
Operating expenses	15	(287,487)	(286,538)
Profit from Operations		1,833,973	1,906,761
Other revenue	16	16,239	24,678
Share of income from Western Canada Lottery Corporation	17	311,772	340,779
Net Income	14	2,161,984	2,272,218
Net income allocation to Alberta Lottery Fund	11	(949,465)	(1,445,657)
Net income allocation to General Revenue Fund	12	(1,129,219)	(826,561)
Net Income after Allocations		\$ 83,300	\$ –

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

Statement of Comprehensive Income

For the year ended March 31
(in thousands of dollars)

	Note	2020	2019
Net income	14	\$ 2,161,984	\$ 2,272,218
Other Comprehensive Income (Loss)			
Net actuarial gain (loss)	13	6,495	(11,494)
Comprehensive Income		\$ 2,168,479	2,260,724

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

Statement of Changes in Equity

For the year ended March 31
(in thousands of dollars)

	Note	2020	2019
Retained Surplus			
Retained surplus, beginning of year		\$ -	\$ -
Net income after allocations		83,300	-
Retained surplus, end of year		83,300	-
Accumulated Other Comprehensive Loss			
Accumulated other comprehensive loss, beginning of year		(20,966)	(9,472)
Other comprehensive income (loss)	13	6,495	(11,494)
Accumulated other comprehensive loss, end of year		(14,471)	(20,966)
Total Equity		\$ 68,829	\$ (20,966)

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

Statement of Cash Flows

For the year ended March 31
(in thousands of dollars)

	2020	2019
Cash Flows from Operating Activities		
Comprehensive income	\$ 2,168,479	\$ 2,260,724
Share of income from Western Canada Lottery Corporation	(311,772)	(340,779)
Amortization	80,651	67,072
Lease interest expense	153	–
Lease interest income	(47)	–
Loss on disposal of non-current assets	5,289	1,991
(Decrease) increase in net defined benefit pension liability	(9,967)	14,792
Net change in non-cash working capital items:		
Decrease in trade and other receivables	30,036	447
Increase in inventories and prepaid expenses	(41,303)	(45,763)
(Decrease) increase in trade and other payables	(10,690)	15,407
	<u>1,910,829</u>	<u>1,973,891</u>
Transfers to Alberta Lottery Fund	(999,607)	(1,453,659)
Transfers to General Revenue Fund	(1,129,607)	(711,000)
Net Cash Used In Operating Activities	<u>(218,385)</u>	<u>(190,768)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(91,760)	(97,059)
Purchase of intangible assets	(15,836)	(24,313)
Additions to investment properties	(3,279)	(21,286)
Net proceeds on disposal of non-current assets	282	124
Rental payments received	662	–
Advances received from Western Canada Lottery Corporation	325,486	342,745
Net Cash Provided By Investing Activities	<u>215,555</u>	<u>200,211</u>
Cash Flows from Financing Activities		
Lease payments	(2,477)	–
Net Cash Used In Financing Activities	<u>(2,477)</u>	<u>–</u>
Net (Decrease) Increase in Cash and Cash Equivalents during the year	<u>(5,307)</u>	<u>9,443</u>
Cash and Cash Equivalents, beginning of year	180,060	170,617
Cash and Cash Equivalents, end of year	<u>\$ 174,753</u>	<u>\$ 180,060</u>
Supplemental Cash Flow Information:		
Interest received	<u>\$ 3,426</u>	<u>\$ 4,047</u>

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

Notes to the Financial Statements

For the year ended March 31
(in thousands of dollars)

1. Nature of Operations

The Alberta Gaming, Liquor and Cannabis Commission (AGLC) operates under the authority of the *Gaming, Liquor and Cannabis Act (Act)*, Revised Statutes of Alberta 2000, Chapter G-1. Under the Act, AGLC was established as a provincial Crown corporation governed by the Board appointed by the Lieutenant General in Council.

The objectives of AGLC are:

- (a) to administer the Act;
- (b) to conduct and manage provincial lotteries (gaming activities) for the Government of Alberta;
- (c) to carry out functions respecting gaming delegated to it by the Lieutenant Governor in Council under the *Criminal Code*;
- (d) to control, in accordance with the Act, the manufacture, import, sale, purchase, possession, storage, transportation, use and consumption of liquor;
- (e) to control, in accordance with the Act, the import, purchase, giving, possession, storage, transportation and use of cannabis;
- (f) to generate revenue for the Government of Alberta.

AGLC also administered the Alberta Lottery Fund until December 5, 2019 when it was disestablished by the *Fiscal Measures and Taxation Act, 2019* (Bill 20). Pursuant to Bill 20, the remaining assets and liabilities were transferred to AGLC.

The registered office is located at 50 Corriveau Avenue, St. Albert, Alberta.

2. Significant Accounting Policies

a. Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board.

b. Basis of Presentation

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, the functional currency of AGLC. All values are rounded to the nearest thousand dollars.

The financial statements for the year ended March 31, 2020 were authorized for issue by the Board on May 20, 2020.

c. Financial Instruments

Recognition and Measurement

Financial instruments are classified based on the business model for managing financial instruments and contractual cash flow characteristic of the financial instruments. They are recognized on the Statement of Financial Position when AGLC becomes a party to the contractual terms of the instrument, which represents its trade date.

All financial instruments are initially measured at fair value and are subsequently accounted for based on their classification. Transaction costs directly attributable to acquisition or issue of financial instruments (other than those at fair value through profit or loss) are added or subtracted from the fair value of financial instruments. Transaction costs directly attributable to acquisition or issue of financial instruments at fair value through profit or loss are recognized immediately in profit or loss.

AGLC's financial instruments are classified as following:

Cash and cash equivalents	Debt instrument at amortized cost
Trade and other receivables	Debt instrument at amortized cost
Trade and other payables	Other financial liabilities at amortized cost
Due to General Revenue Fund	Other financial liabilities at amortized cost

Derecognition

Financial assets are derecognized when the contractual cash flows from the assets expire or when AGLC transfers the right to receive the contractual cash flows of the assets. Financial liabilities are derecognized when the contractual obligation under the liability is discharged, cancelled or it expires. Any differences in the carrying amounts of the financial instruments are recognized in the Statement of Net Income.

Impairment

Financial assets measured at amortized cost are assessed at each reporting date to determine where there is objective evidence of impairment. An expected credit loss impairment model is applied, where expected credit losses are the present value of all cash flows that AGLC expects to receive over the expected life of the financial asset. AGLC recognizes lifetime expected credit losses for trade and other receivables.

d. Inventories

Gaming parts and supplies and cannabis products held for sale are both measured at the lower of cost and net realizable value (NRV). The cost of inventories is determined on a weighted average basis and includes the purchase price, net of trade discounts received, plus other costs incurred in bringing the inventories to their present locations. Inventories are written down to their NRV when the cost of inventories is estimated not to be recoverable through sale or usage. Any write-down to NRV is recognized as expense in the period in which the write-down occurs.

Liquor inventories are held on behalf of liquor suppliers and/or agencies. As such, their value, as well as related duties and taxes, are not recorded in these financial statements.

e. Property, Equipment and Intangible Assets

Property, equipment and intangible assets are reported at cost less accumulated amortization. Where an asset is comprised of major components with different useful lives, the components are accounted for and amortized separately. Amortization begins when the asset is put into use, with no amortization calculated on assets under construction or development. Land is not amortized.

Costs related to software developed or obtained for internal use are capitalized if it is probable that future economic benefit will flow to AGLC and the cost can be measured reliably.

The estimated useful life is reviewed on an annual basis for any change in circumstances. The effects of any changes to the estimated useful life are accounted for on a prospective basis.

Gains and losses on the disposal of assets are recorded in the year of disposal.

Amortization is calculated on a straight-line basis over the estimated useful life of assets as follows:

Buildings	Up to 40 years
Leasehold improvements	Lease term
Furniture, fixtures and equipment	Up to 15 years
Computer hardware	Up to 10 years
Gaming equipment and terminals	Up to 8 years
Computer software	Up to 15 years
Gaming software	5 years

f. Investment Properties

Investment properties are comprised of land, buildings or a combination of either, that are held by AGLC to earn rental income. They include the liquor distribution and storage facility located at 2 Boudreau Road, leased to Connect Logistics Services Inc, and a warehouse located at 50 Corriveau Avenue. Both facilities are located in St. Albert.

Investment properties are initially recognized at cost, and are subsequently carried at cost less accumulated amortization. Where an asset is comprised of major components with different useful lives, the components are accounted for and amortized separately. Amortization begins when the asset is put into use, with no amortization calculated on assets under construction or development. Land is not amortized.

Amortization is calculated on a straight-line basis over the estimated useful life of assets as follows:

Buildings	Up to 40 years
-----------	----------------

g. Defined Benefit Pension Plan

AGLC participates in multi-employer defined benefit pension plans sponsored by the Province of Alberta: the Public Services Pension Plan (PSPP), the Management Employees Pension Plan (MEPP), and the Supplementary Retirement Plan for Public Service Managers (SRP). The cost of providing benefits under the defined benefit plans is determined separately for each plan by independent actuaries based on several assumptions. An expense and associated liability for benefits earned are recognized in the period that employee service has been rendered. Under defined benefit pension plan accounting, AGLC must recognize its proportionate share, determined on an actuarial basis, of plan assets, obligations, remeasurement amounts and service cost.

For defined benefit pension plans, current benefit cost represents the actuarial present value of the benefits earned in the current period. Such cost is actuarially determined using the accrued benefit method prorated on service, a market interest rate, management's best estimate of projected costs, and the expected years of service until retirement. The liability is the present value of the defined benefit obligation, which is determined by discounting the estimated future cash flows using a discount rate based on market yields of high quality corporate bonds having terms to maturity that approximate the duration of the related benefit liability. Interest expense represents the amount required in each year to form the liability over the projected period to its future value.

Remeasurement changes in benefit liabilities, composed of actuarial changes in assumptions and experience gains and losses, are recognized in other comprehensive income.

The Net Defined Benefit Pension Liability, including the underlying assumptions for future salary increases, inflation rates and discount rates, is reviewed annually.

h. Investment in an Associate – Western Canada Lottery Corporation

Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of the *Canada Corporations Act* on April 16, 1974 and was continued under the *Canada Not-for-profit Corporations Act* on June 30, 2014. It is a non-profit organization authorized to manage, conduct and operate lottery and gaming-related activities for its members – the Governments of Alberta, Saskatchewan, and Manitoba. Yukon, the Northwest Territories, and Nunavut participate as associate members.

AGLC has significant influence, but no control or joint control, over the financial and operating policy decisions of WCLC. As a result, AGLC's investment in WCLC (considered an associate) is accounted for using the equity method of consolidation.

Under the equity method, the investment in WCLC is reported in the Statement of Financial Position at cost, including post-acquisition changes in AGLC's share of net assets of WCLC.

The Statement of Net Income reflects AGLC's share of the results of WCLC's operations. Where there has been a change recognized directly in the equity of WCLC, AGLC recognizes its share of any changes and discloses this, when applicable, in Due to General Revenue Fund. Unrealized gains and losses resulting from transactions between AGLC and WCLC are eliminated to the extent of the interest in WCLC.

The financial statements of WCLC are prepared in accordance with IFRS, for the same reporting period as AGLC. Where necessary, adjustments are made to bring the accounting policies into conformity with those of AGLC.

If there were indicators that the investment in WCLC is impaired, AGLC would calculate the amount of impairment as the difference between the recoverable amount of WCLC and its carrying value. This difference would be recognized in net income from WCLC in the Statement of Net Income.

Upon any loss of significant influence over WCLC, AGLC would measure and recognize any remaining investment at its fair value. Any difference between the carrying amount of WCLC and the fair value of the investment and proceeds from disposal would be recognized in the Statement of Net Income.

i. Impairment of Non-Financial Assets

At each reporting date, if there are indicators that non-financial assets carried at amortized cost may be impaired, AGLC would complete a formal impairment assessment. For this purpose, non-financial assets would be grouped at the lowest level for which there are separately identifiable cash inflows, referred to as cash-generating units. An impairment loss is the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses would be recognized in the Statement of Net Income.

For previously impaired non-financial assets, an assessment is made annually to determine if there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, AGLC would estimate the recoverable amount. A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognized. An impairment loss would only be reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized in prior years. Such impairment loss reversal would be recognized in the Statement of Net Income, in a manner consistent with the originally recognized impairment loss.

j. Leases

Effective April 1, 2020 AGLC adopted IFRS 16 *Leases* and changed its accounting policy for leases as a lessee. Refer to Note 3 for the adoption impact of the new standard.

Lessor

Leases in which AGLC assumes substantially all the risks and rewards of ownership are classified as financial leases, while all other leases are classified as operating leases. All leases with AGLC as a lessor (properties classified as Investment Properties) have been classified as operating leases, with lease income recognized in net income on a straight line basis over the term of the lease. Expenses incurred in earning lease income are expensed as incurred.

AGLC did not need to make any adjustments to the accounting for assets under operating leases as a result of the adoption of IFRS 16.

Lessee

At inception of an arrangement, AGLC determines whether the arrangement is, or contains, a lease.

AGLC leases properties (offices, warehouses, and storage facilities) and vehicles. Contracts are typically made for fixed terms, but some may include extension options.

As a lessee, AGLC applies a single recognition and measurement approach for all leases, except for short-term leases, and recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to account for the present value of the future lease payments.

Right-of-use assets

AGLC recognizes right-of-use assets at the commencement date of the lease, when the underlying asset is available for use. Right-of-use assets are measured at cost, including the lease and non-lease components of the lease arrangement, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets, as follows:

Property	Up to 5 years
Vehicles	Up to 3 years

The right-of-use assets are also subject to impairment as described in note 2i.

Lease liabilities

At the commencement date of the lease, AGLC recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments including the lease and non-lease components of the lease arrangement (including in-substance fixed payments).

In calculating the present value of lease payments, AGLC uses the interest rate implicit in the lease or its incremental borrowing rate (IBR) if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the lease payments.

Short-term leases and leases of low-value assets

AGLC applies the short-term lease recognition exemption to its short-term leases (leases with a term of up to 12 months) of gaming equipment. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense over the lease term.

Subleases

AGLC also has several property contracts which have been sub-leased to third parties. In these cases, AGLC as the original lessee, accounts for the original lease (the head lease) as a lessee, and for the sublease as the lessor (intermediate lessor).

AGLC, as the intermediate lessor, recognizes lease receivable on the Statement of Financial Position and accounts for the head lease liability in accordance with the lessee accounting model.

k. Revenue from Contracts with Customers

AGLC's revenue is generated primarily from gaming activities (including revenue from casino gaming terminals, video lottery terminals and personal-play electronic bingo), as well as the selling of liquor and cannabis. Revenue is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which AGLC expects to be entitled in exchange for those goods or services. AGLC has concluded that it is the principal in its revenue arrangements for gaming activities and cannabis, and an agent for liquor transactions based on the control of goods or services before they are transferred to the customer.

The disclosures of significant accounting estimates, assumptions and critical judgements related to revenue from customers are provided in the respective note to financial statements.

Gaming Revenue

Gaming revenue is comprised of one performance obligation which is honouring the outcome of the game played and making the appropriate payout. AGLC recognizes revenue from the gaming activities based on the net win or loss immediately as it is determined and since no further performance obligations exist. Payment from the customer is required to initiate the game play.

Player Engagement Program

AGLC administers and manages Winner's Edge, a Player Engagement Program (PEP), which allows players to accumulate loyalty points for casino gaming terminal play that can be redeemed for free plays or additional ballots for designated promotional draws. PEP loyalty points give rise to a separate performance obligation, as they provide a material right to the player. A portion of the casino gaming terminal transaction price is allocated to the PEP loyalty points awarded to customers, based on relative stand-alone selling price, and recognized as a contract liability until the PEP loyalty points are redeemed. Revenue is recognized upon redemption of PEP loyalty points by the customer.

When estimating the stand-alone selling price of the PEP loyalty points, AGLC considers the likelihood that the customer will redeem the loyalty points within the 12 month expiration period. AGLC updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the liability balance are recognized against revenue.

Sale of Liquor

AGLC purchases liquor products from liquor suppliers and registered agencies to warehouse and distribute based on a consignment model. As liquor warehousing and distribution is managed by third party providers, AGLC is acting as an agent in these arrangements, resulting in revenue being recorded on a net basis, recognized at the point in time when control for the goods is provided to the third party provider. Payment is required before the goods are transferred.

Sale of Cannabis

AGLC purchases cannabis products from licensed producers and is responsible for warehousing and distribution of recreational cannabis products to licensed retailers and directly to Albertans through an online platform. AGLC maintains direct control of cannabis products and thus is a principal in the arrangement and records revenue on a gross basis. Revenue from sale of cannabis is recognized at the point in time when control of the goods is transferred to the customer on delivery. Payment is required before the goods are transferred.

I. Federal and Provincial Taxes

As a Government of Alberta entity, AGLC is exempt from paying Goods and Services Tax (GST) on purchases of taxable supplies and services related to liquor and cannabis operations.

As a Provincial Gaming Authority, AGLC is a prescribed registrant under the *Games of Chance (GST/HST) Regulations* of the *Excise Tax Act* (the Regulations). AGLC is obligated to calculate and remit GST for gaming related operations pursuant to these Regulations.

m. Operating Expenses

Operating expenses are allocated against gaming, liquor, and cannabis revenue sectors based on the nature of the expenses.

n. Allocation of Net Income

The *Gaming, Liquor and Cannabis Act* requires AGLC to transfer the net income to the General Revenue Fund. Note 12 provides additional information regarding the amount due to the General Revenue Fund.

Until disestablishment of the Alberta Lottery Fund on December 5, 2019, net income arising from the conduct of authorized casino gaming, video lottery, lottery ticket, and electronic bingo was transferred to the Alberta Lottery Fund. Note 11 provides additional information regarding the amount due to the Alberta Lottery Fund.

o. Contingent Liabilities and Provisions

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed by occurrence or non-occurrence of uncertain future events, or are present obligations that are not recognized because it is not probable that settlement will require outflow of economic benefits or because the amount of the obligation cannot be reliably measured.

Provisions are recognized if, as a result of a past event, AGLC has a present legal or constructive obligation, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of Net Income, net of any reimbursement.

p. Future Accounting Policy Changes

Future accounting policy changes are based on standards issued but not yet effective up to the date of the issuance of the financial statements. The following information is of standards and interpretations issued, which may be relevant and applicable at a future date.

IFRS 3 *Business Combinations* - amendments effective for business combinations for which the acquisition date is on or after January 1, 2020. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition (i.e. acquisition of a business or a group of assets). Management is currently assessing the impact of this standard.

IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* - amendments effective for annual reporting periods beginning on or after January 1, 2020, clarifying definition of 'material' to align to the definition used in the Conceptual Framework and the standards themselves. The new definition considers information as material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that primary users of general purpose financial statements make based on a specific reporting entity's financial statements. Management is currently assessing the impact of this standard.

3. Changes in Significant Accounting Policies

AGLC adopted the following new standards effective April 1, 2019.

Impact of initial application of IFRS 16 *Leases*

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Before the adoption of IFRS 16, AGLC classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

AGLC adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of April 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

AGLC elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at April 1, 2019. Instead, AGLC applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Upon adoption of IFRS 16, AGLC applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. AGLC recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were

recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. The right-of-use assets were recognized based on the amount equal to the lease liabilities. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

AGLC also applied the available practical expedients as follows:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Did not separate the lease and non-lease component of lease arrangements in measurement of the right-of-use asset and lease liability
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Under the modified retrospective approach, the impact of adoption of IFRS 16 as at April 1, 2019 is as follows:

	March 31, 2019	Adjustments	April 1, 2019
Right-of-use assets	\$ –	\$ 7,264	\$ 7,264
Lease receivable	–	405	405
Total Assets	–	7,669	7,669
Lease liabilities	–	7,669	7,669
Total Liabilities	–	7,669	7,669

Impact of amendment to IFRS 19 *Employee Benefits*

In February 2018, the IASB issued *Plan Amendment, Curtailment or Settlement* for IAS 19 *Employee Benefits*. The amendment clarifies that if a plan amendment, curtailment, or settlement occurs, the calculation of the current service cost and net interest for the period following the remeasurement is based on assumptions used when the plan's net defined liability or asset is remeasured.

The amendment had no impact on AGLC's comprehensive income.

4. Significant Accounting Estimates, Assumptions and Critical Judgments

In conformity with IFRS, the preparation of AGLC's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the affected asset or liability in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis and applied prospectively.

For property and equipment, intangible assets and investment properties, judgment is used to estimate the useful life of the assets, based on an analysis of all pertinent factors including the expected use of the asset/asset category. If the estimated useful lives are incorrect, this could result in an increase or decrease in the annual amortization expenses, and future impairment charges.

For the provision for pension liability, judgment is used to estimate the underlying assumptions for future salary increases, inflation rates and discount rates. If these assumptions are incorrect, this could result in an adjustment to the liability and the gain/loss recorded in Other Comprehensive Income (Loss) on the Statement of Comprehensive Income.

In situations where AGLC cannot readily determine the interest rate implicit in the lease, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that AGLC would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects an estimated rate that AGLC 'would have to pay'.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described throughout these notes to the financial statements. AGLC based its assumptions and estimates on parameters available during the preparation of the financial statements. Existing circumstances and assumptions about future development(s) may change due to market changes or circumstances, arising beyond the control of management. Such changes are reflected in the assumptions as they occur.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, current balances in banks and deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Government of Alberta, as well as funds under administration.

The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. For the year ended March 31, 2020, securities held by the CCITF had a time-weighted yield of 1.8% per annum (March 31, 2019: 1.8% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

A total of \$13,690 (2019 - \$16,913) in funds under administration is comprised of proceeds from table games that AGLC holds on behalf of charities. AGLC manages the collection of these funds, as well as investment and distribution of the charities' share of proceeds/losses from table games at licensed charitable casino events.

The share of proceeds/losses from these table games allocated to charities is established in policy and by agreement between the participating charity and the relevant casino operator. These allocations are collected by AGLC and pooled by casino or region; these funds earn interest and are subject to administrative fees. At the end of the pooling period (quarterly), the net proceeds in each pool are distributed equally to each charity holding a licensed charitable casino event in the casino/region during the pooling period.

6. Inventories and Prepaid Expenses

	2020	2019
Gaming parts and supplies	\$ 13,132	\$ 11,198
Cannabis inventories	82,714	43,979
Total inventories	95,846	55,177
Prepaid expenses	3,494	2,860
	\$ 99,340	\$ 58,037

7. Property and Equipment

	2020					2019	
	Land	Buildings and Leasehold Improvements	Furniture, Fixtures, and Equipment	Computer Hardware	Gaming Equipment and Terminals	Total	Total
Cost, beginning of year	\$ 2,057	\$ 42,011	\$ 14,599	\$ 33,722	\$ 535,180	\$ 627,569	\$ 556,507
Additions	–	3,068	2,400	166	86,126	91,760	97,059
Adjustments	–	529	(578)	49	–	–	–
Disposals	–	(108)	(1,018)	(4,237)	(79,470)	(84,833)	(25,997)
Cost, end of year	2,057	45,500	15,403	29,700	541,836	634,496	627,569
Accumulated amortization, beginning of year	–	(25,644)	(8,249)	(22,081)	(309,530)	(365,504)	(332,767)
Additions	–	(1,571)	(1,270)	(3,436)	(58,165)	(64,442)	(57,113)
Disposals	–	–	819	4,024	74,444	79,287	24,376
Accumulated amortization, end of year	–	(27,215)	(8,700)	(21,493)	(293,251)	(350,659)	(365,504)
Net book value, end of year	\$ 2,057	\$ 18,285	\$ 6,703	\$ 8,207	\$ 248,585	\$ 283,837	\$ 262,065

Total cost includes \$14,048 (2019 – \$30,383) of assets classified as work in progress (under construction or development).

8. Intangible Assets

	2020			2019
	Computer Software	Gaming Software	Total	Total
Cost, beginning of year	\$ 76,713	\$ 33,781	\$ 110,494	\$ 93,337
Additions	11,729	4,107	15,836	24,313
Disposals	(25)	–	(25)	(7,156)
Cost, end of year	88,417	37,888	126,305	110,494
Accumulated amortization, beginning of year	(22,759)	(27,859)	(50,618)	(49,021)
Additions	(6,449)	(3,109)	(9,558)	(8,259)
Disposals	–	–	–	6,662
Accumulated amortization, end of year	(29,208)	(30,968)	(60,176)	(50,618)
Net book value, end of year	\$ 59,209	\$ 6,920	\$ 66,129	\$ 59,876

Total cost includes \$11 (2019 – \$4,275) of assets classified as work in progress (under construction or development).

9. Investment Properties

	2020			2019
	Land	Buildings	Total	Total
Cost, beginning of year	\$ 21,126	\$ 153,348	\$ 174,474	\$ 153,188
Additions	1,620	1,659	3,279	21,286
Disposals	–	–	–	–
Cost, end of year	22,746	155,007	177,753	174,474
Accumulated amortization, beginning of year	–	(27,133)	(27,133)	(25,433)
Additions	–	(4,903)	(4,903)	(1,700)
Disposals	–	–	–	–
Accumulated amortization, end of year	–	(32,036)	(32,036)	(27,133)
Net book value, end of year	\$ 22,746	\$ 122,971	\$ 145,717	\$ 147,341

Total cost includes \$35 (2019 – \$730) of assets classified as work in progress (under construction or development).

(a) Net Profit from Investment Properties

	2020	2019
Rental income derived from investment properties	\$ 3,058	\$ 3,405
Direct operating expenses (including repair and maintenance)	(2,589)	(1,190)
Net profit arising from investment properties	<u>\$ 469</u>	<u>\$ 2,215</u>

Current monthly rental income for investment properties is \$255.

(b) Investment properties are recorded and reported at cost.

On March 31, 2020 the estimated fair value of investment properties is \$187,435 (2019 – \$188,000).

The fair value is based on a valuation performed by Bourgeois Brooke Chin Associates, an accredited independent valuator. Bourgeois Brooke Chin Associates has appropriate qualifications and recent experience in the valuation of similar properties.

The fair value valuation was performed on the liquor distribution and storage facilities at 2 Boudreau Road and warehouse at 50 Corriveau Avenue using income, cost and direct comparison approaches. Both properties are located in St. Albert, Alberta.

10. Leases

The carrying amounts of right-of-use assets during the period:

As at April 1, 2019	\$ 7,264
Additions	401
Amortization	(1,748)
As at March 31, 2020	<u>\$ 5,917</u>

The carrying amounts of lease liabilities during the period:

As at April 1, 2019	\$ 7,669
Additions	19,189
Lease payments	(2,477)
Interest expense	153
Principal component of lease payments	(2,324)
As at March 31, 2020	<u>\$ 24,534</u>
Current liabilities	5,415
Non-current liabilities	19,119

The carrying amounts of lease receivable during the period:

As at April 1, 2019	\$	405
Additions		18,788
Rental payments received	(662)	
Interest income	47	
Principal component of lease receivable		(615)
As at March 31, 2020	\$	18,578
Current assets		3,598
Non-current assets		14,980

The following amounts were recognized in the Statement of Net Income:

Right-of-use assets - amortization	\$	(1,748)
Interest expense		(153)
Interest income		47
Operating expenses - short-term leases		(27,078)
Component of Net Income	\$	(28,932)

In 2020, AGLC had total cash outflows for all leases of \$29,555, non-cash additions to right-of-use assets of \$401 and non-cash additions to lease liabilities of \$19,189. The future cash outflows relating to leases that have not yet commenced are disclosed in Note 18.

11. Due to Alberta Lottery Fund

The *Gaming, Liquor and Cannabis Act* required AGLC to transfer the net income from gaming activities to the Alberta Lottery Fund until December 5, 2019 when the *Fiscal Measures and Taxation Act, 2019* (Bill 20) disestablished the Alberta Lottery Fund. The Alberta Lottery Fund's net assets were subsequently transferred by AGLC to the General Revenue Fund.

	2020	2019
Due to Alberta Lottery Fund, beginning of year	\$ 50,142	\$ 58,144
Net income allocation to Alberta Lottery Fund	949,465	1,445,657
Transfers to Alberta Lottery Fund	(999,607)	(1,453,659)
Due to Alberta Lottery Fund, end of year	\$ -	50,142

Subsequent to Bill 20, the net income from gaming activities was transferred to the General Revenue Fund.

12. Due to General Revenue Fund

The *Gaming, Liquor and Cannabis Act* requires AGLC to transfer the net income, net of income retained for Retained Surplus, to the General Revenue Fund. The amount below represents the portion of net income which has not been transferred to the General Revenue Fund.

	2020	2019
Due to General Revenue Fund, beginning of year	\$ 476,087	\$ 360,526
Net income allocation to General Revenue Fund	1,129,219	826,561
Transfers to General Revenue Fund	(1,129,607)	(711,000)
Due to General Revenue Fund, end of year	<u>\$ 475,699</u>	<u>476,087</u>

Amounts due to General Revenue Fund are unsecured, non-interest bearing and have no specific terms of repayment. AGLC does not expect to pay the total amount owing to General Revenue Fund during the next fiscal year.

13. Employee Benefit Plans

Change in Net Defined Benefit Pension Liability

	2020				2019	
	PSPP	MEPP	SRP	Total	Total	
Change in Fair Value of Plan Assets						
Fair value of plan assets, beginning of year	\$ 161,999	\$ 54,962	\$ 959	\$ 217,920	\$ 203,934	
Employer contributions	8,361	2,357	44	10,762	9,964	
Benefits paid	(8,084)	(2,709)	(47)	(10,840)	(12,138)	
Interest income	5,351	1,808	33	7,192	6,899	
Actuarial gain (loss) on plan assets	3,914	(2,347)	81	1,648	9,261	
Fair value of plan assets, end of year	<u>\$ 171,541</u>	<u>\$ 54,071</u>	<u>\$ 1,070</u>	<u>\$ 226,682</u>	<u>\$ 217,920</u>	
Change in Defined Benefit Obligation						
Defined benefit obligation, beginning of year	\$ 212,351	\$ 67,939	\$ 1,537	\$ 281,827	\$ 253,049	
Current service cost	8,766	2,707	67	11,540	11,563	
Benefits paid	(8,084)	(2,709)	(47)	(10,840)	(12,138)	
Interest expense	7,019	2,242	53	9,314	8,598	
Actuarial (gain) loss on plan liabilities	(2,921)	(1,977)	51	(4,847)	20,755	
Prior service costs, settlement, & curtailments	(6,372)	–	–	(6,372)	–	
Defined benefit obligation, end of year	<u>\$ 210,759</u>	<u>\$ 68,202</u>	<u>\$ 1,661</u>	<u>\$ 280,622</u>	<u>\$ 281,827</u>	
Net Defined Benefit Pension Liability	<u>\$ (39,218)</u>	<u>\$ (14,131)</u>	<u>\$ (591)</u>	<u>\$ (53,940)</u>	<u>\$ (63,907)</u>	

Employer's portion of the Net Defined Benefit Pension Liability is recorded as a provision and included as a liability in the Statement of Financial Position. The portions attributable to AGLC are 50% for PSPP, 51% for MEPP, and 64% for SRP.

Accumulated Other Comprehensive Loss (AOCL)

	2020				2019
	PSPP	MEPP	SRP	Total	Total
Actuarial (gain) loss on plan assets	\$ (3,914)	\$ 2,347	\$ (81)	\$ (1,648)	\$ (9,261)
Actuarial (gain) loss on plan liabilities	(2,921)	(1,977)	51	(4,847)	20,755
Net actuarial (gain) loss	(6,835)	370	(30)	(6,495)	11,494
AOCL, beginning of year	18,217	2,479	270	20,966	9,472
AOCL, end of year	\$ 11,382	\$ 2,849	\$ 240	\$ 14,471	\$ 20,966

Pension Expense

	2020				2019
	PSPP	MEPP	SRP	Total	Total
Current service cost	\$ 8,766	\$ 2,707	\$ 67	\$ 11,540	\$ 11,563
Past service cost	(6,372)	–	–	(6,372)	–
Interest expense	7,019	2,242	53	9,314	8,598
Interest income	(5,351)	(1,808)	(33)	(7,192)	(6,899)
Pension Expense	\$ 4,062	\$ 3,141	\$ 87	\$ 7,290	\$ 13,262

Key Assumptions, Sensitivities and Risks

The principal assumptions used in the actuarial determinations of projected benefit obligations and the related net benefit expense are as follows:

	2020			2019		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Discount rate	3.80%	3.80%	3.80%	3.30%	3.30%	3.40%
Inflation rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Average wage increases	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
AGLC's share of plan payroll	2.54%	2.17%	0.92%	2.34%	1.88%	0.78%
Date of the most recent actuarial valuation	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2017	Dec. 31, 2016
AGLC's expected contributions for the next period – all plans	\$10,829			\$ 12,138		

Additional assumptions are described in the valuation reports for each of the respective plans.

	2020			2019		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Estimated sensitivity of liabilities to a 1% change in the discount rate	14.10%	13.80%	18.00%	13.70%	13.40%	18.80%
Estimated sensitivity of liabilities to a 1% change in the inflation rate	6.60%	7.00%	8.40%	7.30%	7.00%	9.10%

Economic risk

Defined benefit plans are directly exposed to economic risks from plan assets invested in capital markets, and indirectly with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets.

Demographic risk

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to factors such as workforce average age and earnings levels, attrition and retirement rates, mortality and morbidity rates.

Multi-employer plan funding risk

In addition to economic and demographic risk factors, AGLC is exposed to funding risk in the multi-employer plans arising from:

- Legislative changes affecting eligibility for, and amount of, pension and related benefits; and
- Performance of plan assets affected by investment policies set by the government.

Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind-up or amendments, and mandatory funding requirements.

14. Detailed Operating Results

Management monitors the operating results of the lines of business in order to make decisions about resource allocation and performance assessment.

	2020				2019
	Gaming (a)	Liquor	Cannabis (b)	Total	Total
Net Revenue	\$ 1,228,228	\$ 874,774	\$ 18,458	\$ 2,121,460	\$ 2,193,299
Operating expenses	(209,526)	(42,162)	(35,799)	(287,487)	(286,538)
Profit from Operations	1,018,702	832,612	(17,341)	1,833,973	1,906,761
Other revenue	897	12,245	3,097	16,239	24,678
Share of income from WCLC	311,772	–	–	311,772	340,779
Net Income	\$ 1,331,371	\$ 844,857	\$ (14,244)	\$ 2,161,984	\$ 2,272,218

(a) includes casino gaming terminals, video lottery terminals, electronic bingo and Keno charity commissions

(b) includes sales to licensed retailers and sales through an online platform

Gaming activities can be further allocated as follows:

	2020				2019	
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo	Total	Total	
Net Sales	\$ 1,080,504	\$ 545,508	\$ 10,918	\$ 1,636,930	\$ 1,735,993	
Commissions						
Operators/retailers	(162,220)	(81,826)	(1,638)	(245,684)	(260,401)	
Charities	(149,061)	–	(1,673)	(150,734)	(160,901)	
Federal tax expense (c)	(8,111)	(4,091)	(82)	(12,284)	(13,020)	
Net Revenue	\$ 761,112	\$ 459,591	\$ 7,525	\$ 1,228,228	\$ 1,301,671	

(c) as prescribed by the *Games of Chance (GST/HST) Regulations* of the *Excise Tax Act* (the Regulations) taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on casino gaming terminal, video lottery terminal and electronic bingo sales (imputed tax) based on a formula set out in the Regulations. This tax is in addition to the GST paid on the purchase of goods and services for which a credit is not allowed under the aforementioned formula.

15. Operating Expenses

	2020	2019
Salaries and benefits	\$ 105,378	\$ 107,069
Supplies and services		
Fees and services	15,990	26,893
Data processing	13,782	11,542
Equipment and vehicles	9,078	10,633
Goods and Services Tax	7,854	6,634
Marketing and retailer relations	6,349	8,529
Data communications	5,921	6,781
Property	3,595	5,779
Insurance and bank charges	3,107	2,713
Travel and training	2,168	2,279
Freight and ticket product delivery	1,893	2,412
Stationary and supplies	1,398	1,636
Miscellaneous	889	1,554
Liquor product expense	234	227
	72,258	87,612
Leased gaming equipment	27,078	23,086
Net interest in net defined benefit pension plan	2,122	1,699
Amortization	80,651	67,072
	\$ 287,487	\$ 286,538

16. Other Revenue

	2020	2019
Licences, fees and fines	\$ 10,976	\$ 12,727
Interest	3,426	4,047
Premises rental	3,058	3,405
Liquor levies	1,765	1,926
Miscellaneous	1,544	3,819
Chargebacks and recoveries	759	745
Loss on disposal of non-current assets	(5,289)	(1,991)
	<u>\$ 16,239</u>	<u>\$ 24,678</u>

17. Investment in Western Canada Lottery Corporation

AGLC's interest in the Western Canada Lottery Corporation (WCLC) is based on Alberta's proportionate share of WCLC's revenues and expenses derived from the sale and operation of interprovincial lottery games. WCLC is a non-profit entity that is not listed on any public exchange.

The following tables present summarized financial information of AGLC's investment in WCLC.

	2020	2019
WCLC Statement of Financial Position		
Current assets	\$ 70,481	\$ 78,679
Property and equipment	27,635	23,667
Intangible assets	9,173	8,104
	<u>\$ 107,289</u>	<u>\$ 110,450</u>
Current liabilities	\$ 107,665	\$ 111,868
Employee benefits	2,989	10,942
Equity	(3,365)	(12,360)
	<u>\$ 107,289</u>	<u>\$ 110,450</u>
Alberta's Proportionate Share of Revenue and Expenses		
Lottery sales (a)	\$ 917,892	\$ 946,227
Direct expenses (a)	(560,511)	(560,813)
Gross income	<u>357,381</u>	<u>385,414</u>
Operating expenses	(33,342)	(32,990)
Interest and other income	2,518	2,719
Net income from operations	<u>326,557</u>	<u>355,143</u>
Federal tax expense (a)	(5,159)	(4,998)
Payment to the Federal Government (b)	(9,626)	(9,366)
Share of Income from WCLC	<u>\$ 311,772</u>	<u>\$ 340,779</u>

- (a) Online ticket lottery revenues are recognized at the date of the draw, with instant ticket revenues being recognized at the date activated for sale by the retailer. Prizes, commissions and federal tax expenses related to ticket revenues are recognized on the same basis as related revenues.
- (b) Payment made to the federal government resulting from an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment is made by WCLC on behalf of Alberta and is based on current population statistics and its share of ticket lottery sales.

Statement of Change in Investment in WCLC

	2020	2019
Investment in WCLC, beginning of year	\$ 33,491	\$ 35,457
Share of income from WCLC	311,772	340,779
Advances received from WCLC	(325,486)	(342,745)
Investment in WCLC, end of year	<u>\$ 19,777</u>	<u>\$ 33,491</u>

18. Contractual Obligations

AGLC has various obligations under long-term contracts, including service contracts and leases. The total expected payments for these obligations for each of the next five fiscal years and thereafter are as follows:

2021	\$ 53,831
2022	39,748
2023	25,537
2024	18,349
2025	14,123
Thereafter	36,658
	<u>\$ 188,246</u>

19. Contingent Liabilities

AGLC has been named as a defendant in several legal actions and claims. While the outcome of these claims cannot be determined, management is of the opinion that the appropriate adjustments have been made and the ultimate outcome is not expected to have material adverse effect in the financial position or operations of AGLC.

AGLC amended a lease agreement with a tenant on May 15, 2018. Under the terms of the amended agreement, AGLC has agreed to assume a third party premises lease for the remainder of the lease term, if a significant change in the terms of the tenant's appointment occurs before May 31, 2021. As at March 31, 2020, AGLC's potential liability is \$9.1 million (2019 – \$21.3 million).

20. Salaries and Benefits

The following table discloses the amounts earned by the Board and senior executives in the years ended March 31:

	Note	2020			2019	
		Base Salary (a)	Other Cash Benefits (b)	Other Non-Cash Benefits (c)	Total	Total
Chair of the Board		\$ 143	\$ –	\$ 6	\$ 149	\$ 118
Members of the Board	d	269	–	20	289	297
President and Chief Executive Officer	e	263	7	62	332	330
Executive Members						
Chief Operating Officer	f	231	5	54	290	284
VP, Human Resources		201	5	49	255	252
VP, Regulatory Services		202	1	48	251	251
VP, Corporate Services and Chief Financial Officer		196	5	50	251	251
VP, Corporate Strategic Services and Chief Risk Officer		183	3	46	232	228
VP, Liquor Services		182	1	44	227	218
VP, Information Technology and Chief Information Officer	g	144	1	34	179	217
VP, Policy and Public Affairs	h	29	–	7	36	–
VP, Corporate Responsibility and Reputation	i	–	–	–	–	22

- (a) Consists of regular base pay, including acting pay. For Chair and members of the Board, it consists of remuneration paid, based on rates prescribed in the *Committee Remuneration Order*, for time spent on the business of the Board.
- (b) Consist of vacation payouts, honoraria and wellness spending account payments. There were no bonuses paid during the year.
- (c) Include AGLC's share of employee benefits and contributions/payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.
- (d) At any given time the Board consisted of no more than 8 members plus the Chair, whose remuneration is disclosed separately.
- (e) Automobile benefit of \$6 (2019 – \$6) is included in other cash benefits.
- (f) Position title and scope of responsibilities changed during the year.
- (g) Position eliminated on January 26, 2020.
- (h) Position created on January 26, 2020.
- (i) Position eliminated on April 16, 2018.

21. Financial Instruments and Risk Management

AGLC's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, and payables to the General Revenue Fund. The carrying values of AGLC's financial instruments approximate their fair values, unless otherwise noted.

AGLC is exposed to credit and liquidity risks from financial assets and liabilities. AGLC actively manages the exposure to these risks.

Credit risk represents the loss that would be recognized if parties holding financial assets of AGLC fail to honour their obligations or pay amounts due causing a financial loss. Credit risk is minimized as AGLC does not have significant exposure to any individual retail entity.

Liquidity risk is the risk AGLC would encounter difficulties in meeting its financial obligations as they fall due. The risk is reduced as the majority of AGLC's operational activities involve cash sales and short-term accounts receivables. AGLC relies on the funds generated from its operations to meet operating requirements and to finance capital investment. The risk is further mitigated by forecasting and assessing actual cash flow requirements on an on-going basis.

22. Related Party Transactions

AGLC is a wholly-owned Crown corporation of the Government of Alberta. All transactions with the Government of Alberta ministries, agencies and Crown corporations are in the normal course of operations and are measured at terms equivalent to those that prevail in arm's length transactions.

AGLC reports to the President of Treasury Board and Minister of Finance. Any ministry, department, fund or entity the Minister is responsible for is a related party to AGLC. These include:

- Department of Treasury Board and Finance
- Alberta Risk Management Fund
- General Revenue Fund
- Alberta Lottery Fund

During the year, AGLC made payments totalling \$462 (2019 - \$463) to Alberta Risk Management Fund. Transactions with the Alberta Lottery Fund are disclosed in Note 11 and transactions with the General Revenue Fund are disclosed in Note 12.

Western Canada Lottery Corporation (WCLC), an associated entity as disclosed in Note 2h, is also a related party to AGLC. Details of transactions with WCLC are disclosed in Note 17. In addition to these transactions, AGLC received \$746 (2019 - \$730) in retailer service fees from WCLC.

The Board members of AGLC, executive management and their close family members are related parties to AGLC. Compensation for the Board members and executive management is disclosed in Note 20, while transactions with close family members are immaterial.

23. Approved Budget

AGLC includes its annual budget in its business plan. On recommendation from the Board, the budget receives approval by the President of Treasury Board and Minister of Finance, and becomes part of the fiscal plan of the Government of Alberta.

	2020
Cannabis sales	\$ 197,068
Cannabis cost of sales	(184,837)
Cannabis revenue	12,231
Gaming revenue	1,334,037
Liquor revenue	864,619
	<u>2,210,887</u>
Operating expenses	(334,969)
Profit from Operations	<u>1,875,918</u>
Other revenue	14,251
Share of income from WCLC	315,901
Net Income	<u>\$ 2,206,070</u>
Other Comprehensive Loss	
Net actuarial loss	–
Comprehensive Income	<u>\$ 2,206,070</u>

24. Comparative Figures

Certain comparative figures have been reclassified to conform to the current presentation.

25. Subsequent Events

AGLC's operations have been affected by the outbreak of the coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate impact that will be caused by the outbreak is uncertain, however it is expected to have material adverse impact on AGLC's financial position, operations and cash flows. Although the financial impact cannot be reasonably estimated, significant reductions in gaming revenue are expected due to temporary closures of gaming venues.

Financial Statements

Alberta Lottery Fund



Statement of Management’s Responsibility for Financial Reporting

The accompanying financial statements of the Alberta Lottery Fund (Lottery Fund) have been prepared by management and approved by the AGLC Board (Board). The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

Management is responsible for the integrity and fairness of the financial statements. Where required, management has made informed judgments and estimates regarding the expected future effects of current events and transactions with appropriate consideration to materiality. In the opinion of management, the financial statements have been properly prepared and fairly represent the financial position and operational results of the Lottery Fund.

Management has developed and implemented appropriate systems of internal controls and supporting procedures which have been designed to provide reasonable assurance that assets are protected; transactions are properly authorized, executed and recorded; and the financial statements are free from material misstatements. AGLC maintains a team of internal auditors whose functions include an ongoing review of internal controls and their applications. The Director, Internal Audit, has direct and unrestricted access to the Audit and Finance Committee.

The Board, assisted by the Audit and Finance Committee, is responsible for overseeing management’s performance of its financial reporting duties. The Audit and Finance Committee meets regularly with management and external auditors to review the scope and findings of audits and to satisfy itself that committee’s responsibility has been properly discharged. The Audit and Finance Committee has reviewed the financial statements and has recommended their approval by the Board.

The Office of the Auditor General of Alberta was engaged to perform an independent external audit of these financial statements and prepared an Independent Auditor’s Report, which is presented as part of the financial statements. The Independent Auditor’s Report outlines the scope of the audit examination and provides the audit opinion.

Original signed by

Alain Maisonneuve

President and Chief Executive Officer
Alberta Gaming, Liquor and Cannabis Commission

Original signed by

Kandice Machado

Vice President, Corporate Services and Chief Financial Officer
Alberta Gaming, Liquor and Cannabis Commission



Independent Auditor's Report

To the Members of the Alberta Gaming, Liquor and Cannabis Commission

Report on the Financial Statements

Opinion

I have audited the financial statements of the Alberta Lottery Fund (the Fund), which comprise the statement of financial position as at December 4, 2019, and the statements of operations and change in net financial assets for the 248 day period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 4, 2019, and the results of its operations and its changes in net financial assets for the 248 day period then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

I draw attention to Note 1 which describes the disestablishment of the Fund. My opinion is not modified in respect of this matter.

Other information

The financial statements of the Fund are included in the *Alberta Gaming, Liquor and Cannabis Commission Annual Report* that is prepared by the Alberta Gaming, Liquor and Cannabis Commission. The other information comprises the information included in the *Alberta Gaming, Liquor and Cannabis Commission Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Alberta Gaming, Liquor and Cannabis Commission Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

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 the 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting as applicable in accordance with Canadian public sector accounting standards.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Fund'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 Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. Because of the disestablishment of the Fund, as disclosed in the financial statements, it will cease to be 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.

I 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 I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]

Auditor General

June 24, 2020
Edmonton, Alberta

Statement of Financial Position

As at December 4, 2019
(in thousands of dollars)

	Note	December 4, 2019		March 31, 2019	
Financial Assets					
Cash and cash equivalents	4	\$	52,642	\$	24,349
Due from Alberta Gaming, Liquor and Cannabis Commission	6		20,833		50,142
			73,475		74,491
Liabilities					
Accounts payable	7	\$	20,700	\$	21,716
			20,700		21,716
Net Financial Assets					
		\$	52,775	\$	52,775
Net Assets					
	10	\$	52,775	\$	52,775

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

Approved by:
BOARD

Original signed by

Elan Harper

Audit and Finance Committee Chair
Alberta Gaming, Liquor and Cannabis Commission

MANAGEMENT

Original signed by

Alain Maisonneuve

President and Chief Executive Officer
Alberta Gaming, Liquor and Cannabis Commission

Statement of Operations

For the 248 day period ended December 4, 2019 and the year ended March 31, 2019
(in thousands of dollars)

	Note	Budget 2020 (Note 9)	December 4, 2019	March 31, 2019
Revenues				
Net income from provincial lotteries	8		\$ 949,465	\$ 1,445,657
Interest			1,070	1,349
			950,535	1,447,006
Expenses				
Lottery Fund expenditures			950,535	1,447,006
			950,535	1,447,006
Surplus			\$ -	\$ -

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

Statement of Change in Net Financial Assets

For the 248 day period ended December 4, 2019 and the year ended March 31, 2019
(in thousands of dollars)

	Budget 2020 (Note 9)	December 4, 2019	March 31, 2019
Surplus		\$ -	\$ -
Net financial assets, beginning of period		52,775	52,775
Net Financial Assets, end of period		\$ 52,775	\$ 52,775

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

Notes to the Financial Statements

For the 248 day period ended December 4, 2019 and the year ended March 31, 2019
(in thousands of dollars)

1. Nature of Operations and Disestablishment of the Lottery Fund

The Alberta Lottery Fund (Lottery Fund) was administered by the Alberta Gaming, Liquor and Cannabis Commission (AGLC) under the *Gaming, Liquor and Cannabis Act*, Chapter G-1, Revised Statutes of Alberta 2000. The Lottery Fund received proceeds from provincial lotteries and made transfers therefrom in the public interest in order to support public and community-based initiatives.

The transfer of funds to certain programs was based on electronic gaming proceeds generated at related gaming facilities, in accordance with government policy direction. For these programs, the amount transferred may differ from the budgeted amount.

The accountability and utilization of Lottery Fund amounts transferred to entities within the Government of Alberta may be determined and confirmed by referencing the respective entity's financial statements.

On December 5, 2019, the *Fiscal Measures and Taxation Act, 2019* (Bill 20) disestablished the Lottery Fund. Legislation sets the date of the disestablishment. Different practices exist regarding timing of accounting for the disestablishment, either the day of or day before the legislated disestablishment. When management determines that the accounting period ends the day of the disestablishment, the Statement of Financial Position reports no assets and/or liabilities as at the period-end date, and the Statement of Operations reports the net amount of liabilities or assets transferred upon disestablishment as revenue or expense. When management determines that the accounting period ends the day before the disestablishment, the disestablishment is a subsequent event, and the Statement of Financial Position reports assets and/or liabilities as at the day before the disestablishment, and no disestablishment revenue or expense is reported in the current period Statement of Operations. Management has determined the Lottery Fund's accounting period ended the day before the disestablishment. Accordingly, the Statement of Financial Position reports assets and liabilities as at the day before the disestablishment, and the Statement of Operations does not include an amount related to the disestablishment. All assets and liabilities were transferred subsequent to period end to the General Revenue Fund, a related entity within the government reporting entity.

See Note 10 for subsequent events.

2. Basis of Accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) and related interpretations as issued by the Public Sector Accounting Board.

3. Significant Accounting Policies

a. Cash Flow

A Statement of Cash Flow is not provided as disclosure in these financial statements is considered to be adequate.

b. Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable and accounts payable are estimated to approximate their carrying values, because of the short-term nature of these instruments.

c. Financial Instruments

As the Lottery Fund does not have any transactions involving financial instruments that are classified in the fair value category and has no foreign currency transactions, there are no remeasurement gains and losses and, therefore, a Statement of Remeasurement Gains and Losses has not been presented.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of deposits into the Consolidated Cash Investment Trust Fund (CCITF) of the Government of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors, while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality, short-term and mid-term fixed-income securities, with a maximum term-to-maturity of three years. For the period ended December 4, 2019, securities held by the CCITF had a time-weighted return of 1.8% per period (March 31, 2019: 1.8% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

5. Related Party Transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's consolidated financial statements.

Related parties also include AGLC executive management and their close family members.

All the transactions, except for interest revenue, of the Lottery Fund are considered related party transactions.

6. Due from Alberta Gaming, Liquor and Cannabis Commission

This amount represents the portion of net income from provincial lotteries outstanding between AGLC and the Lottery Fund at the end of the period due to timing of transfers.

	December 4, 2019		March 31, 2019
Due from AGLC, beginning of period	\$ 50,142	\$	58,144
Net income from provincial lotteries	949,465		1,445,657
Transfers from AGLC	(978,774)		(1,453,659)
Due from AGLC, end of period	\$ 20,833	\$	50,142

Amounts outstanding are unsecured, non-interest bearing and have no specific terms of repayment.

7. Accounts Payable

Accounts payable consists of outstanding payments to the Department of Treasury Board and Finance.

8. Net Income from Provincial Lotteries

Net income from provincial lotteries received by AGLC is recorded as revenue of the Lottery Fund.

	December 4, 2019		March 31, 2019
Net revenue from provincial lotteries	\$ 885,550	\$	1,301,671
Operating expenses	(139,681)		(201,711)
Profit from operations	745,869		1,099,960
Other revenue	2,782		4,918
AGLC's share of income from Western Canada Lottery Corporation	200,814		340,779
Net income from provincial lotteries	\$ 949,465	\$	1,445,657

9. Budget

The 2019-20 Estimates did not include funding for the Lottery Fund, however expenditures were authorized in legislation.

10. Subsequent Events

Pursuant to Bill 20, the Lottery Fund was disestablished on December 5, 2019. Cash and cash equivalents of the Lottery Fund and the remaining assets and liabilities were transferred to AGLC on December 5, 2019. AGLC subsequently transferred the Lottery Fund's net assets to the General Revenue Fund by March 24, 2020.

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