



Alberta Gaming &  
Liquor Commission

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# Annual Report

2015-2016



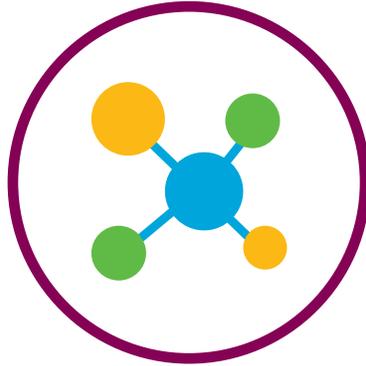
Choices Albertans can trust.

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The Alberta Gaming and Liquor Commission (AGLC) is a Crown commercial enterprise and agent of the Government of Alberta. We are governed by the province's *Gaming and Liquor Act*, Gaming and Liquor Regulation and related policies. We conduct and manage provincial gaming (including lotteries, vlts, casino gaming terminals and Racing Entertainment Centres) and regulate liquor and charitable gaming activities in the province.

Information about the AGLC is also available on our website at [\*\*aglc.ca\*\*](http://aglc.ca)

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# CHOICE.

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Albertans enjoy extensive choice when it comes to gaming and liquor products and services.

The AGLC provides education and promotes responsible, moderate consumption associated with gaming and liquor to enable consumers to make healthy and informed choices.

The AGLC delivers a relevant, balanced regulatory environment that is effective in reducing risks and social harms, and in providing economic opportunities and increased choice for consumers.

Alberta's charitable gaming model provides a wide range of choices for eligible charitable groups to fundraise. These groups contribute to the civic, cultural and recreational choices enjoyed by Albertans.

**The AGLC provides choices Albertans can trust.**

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# Year at a Glance

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Proud to be  
one of Alberta's  
top employers



of stakeholders  
are satisfied with  
AGLC services



**88%**

of Albertans drink alcohol  
in moderation



**93%**

of Albertans agree that  
liquor premises are safe & secure  
(exceeds target of 91%)



**21,793**

spirits, wines, beers,  
coolers, and ciders that  
Albertans can access



**8,764**

liquor licences in effect  
on March 31, 2016



**\$352.5 MILLION**

earned by charities through charitable gaming activities



**\$855.8 MILLION**

Net revenue from liquor and other operations transferred to the province's General Revenue Fund



**\$1.6 BILLION**

Net revenue from provincial gaming transferred to the Alberta Lottery Fund

**Proceeds to Charity by Major Centre**

Calgary	28.6%
Edmonton	27.6%
Red Deer	3.8%
Fort McMurray	2.8%
Grande Prairie	2.6%
St. Albert/Camrose	2.4%
Lethbridge	2.2%
Medicine Hat	1.4%
All Other Locations	28.6%



**97%**

of Albertans gamble responsibly



**74%**

of Albertans agree gaming venues are safe & responsible (exceeds target of 70%)



**16,802**

charitable gaming licences were issued

**GameSense**

launched October 8, 2015

# Organizational Overview

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## About the AGLC

The AGLC's role is to administer the *Gaming and Liquor Act*, Gaming and Liquor Regulation and related policies.

Our responsibilities include regulating charitable gaming activities, conducting and managing provincial lotteries and regulating liquor in the province, including its manufacture, importation, sale, purchase, possession, storage, transportation, use and consumption.

We work to sustain the long-term economic benefits of gaming and liquor in a socially responsible manner, and consult with stakeholders and partners when developing and implementing policies. Maintaining integrity in the gaming and liquor industries is at the core of everything we do for Albertans.

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# Message from the Chair and the President and Chief Executive Officer

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“While gaming and liquor revenue is key to the success of our communities, just as vital is the socially responsible way in which we deliver these products in this province.”

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This year the Alberta Gaming and Liquor Commission (AGLC) continued to provide financial benefit to Albertans in a socially responsible and impactful way, through our two main lines of business – gaming and liquor.

In 2015-16, we earned more than \$2.4 billion in gaming and liquor revenue. Of this total, more than \$1.5 billion was generated by the net proceeds from video lottery terminals (vlts), slot machines, electronic bingo and lottery tickets. This money was placed into the Alberta Lottery Fund, which is used by the Government of Alberta to support thousands of public, volunteer and community-based initiatives across the province, touching every person in Alberta.

What’s more, we continued to work diligently to provide the maximum benefit to charities, and ultimately, Albertans. From Rotary Clubs to the Red Cross, agricultural fairs to food banks, the AGLC is the steward of the charitable gaming model in the province, ensuring these important groups have the ability to raise the funds they need to continue providing their programming through fundraising efforts such as raffles and pull tickets. In fact, a total of 16,802 charitable gaming licences were issued this year alone, generating \$352.5 million in proceeds.

Organizations are enabled to raise funds through volunteering at casino events. For example, programs such as Boys & Girls Clubs Big Brothers Big Sisters of Edmonton & Area (BGCBigS) have benefited greatly from this ability. This key community initiative supports 5,000 Edmonton-area children through mentoring, summer camps and in-school tutoring programs through holding casino events. In the 35 years that BGCBigS has held casinos, they have raised \$12 million, which it has directly invested into programs and facilities for kids.

Of equal importance is the AGLC’s work with the Alberta government to foster a thriving liquor industry in the province, focusing on manufacturing and economic diversification. Due, in part, to these efforts, we earned \$855.8 million in liquor revenue, which was placed in the General Revenue Fund and used to support Albertans’ priorities such as investing in job creation, our provincial infrastructure and our health care system.

While gaming and liquor revenue is key to the success of our communities, just as vital is the socially responsible way in which we deliver these products in this province. We here at the AGLC care deeply

about Albertans, and ensuring the safety and well-being of Albertans as they enjoy our products is a top priority for us. That's why we've focused on promoting programs such as GameSense, our flagship responsible gambling program, which launched in October 2015. This program provides a common voice to all of our gaming materials in order to support informed choices by consumers. From casinos to lottery, and online at GameSenseAB.ca, GameSense helps Albertans gauge their own gambling habits and understand how the games work. Additionally, GameSense advisors, located at every Alberta casino, provide support to Albertans should they require it.

We have also advanced a number of other initiatives that promote healthy behaviours toward gaming and liquor, including public awareness campaigns on Fetal Alcohol Spectrum Disorder and drinking in moderation. We remain passionate about ensuring Albertans have the information they need to make responsible decisions when it comes to liquor – as such, we have launched DrinkSense, our flagship responsible drinking program.

Integral to all of this is the work we do with our stakeholders to ensure AGLC policies strike the balance of providing a safe environment for entrepreneurs and charities to thrive. Indeed, it would be impossible to accomplish anything if not for our partners from across the province. At the AGLC, we are committed to hearing from Albertans on our programming and working with stakeholders to ensure they have what they need to be successful.

We are pleased to report that this past year was no exception – over 90 per cent of Albertans, including the general public, agents, gaming retailers, licensees and charities were satisfied with the services the AGLC provided them. We always strive for excellence and look forward to continuing to be innovative and work with stakeholders to ensure we support a gaming and liquor industry that balances best practices with the need for a safe, secure and responsible industry.

These positive results are also a reflection of our people. Recently, the AGLC was named one of Alberta's Top 70 employers – truly an honour. Additionally, we are pleased to report that our employee engagement scores have risen 12 per cent in the last two years. We all work together for Albertans – and for this, we would like to take a moment to say thank you to our AGLC employees. All of these accomplishments could not have been done without you.

As hard as it is to believe, this coming fiscal year marks the AGLC's 20th anniversary. As we prepare to celebrate this milestone and look toward the future, we are confident we are well-positioned to continue to benefit Albertans and truly provide choices Albertans can trust.

Sincerely,

*Original signed by*

Susan L. Green, ICD.D  
Chair of the Board

*Original signed by*

D.W. (Bill) Robinson  
President and Chief Executive Officer

# Vision, Mission and Values



**Vision** – Driven by a bold and balanced approach, AGLC will be a leader in creating progressive gaming and liquor experiences trusted and enjoyed by Albertans.



**Mission** – Our promise is to ensure responsible gaming and liquor choices that deliver economic and social benefit to Albertans.



**Values** – Guiding us is a set of five core values that provide the moral compass necessary to fulfill our vision and mission.

## 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, and celebrate the diversity that makes us stronger.

## Collaboration

Together we are better. Working as a team and 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.

# Strategic Directions

The AGLC has four Strategic Directions that guide the organization in achieving its Vision and Mission.

These directions are meant to propel the organization forward and set direction for the next three to five years. These Strategic Directions form the basis for the 2016-2019 AGLC Business Plan, with measurement of performance against these directions to be reported in future Annual Reports.

1

## Responsible Growth

We will promote responsible growth of the gaming and liquor industries for the benefit of Albertans.

2

## Culture of Moderation

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

3

## Regulatory Innovation

We will develop policies that enable the gaming and liquor industries; and that respect our commitment to compliance.

4

## Continuous Improvement

By living our values, we will continuously improve the delivery of benefits, services and products to stakeholders and each other.

# Where the Money Goes

We collect and disburse funds in our liquor and gaming businesses according to the *Gaming and Liquor Act*, other legislation, policies and agreements.



## Liquor

We pay liquor suppliers for their products when the product is sold to licensees. Payments are also made for warehousing, distribution, container deposit and recycling fees, and federal taxes and duties. The related operating costs of the AGLC are deducted and the net operating results from liquor are transferred to the province's **General Revenue Fund**.



## Provincial Gaming

We record sales from casino gaming terminals (e.g. slot machines), video lottery terminals (vlts) and electronic bingo and ensure prizes are paid and the appropriate federal taxes remitted. Commissions are paid to retailers/operators. Licensed charitable and religious groups are paid a commission from casino gaming terminals operating during their licensed casino events. Charitable and religious groups also receive commissions from electronic bingo and Keno operating during charitable fundraising 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 **Alberta Lottery Fund**.

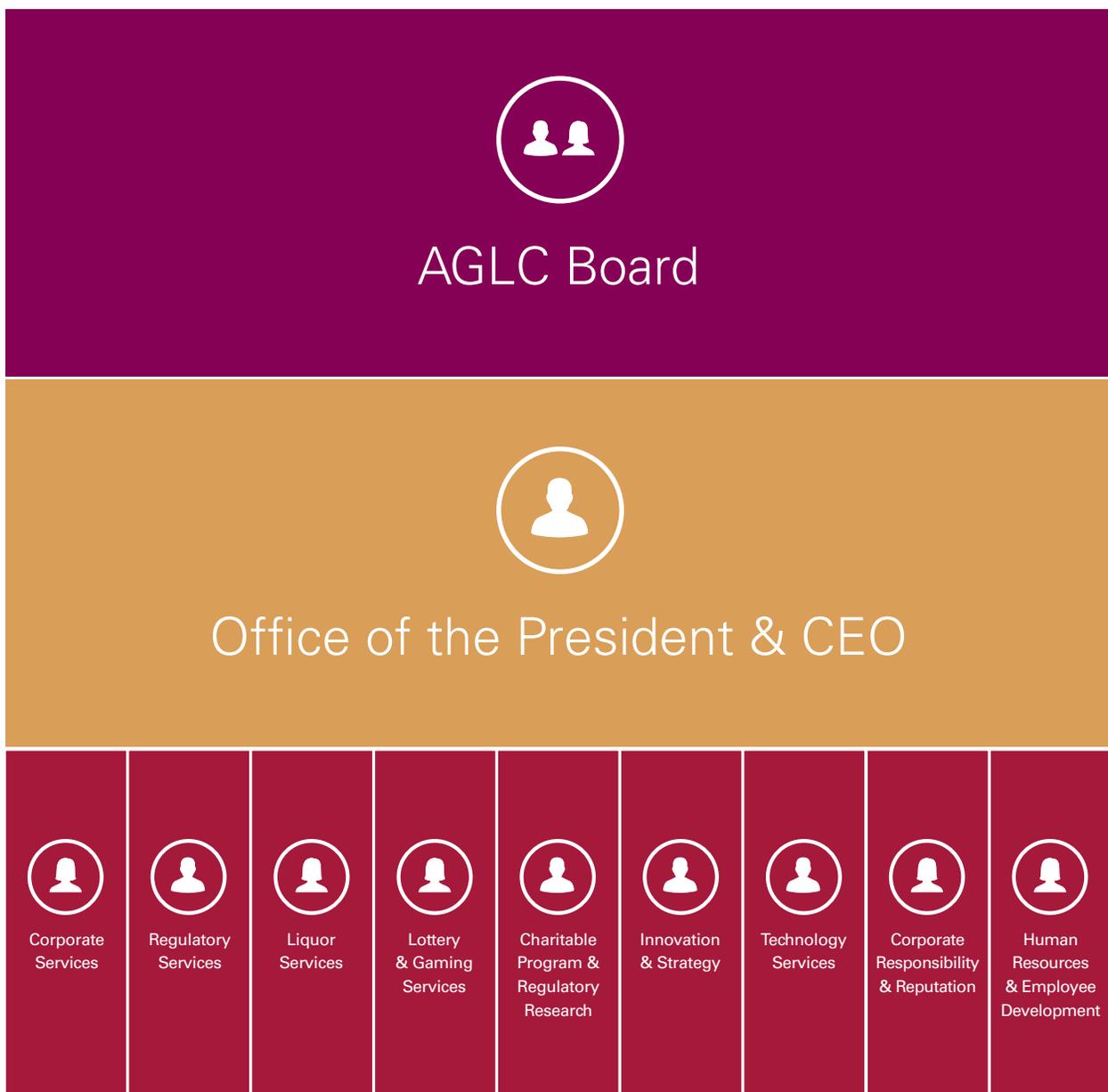


## Charitable Gaming

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 hold their events. Other than fees for licences and trustee services for charitable proceeds from traditional casino events, the AGLC does not receive any revenue from charitable gaming.

# Our Divisions

In addition to the main office located in St. Albert, the AGLC has regional offices in Calgary, Grande Prairie, Lethbridge, Red Deer and Stettler. AGLC staff serve Albertans through the areas below.



**(as at September 1, 2016)**

## Office of the President and Chief Executive Officer

### **Bill Robinson**

President and Chief Executive Officer

The Office of the President and Chief Executive Officer provides leadership and overall guidance to the administration and operation of the AGLC. The President and Chief Executive Officer serves as a non-voting member of the Board of the AGLC, advises and informs the Board on the operation of the Commission and ensures that policies of the Board are implemented.

The Policy & Planning Branch also operates within the Office of the President and Chief Executive Officer. This branch manages the development and integration of strategic, business and operational planning activities. It also directs a coordinated policy approach, from the development and maintenance of specific gaming and liquor policies, to broader strategic policy for the Commission. They are responsible for enterprise risk management, the business continuity plan and ensuring adherence to the *Freedom of Information and Protection of Privacy Act* (the FOIP Act).

## Corporate Services

### **Kandice Machado**

Vice President and Chief Financial Officer

The Corporate Services division provides corporate business support services for the AGLC including finance, procurement and records management. The division provides all cash management services for the Commission, is responsible for the accounting of all gaming and liquor revenues, and manages the accurate reporting of the financial results of the AGLC and the Alberta Lottery Fund.

Additionally, the division oversees corporate property management, including real estate development, maintenance, space planning, and staff accommodations.

## Regulatory Services

### **Alain Maisonneuve**

Vice President

The Regulatory Services division ensures the integrity of Alberta's gaming and liquor industries in a number of ways: conducting industry audits, issuing gaming and liquor licences and registrations, conducting on-site monitoring and investigation of gaming related offences under the *Criminal Code* (Canada) and provincial offences related to liquor and tobacco, as well as reporting on processes used to monitor the integrity of those businesses. This division also manages AGLC's anti-money laundering (AML) Program.

## Liquor Services

### **Jody Korchinski**

Vice President

Liquor Services oversees the liquor supply chain in Alberta and ensures progressive developments in the industry while building strong relationships with liquor stakeholders.

This division registers all liquor products sold in the province and monitors the distribution system in Alberta. Liquor Services also oversees the collection of federal customs and excise duties and provincial mark-ups as well as ensures adherence with applicable liquor legislation.

## Lottery and Gaming Services

### **Niaz Nejad**

Vice President

This division manages business operations related to the conduct and management of provincial lotteries. In Alberta, provincial lotteries include video lottery terminals (vlts) in licensed premises, casino gaming terminals in casinos and Racing Entertainment Centres (RECs), electronic bingo in licensed bingo facilities and ticket lotteries. Ticket lotteries are conducted and managed in collaboration with the Western Canada Lottery Corporation (WCLC).

The Lottery and Gaming Services division ensures that the provincial lottery network is secure, is operated with integrity and efficiency and meets revenue expectations. They also monitor consumer trends and emerging gaming technologies as part of a commitment to the long-term sustainability of gaming in Alberta.

## Charitable Program & Regulatory Research

### **Gill Hermanns**

Vice President

The mandate of the Charitable Program & Regulatory Research division is to review the AGLC charitable gaming program to ensure that it is meeting the current needs of Albertans and the business needs of the AGLC. In support of this review, this division is conducting a full review of the *Gaming and Liquor Act* and the Gaming and Liquor Regulation. This area also oversees the new liquor distribution centre construction project.

## Innovation and Strategy

### **David Oh**

Vice President and Chief Information Officer

The Innovation and Strategy division provides an integrated team of business, technology, data, and digital experience architects with the subject matter expertise required to support the AGLC's continuous improvement efforts. The division leads the AGLC's drive for technology innovation and modernization. The division is also responsible for the management of the portfolio of corporate priority projects.

## Technology Services

### **Neil Brown**

Chief Technology Officer

The Technology Services division is responsible for the day-to-day technology operations of the AGLC and provides information technology to support AGLC's mandate, strategic activities and technological requirements. The division develops and manages systems to deliver key components of the gaming and liquor businesses of the AGLC efficiently and effectively. Additionally, they develop specialized applications and collect and monitor information in support of all business units of the AGLC. The division also provides leadership in the use of technology, data and systems while ensuring effective IT security and IT enterprise governance for all divisions within the AGLC.

## Human Resources & Employee Development

### **Wendy Romanko**

Vice President (Acting)

The Human Resources & Employee Development division provides human resource programs and services to help our employees achieve their learning and business goals. The division is involved in staffing, job evaluation, employee recognition, retention initiatives, learning and development, occupational health and safety, benefit administration and collective bargaining.

## Corporate Responsibility & Reputation

### **Michelle Hynes-Dawson**

Director

The AGLC's Corporate Responsibility & Reputation (CRR) branch is the champion of a corporate approach to promoting the AGLC brand and communicating with employees and external stakeholders. CRR is responsible for the programs, partnership and promotional efforts related to GameSense and DrinkSense. The branch is also the corporate champion of the corporate values and leads the internal communication and employee engagement efforts. And through communications and marketing expertise, the branch protects and promotes the AGLC's promise to provide Albertans with choices Albertans can trust.

# Measuring Performance

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The AGLC evaluates the effectiveness of our programs and services through annual performance measurement.

We do this by setting goals in our business plan and providing the results to the public through this annual report.

The results tell us what is working well and where we can improve.

Being open and accountable in this way ensures that we keep the trust of our stakeholders and all Albertans by managing the organization in a manner that reflects their views and values.

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# AGLC Goals

As outlined in the 2015-2018 Business Plan, the AGLC has established a strategic plan with six goals to guide the organization in serving Albertans.



## **AGLC Goal 1: Optimized Organizational Alignment**

To ensure that the AGLC has the strategies, structure and resources in place to achieve its goals.



## **AGLC Goal 2: Renewed and Repositioned Capabilities**

To ensure we are flexible, responsive and adaptable when handling the challenges and changes that happen as a result of evolving business environments and ever changing consumer and client expectations.



## **AGLC Goal 3: Consumer and Client Focused Culture**

To ensure our staff is focused on satisfying the needs of consumers and our clients.



## **AGLC Goal 4: Operational Effectiveness Improvement**

To ensure we make it easier to do business with the AGLC, to effectively support progressive and compliant gaming and liquor industries.



## **AGLC Goal 5: Continuous Service Evolution**

To ensure the AGLC continues to provide sustainable revenues to government and protects the benefits to charities by a continued focus on understanding and adapting to consumer expectations.



## **AGLC Goal 6: Responsible Choice Promotion**

To represent the vision of the AGLC to have responsible, satisfied consumers and to continue to work to reduce liquor and gambling related harms.

## Performance at a Glance

Performance Measure	Target 2015-2016	Result 2015-2016
<b>GOAL 1 – Optimized Organizational Alignment</b>		
Percentage of employees who are aware of the AGLC Strategic Plan	65%	<b>N/A<sup>1</sup></b>
Percentage of stakeholders aware of how AGLC serves Albertans	TBD	<b>N/A<sup>2</sup></b>
<b>GOAL 2 – Renewed and Repositioned Capabilities</b>		
Percentage of service level targets achieved	70%	<b>86%</b>
<b>GOAL 3 – Consumer and Client Focused Culture</b>		
Percentage of Albertans satisfied with the availability of gaming products and services	80%	<b>84%</b>
Percentage of Albertans satisfied that the gaming activities they participate in are provided fairly and responsibly <sup>3</sup>	94%	<b>90%</b>
Percentage of Albertans satisfied that the licensed gaming venues are safe and responsible environments in which to gamble	70%	<b>74%</b>
Percentage of Albertans satisfied liquor is provided in a responsible manner	91%	<b>93%</b>
Percentage of Albertans satisfied with the safety and security in and around licensed liquor premises	91%	<b>93%</b>
<b>GOAL 4 – Operational Effectiveness Improvement</b>		
Percentage of all revenues (less prizes and cost of goods sold) to be received by the General Revenue Fund and Alberta Lottery Fund after commissions and expenses	80%	<b>83%<sup>4</sup></b>
Percentage of liquor licensees who comply with legislation, regulation and policy	95% <sup>5</sup>	<b>98%</b>
Percentage of charitable gaming activities conducted in accordance with legislation, regulation and policy	99% <sup>5</sup>	<b>99%</b>
<b>GOAL 5 – Continuous Service Evolution</b>		
Gaming net operating results (thousands of dollars)	1,544,716	<b>1,552,747</b>
Liquor and other net operating results (thousands of dollars)	758,709	<b>855,793</b>

## GOAL 6 – Responsible Choice Promotion

Percentage of Albertans that gamble responsibly	97%	<b>97%</b>
Percentage of Albertans that drink alcohol in moderation <sup>6</sup>	TBD	<b>88%</b>
Percentage of Albertans aware of prevention and harm reduction programs for problem gambling <sup>7</sup>	83%	<b>71%</b>
Percentage of Albertans aware of prevention and harm reduction programs for problem drinking <sup>8</sup>	90%	<b>81%</b>

### Notes:

1. The bi-annual survey of AGLC employees was not completed during the fiscal year. Therefore, no survey results are available for 2015-16. The survey was conducted in May 2016 and a result of 72% was achieved.
2. This measure has been replaced with a more detailed stakeholder satisfaction index, the details of which are on page 22.
3. The results reported in the table above are based on a survey question which asked respondents about their satisfaction that the gaming activity they participated in was provided fairly and in a responsible manner. Future survey questionnaires will be reworded to align with the AGLC Goals in the Business Plan, as worded above: percentage of Albertans satisfied that the gaming activities they participated in were provided fairly and responsibly.
4. Details on the calculations used to determine the result are noted on page 24.
5. The targets for these two performance measures (liquor licensees who comply with legislation, regulation and policy, and charitable gaming activities that comply with legislation, regulation and policy) were set in the 2015-2018 AGLC Business Plan. However, caution is advised in any interpretation of results, as there are other factors outside of the AGLC's control that determine the compliance rate.
6. In 2014-15, the AGLC adopted Canada's Low-Risk Alcohol Drinking Guidelines for promoting moderate alcohol consumption; previously, the World Health Organization's AUDIT tool was used to set guidelines. Originally under the previous methodology, a target of 92% was set for "Albertans drink in moderation" in the 2014-17 AGLC Business Plan when based on the AUDIT tool. Due to the change in guidelines, a direct comparison between the target and the results is not possible and a target was not set for 2015-16.
7. In 2014-15 the survey questionnaire was reworded to align with the goals in the AGLC Business Plan. The results reported are based on a survey question which asked respondents about their awareness of prevention and harm reduction programs for problem gambling. Previous surveys from 2011-12 through 2013-14 are based on a survey question which asked respondents about their awareness of prevention and treatment programs for problem gambling. Therefore results may not be directly comparable to the target because the target was set based on different wording of the survey question.
8. In 2014-15 the survey questionnaire was reworded to align with the goals in the AGLC Business Plan. The results reported are based on a survey question which asked respondents about their awareness of prevention and harm reduction programs for problem drinking. Previous surveys from 2011-12 through 2013-14 are based on a survey question which asked respondents about their awareness of prevention and treatment programs for alcohol abuse. Therefore results may not be directly comparable to the target because the target was set based on different wording of the survey question.

# Corporate

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The AGLC has two core businesses: Gaming and Liquor. The AGLC also has regulatory, corporate and social responsibility roles that support the two core businesses in accordance with the *Criminal Code* (Canada), *Gaming and Liquor Act* and the Gaming and Liquor Regulation.

Through its activities, the AGLC generates revenue for the province and the people of Alberta which contributes to the growth of Alberta's economy, the prosperity of communities, and the well-being and quality of life of Albertans.

Several of the AGLC's Business Plan goals relate to the overall organization:

- **Goal 1: Optimized Organizational Alignment**
- **Goal 2: Renewed and Repositioned Capabilities**
- **Goal 4: Operational Effectiveness Improvement**

Our performance is measured based on these goals. Measuring performance helps set priorities and ensures that the AGLC is continuing to benefit Albertans.

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# Highlights



## AGLC to Celebrate 20 Years

In July 2016, the AGLC entered its 20th year of operations. From day one to day 7,300, the AGLC has always been about benefiting Albertans. The AGLC is proud to be an organization with integrity at its very core. Fostering an environment of respect over the years has made the AGLC what it is today. Continual collaborative efforts have given the AGLC a sense of team spirit that's contagious. The AGLC looks forward to continued growth and innovation in the next 20 years and beyond. The organization continues to strive for, and achieve, excellence in everything we do.

This milestone is a celebration of the 20 years the AGLC has provided gaming and liquor choices Albertans can trust. Since the AGLC was formed in 1996, it has:

- Generated \$23.4 billion in gaming revenue for the Alberta Lottery Fund to help support charitable and community-based initiatives across the province, from funding public, cultural and athletic events to building food banks, supporting library programming and supporting seniors' services.
- Generated \$11.5 billion in liquor revenue for Alberta's General Revenue Fund to support government programs and priorities that Albertans rely on every day.
- Supported charities and non-profits in earning \$4.7 billion through charitable gaming activities including bingos, casino events, pull tickets and raffles.



## Leaders@ Work Program

The AGLC Leaders@Work Program was developed in partnership with the University of Alberta to better position our people managers for leadership opportunities in the future. Through the AGLC succession planning process, it was identified that many of our supervisors and managers could benefit from further development in the areas of coaching, leading teams, and managing change.

The AGLC Leaders@Work Program was subsequently created to address the key concepts of effective leadership. Its goal is to leverage learning, experience, and relationship building in a highly integrated, project-based program. Upon completion, it is expected that graduates will implement the practical leadership strategies learned to their workplace, making an overall greater impact at the AGLC.

The AGLC's first Leaders@Work class graduated in March 2016. The following testimonials were received from AGLC staff that participated in the program:

*This course has fostered the development of a supportive network of like-minded leaders for the AGLC. The participants were able to discuss and even begin to formulate some creative initiatives that will positively impact our workplace. I highly recommend the course and am grateful for having had the opportunity to attend.*

*Getting 5 days to work with managers from all divisions and varying levels on leadership skills = Priceless Personal Development!*

*AGLC Leaders@Work was a great way to connect with other people in the organization and to learn from each other.*



## AGLC as One of Alberta's Top 70 Employers

In 2016, the AGLC was named one of Alberta's Top 70 Employers. This is a special designation that annually recognizes employers that lead their industries in offering exceptional places to work.

### **What makes AGLC a Top Employer? What makes AGLC stand out?**

The AGLC is a very dynamic, multi-faceted organization. On the one hand, you have the liquor side – Alberta is the only jurisdiction in Canada with a fully-privatized liquor industry. On the other hand, you have the gaming side – offering a variety of entertaining gaming products to Albertans, while generating revenue for charities. This is all balanced by ensuring the liquor and gaming programs are run in a very socially responsible way, enabling Albertans to make informed choices.

**What makes the AGLC stand out is its promise: We are here to provide choices Albertans can trust.**

Applicants for this provincial award are evaluated by editors from the Calgary Herald and the Edmonton Journal using the following criteria:

- Physical Workspace
- Work atmosphere and social
- Health, Financial and Family benefits
- Vacation and time off
- Employee Communications
- Performance Management
- Training and skills development
- Community Involvement

Organizations are compared to other organizations in their field to determine who offers the most progressive programs.

# Measuring Performance – Corporate



## AGLC Goal 1: Optimized Organizational Alignment

### 1.a. Percentage of employees who are aware of the AGLC Strategic Plan

The bi-annual survey of AGLC employees was not completed during the 2015-16 fiscal year. Therefore, no survey results are available. The survey was conducted in May 2016 and a result of 72% was achieved. The question was changed in the 2016 survey to *“I am aware of the AGLC’s Strategic Directions.”*

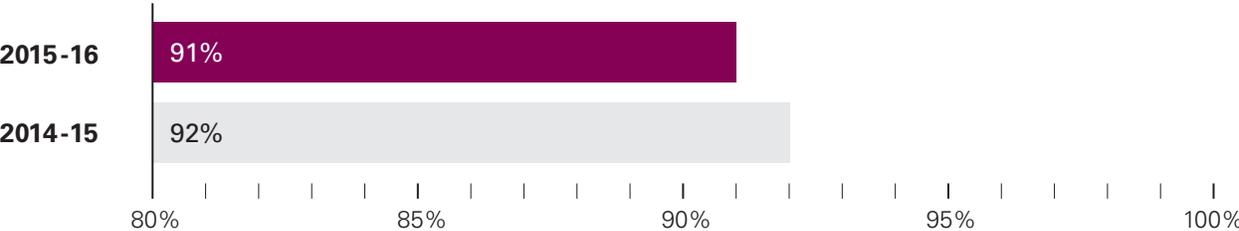
### 1.b. Percentage of stakeholders aware of how AGLC serves Albertans

This performance measure has been replaced with a more detailed Stakeholder Satisfaction Index which combines ratings of satisfaction on several factors from three main groups of stakeholders: Liquor Industry, Gaming Industry and Charity Licensees.

In early 2016, the AGLC completed the Stakeholder Satisfaction Index through survey responses. For each of the three areas, responses to a series of satisfaction questions are provided from several stakeholder groups, as follows:

- Liquor Industry: liquor licensees and liquor agencies
- Gaming Industry: casino gaming terminal (e.g. slot machine) retailer, video lottery terminal (vlt) retailer, lottery retailer
- Charity Licensees: representing bingo, casino, pull tickets and raffle

The Stakeholder Satisfaction Index yielded an average score of 91 percent. The gaming retailers have the highest satisfaction at 94 percent. Both the charitable gaming licensees and the liquor industry clients scored 90 percent satisfaction with the services received.



**Source:** 2015-16 Survey of Gaming Retailers, Survey of Liquor Industry Clients, and Survey of Charitable Gaming Licensees – NRG Research Group

**Notes:** There is a 95 percent certainty that the results are accurate to:

- Survey of Gaming Retailers:  $\pm$  3.3 percent
- Survey of Liquor Industry Clients:  $\pm$  3.1 percent
- Survey of Charitable Gaming Licensees:  $\pm$  2.1 percent

Keno retailers were excluded from the satisfaction calculation in 2015-16.

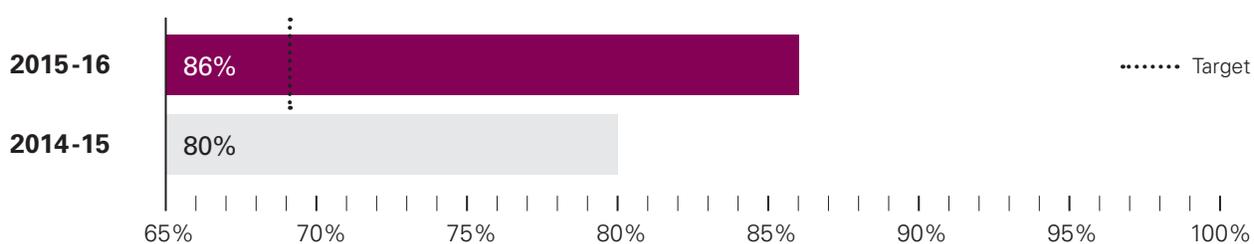


## AGLC Goal 2: Renewed and Repositioned Capabilities

### 2.a. Percentage of service level targets achieved

For 2015-16, the AGLC collected service level targets within the organization. A total of 29 service level targets were monitored from four divisions: Regulatory Services, Lottery and Gaming Services, Liquor Services and Human Resources and Learning & Development. Of those targets, 25 service level performance measures met or exceeded their target, a result of 86%.

The AGLC is committed to setting service level targets across our divisions, and to monitoring annual performance against these internal service goals. As our capacity to collect data and monitor performance against these targets evolves, these results will be used to manage performance across the various parts of AGLC's business.





## AGLC Goal 4: Operational Effectiveness Improvement

### 4.a. Percentage of all revenues to be received by Licensed Charities, the General Revenue Fund and the Alberta Lottery Fund

This value is calculated by determining the percentage of total revenue (net of prizes and cost of goods sold) to be received by licensed charities, the General Revenue Fund (GRF), and Alberta Lottery Fund (ALF), after paying operating expenses, commissions, and taxes.

Total revenue includes revenues from electronic gaming such as casino gaming terminals, video lottery terminals, and electronic bingo (A; gaming for which the AGLC provides oversight), proceeds from non-electronic gaming such as paper bingo, casino table games, pull tickets and raffles (B; charitable gaming, run by groups licensed by the AGLC), gross income from provincial lottery (ticket lottery administered by the Western Canada Lottery Corporation; WCLC), liquor, and other revenue.

All figures and Notes are included in the AGLC audited financial statements (pages 81-109), with the exception of the non-electronic gaming proceeds; details for these proceeds are shown in the summary of charitable gaming activity (see page 62) and include the total gross from charitable gaming activities, less prizes/winnings and related expenses.

(\$ thousands)	2015-2016 <sup>1</sup>		2014-2015 (restated) <sup>2</sup>	
<b>Revenue</b>				
Electronic gaming revenue (A) (Note 12)	1,849,213		1,905,602	
Non-electronic gaming proceeds <sup>3</sup> (B)	177,060		159,163	
Total gaming proceeds	<u>2,026,273</u>		<u>2,064,765</u>	
Provincial lottery (Note 16)	398,901		331,542	
Liquor (Note 12)	872,224		781,900	
Other revenue (Note 12)	18,052		17,833	
Total revenue	<u>3,315,450</u>		<u>3,196,040</u>	
<b>Contribution to ALF, GRF &amp; Charities</b>				
Contribution to ALF (Note 9)	1,552,747		1,528,341	
Contribution to GRF (Note 10)	855,793		765,772	
Contribution to Licensed Charities <sup>4</sup>	345,493		335,892	
<b>Total Contribution to ALF, GRF &amp; Charities</b>	<u>2,754,033</u>	<b>83.1%</b>	<u>2,630,005</u>	<b>82.3%</b>
<b>AGLC Share of Operating Expenses, Commissions &amp; Taxes</b>	<u>561,417</u>	16.9%	<u>566,035</u>	17.7%

**Notes:**

1. The presentation of these results has been changed from the 2014-2015 Annual Report. Previously, the percentage of all revenues (less prizes and cost of goods sold) that is received by licensed charities, the GRF and the ALF was shown as the net results of revenue less a detailed presentation of related expenses. For clarity, the table above indicates the total contribution to charities, GRF and the ALF as a percentage of total revenue. Details for expenses can be found in the audited financial statements under the Notes indicated in the table.
2. Figures for 2014-15 have been restated to align with the recognition of revenue and expenses for the Western Canada Lottery Corporation (WCLC; see Note 16). Restating WCLC figures altered the result as compared to what was published last year, as there are changes to the recognition of direct expenses and WCLC commissions.
3. Includes net proceeds (total gross, less prizes/winning and expenses) for licenced casino, raffle, pull tickets and bingo events in 2015-16. See Charitable Gaming Summary (page 62) for additional information.
4. Total contributions to licensed charities includes non-electronic gaming proceeds (B) as well as commissions paid to charities from electronic gaming (casino gaming terminals and electronic bingo; Note 13) operating during licensed charitable events.

# Social Responsibility

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The AGLC takes a balanced approach in managing gaming and liquor activities in the province, one that respects the interests of Albertans.

Although there are obvious economic and social benefits that are derived from Alberta's gaming and liquor industries, the AGLC recognizes that there are costs as well. For this reason, social responsibility is integrated into our core businesses of gaming and liquor with a goal of enabling Albertans to make informed choices.

One of the AGLC's Business Plan goals is dedicated to social responsibility:

- **Goal 6: Responsible Choice Promotion**

Our performance is measured based on this goal. Measuring performance helps set priorities and ensures that the AGLC is promoting a culture of moderation and is providing tools to Albertans to reduce gambling and liquor related harms.

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# Highlights

## GameSense

### A New Approach to Socially Responsible Gaming Comes to Alberta



First created in British Columbia, GameSense was launched in October 2015 in casinos, Racing Entertainment Centres and online (GameSenseAB.ca), to promote responsible gambling behaviours in Alberta. It's designed to help people gauge their own gambling habits, learn more about the games they play and understand when they should seek help for problem gambling behaviour. It focuses on educating players about various aspects of the game, while reducing the stigmas associated with accessing information and resources for responsible gambling.

As part of the program, GameSense Advisors are present on the casino floors and interactive GameSense Information Centres provide patrons with information about the establishment and how the odds work in the different games. The online iteration also does the same, as well as providing tips and resources for sticking to a budget, a list of GameSense Information Centres, and tools and resources, such as a quiz to self-assess gambling behaviour.

## DrinkSense

### A New Look For Responsible Drinking



To provide Albertans with consistent and responsible messaging around alcohol consumption in Alberta, the AGLC undertook preparations in 2015-16 for the launch of DrinkSense in September 2016. DrinkSense focuses on increasing information and engagement opportunities for all Albertans to support healthy choices, through promotion of sensible and moderate use of liquor products.

DrinkSense will align with GameSense, to provide a similar look and feel for all social responsibility programs and initiatives, allowing for a complementary approach for both gaming and liquor.

# Key Facts – Social Responsibility

## Social Responsibility – Liquor

### **Best Bar None (BBN)**

A voluntary accreditation program for licensed premises, BBN has a goal of reducing alcohol-related harms in communities. The program uses a system of accreditation, assessment and awards to engage licensed premises in responsible management and safe operations.

Best Bar None:

- encourages businesses to adopt best practices related to customer safety and responsible service of alcohol;
- gives businesses the tools to be better prepared for any violent incidents; and
- builds positive relationships among the industry, enforcement agencies, governments and community.

In 2015-16, 67 venues in Edmonton, 52 in Calgary and 6 in Grande Prairie were successfully accredited under Best Bar None. Overall, there was an increase in the number of accredited venues from the previous year.

The AGLC is dedicated to expanding the program to other centres in Alberta. BBN will be implemented in Fort McMurray and Lethbridge during the next fiscal year. As well, the AGLC is working with a number of other communities to implement the program.

### **Alberta Safer Bars Council**

This provincial advisory group meets quarterly to discuss and develop ways to deter and reduce violence in and around licensed premises, and to develop best practices for operators. Members are from police agencies, municipalities, the liquor and hospitality industries and several government departments.

### **SMART Training – Liquor**

ProServe and ProTect SMART training ensures industry workers understand liquor laws and policies, and are well-prepared to provide responsible service to Albertans. Industry workers providing liquor or security services in licensed premises must be certified in accordance with AGLC policy. Certification is valid for five years.

- ProServe certification is mandatory for liquor licensees and their staff or others who provide liquor sales or service. The program raises awareness of responsible sale, service and consumption of liquor in licensed premises. ProServe is for those who work in bars, restaurants, private clubs, mass assembly venues, retail liquor stores, liquor delivery services, as well as for liquor agents and their employees whose duties include liquor sampling. ProServe is also required at selected public special events. Training is available online, in seminar sessions, and by home study.

- ProTect is mandatory for those who provide security in licensed premises, including security staff and managers of licensed premises. ProTect is aimed at increasing patron and staff safety. This training is a key part of the strategy on safer communities. It is offered online.

The following chart indicates the number of people successfully completing SMART Training during the fiscal year.

<b>SMART Training - Liquor</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>
ProServe Training*	<b>45,472</b>	45,275	37,706	35,950	35,594
ProServe Transfers from other provinces	<b>862</b>	958	245	428	540
ProTect Training	<b>5,535</b>	4,395	3,717	3,195	2,936

\* This total does not include transfers from other provinces.

## Social Responsibility – Gambling

### GameSense Information Centre (GSIC)

These centres (formerly Responsible Gambling Information Centres) are a cornerstone of the AGLC’s dedication to a balanced approach to gambling. Located in all Alberta casinos and Racing Entertainment Centres, GSICs provide responsible gambling information, resources and support to patrons. In 2015-16, GameSense Advisors recorded more than 43,000 patron interactions.

### Player Awareness Terminal (PAT)

Located at all GSICs, the PAT is a standalone kiosk that features interactive screens that offer players information on responsible and problem gambling including: a self-test; information to dispel gambling myths; as well as tips for gamblers on how to develop safe, personal responsible gambling guidelines.

### Voluntary Self-Exclusion (VSE) Program

In Alberta, if someone feels they are having trouble controlling their gambling, enrolling in the VSE program is an option. This program enables participants to voluntarily ban themselves from all casinos and RECs for specified period of time ranging from six months to five years. If detected in a casino or REC during this time, they will be removed from the facility.

### **Responsible Gambling Features on vlts**

Responsible gambling features on vlts help players remain aware of the amount of time they have been playing, the dollars they have remaining during a play session, and how to get help if their gambling becomes problematic.

### **Responsible Gambling Awareness**

The annual GameSense Symposium is a key part of the AGLC's commitment to social responsibility.

Every fall, the AGLC hosts a symposium that brings together operators, casino staff, health professionals and other stakeholders to hear the newest information about gambling issues.

There were over 196 attendees in 2015-16, up from approximately 175 in the prior year.

### **The Alberta Gambling Research Institute (AGRI)**

AGRI is a consortium of the University of Alberta, University of Calgary and the University of Lethbridge. Its primary purpose is to support and promote research into gambling in Alberta. Through a funding agreement with the Government of Alberta, AGRI receives \$1.5 million annually from the Alberta Lottery Fund.

### **Responsible Gambling Advisory Committee**

This committee informs and guides the implementation of the Alberta Responsible and Problem Gambling Strategy. The committee was formed by the AGLC, Alberta Health Services and Alberta Health in partnership with problem gambling interest groups.

## SMART Training – Gambling

Workers who are well-trained and supported by their managers and supervisors make a difference. We work with industry stakeholders to develop responsible service programs for workers in the gaming industry. These programs help provide balance in the industry.

Trained industry workers play a key role in raising awareness of problem gambling behaviours in the gaming industry. We offer three SMART training programs to help educate and inform people working in the gaming industry about responsible gambling. Similar to the SMART training programs for liquor industry workers, these programs are also mandatory and cover social responsibilities. These programs include Deal Us In – Phase One and Phase Two (for staff of casinos and Racing Entertainment Centres), Reel Facts (for vlt retailers) and A Good Call (for staff of bingo halls).

The following chart indicates the number of people successfully completing SMART Training during the fiscal year.

<b>SMART Training - Gambling</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>
Deal Us In – Phase 1 (casino)	<b>2,604</b>	1,505	1,385	1,567	2,142
Deal Us In – Phase 2 (casino)	<b>681</b>	487	484	460	700
Reel Facts (vlt retailers)	<b>5,122</b>	4,968	4,361	3,569	3,608
A Good Call (bingo)	<b>502</b>	396	425	425	230

# Measuring Performance – Social Responsibility



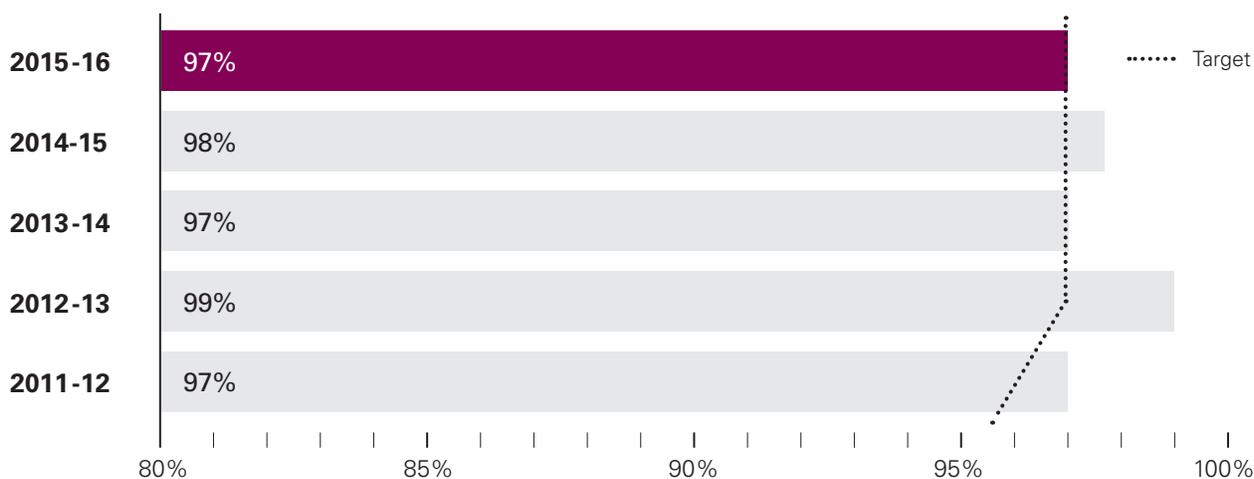
## AGLC Goal 6: Responsible Choice Promotion

### 6.a. Percentage of Albertans that gamble responsibly

We engage in a number of activities that encourage healthy, sustainable gambling environments that minimize gambling-related harms. Each year, we survey Albertans about their gambling behaviours. Survey questions and result indices are based on the internationally recognized Problem Gambling Severity Index (PGSI). In 2015-16, 97 percent of Albertans self-reported that they gamble responsibly.

This result is similar to the result achieved last year and met this year's target of 97 percent.

Detailed information on the Survey of Albertans – Social Responsibility is available on page 77.



**Source:** 2015-16 Survey of Albertans – Social Responsibility – NRG Research Group

**Notes:** There is a 95 percent certainty that the results are accurate to:

- In 2015-16, there is a 95 percent certainty that the results are accurate to  $\pm 3.0$  percent.
- For previous years, there is a 95 percent certainty that the results are accurate to  $\pm 3.1$  percent.

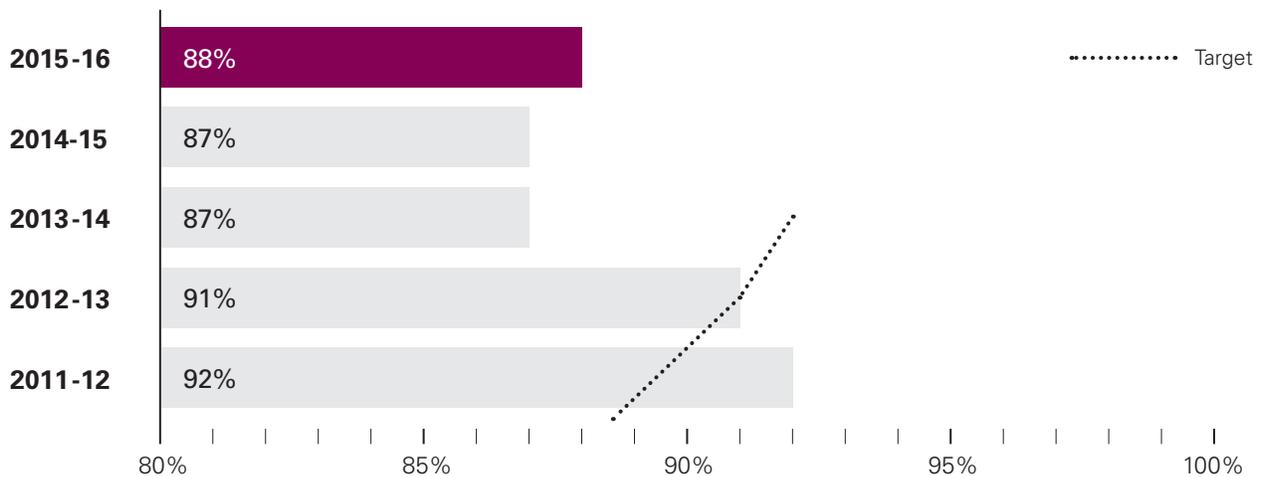
## 6.b. Percentage of Albertans that drink alcohol in moderation

The AGLC leads or actively participates in a number of liquor-related initiatives designed to foster a culture of moderation in Alberta. Each year, we survey Albertans about their alcohol consumption.

The calculation of this performance measure is based on Canada's Low-Risk Alcohol Drinking Guidelines. The questions to determine a person's level of drinking as specified by the guidelines are sourced from the Screening Brief Intervention and Referral tool developed by the College of Family Physicians of Canada and the Canadian Centre on Substance Abuse. Prior to the 2014-15 survey, the AGLC used the World Health Organization's alcohol assessment measure, the Alcohol Use Disorders Identification Test.

In 2015-16, 88 percent of Albertans self-reported that they either abstained from alcohol or drank a moderate amount of alcohol. In the 2015-18 Business Plan, a target for this measure was not determined. Once baselines have been established, targets will be set.

Detailed information on the Survey of Albertans – Social Responsibility is available on page 77.



**Source:** 2015-16 Survey of Albertans – Social Responsibility – NRG Research Group

**Notes:**

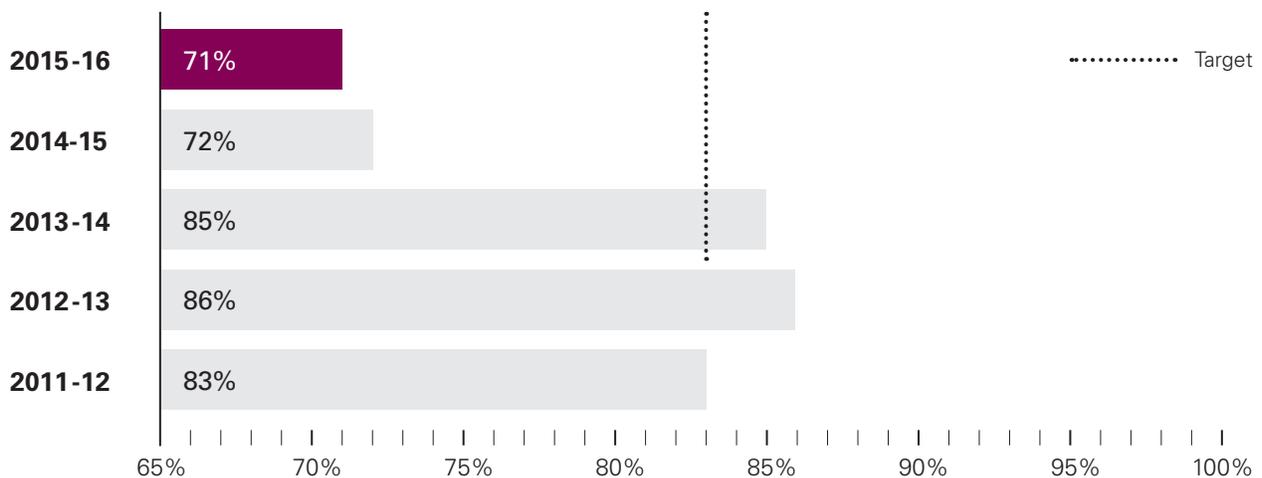
- There was a change in methodology in 2014-15 with the adoption of Canada's Low-Risk Alcohol Drinking Guidelines; therefore, the result is not directly comparable to previous years' results. Once baselines have been established, targets will be set.
- In 2015-16, there is a 95 percent certainty that the results are accurate to  $\pm 3.0$  percent.
- For previous years, there is a 95 percent certainty that the results are accurate to  $\pm 3.1$  percent.

### 6.c. Percentage of Albertans aware of prevention and harm reduction programs for problem gambling

Through collaboration with the gaming industry, Alberta Health Services and other stakeholders, we work to promote responsible gambling in Alberta by developing, implementing and evaluating initiatives that encourage responsible gambling. We ensure that educational materials are readily available to Albertans to help them make informed decisions about gambling. We also ensure Albertans are informed about available treatment options. The AGLC communicates this information to Albertans in gaming venues and through television, radio and print advertising.

Through our Survey of Albertans, 71 percent of Albertans indicated they are aware of prevention and harm reduction programs for problem gambling in 2015-16. This is below our target of 83 percent. To better reflect the role of the AGLC and capture feedback on areas where we have direct influence, the measure was reworded from 'treatment' to 'harm reduction' in 2014-15. As there has been a decrease in public awareness of social responsibility related topics for the past two years, the AGLC has accepted that the wording change may have impacted the results. In future years, the AGLC will continue to monitor these results.

Detailed information on the Survey of Albertans is available on page 75.



**Source:** 2015-16 Survey of Albertans – NRG Research Group

**Notes:**

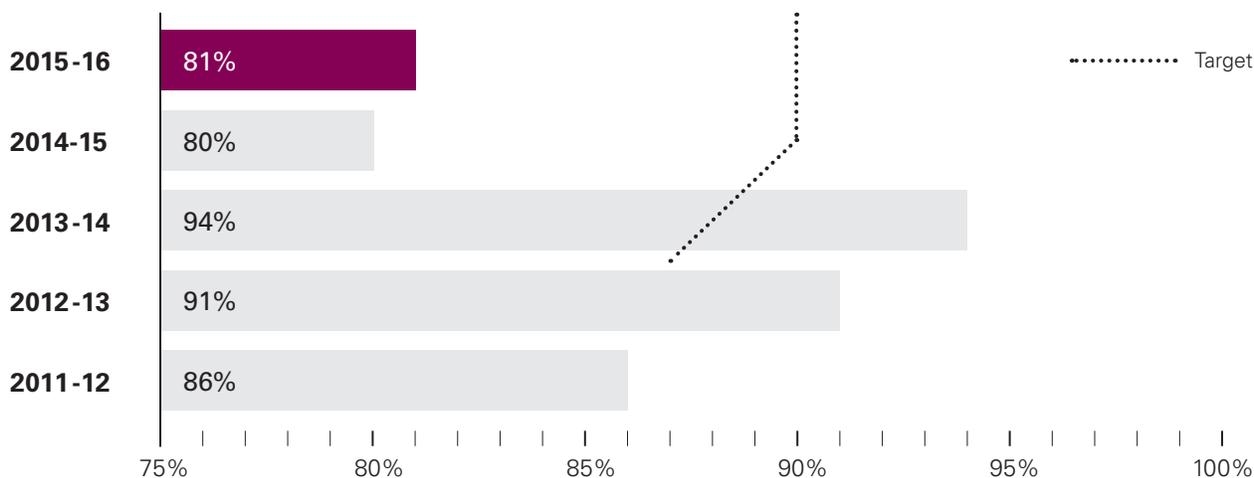
- There is a 95 percent certainty that the results are accurate to  $\pm 3.1$  percent.
- The 2014-15 survey questionnaire was reworded to align with the goals in the 2014-2017 AGLC Business Plan, as worded above: *awareness of prevention and harm reduction programs for problem gambling*. The results reported above for 2011-12 through 2013-14 are based on a survey question which asked respondents about their *awareness of prevention and treatment programs for problem gambling*. Therefore results may not be directly comparable to the target.

#### 6.d. Percentage of Albertans aware of prevention and harm reduction programs for problem drinking

In conjunction with our stakeholders, the AGLC works hard to promote the responsible sale, service and consumption of liquor in Alberta to reduce alcohol-related harms. By establishing partnerships, like the AGLC's partnership with Alberta Health Services to develop and distribute educational materials, we inform Albertans about the assistance available to those wanting help with their alcohol consumption. We asked Albertans if they have come into contact with this type of information. In 2015-16, 81 percent of Albertans indicated they are aware of prevention and harm reduction programs for problem drinking. This result is below the target of 90 percent.

To better reflect the role of the AGLC and capture feedback on areas where we have direct influence, the measure was reworded from 'treatment' to 'harm reduction' and from 'alcohol abuse' to 'problem drinking' for the 2014-15 survey. As there has been a decrease in public awareness of social responsibility related topics for the past two years, the AGLC has accepted that the wording change may have impacted the results. In future years, the AGLC will continue to monitor these results.

Detailed information on the Survey of Albertans is available on page 75.



**Source:** 2015-16 Survey of Albertans – NRG Research Group

**Notes:**

- There is a 95 percent certainty that the results are accurate to  $\pm 3.1$  percent.
- The 2014-15 survey questionnaire was reworded to align with the goals in the 2014-2017 AGLC Business Plan, as worded above: *awareness of prevention and harm reduction programs for problem drinking*. The results reported above for 2011-12 through 2013-14 are based on a survey question which asked respondents about their *awareness of prevention and treatment programs for problem drinking*. Therefore results may not be directly comparable to the target.

# Liquor

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Liquor is a core business of the AGLC. We work to sustain the long-term economic benefits of liquor in Alberta in a socially responsible manner.

Several of the AGLC's Business Plan goals relate directly to Alberta's liquor industry:

- **Goal 3: Consumer and Client Focused Culture**
- **Goal 4: Operational Effectiveness Improvement**
- **Goal 5: Continuous Service Evolution**

Our performance is measured based on these goals. Measuring performance helps set priorities and ensures that the province's liquor industry is managed in a way that reflects the views and values of Albertans.

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# Highlights



## New Liquor Agency Portal Launches

Providing good customer service is important to the AGLC and we continually make enhancements to our processes and systems in an effort to improve customer experiences. In 2015-16, we implemented the Liquor Agency Portal, or LAP, for liquor agencies. LAP is an online application that helps agencies to:

- Instantly register new suppliers
- Make large/multiple price changes
- Send electronic transfer of letters and forms to the AGLC

LAP has also improved communication between the AGLC and the liquor industry.

To ensure that LAP would meet the needs of our stakeholders, the AGLC worked with agency partners to create and test the functionality of LAP prior to launch. Throughout the process, their comments were carefully considered and incorporated into the final product where possible.

LAP has been well received by industry users and specific comments had been made regarding the time they save by using LAP, and about how easy the system is to use. The AGLC looks forward to continuing to work with agencies to refine LAP and to continue to enhance its functionality.



**86%** of liquor agents use the Liquor Agency Portal. Users indicated they like the ease of use, efficiency, features, convenience and accuracy of the service.



## Award Winning Craft Beer

We provided opportunities for manufacturers... and they took those opportunities and turned them into extraordinary results.

Troubled Monk Brewery, one of Alberta's newest small manufacturers located in Red Deer, won a silver award at the 2016 World Beer Cup for their Open Road American Brown Ale.

Considered the 'Olympics of Beer', the World Beer Cup is an international beer competition held every second year that evaluates some of the best brews on the planet. This year there were over 6,550 entries by over 1,900 breweries from 55 countries. Winners were selected by a judging panel of 253 judges from 31 countries.

Troubled Monk co-founders Charlie and Graeme Bredo, together with brewmaster Garret Haynes, were up against 80 other entries in the American-Style Brown Ale category before scoring the silver for Open Road. Garret Haynes also happens to be a graduate of the Olds College Brewmaster and Brewery Operations Management program which is a first of its kind diploma program in western Canada.

**Congratulations Troubled Monk!**



The AGLC is always looking for ways to support Alberta's liquor industry. As a result of the recommendations made in the Class E (Manufacturer) Liquor Licence Review, the AGLC removed the minimum production requirements for manufacturers in 2013. Since then, the number of small manufacturers producing in Alberta increased from 31 to 51 as of March 31, 2016 and it continues to grow.



## **Liquor Distribution Centre Under Construction**

AGLC's new liquor distribution centre is currently under construction.

By building the new liquor distribution facility, the AGLC will be able to accommodate both current and future product volumes, while minimizing the need for leasing additional space. The design concept of the new facility will take into consideration future expansion to allow the facility to grow as required by the market conditions (i.e., product volume increases).

The new distribution centre will allow for the most efficient and economical handling of liquor products in the future. Upon completion, the facility will be approximately 546,000 square-feet, with 470,000 square-feet of warehouse space. It will serve as the province's main distribution centre for spirits, wine and imported beer.

It will be located in St. Albert, southeast of the Apex Casino on about 55 acres of land adjacent to Anthony Henday Drive.

Construction is expected to be completed in late 2017.

# Key Facts – Liquor

## Liquor Licences

The AGLC issues licences to companies and individuals for the sale and service of liquor. There were 8,764 liquor licences in effect on March 31, 2016, excluding special event licences. This is a 1.6 percent increase in licences in effect compared to the previous year.

<b>Liquor Licences by Class (as at March 31, 2016)</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>
Class A (open to the public)	<b>5,240</b>	5,172	5,099	5,067	5,094
Class B (facilities where people pay an entrance fee or buy a ticket)	<b>622</b>	597	567	554	542
Class C (private clubs)	<b>785</b>	796	798	795	793
Class D (retail outlets that sell liquor for off-premises consumption)*	<b>2,065</b>	2,024	1,990	1,978	1,960
Class E (liquor manufacturers)	<b>52</b>	38	34	30	26
<b>Total</b>	<b>8,764</b>	8,627	8,488	8,424	8,415

\* Includes private retail liquor stores, general merchandise liquor stores, off-sales, manufacturers' off-sales, (for example, cottage wineries), delivery services, sacramental wine providers and commercial caterers.

## Special Event Licences

Special event licences allow the holder to serve liquor at a public or private function (for example, at a wedding reception in a community hall). The licence holder may be an individual, non-profit organization, company or municipality. These licences are not required for functions held at private residences unless liquor is sold at the function.

Special event licences may be obtained from retail liquor stores, general merchandise liquor stores, general off-sales rooms or the AGLC offices in St. Albert, Calgary, Grande Prairie, Red Deer and Lethbridge.

For private functions or public events where liquor is to be sold, a special event licence is required. In 2015-16, a total of 1,346 public resale and 237 private resale licences were issued by the AGLC.

## Liquor products available (as at March 31, 2016)

Under Alberta's private liquor retail model, market demand determines which products are available to consumers. Over 2,000 liquor retailers offer a wide choice and excellent access to liquor products province-wide. Consumers in Alberta have unparalleled choice in liquor products with over 21,000 spirits, wines, beers, coolers and ciders to choose from.

Liquor Products Available	2015-16	2014-15	2013-14	2012-13	2011-12
Spirits	4,273	3,898	3,716	3,310	3,001
Wine	13,458	12,764	12,321	12,054	11,407
Coolers/Cider	553	445	389	361	367
Beer	3,509	2,998	2,356	2,193	1,672
<b>Total</b>	<b>21,793</b>	20,105	18,782	17,918	16,447

Liquor Sales by Type (\$ thousands)	2015-16	2014-15	2013-14	2012-13	2011-12
Spirits	763,792	744,795	722,705	713,910	663,656
Wine	601,670	565,672	516,528	494,658	450,746
Coolers/Cider	141,639	126,523	108,473	89,533	75,156
Beer	1,127,155	1,103,274	1,055,008	1,002,560	959,647
<b>Total</b>	<b>2,634,256</b>	2,540,264	2,402,714	2,300,661	2,149,205

Liquor Sales by Volume (in hectolitres, hL)	2015-16	2014-15	2013-14	2012-13	2011-12
Spirits	278,574	275,819	270,242	271,571	255,396
Wine	453,192	436,077	402,732	389,045	363,789
Coolers/Cider	291,593	273,018	239,205	198,616	167,263
Beer	2,756,429	2,817,285	2,772,402	2,742,474	2,720,865
<b>Total</b>	<b>3,779,788</b>	3,802,199	3,684,581	3,601,706	3,507,313



### What is a hectolitre?

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

# Measuring Performance – Liquor

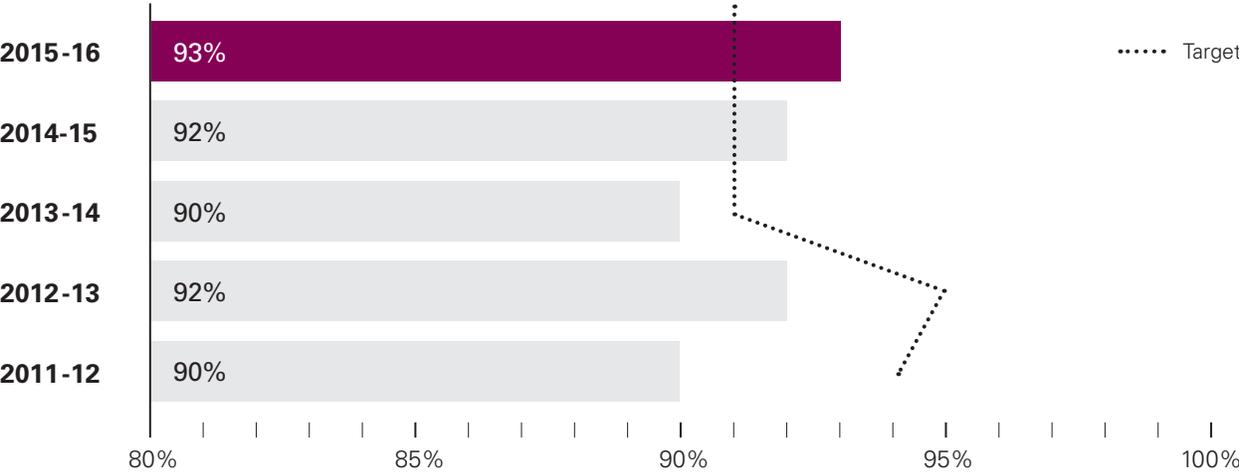


## AGLC Goal 3: Consumer and Client Focused Culture

### 3.d. Percentage of Albertans satisfied that liquor is provided in a responsible manner

The AGLC places significant emphasis on working with our stakeholders, licensees and partners to encourage actions that ensure liquor is provided in a socially responsible manner. We use this performance measure to gauge progress related to this goal. In 2015-16, 93 percent of Albertans indicated they were satisfied that liquor was provided in a responsible manner. This exceeds the target of 91 percent, and represents a high level of satisfaction among Albertans.

Detailed information on the Survey of Albertans is available on page 75.



Source: 2015-16 Survey of Albertans – NRG Research Group

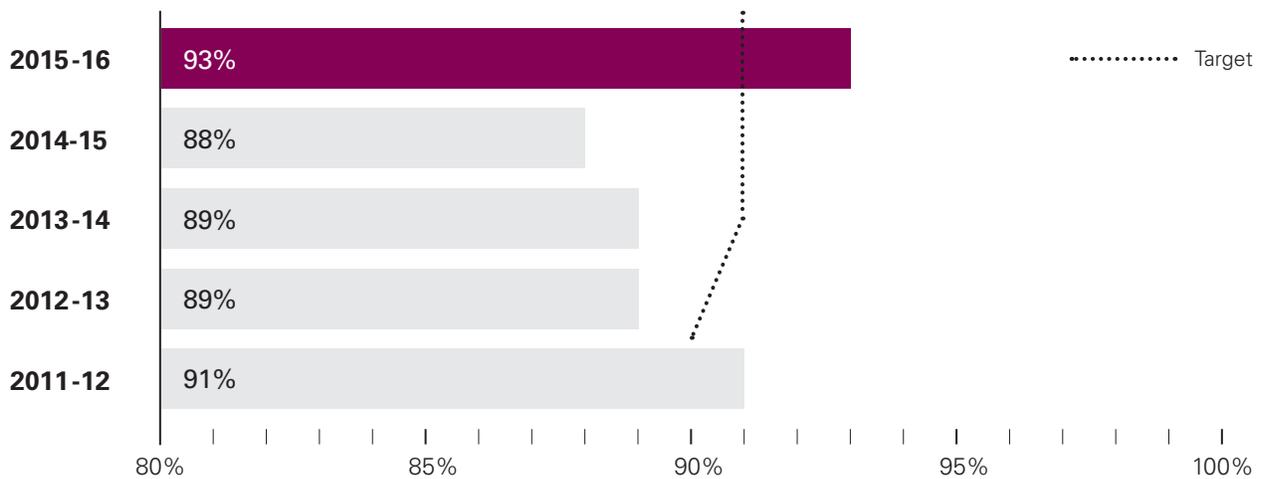
Note: There is a 95 percent certainty that the results are accurate to ± 3.1 percent.

### 3.e. Percentage of Albertans satisfied with the safety and security in and around licensed liquor premises

The AGLC works hard to address the causes and impacts of violence in and around licensed premises and, in conjunction with the Alberta Safer Bars Council and licensees, works towards improving safety in these premises. We asked Albertans how satisfied they are with safety and security in and around licensed premises. This survey question was directed at individuals who purchased liquor at licensed premises, which are considered to be a liquor store, restaurant, lounge or bar. In 2015-16, 93 percent of Albertans were satisfied with the safety and security in and around licensed premises.

This result represents a high level of satisfaction and exceeds the target of 91 percent.

Detailed information on the Survey of Albertans is available on page 75.



**Source:** 2015-16 Survey of Albertans – NRG Research Group

**Note:** There is a 95 percent certainty that the results are accurate to  $\pm 3.1$  percent.

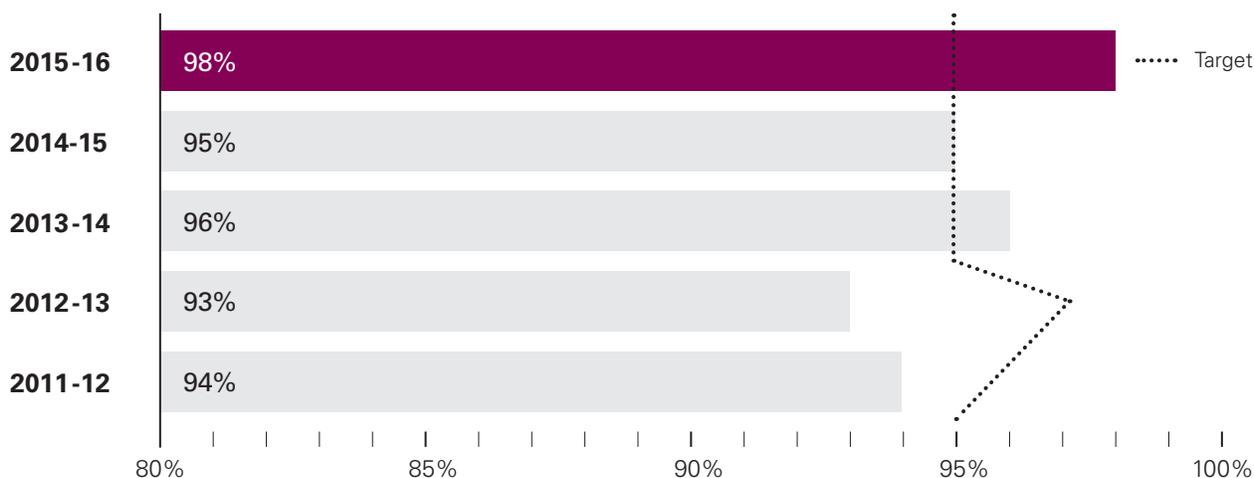
#### 4.b. Percentage of liquor licensees who comply with legislation, regulation and policy

The *Gaming and Liquor Act*, Gaming and Liquor Regulation and AGLC policies describe the responsibilities of liquor licensees. The AGLC conducts regular inspections of licensed premises, investigations and audits to ensure that liquor licensees meet their obligations. A liquor licensee may be issued an administrative sanction if an infraction is identified during an inspection. Infractions include but are not limited to:

1. Failing to request proof of age from a patron who appears to be under 25 years of age;
2. Selling liquor to minors or allowing minors in age-restricted facilities;
3. Serving liquor to intoxicated patrons;
4. Serving liquor after hours; and
5. Failing to provide proper supervision and control (e.g. not having enough staff on duty and/or employing staff not properly trained to deal with situations that might occur in licensed premises).

The type of disciplinary action depends on the type and severity of the infraction, as well as prior history and can include a warning or monetary sanction or the suspension or cancellation of a licence. A licensee may request a hearing before the AGLC Board to appeal the administrative sanctions imposed.

In 2015-16, 90 percent of liquor licensees were inspected and 98 percent complied with legislation, regulation and policy. This result exceeds the target of 95 percent and the results achieved in previous years.



**Source:** Stakeholder Database. Report generated using the AGLC Regulatory Integrity Compliance and Education (RICE) system.

**Notes:**

- Caution is advised in the interpretation of the results as there are factors outside of AGLC's control that contribute to the overall compliance rate.
- Cautions (verbal warnings) are not included in the results.

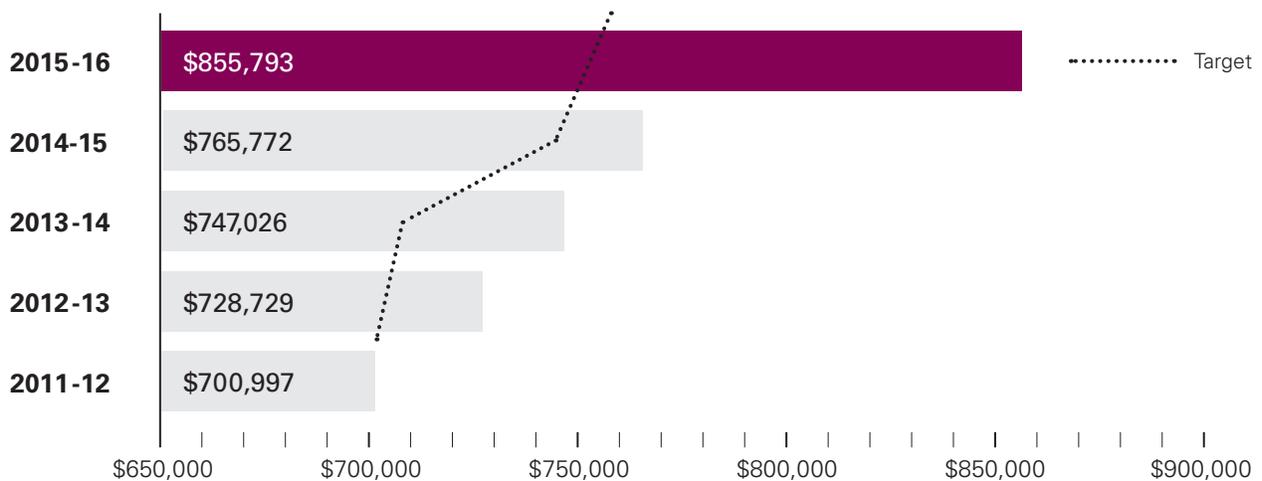


## AGLC Goal 5: Continuous Service Evolution

### 5.b. Liquor and other net operating results (thousands of dollars)

Under Alberta's privatized liquor model, suppliers or their agencies register liquor products with the AGLC and set a price that reflects the cost of the product. This cost includes the cost of manufacturing the product, costs associated with marketing and promotion, costs associated with transportation to the warehouse, warehousing costs and a profit margin. The AGLC then adds federal customs and excise duties (as applicable), provincial mark-up, container deposit, recycling fees and GST to the agency's cost price. This forms the wholesale price at which the AGLC sells liquor to licensees. In 2015-16, the AGLC's liquor sales were \$2.6 billion.

The AGLC's cost of product was nearly \$1.8 billion in 2015-16. Our liquor-related operating costs were \$34.9 million, leaving \$837.3 million which, along with \$18.5 million collected for licences, administrative sanctions and other charges, yields net operating results of \$855.8 million. This net operating result is dedicated for transfer to the Government of Alberta's General Revenue Fund (GRF); a transfer of \$830.0 million was made in 2015-16.



Source: AGLC Audited Financial Statements: Note 12

#### Notes:

- This performance measure was first introduced in 2012-13; therefore, there are no targets for prior years.
- Since 2010-11, accounting has been based on International Financial Reporting Standards

# Gaming

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Gaming is a core business of the AGLC. We provide Albertans with a wide variety of entertaining gaming products and the tools required to participate in gambling activities in a healthy manner.

We conduct and manage provincial lotteries, including video lottery terminals (vlts), slot machines in casinos and Racing Entertainment Centres (RECs), ticket lotteries and electronic bingo in licensed bingo facilities.

Several of the AGLC's Business Plan goals relate directly to gaming in Alberta:

- **Goal 3: Consumer and Client Focused Culture**
- **Goal 5: Continuous Service Evolution**

Our performance is measured based on these goals. Measuring performance helps set priorities and ensures that the province's gaming industry is managed in a way that reflects the views and values of Albertans.

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# Highlights



## Establishment of an Anti-Money Laundering (AML) Regime

As of July 1, 2015, the AGLC is the designated reporting entity for all gaming activities within casinos and Racing Entertainment Centres in Alberta. This required the AGLC to establish and maintain an anti-money laundering program that complies with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, associated Regulations and the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) guidelines. An AML unit was established within the Investigations Branch of the Regulatory Services Division to carry out the responsibility for managing and administering the program.

The purpose of this comprehensive program is to detect and deter money laundering activities within gaming facilities. The development of the AML Program required the following components:

Appointment of a Compliance Officer	Establishment of AML regulatory policies and compliance procedures	Implementation of a risk assessment process
Documentation and implementation of mitigation measures to address identified risks	Implementation of a business relationship and facility specific risk management process	Development of an ongoing compliance training program for identified internal and external stakeholders
Implementation of ongoing compliance reviews/audits		Development of AML reporting software

## Key Facts – Gaming

The AGLC conducts and manages provincial lotteries including video lottery terminals (vlts), casino gaming terminals in casinos and Racing Entertainment Centres (RECs), ticket lotteries and electronic bingo in licensed bingo facilities. We do so by:

- supplying and maintaining electronic gaming equipment;
- ensuring the security and integrity of all electronic gaming equipment, and
- conducting regular audits to maintain the financial integrity of the gaming industry.

These activities are provided by independent retailers, private operators and bingo associations under retailer agreements with the AGLC.

### Electronic Gaming

#### Casino Gaming Terminals

There were 14,136 casino gaming terminals located in casinos and Racing Entertainment Centres (RECs) across Alberta as of March 31, 2016. There has been an increase in the number of casino gaming terminals at Racing Entertainment Centres due to the opening of Century Downs Racetrack & Casino in April 2015.

	2015-16	2014-15	2013-14	2012-13	2011-12
Casinos					
Edmonton	4,543	4,527	4,528	4,532	4,492
Calgary	4,601	4,616	4,502	4,387	4,474
Other	3,688	3,683	3,688	3,606	3,504
Racing Entertainment Centres	1,304	759	765	835	835
<b>Total</b>	<b>14,136</b>	<b>13,585</b>	<b>13,483</b>	<b>13,360</b>	<b>13,305</b>

#### Video Lottery Terminals

As of March 31, 2016 there were 895 vlt locations in Alberta. The number of vlt units in the province is capped at 6,000 in the vlt distributed network (bars, pubs, Gaming Entertainment Centres (GECs)). In Alberta, vlt retailers have between 2 and 10 vlt units per location, while GECs, which have higher facility standards, may have up to 30 vlts. On March 31, 2016, GECs represented 74 of the 895 active vlt locations.

There were 5,956 vlts active and operating on March 31, 2016.

	2015-16	2014-15	2013-14	2012-13	2011-12
Number of operating vlts	5,956	5,837	5,989	5,976	5,991
vlt retail locations	895	884	903	903	968
GECs (including in the total number of retail locations above)	74	74	78	79	78

### vlt Revenue 2015-16

vlts are programmed to payout, on average, 92 percent of all credits wagered. Ultimately, what players walk away with in winnings (cash) depends on their behaviour (how long they played or how much money they put in).

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

Credits (\$ thousands)		Cash (\$ thousands)	
Credits Played	7,953,051	Cash In	2,501,351
Credits Won (Prizes)	7,322,505	Cash Out	1,870,805
Revenue	630,546	Revenue	630,546
Payout Percentage: Credits Won/Credits Played	92%	Cashout Percentage: Cash Out/Cash In	75%

### Ticket Lottery

There were 2,722 Lottery Ticket Centres operating in Alberta on March 31, 2016.

	2015-16	2014-15	2013-14	2012-13	2011-12
Number of Lottery Ticket Centres	2,722	2,677	2,650	2,641	2,611

Lottery ticket centres in Alberta provide lottery products that are made available from the Western Canada Lottery Corporation (WCLC). Examples include LOTTO 6/49, Western 6/49, LOTTO Max and Scratch 'N Win tickets. More information about lottery ticket products can be found at [www.wclc.com](http://www.wclc.com).

## Keno

Albertans were able to play Keno at 12 bingo halls, 20 casinos and 51 Gaming Entertainment Centres (GECs) in 2015-16.

	2015-16	2014-15	2013-14	2012-13	2011-12
Bingo halls offering Keno	12	12	12	13	17
Casinos and RECs offering Keno	20	19	18	18	18
GECs offering Keno	51	51	52	52	53
<b>Total</b>	<b>83</b>	82	82	83	88

# Measuring Performance – Gaming

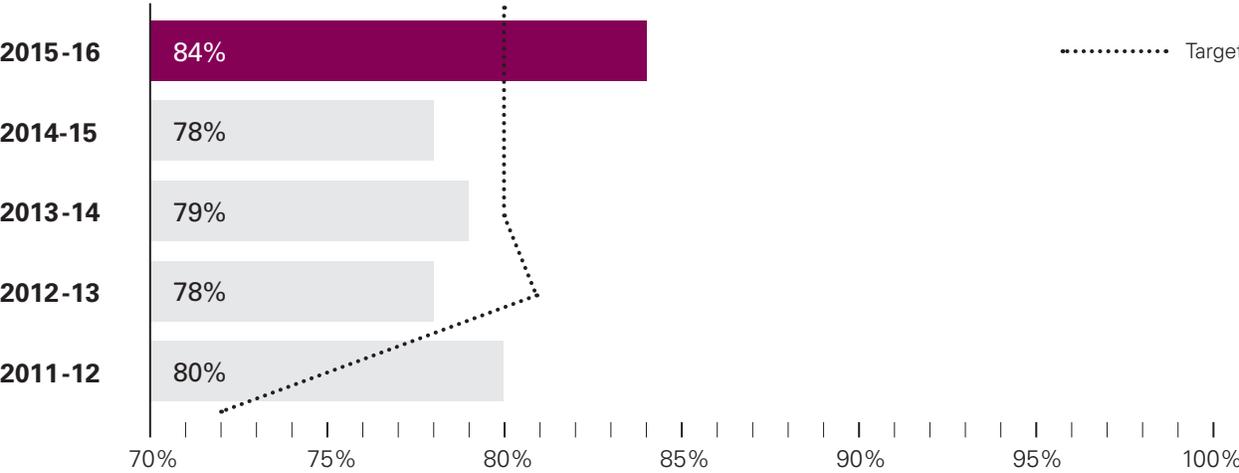


## AGLC Goal 3: Consumer and Client Focused Culture

### 3.a. Percentage of Albertans satisfied with the availability of gaming products and services

To ensure gaming sustainability while providing and protecting Albertans’ choices, we continuously strive to strike a balance between social responsibility and economic benefit. Monitoring Albertans’ satisfaction with the availability of gaming products and services is one of the ways that the AGLC ensures that balance. In 2015-16, 84 percent of Albertans were satisfied with the availability of gaming products and services. This result exceeds the results obtained in the past four years and the target of 80 percent.

Detailed information on the Survey of Albertans is available on page 75.



Source: 2015-16 Survey of Albertans – NRG Research Group

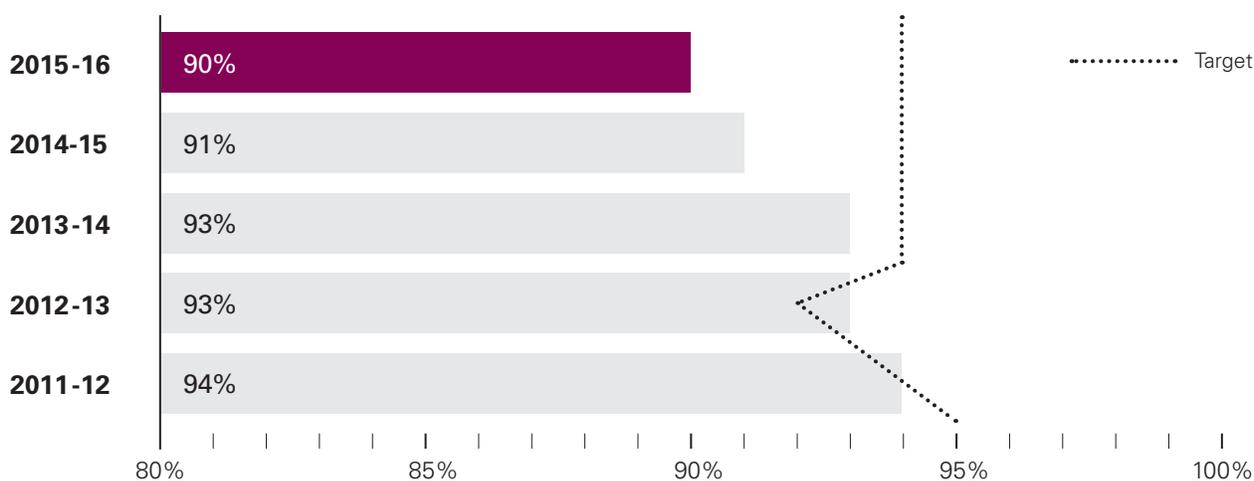
Note: There is a 95 percent certainty that the results are accurate to ± 3.1 percent.

### 3.b. Percentage of Albertans satisfied that the gaming activities they participate in are provided fairly and responsibly

The AGLC oversees the conduct of legal gaming in Alberta. Albertans expect that gaming activities are carried out fairly and responsibly. We place significant emphasis on working with our stakeholders, licensees and partners to ensure that Albertans' gaming experiences are consistent with these expectations.

We survey Albertans about their gaming experiences each year. Among those Albertans who played bingos, pull-tickets, video lottery terminals (vlts), casino gaming terminals, table games or participated in raffles or ticket lotteries, 90 percent expressed satisfaction that the gaming activity they participated in was provided fairly and responsibly. This result is below the target of 94 percent.

Detailed information on the Survey of Albertans is available on page 75.



Source: 2015-16 Survey of Albertans – NRG Research Group

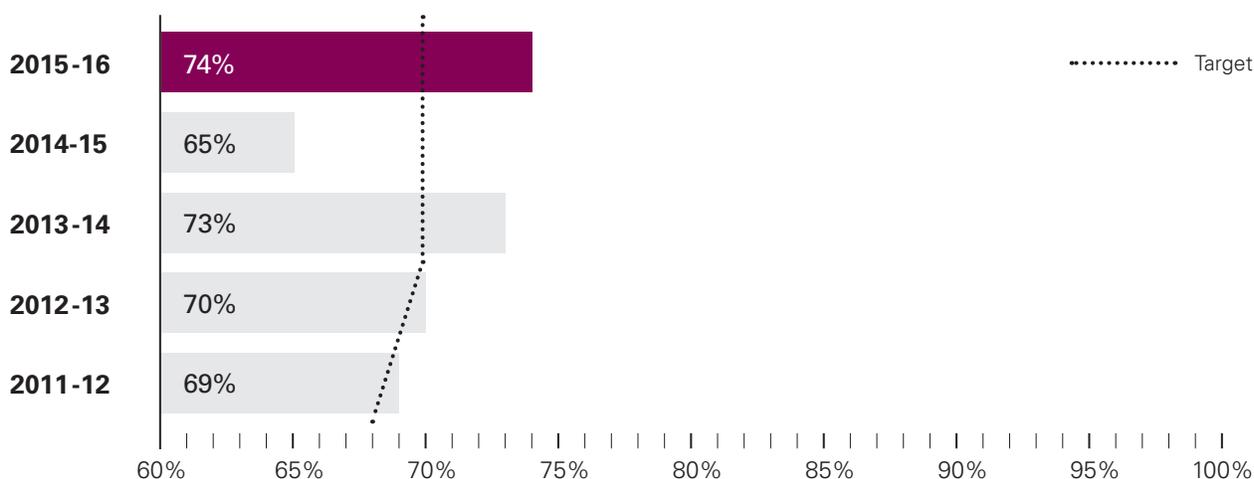
#### Notes:

- There is a 95 percent certainty that the results are accurate to  $\pm 3.1$  percent.
- The results for 2011-12 and prior were based on results for the following gaming activities: bingos; raffles, including small raffles or larger raffles benefiting things like hospitals; pull-tickets, break-opens or Nevada tickets; video lottery terminal or vlt games in bars or lounges or casinos; slot machine games in casinos or racetracks; table games, for example blackjack and roulette at casinos; and lottery tickets, for example Lotto 6/49, LottoMax, scratch and instant win tickets or Sport Select.
- Since 2012-13, the activities were refined to include poker at casinos and lottery tickets were categorized as: Scratch N' Win, Sport Select or other games (like Lotto 6/49 and LottoMax).
- The results are based on a survey question which asked respondents about their satisfaction that the gaming activity they participated in was provided fairly and in a responsible manner.

### 3.c. Percentage of Albertans satisfied that licensed gaming venues are safe and responsible environments in which to gamble

In conjunction with our stakeholders, we work hard to ensure licensed gaming facilities in Alberta are safe and responsible environments. In 2015-16, as part of our yearly Survey of Albertans, 74 percent of Albertans said they were satisfied that licensed gaming venues were safe and responsible environments in which to gamble. This result exceeds the target of 70 percent that was set for 2015-16.

Detailed information on the Survey of Albertans is available on page 75.



**Source:** 2015-16 Survey of Albertans – NRG Research Group

**Notes:**

- There was a tragic incident at the Apex Casino in St. Albert in January 2015 which may have increased attention on the security policies and procedures at casinos in Alberta; responses to this survey question may have been influenced by this incident. The AGLC works closely with gaming operators to ensure the integrity of the gaming environment and the safety of volunteers, patrons and staff.
- There is a 95 percent certainty that the results are accurate to  $\pm 3.1$  percent.
- The results are based on an index of two questions: "How satisfied are you that (Location) are a safe environment in which to gamble?" and "How satisfied are you that (Location) are a responsible environment in which to gamble?" Locations were: licensed bingo facilities, casino, bars and lounges and Racing Entertainment Centres (RECs).



## AGLC Goal 5: Continuous Service Evolution

### 5.a. Gaming net operating results (thousands of dollars)

Under the Criminal Code (Canada), we are responsible for conducting and managing ticket lotteries (through the Western Canada Lottery Corporation (WCLC)) and all electronic gaming devices (casino gaming terminals, video lottery terminals and electronic bingo) in Alberta. These activities are provided by independent retailers, private operators and bingo associations through retailer agreements. The AGLC supplies and maintains the electronic equipment used for vlts, casino gaming terminals and electronic bingo and maintains WCLC ticket lottery equipment.

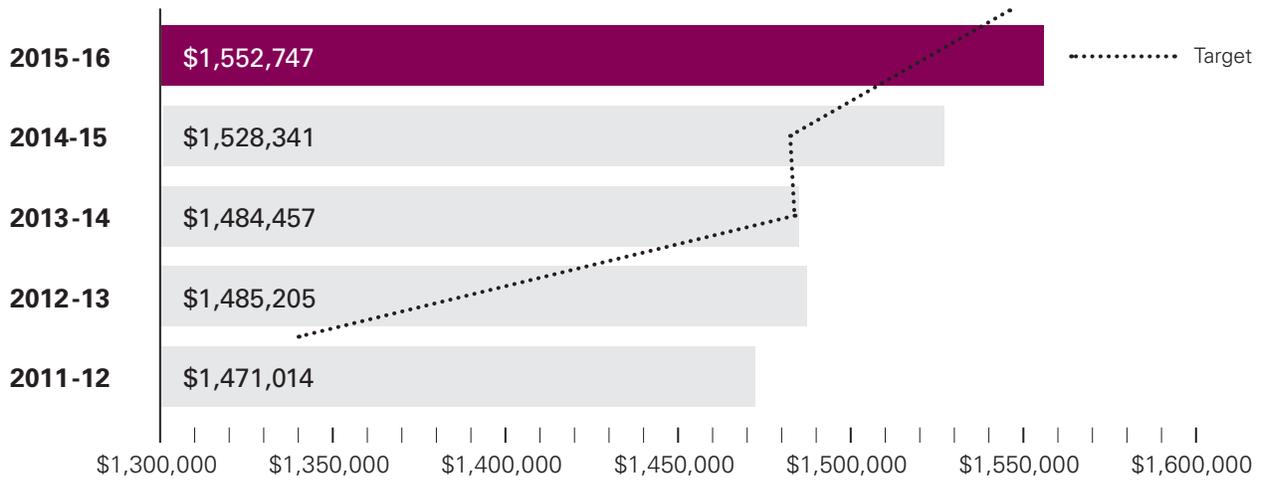
In 2015-16, revenue from video lottery terminals (vlts), casino gaming terminals and electronic bingo was \$1.8 billion, compared to \$1.9 billion in the previous year. Of this amount, the AGLC paid commissions to operators and charities along with payments to the federal government and our gaming-related operating costs. The income from WCLC for ticket lottery in Alberta was also included in the net operating result of nearly \$1.6 billion. This net operating result is dedicated for transfer to the Alberta Lottery Fund to support thousands of volunteer, public and community-based initiatives in ways that enhance the quality of life for all Albertans; a transfer of \$1.6 billion was made in 2015-16.

<b>Gaming Net Operating Results (\$ thousands)</b>				<b>2015-16</b>	<b>2014-15</b>
	<b>Casino Gaming Terminals</b>	<b>Video Lottery Terminals (vlts)</b>	<b>Electronic Bingo</b>	<b>Total</b>	<b>Total</b>
Credits played <sup>a</sup>	16,023,973	7,953,051	31,488	24,008,512	24,616,269
Credits won <sup>b</sup>	(14,816,670)	(7,322,505)	(20,124)	(22,159,299)	(22,710,667)
Revenue	1,207,303	630,546	11,364	1,849,213	1,905,602
Commissions/Federal Payments	(355,065)	(100,075)	(3,703)	(458,843)	(475,501)
Net Revenue	852,238	530,471	7,661	1,390,370	1,430,101
Expenses				(189,379)	(188,786)
Gain (Loss) on Disposal of Assets				(436)	1,704
Income from Ticket Lottery (WCLC)				352,192	285,322
<b>Net Operating Results</b>				<b>1,552,747</b>	<b>1,528,341</b>

a. Credits played are either credits played (casino gaming terminals and vlts) or cash spent (electronic bingo).

b. Credits won are either credits won (casino gaming terminals and vlts) or cash received or prizes won (electronic bingo).

Gaming net operating results were slightly higher than the previous year and exceeded the stated target.



Source: AGLC Audited Financial Statements: Note 12

**Notes:**

- Gaming net operating results is gaming revenue, less commissions and federal payments, less gaming-related operating expenses, plus gaming-related other revenue, plus income from the WCLC.
- This performance measure was introduced in 2012-13; therefore, there are no targets for prior years.

# Charitable Gaming

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The AGLC is responsible for protecting the integrity and maintaining the accountability of Alberta's gaming activities, including charitable gaming events. The 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.

The AGLC is dedicated to ensuring integrity in charitable gaming events, so that Alberta's gaming model can continue to deliver benefits to thousands of eligible organizations that positively impact communities across Alberta each year.

One of the AGLC's Business Plan goals relate directly to charitable gaming in Alberta:

- **Goal 4: Operational Effectiveness Improvement**

Our performance is measured based on this goal. Measuring performance helps set priorities and ensures that the province's gaming industry is managed in a way that reflects the views and values of Albertans.

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# Highlights



## Game On

**AGLC's unique charitable gaming model helps thousands of charities carry out important work across the province.**

Liz O'Neill is aware how many kids would have been denied vital programs and services through the Boys & Girls Clubs Big Brothers Big Sisters of Edmonton & Area (BGCBig) if not for the province's charitable gaming model.

In fact, since the not-for-profit organization responsible for supporting 5,000 Edmonton-area children through its mentoring, summer camps and in-school tutoring programs first started holding casinos 35 years ago, BGCBig has raised \$12 million, which it has directly invested into programs and facilities for kids.

The organization received one of over 16,000 licences issued last year across the province as part of Alberta's charitable gaming model administered by the AGLC. In compliance with the *Criminal Code* (Canada), the *Gaming and Liquor Act* and Regulation and AGLC policies, eligible religious and charitable organizations like BGCBig are licensed to conduct and manage casino table games and bingo, raffle or pull ticket events to earn revenue for their organizations.

Charities that conduct licensed gaming events are allowed to keep all the proceeds they earn after expenses and prizes.

For this opportunity, especially having the ability to hold casinos and raffles, staff at BGCBig are grateful. "One of the great things about the Alberta Gaming and Liquor Commission is that the money is allocated directly to service for kids," explains O'Neill, the agency's executive director. "That means we are allowed to spend those dollars on staff who work directly with children and on infrastructure costs – like buildings, lights, parking lots – the kinds of assets that are needed for young people to come together."

“They allow us to use the money for children’s summer camps so that we can provide 9 a.m. to 5 p.m. programming. They also let us use the money so that we can rent vans to transport children to the campsites,” explains O’Neill. Like many other Alberta groups, money raised via charitable gaming accounts for a hefty portion of BGCBig’s coffers – amounting to roughly 20 percent of its \$6.4-million annual revenue. The organization, which has approximately 3,200 volunteers, also holds a Dream Home Lottery raffle every year.



“I am very proud of Alberta’s charitable gaming model,” says Bill Robinson, AGLC president and CEO. “It’s unlike anything else offered in Canada, enabling charitable and religious groups to benefit directly from gaming activities. From selling 50/50 tickets at hockey games to holding raffles for dream homes, charities dedicate countless volunteer hours to gaming activities so that they can use the revenue to continue doing great work in Alberta communities.”

One thing O’Neill appreciates is the ease with which charities can operate scheduled gaming events with support from the AGLC. “These people have our backs,” she says. “They look out for us and we have had a wonderful relationship with the AGLC. They are open to hearing from the charitable sector.”





## Charitable Gaming Benefits in Host First Nation Communities

The utilization of gaming proceeds has a meaningful impact in First Nations communities across Alberta, from childcare programs, to housing and shelter developments. There are five Host First Nations (HFN) casinos that follow the Host First Nation Charitable Casino Policy Handbook. The policies require that the HFN casinos be located on reserve land and use gaming proceeds on charitable and religious activities. These casinos operate one host charity year-round and meet eligibility requirements for casino event licences. An additional benefit is the employment of individuals on a year-round basis to meet the requirements of the licensed events.

The policies for the use of proceeds by Alberta's HFN charities are largely the same as those for traditional charities, with the exception that HFN charities are not subject to pooling of charitable casino revenues. As each HFN charity is the only charitable group conducting events at their respective casino, the charity receives table game proceeds directly after each one-day event and receives a commission from the casino gaming terminals.

In recognition of unique HFN community needs, HFN policies provide more allowance for the investment of charitable proceeds in areas such as on-reserve housing, cultural events, infrastructure, Elders and Youth development, and addictions and aftercare treatment.

Some specific examples of how the HFN communities have benefited from charitable gaming proceeds are:

- Support for education through on-reserve elementary and high schools, as well as support for post-secondary education. A school lunch program is offered at some of these schools.
- Housing support in some communities has helped build new homes and provided significant upgrades to existing houses.
- Daycare is available on the Nations that provide child care for community members.

- Development of teaching materials and current technology to teach the community their traditional language, including the development of an app to ensure that traditional language is not lost.
- Addictions, treatment and aftercare programs can be funded with charitable gaming proceeds. One HFN has a “Spirit Healing Lodge” on the Nation which is a community intervention, support and aftercare program.
- One HFN community has a Men’s Shelter that is not only a place for the homeless to stay but it also addresses the many barriers that individuals face in their lives.

## Key Facts – Charitable Gaming

Each year, thousands of charities and religious groups across the province volunteer their time conducting casino table games and bingos, selling pull tickets and holding raffles – activities that contribute valuable dollars to making a difference in Alberta’s communities. The AGLC is responsible for protecting the integrity and maintaining the accountability of all gaming activities in Alberta, including charitable gaming events.

The Gaming Information for Charitable Groups (GAIN) program was designed to assist volunteers of eligible charitable and religious organizations to gain a better understanding of the responsibilities and requirements of conducting gaming events (casinos, bingos, raffles and pull tickets). All sessions are voluntary and provide information about eligibility, the licence application process, use of gaming proceeds and financial reporting requirements.

In 2015-16 GAIN program facilitators provided 143 sessions in 46 communities to over 2,100 participants. The GAIN online program assisted 235 individuals from 228 different organizations. For more information about the GAIN program, visit [gain.aglc.ca](http://gain.aglc.ca).

### What is Charitable?

The *Criminal Code* (Canada) requires that groups participating in charitable gaming are charitable or religious in nature and that the proceeds be directed to charitable or religious purposes. The AGLC determines which groups may be eligible for gaming licences and how they may use gaming proceeds. In general, to determine what constitutes a charitable or religious object or purpose, these four criteria are used:

- Relief of poverty;
- Advancement of education;
- Advancement of religion; and
- Other purposes beneficial to the community.

Eligible groups must also have a broad-based volunteer membership, a democratically chosen executive, and unpaid members and directors. Charitable and religious groups must also demonstrate that they offer programs that benefit the broader community, and not the self-interest of group members.

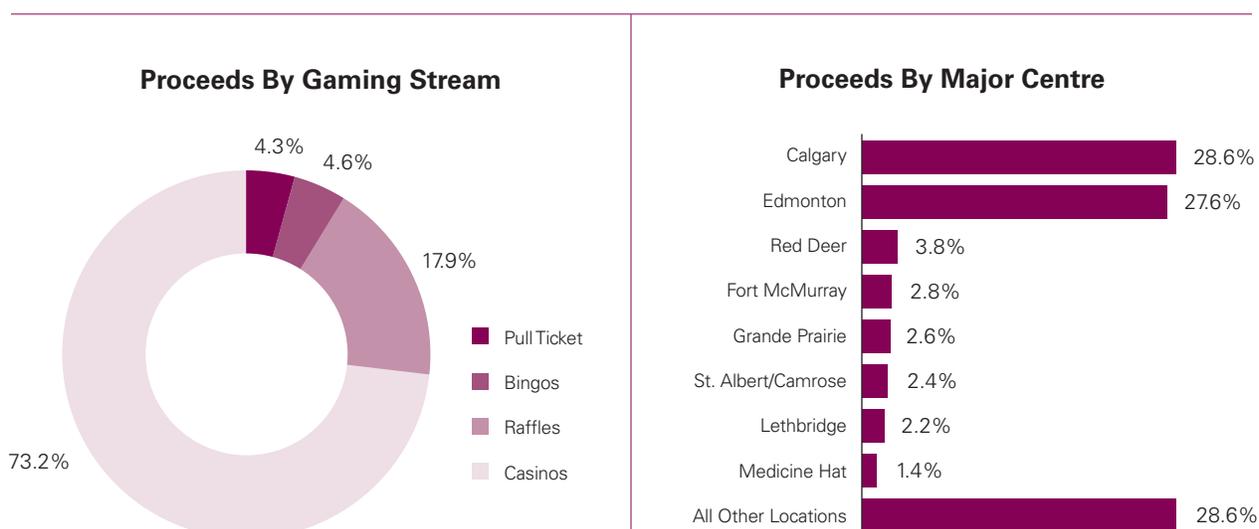
## Charitable Gaming Summary

In 2015-16, 16,802 charitable gaming licences were issued generating over \$352.5 million in proceeds. Host First Nations data is also included in the table below.

	2015-16							2014-15	
	Charity Licences <sup>1</sup>	Total Gross (\$ '000)	Prizes/ Winnings (\$ '000)	Expenses <sup>2</sup> (\$ '000)	Electronic Gaming Proceeds (\$ '000)	Keno Proceeds (\$ '000)	Proceeds to Charity (\$ '000)	Charity Licences <sup>1</sup>	Proceeds to Charity (\$ '000)
Casinos	3,463	1,305,750	1,052,324	162,571	167,320	30	258,205	3,446	263,956
Raffles <sup>3</sup>	12,013	162,954	65,278	34,494	-	-	63,181	11,874	48,668
Pull Tickets <sup>4</sup>	322	89,283	62,790	11,512	-	-	14,981	334	16,993
Bingos <sup>5</sup>	1,004	121,232	78,893	34,297	7,866	262	16,170	1,040	12,690
<b>Total</b>	<b>16,802</b>	<b>1,679,219</b>	<b>1,259,285</b>	<b>242,874</b>	<b>175,186</b>	<b>292</b>	<b>352,537</b>	<b>16,694</b>	<b>342,307</b>

### Notes:

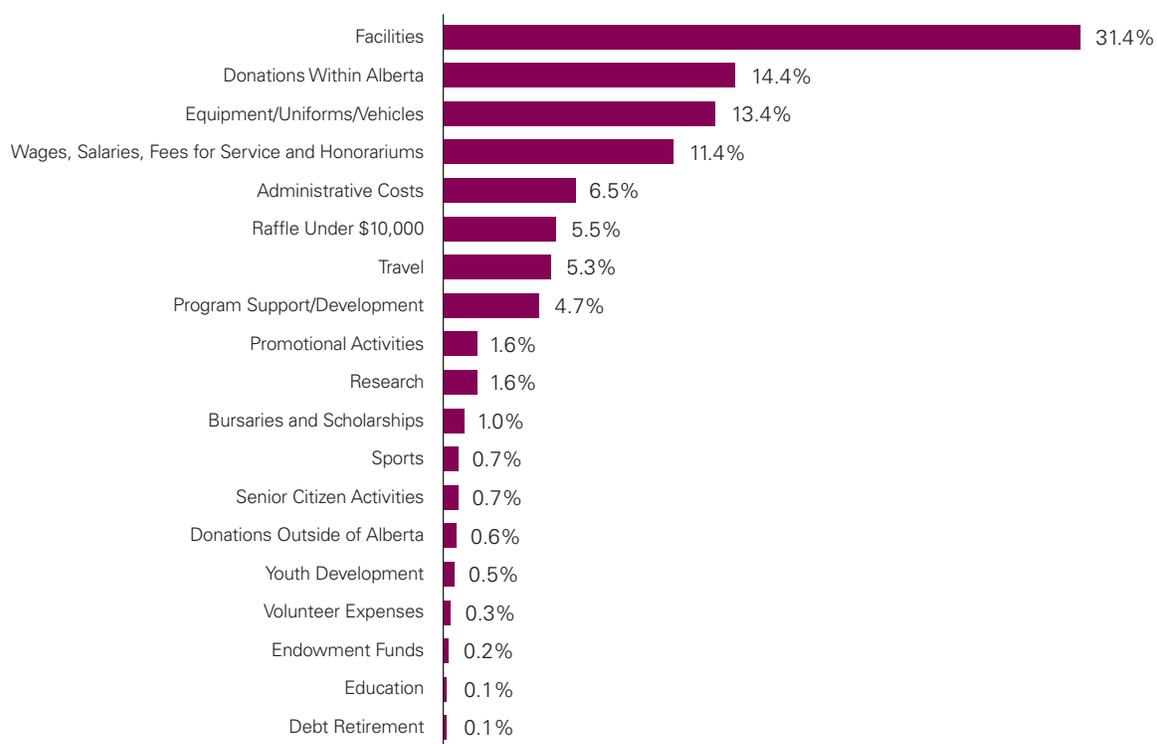
1. Bingo and pull-ticket licences are generally in effect for two years. Licences for casinos and raffles are generally for a single event.
2. Expenses include fixed fees/event expenses (including licence fees), pool expenses and electronic bingo net sales (sales less prizes). After program expenses are paid, electronic bingo net sales are returned to charities in the electronic gaming proceeds column and proceeds to charity columns.
3. Includes prior year information for raffles with gross sales over \$10,000 and current year information for raffles with gross sales under \$10,000.
4. Includes current year information for pull-tickets sold at licensed bingo facilities and prior year information for pull-tickets sold at all other locations.
5. 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.



## Use of Proceeds by Charitable Groups

Proceeds raised from charitable gaming activities must be used for approved charitable or religious purposes. These proceeds help support thousands of programs and services provided by charities to their communities. The following chart summarizes how charitable and religious groups used the proceeds from gaming activities in 2014-15.

Since charities report on their use of proceeds on an ongoing basis, complete data for 2015-16 is not yet available. Data for 2015-16 will be reported in the 2016-17 Annual Report. Data for Host First Nation use of proceeds from casino events appears on page 65 of this report, and is not included in the information below.



## Charitable gaming – Host First Nation Casinos

The Host First Nation (HFN) is the casino facility operator and provides the facility, gaming expertise and gaming materials (cards, tables, chips, etc.) for the event. The HFN licensed charity also requires a licence from the AGLC to conduct the casino event. Generally, HFN licensed charities are issued a licence for 364 one-day casino events. The HFN and the HFN licensed charity are two separate and distinct organizations. Proceeds from HFN casinos support charitable and religious purposes in the HFN community. HFN licensed charities may provide proceeds to sub-charities, if the sub-charity's proposed use of proceeds comply with the policies set out in the Host First Nation Charitable Casino Policies Handbook.

### Table Games:

The HFN licensed charity receives the net proceeds (sales less prizes and event expenses) from table games. Government receives no revenue from table games.

### Casino Gaming Terminals:

Charity workers have no direct role in the operation of casino gaming terminals. The *Criminal Code* (Canada) requires a provincial authority to manage electronic gaming devices.

The Alberta Lottery Fund (ALF) allocation from casino gaming terminals in Host First Nation casinos (70%, after the AGLC's operating costs are deducted) is split:

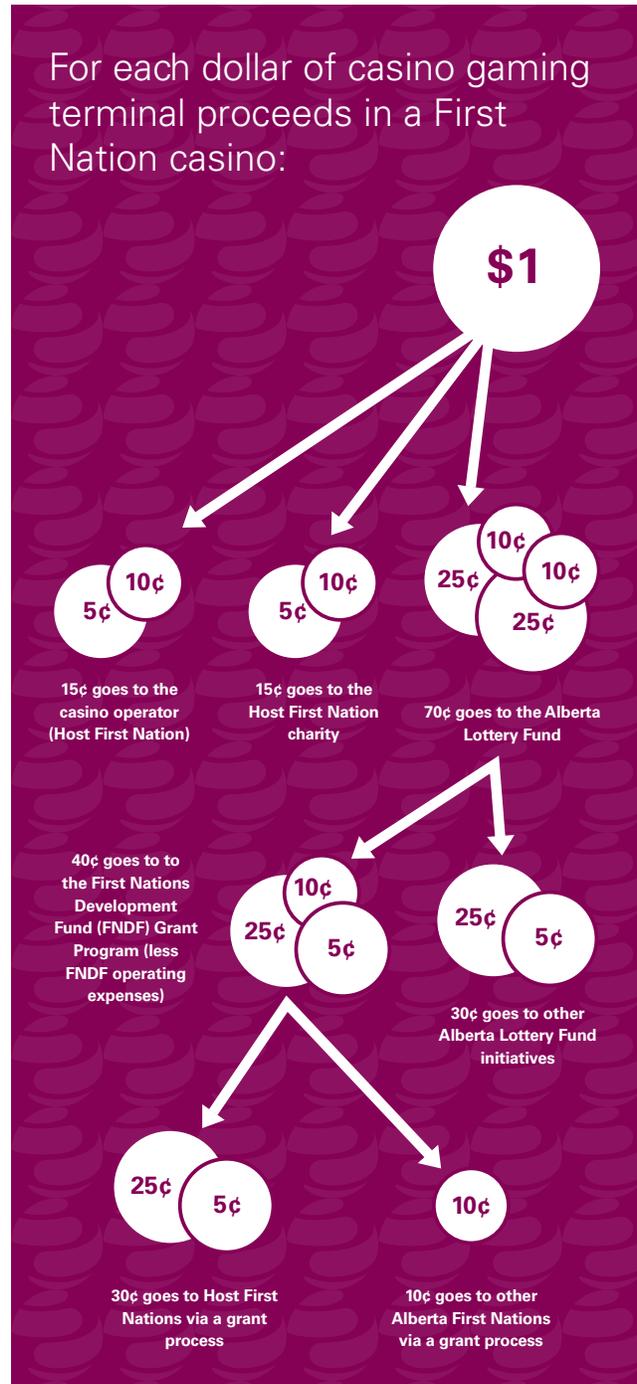
- 40% to the First Nations Development Fund (FNDF) Grant Program
- 30% to other ALF initiatives

The 40% FNDF portion is allocated via a grant process:

- 30% to the Host First Nation
- 10% to other First Nations across Alberta

The HFN licensed charity receives a five percent commission on gross sales from Keno. The HFN (as the casino facility operator) also earns a five percent commission on gross sales from Keno and a two percent commission on redemptions. The remainder is transferred to the ALF after AGLC operating costs and prize liabilities are deducted. For more information about the Alberta Lottery Fund, see [albertalotteryfund.ca](http://albertalotteryfund.ca).

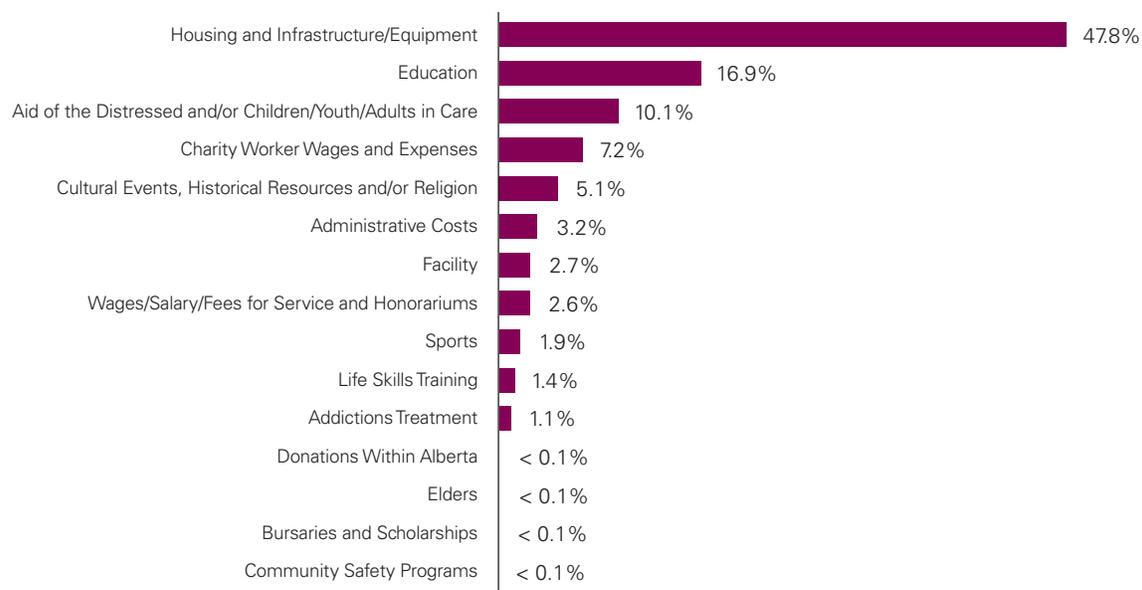
The FNDF Grant Program is a Government of Alberta lottery grant program available exclusively to First Nation Band Councils in Alberta. FNDF grants may be allocated for economic, social and community development projects. For more information on the FNDF Grant program, see [aboriginal.alberta.ca](http://aboriginal.alberta.ca).



## Use of Host First Nation Casino Proceeds

The Host First Nation (HFN) licensed charity conducts the casino events and the HFN charity and sub-charities receive proceeds from these events. These proceeds help support many programs and services provided to the Host First Nation communities.

The following chart summarizes how HFN licensed charities and sub-charities used the proceeds in 2014-15. HFN licensed charities and sub-charities have two years to use the funds they earned from casino events. Since HFN licensed charities report on their use of proceeds on an ongoing basis, complete data for 2015-16 is not yet available. Data for 2015-16 will be reported in the 2016-17 Annual Report. Data for the use of proceeds by all other charities appears on page 63 of this report.



# Measuring Performance – Charitable Gaming

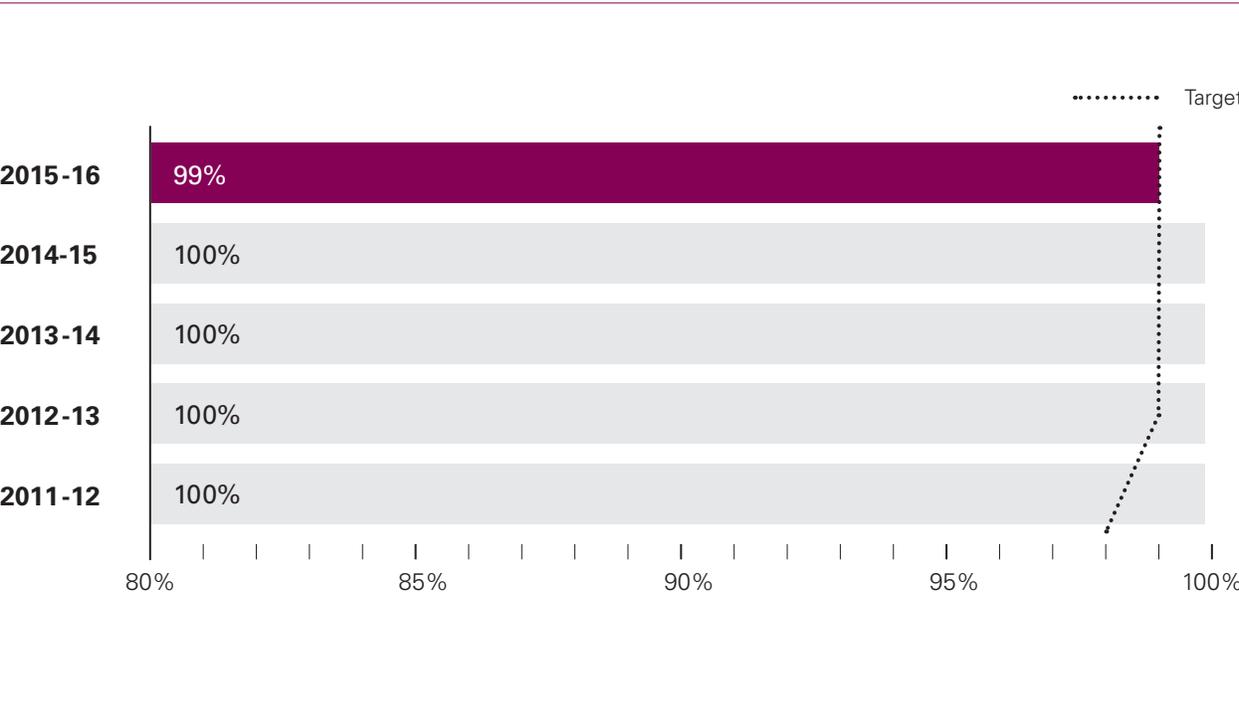


## AGLC Goal 4: Operational Effectiveness Improvement

### 4.c. Percentage of charitable gaming activities conducted in accordance with legislation, regulation and policy

The AGLC licences gaming facilities and charitable gaming activities (casino table games, pull-ticket sales, raffles and bingo events) which are governed by the *Criminal Code* (Canada), the *Gaming and Liquor Act* and Gaming and Liquor Regulation, as well as AGLC policies.

The AGLC conducts regular inspections of licensed gaming facilities and events to ensure that gaming activities comply with legislation, regulation and policy. While most charitable gaming activities are compliant, there are occasional occurrences of non-compliance. Almost all (99 percent) of charitable gaming activities were conducted in compliance with legislation, regulation and policy in 2015-16. There were 4,310 charitable gaming inspections conducted in 2015-16, resulting in only 61 incidents of non-compliance. This result meets the target of 99 percent and is consistent with the results achieved in previous years.



# Governance

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The Board of the AGLC is responsible for the governance of the Commission and for overseeing the management of AGLC's business affairs.

The Board guides the AGLC's strategic direction and operational policies; approves the AGLC Business Plan and operational plan; monitors financial results and the performance of the President and Chief Executive Officer; and is ultimately responsible to the Minister of Finance and President of Treasury Board of the Government of Alberta.

The Board is responsible for making decisions respecting gaming and liquor licences and registrations. In addition, the Board carries out a quasi-judicial function by conducting hearings in relation to alleged violations or breaches of the *Gaming and Liquor Act*, the Gaming and Liquor Regulation and AGLC policies.

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# Board Governance

## Legal Status of the AGLC

The Alberta Gaming and Liquor Commission is a provincial corporation as defined by the *Financial Administration Act* and the *Gaming and Liquor Act*.

The AGLC has two core businesses: gaming and liquor. These core businesses are established in accordance with the *Gaming and Liquor Act*, the Gaming and Liquor Regulation, and the *Criminal Code* (Canada). In addition, The 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

## Governance Framework

The Board of the AGLC is responsible for the governance of the AGLC and for overseeing the management of the Commission's business affairs. The purpose of the Board is to govern and lead the AGLC in accordance with its policy, monitoring, and regulatory roles as defined in the *Gaming and Liquor Act*.

### **Board Mandate**

The responsibilities of the Board are set out in Section 12 of the *Gaming and Liquor Act*. These include ensuring that the powers and duties of the Commission are appropriately carried out, establishing the policies of the organization, conducting hearings and making decisions respecting licences and registrations.

### **Board Composition**

The AGLC Board is appointed by the Government of Alberta, and is comprised of not more than seven public members and the President and Chief Executive Officer of the AGLC, who is a non-voting member. The Board reports to the Minister responsible for the *Gaming and Liquor Act* (currently the President of Treasury Board and Minister of Finance) through the Chair.

## Members of the Board of the AGLC

As defined in the *Gaming and Liquor Act*, the Board of the AGLC consists of up to seven independent members, all appointed by the Lieutenant Governor in Council, acting on the recommendation of the President of Treasury Board and Minister of Finance. From the members, the Lieutenant Governor in Council appoints a Chair of the Board via an Order in Council. Board members are chosen from the general public by open competition, with a term of appointment up to three years in length (and a maximum service of up to nine years in total).

The Board of the AGLC 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 the Commission.

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

### Board members for 2015-16 (with updates current to October 1, 2016):

- Susan Green  
- Chair
- William (Bill) Anhorn  
- Term expired September 30, 2016
- William (Bill) Clark  
- Term expired August 1, 2016  
- Brad Krizan has been appointed (effective August 2, 2016)
- Ken Knowles
- Thorna Lawrence
- Brent Shervey
- Jim Hansen  
- Term expired on March 31, 2016  
- Gael MacLeod has been appointed (effective April 1, 2016)
- D.W. (Bill) Robinson  
- President and Chief Executive Officer  
- non-voting member

Biographies of the Board members are available online at [aglc.ca/aboutus/board/](http://aglc.ca/aboutus/board/)

## Areas of Board Responsibility

Specifically, the Board of the AGLC has four major areas of responsibility in its governance role for the corporation:

- policy responsibilities;
- regulatory responsibilities, as exercised through an administrative tribunal process;
- monitoring responsibilities; and
- executing policy decisions made by the Minister with respect to gaming and liquor, pursuant to the *Gaming and Liquor Act*, section 7(1).

### Policy Responsibilities

The Board of the AGLC has the responsibility for developing, maintaining and revising its policies, and for determining and approving the policies for which it is responsible through legislation. All proposed policies are reviewed by the Board to assess their legality and to ensure that no regulation or statute is contravened by proposed policy and that all policies are consistent. The Board of the AGLC may also advise the President of Treasury Board and Minister of Finance on policy matters. The Board is engaged early and intensively in the process of policy development, both through the strategic planning process and through consultation with stakeholders and partners.

### Regulatory Responsibilities

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

In 2015-16, the Board conducted a total of 29 hearings at sessions held in St. Albert and Calgary. These hearings are in addition to the seven Board meetings and numerous committee meetings held throughout the year.

### Monitoring Responsibilities

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

## Internal Audit

The Internal Audit office operates under a mandate approved by the Audit Committee, a committee of the Board (see below). The independence of the Internal Audit office is assured, as the Audit 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 for the Province of Alberta.

## Board Governance

The Board of the AGLC is committed to operating as a “policy governance board” that is “policy driven” and strategically focused. Setting the strategic direction, developing board governance policies, and approving the corporate Business Plan are the primary vehicles for the Board to set priorities and govern the corporation.

The Board employs a modified Carver model policy governance system to define and guide the organizational governance of the AGLC, as well as the relationship between the Board and the President and CEO. Through the Policy and Governance Committee, the Board completed a comprehensive review of their Policy Handbook 2015-2016. The Committee researched and included board governance best practices from private and public sector organizations, including Agencies, Boards, and Commissions. These best practices were used to modernize the board policies and processes which comprise the governance system, including roles, responsibilities, recruitment, code of conduct, and evaluation. The review also resulted in the enhancement of the governance of Board Committees, including Committee mandates.

## Board Committees

The Board has four committees to carry out its responsibilities:



**Audit Committee:** The function of the Audit Committee is to provide oversight of the following: Financial and performance reporting systems and disclosure; internal and external audit activities; enterprise risk management; and internal controls.

**Finance and IT Committee:** The function of the Finance and IT Committee is to provide oversight of the following: Annual business planning and budget process; internal financial and performance reporting systems; enterprise information technology governance; business continuity and disaster recovery plans.

**Human Resources Committee:** The function of the Human Resource Committee is to assist the Board in fulfilling its obligations by focusing on corporate human resource matters. This will include: conducting an annual President & CEO performance review; making a recommendation on compensation for the President & CEO; and ensuring succession planning is in place for the organization. In addition, this Committee will oversee the development and annual updating of a Board Member Skills Matrix.

**Policy and Governance Committee:** The Policy and Governance Committee is accountable to the Board for ensuring policies and other Board processes are in place to support a well-functioning and progressive governance system. This includes: the development of new Board policies; the review and update of existing Board policies; Board Self-assessment; overseeing the delegation policy; and policy compliance monitoring.

### *Public Interest Disclosure (Whistleblower Protection) Act*

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

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

- (a) The number of disclosures received by the designated officer, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;
- (b) The number of investigations commenced by the designated officer as a result of disclosures;
- (c) 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 2015-16, there were no disclosures received under the *Public Interest Disclosure (Whistleblower Protection) Act*.

# Annual Satisfaction Surveys

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To understand gaming and liquor in Alberta as well as our performance in serving Albertans, we conduct annual stakeholder and public satisfaction surveys.

Each year, we contract an independent professional survey company to conduct the surveys on our behalf.

A sample of Albertans, representing all geographic regions, and reflecting the age and gender make-up of the province, provides feedback on questions related to gaming, liquor, social responsibility and the AGLC as an organization.

AGLC stakeholders (including liquor industry clients, gaming retailers, and charitable gaming licensees) provide feedback on questions related to the products and services the AGLC offers.

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# Methodology for Survey-Based Performance Measures

Each year, we contract an independent professional survey company to conduct stakeholder and public satisfaction surveys. In 2015-16, NRG Research Group, conducted the surveys on behalf of the AGLC. This section provides details on each survey and its corresponding performance measures.

## Survey of Albertans

The survey seeks public opinion on the performance of the AGLC to deliver gaming and liquor products and services to Albertans.

In 2015-16, a random and representative sample of Albertans was established based on Statistics Canada census data made available in 2011. For each of six geographic regions in the province, the number of interviews in each age-gender segment was proportionate to the 2011 population data. The sample size was 1,000 adult Albertans, providing a margin of error no greater than  $\pm 3.1$  percent at the 95 percent confidence level.

The samples for 2011-12 through 2014-15 were based on Statistics Canada census population estimates made available July 1 of each year.

Beginning in 2011, the response options were modified slightly to decrease the survey length, from a scale of seven to a scale of five. The Survey of Albertans gathers results for the following performance measures:

### **3.a. Percentage of Albertans satisfied with the availability of gaming products and services**

The results for this performance measure were calculated by obtaining responses to the following:

*“Thinking about legal gaming entertainment options in Alberta, overall, how satisfied are you with the availability of gaming entertainment products and activities provided to Albertans?”*

Respondents were considered satisfied if they responded ‘very satisfied’ or ‘somewhat satisfied’ to the above question.

### **3.b. Percentage of Albertans satisfied that the gaming activity they participated in was provided fairly and responsibly<sup>1</sup>**

The results for this performance measure were calculated by determining who had participated in the following gaming activities:

- A. Bingos
- B. Raffles, including small raffles or larger raffles benefiting things like hospitals
- C. Pull-tickets, break-opens or Nevada tickets

- D. video lottery terminal or vlt games in bars or lounges or casinos
- E. Casino gaming terminals in casinos or Racing Entertainment Centres (RECs)
- F. Table games, for example blackjack and roulette at casinos
- G. Poker at casinos
- H. Scratch N' Win tickets
- I. Sports Select
- J. Other lottery tickets, for example, Lotto 6/49 or LottoMax

If they had purchased or participated in one of those gaming activities, respondents were asked:

*“How satisfied are you that the [gaming activity (A to J) above] was provided fairly and in a responsible manner?”*

Respondents were considered satisfied if they responded ‘very satisfied’ or ‘somewhat satisfied’ to the above question. Responses were weighted by participation.

**1. Note:** The survey question was worded differently than the performance measure indicated in the AGLC 2015-18 Business Plan. The results reported are based on a survey question which asked respondents about their satisfaction that the gaming activity they participated in was provided fairly and in a responsible manner. Future survey questionnaires will be reworded to align with the AGLC Goals in the Business Plan, percentage of Albertans satisfied that the gaming activities they participated in were provided fairly and responsibly.

### **3.c. Percentage of Albertans satisfied that licensed gaming venues in Alberta are safe and responsible environments in which to gamble**

The results for this performance measure were calculated using an index of two questions:

*“How satisfied are you that (Location) are a safe environment in which to gamble?”* and

*“How satisfied are you that (Location) are a responsible environment in which to gamble?”*

Locations were: licensed bingo facilities, casinos, bars and lounges and Racing Entertainment Centres (RECs). Respondents were considered satisfied if they responded ‘very satisfied’ or ‘somewhat satisfied’.

### **3.d. Percentage of Albertans satisfied that liquor is provided in a responsible manner**

The results for this performance measure were calculated by using a weighted average for the following:

- respondents’ level of satisfaction with the service of alcohol in a responsible manner, and
- respondents’ level of satisfaction with the sale of liquor in a responsible manner.

Respondents were considered satisfied if they responded ‘very satisfied’ or ‘somewhat satisfied’ to the above questions.

### 3.e. Percentage of Albertans satisfied with the safety and security in and around licensed liquor premises

The results for this performance measure were calculated by obtaining responses to the following question:

*“How satisfied are you with your safety and security in and around licensed premises?”*

Respondents were considered satisfied if they responded ‘very satisfied’ or ‘somewhat satisfied’ to the above question. This survey question was directed at those individuals who purchased alcohol at a restaurant, lounge or bar. A licensed premises is considered to be a restaurant, lounge or bar.

### 6.c. Percentage of Albertans aware of prevention and harm reduction programs for problem gambling<sup>1</sup>

The results for this performance measure were calculated by obtaining responses to the following question:

*“Have you ever heard, seen or read anything about prevention and harm reduction programs for problem gambling?”*

Respondents were considered aware if they responded ‘yes’. Alternate responses were ‘no’ or ‘don’t know’.

**1. Note:** The 2014-15 survey questionnaire was reworded to align with the goals in the 2014-2017 AGLC Business Plan, as worded above: awareness of prevention and harm reduction programs for problem drinking. The results reported for 2011-12 through 2013-14 are based on a survey question which asked respondents about their awareness of prevention and treatment programs for problem gambling. Therefore results may not be directly comparable to the target.

### 6.d. Percentage of Albertans aware of prevention and harm reduction programs for problem drinking<sup>1</sup>

The results for this performance measure were calculated by obtaining responses to the following question:

*“Have you ever heard, seen or read anything about prevention and harm reduction programs for problem drinking?”*

Respondents were considered aware if they responded ‘yes’. Alternate responses were ‘no’ or ‘don’t know’.

**1. Note:** The 2014-15 survey questionnaire was reworded to align with the goals in the 2014-2017 AGLC Business Plan, as worded above: awareness of prevention and harm reduction programs for problem drinking. The results reported for 2011-12 through 2013-14 are based on a survey question which asked respondents about their awareness of prevention and treatment programs for alcohol abuse. Therefore results may not be directly comparable to the target.

## Survey of Albertans – Social Responsibility

Each year, we measure Albertans’ self-reported behaviours regarding gambling and alcohol consumption. In 2015-16, a random and representative sample of Albertans was established based on Statistics Canada census data made available in 2011. For each of six geographic regions in the province, the number of interviews in each age-gender segment was proportionate to the 2011 population data. The sample size was 1,100 adult Albertans, providing a margin of error in the results no greater than  $\pm 3.0$  percent at the 95 percent confidence level.

The samples for 2011-12 through 2014-15 were based on Statistics Canada census population estimates made available July 1 of each year. The sample sizes for the previous four years was 1,000 adult Albertans, providing a margin of error in the results of no greater than  $\pm 3.1$  percent at the 95 percent confidence level.

The Survey of Albertans – Social Responsibility supports the following performance measures:

### **6.a. Percentage of Albertans that gamble responsibly**

The results for this performance measure were calculated by using the Problem Gambling Severity Index (PGSI) developed by Garry Smith and Harold Wynne. Answers were coded on a scale from zero to three, where zero represents the respondent does not engage in the specified behavior and three indicates the respondent almost always engages in the specified behavior. 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. Respondents were considered to gamble responsibly if they had an overall score of two or less. The percentage of Albertans that gamble responsibly includes the population of Albertans who stated that they do not gamble.

Questions in the PGSI are:

*“Thinking of the last 12 months:*

- *Have you bet more than you could really afford to lose?*
- *Still thinking about the last 12 months, have you needed to gamble with larger amounts of money to get the same feeling of excitement?*
- *When you gambled, did you go back another day to try to win back the money you lost?*
- *Have you borrowed money or sold anything to get money 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, regardless of 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?”*

### **6.b. Percentage of Albertans that drink alcohol in moderation<sup>1</sup>**

The calculation of this performance measure is based on the Canadian Low-Risk Alcohol Drinking Guidelines. The questions to determine a person’s drinking behavior as specified by the guidelines are sourced from the Screening Brief Intervention and Referral tool developed by the College of Family Physicians of Canada and the Canadian Centre on Substance Abuse.

The percentage of Albertans who drink alcohol in moderation includes the population of Albertans who stated that they do not drink. Albertans who drink alcohol are considered to drink alcohol in moderation if they are female and drink 2 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), OR if they are male and drink 3 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 results for this performance measure were calculated by obtaining responses to the following question:

*“Do you drink beer, wine, coolers, or other alcoholic beverages?”*

If answered yes:

*“On average, how many days per week do you drink alcohol?”* and

*“On a typical day, how many drinks do you consume?”*

**1. Note:** There was a change of methodology for this measure in 2014-15 which set a higher threshold for determining if a person drinks alcohol in moderation. Formerly, AGLC used the World Health Organisation’s alcohol assessment measure, the Alcohol Use Disorders Identification Test. Under the Canadian Low-Risk Alcohol Drinking Guidelines, the criteria for what is considered healthy drinking is a stricter threshold and is not directly comparable to previous years’ results.

## Surveys of Stakeholders

Each year, the AGLC measures the stakeholders’ satisfaction with the products and services provided to them. The surveys conducted are:

- Survey of Liquor Industry Clients
- Survey of Gaming Retailers
- Survey of Charitable Gaming Licensees

The Liquor Industry Clients survey included all liquor agents and establishments with a liquor licence in 2015-16. The margin of error in the results is no greater than  $\pm 3.1$  percent at the 95 percent confidence level.

The Gaming Retailers survey includes all venues that host casino gaming terminals and vlts, as well as lottery retailers. The margin of error in the results is no greater than  $\pm 3.3$  percent at the 95 percent confidence level.

The Charitable Gaming Licensees Survey includes all charitable organizations with a bingo, casino, pull ticket or raffle license licence in 2015-16. The margin of error in the results is no greater than  $\pm 2.1$  percent at the 95 percent confidence level.

### **1.b. Percentage of stakeholders aware of how AGLC serves Albertans**

This performance measure has been replaced with a more detailed Stakeholder Satisfaction Index (SSI) which combines rating of satisfaction on several factors by stakeholders of the AGLC.

The SSI results are calculated by looking at the combined satisfaction results from our three stakeholder surveys. These results are indexed to provide a percentage of overall satisfaction with AGLC services.

The survey questions assess satisfaction with the following factors:

- Response time
- Knowledge of employees
- Courtesy of employees
- Access to information
- Online services
- Easy access to services
- Frequency of contact
- Training materials provided

Respondents were considered satisfied if they responded 'very satisfied', 'satisfied' or 'somewhat satisfied' to the questions.

# Financial Statements

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## **Alberta Gaming and Liquor Commission**

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**Statement of Net Income – Page 84**

**Statement of Comprehensive Income – Page 84**

**Statement of Cash Flows – Page 85**

**Notes to the Financial Statements – Page 86**

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# Independent Auditor's Report



To the Members of the Alberta Gaming and Liquor Commission

## **Report on the Financial Statements**

I have audited the accompanying financial statements of the Alberta Gaming and Liquor Commission, which comprise the statement of financial position as at March 31, 2016, and the statements of net income, comprehensive income, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Gaming and Liquor Commission as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

May 25, 2016

Edmonton, Alberta

# Statement of Financial Position

As at March 31  
(in thousands of dollars)

	Note	2016	2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	\$ 206,354	\$ 194,488
Accounts receivable		29,532	22,832
Inventory and prepaid expenses	5	11,162	11,255
		247,048	228,575
<b>Non-Current Assets</b>			
Property and equipment, net	6	254,534	276,795
Intangible assets, net	7	29,215	29,400
Investment property, net	8	42,398	33,765
Investment in Western Canada Lottery Corporation	2g & 16	29,293	35,204
		355,440	375,164
		\$ 602,488	\$ 603,739
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 190,816	\$ 183,122
Due to Alberta Lottery Fund	9	71,316	108,085
		262,132	291,207
<b>Non-Current Liabilities</b>			
Due to General Revenue Fund	10	305,254	279,461
Provision for loss on leased properties	17 & 18	144	225
Net defined benefit pension liability	2f & 11	58,906	68,213
		364,304	347,899
<b>Accumulated Other Comprehensive Income/(Loss)</b>	11	(23,948)	(35,367)
		\$ 602,488	\$ 603,739

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

Approved by:

BOARD

MANAGEMENT

Original signed by

Original signed by

\_\_\_\_\_  
Thorna Lawrence, CPA, CA  
Board Member

\_\_\_\_\_  
D. W. (Bill) Robinson  
President and Chief Executive Officer

## Statement of Net Income

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

	Note	2016	2015
Liquor revenue	12	\$ 2,634,256	\$ 2,540,264
Liquor cost of sales	12	(1,762,032)	(1,758,364)
		872,224	781,900
Gaming revenue	12	1,849,213	1,905,602
		2,721,437	2,687,502
Commissions and federal payments	13	(458,843)	(475,501)
Operating expenses	14	(224,298)	(221,043)
<b>Profit from Operations</b>		2,038,296	1,990,958
Other revenue	15	18,052	17,833
Income from Western Canada Lottery Corporation	16	352,192	285,322
<b>Net Income</b>	21 & 12	\$ 2,408,540	\$ 2,294,113

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	2016	2015
<b>Net Income</b>	21 & 12	\$ 2,408,540	\$ 2,294,113
<b>Other Comprehensive Income/(Loss)</b>			
Net actuarial gain/(loss)	11	11,419	(8,801)
<b>Total Comprehensive Income</b>		\$ 2,419,959	\$ 2,285,312

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)

	2016	2015
<b>Operating Activities</b>		
Net income	\$ 2,408,540	\$ 2,294,113
Decrease in provision for loss on leased properties	(81)	(11)
Amortization	59,556	51,518
Loss/(gain) on disposal of property, equipment and intangible assets	436	(1,704)
Net changes in non-cash working capital	3,198	47,834
	<u>2,471,649</u>	<u>2,391,750</u>
Transfers to Alberta Lottery Fund	(1,589,516)	(1,504,803)
Transfers to General Revenue Fund	(830,000)	(763,000)
<b>Cash provided by operating activities</b>	<u>52,133</u>	<u>123,947</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(31,991)	(62,627)
Purchase of intangible assets	(8,348)	(5,203)
Additions to investment property	(8,975)	(26,396)
Proceeds on disposal of property, equipment and intangible assets	3,136	5,273
Net change in investment in Western Canada Lottery Corporation	5,911	(4,130)
<b>Cash used in investing activities</b>	<u>(40,267)</u>	<u>(93,083)</u>
<b>Net increase in cash during the year</b>	11,866	30,864
<b>Cash, beginning of year</b>	194,488	163,624
<b>Cash, end of year</b>	<u>\$ 206,354</u>	<u>\$ 194,488</u>
<b>Supplemental cash flow information:</b>		
Interest received	\$ 1,518	\$ 1,624

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)

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## 1. Nature of Operations

The Alberta Gaming and Liquor Commission (AGLC) operates under the authority of the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000. Under the *Gaming and Liquor Act*, the AGLC was established as a provincial Crown corporation governed by a board of directors appointed by the Lieutenant Governor in Council. The registered office is located at 50 Corriveau Avenue, St. Albert, Alberta.

The AGLC is an agency of the Government of Alberta which conducts and manages provincial lotteries, carries out functions respecting gaming under the *Criminal Code* (Canada), and controls, in accordance with legislation, the manufacture, importation, sale, and purchase of liquor for the Government of Alberta. As an agent of the Government of Alberta, the AGLC is not subject to federal or provincial corporate income taxes.

The AGLC also administers the Alberta Lottery Fund which was established under the *Inter-provincial Lottery Act*, RSA c1-8.

## 2. Significant Accounting Policies

### a. Basis of Preparation

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

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars. All values are rounded to the nearest thousand dollars, except where otherwise indicated.

The financial statements for the year ended March 31, 2016 were authorized for issue by the Board on May 25, 2016.

## b. Financial Instruments

Financial instruments are classified based on their characteristics and the intention of management upon their acquisition. They are recognized in the Statement of Financial Position when the AGLC becomes a party to the contractual terms of the instrument, which represents its trade date.

All financial instruments are initially recognized at fair value plus directly attributable transaction costs, and their subsequent measurement is dependent on their classification as outlined below.

- |  |                             |
|--|-----------------------------|
| • Cash and cash equivalents                | Loans and receivables       |
| • Accounts receivable                      | Loans and receivables       |
| • Accounts payable and accrued liabilities | Other financial liabilities |
| • Due to Alberta Lottery Fund              | Other financial liabilities |
| • Due to General Revenue Fund              | Other financial liabilities |

### Loans and receivables

Subsequent to initial recognition, loans and receivables continue to be measured at cost. Due to the short-term nature of these assets, the estimated fair value is considered to be equal to their carrying value.

Financial assets are derecognized when the right to receive cash flows from the asset has expired. Any difference in the carrying amounts of the asset is recognized in the Statement of Net Income.

### Other financial liabilities

Subsequent to initial recognition, other financial liabilities continue to be measured at cost. Due to the short-term nature of these liabilities, the estimated fair value is considered to be equal to their carrying value.

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or it expires. Any difference in the carrying amounts of the financial liability is recognized in the Statement of Net Income.

### Impairment

Financial assets and liabilities are assessed for indicators of assessment on an annual basis. If there is objective evidence that an impairment exists, the loss is recognized in the Statement of Net Income. An impairment loss is measured as the difference between the carrying value and the current fair value.

## c. Inventory

Gaming parts and supplies are valued at weighted average cost which is not in excess of net realizable value.

Liquor inventory is held on behalf of liquor suppliers and/or agents. As such, its value as well as related duties and taxes, are not recorded in these financial statements.

#### **d. Property, Equipment and Intangible Assets**

Property, equipment and intangible assets are reported at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of assets, with no amortization calculated on assets under construction or development. 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. Land is not amortized.

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

The estimated useful lives are reviewed on an annual basis for any change in circumstances, with the effect of any changes in estimate accounted for on a prospective basis.

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

#### **e. Investment Property**

Investment property is comprised of land, building or a combination thereof, that is held by the owner to earn rental income rather than for use in the ordinary course of business. It includes the warehouse located in St. Albert (50 Corriveau Avenue), currently leased to Connect Logistics Services Inc., as well as the land acquired in St. Albert (2 Boudreau Avenue) for construction of a new Liquor Distribution Centre.

#### **f. Defined Benefit Pension Plan**

The 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, the AGLC must recognize its proportionate share, determined on an actuarial basis, of plan assets, obligations, re-measurement 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. Re-measurement 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.

### **g. Investment in an Associate – Western Canada Lottery Corporation**

The Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of the *Canada Corporations Act* on April 16, 1974. 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. The Yukon Territory, the Northwest Territories and Nunavut participate as associate members.

The AGLC has significant influence, but no control or joint control, over the financial and operating policy decisions of the WCLC. As a result, the 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 the AGLC's share of net assets of WCLC.

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

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

If there were indicators that the investment in WCLC is impaired, the 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 Revenue and Expenditures.

Upon any loss of significant influence over WCLC, the 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.

### **h. Revenue and Expense Recognition**

Revenue from casino gaming terminals, video lottery terminals and personal-play electronic bingo is based on bets placed and is recognized at the time when play was completed and all credits were played or converted to cash. Revenue from play-along electronic bingo is recognized at the time of purchase of the cards. Prizes, commissions and federal payments are recognized on the same basis as related revenues.

Revenue from sale of liquor is recognized when goods are shipped and title has passed to the customer. Revenue received in advance of shipment are classified as deferred revenue. Cost of product sold is recognized on the same basis.

### **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, the 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, the AGLC would estimate the recoverable amount. A previously recognized impairment loss is reversed only 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 be reversed only 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. Federal Taxes**

As a Crown agent of the Government of Alberta, the AGLC has a tax-exempt status. However, under the *Excise Tax Act* and *Games of Chance (GST/HST) Regulations*, the AGLC is required to pay GST and Federal Tax on gaming operations.

### **k. Operating Expenses**

Operating expenses are allocated against Provincial Lotteries Revenue or Liquor and Other Revenue, based on the nature of the expense.

### **l. Allocation of Net Income**

The *Gaming and Liquor Act* requires the AGLC to transfer the net operating results to the Alberta Lottery Fund and the General Revenue Fund.

Net operating results arising from the conduct of authorized casino gaming, video lottery, lottery ticket, and electronic bingo in Alberta are transferred to the Alberta Lottery Fund. Note 9 discloses further information on amounts due to the Alberta Lottery Fund.

Net operating results from liquor operations and other revenue are transferred to the General Revenue Fund. Note 10 discloses additional information regarding the amount due to the General Revenue Fund.

### **m. 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, the 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.

### **n. 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 management reasonably expects to be applicable at the future date. The AGLC is currently evaluating the impact of adoption of the amended/new standards.

IAS 1 Presentation of Financial Statements – Published on December 18, 2014, amendments to the standard ‘Disclosure Initiatives’ are mandatorily effective for annual reporting periods commencing on or after January 1, 2016, with early adoption permitted. The amendments clarify the existing presentation and disclosure requirements and ensure that entities use judgment in presentation of their financial information, including clarifying the materiality guidance for financial statements and related notes.

IFRS 9 Financial Instruments – Issued on July 24, 2014, mandatorily effective for annual reporting periods commencing on or after January 1, 2018, with early adoption permitted. The Standard includes requirements for recognition, measurement, impairment and de-recognition of financial instruments, as well as guidance on hedge accounting.

IFRS 15 Revenue from Contracts with Customers – Issued on May 28, 2014, mandatorily effective for annual reporting periods commencing on or after January 1, 2018. The Standard provides framework for recognition, measurement and disclosure of revenue and cash flows arising from contracts with customers, as well as requirements for entities to provide users of financial statements with more informative and relevant revenue-related disclosures.

IFRS 16 Leases – Issued on January 13, 2016, mandatorily effective for annual reporting periods commencing on or after January 1, 2019. The Standard set out the principles for recognition, measurement, presentation and disclosure of leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

### 3. Significant Accounting Estimates and Assumptions

The preparation of the 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.

For property and equipment, intangible assets and investment property 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) in the Statement of Comprehensive Income.

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. The 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 however change due to market changes or circumstances, arising beyond the control of management. Such changes are reflected in the assumptions as they occur.

### 4. Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand, current balances in banks and deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Government of Alberta. Additionally, cash and cash equivalents include the proceeds from table games which the AGLC holds on behalf of charities; further details are provided in Note 19.

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 primarily 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, 2016, securities held by the CCITF had a time-weighted yield of 0.8% per annum (March 31, 2015: 1.2% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

## 5. Inventory and Prepaid Expenses

	2016	2015
Inventory	\$ 9,662	\$ 9,975
Prepaid Expenses	1,500	1,280
	<u>\$ 11,162</u>	<u>\$ 11,255</u>

## 6. Property and Equipment

	Land	Buildings and Leasehold Improvements	Vehicles	Equipment and Computer Hardware	Gaming Equipment and Terminals	Total
Cost, March 31, 2015	\$ 2,057	\$ 37,899	\$ 3,864	\$ 33,368	\$ 447,140	\$ 524,328
Additions	-	846	268	1,025	29,852	31,991
Disposals	-	-	-	(6,193)	(21,574)	(27,767)
Cost, March 31, 2016	<u>2,057</u>	<u>38,745</u>	<u>4,132</u>	<u>28,200</u>	<u>455,418</u>	<u>528,552</u>
Accumulated Amortization, March 31, 2015	-	(21,568)	(2,563)	(24,810)	(198,592)	(247,533)
Adjustment	-	488	-	-	-	488
Additions	-	(1,145)	(704)	(2,494)	(45,921)	(50,264)
Disposals	-	-	-	5,289	18,002	23,291
Accumulated Amortization, March 31, 2016	<u>-</u>	<u>(22,225)</u>	<u>(3,267)</u>	<u>(22,015)</u>	<u>(226,511)</u>	<u>(274,018)</u>
Net Book Value, March 31, 2016	<u>\$ 2,057</u>	<u>\$ 16,520</u>	<u>\$ 865</u>	<u>\$ 6,185</u>	<u>\$ 228,907</u>	<u>\$ 254,534</u>
Cost, March 31, 2014	\$ 2,057	\$ 36,682	\$ 3,800	\$ 33,482	\$ 426,778	\$ 502,799
Additions	-	1,217	1,034	2,001	58,375	62,627
Disposals	-	-	(970)	(2,115)	(38,013)	(41,098)
Cost, March 31, 2015	<u>\$ 2,057</u>	<u>37,899</u>	<u>\$ 3,864</u>	<u>33,368</u>	<u>447,140</u>	<u>524,328</u>
Accumulated Amortization, March 31, 2014	-	(20,608)	(2,876)	(25,698)	(192,069)	(241,251)
Additions	-	(960)	(641)	(1,227)	(40,984)	(43,812)
Disposals	-	-	954	2,115	34,461	37,530
Accumulated Amortization, March 31, 2015	<u>-</u>	<u>(21,568)</u>	<u>(2,563)</u>	<u>(24,810)</u>	<u>(198,592)</u>	<u>(247,533)</u>
Net Book Value, March 31, 2015	<u>\$ 2,057</u>	<u>\$ 16,331</u>	<u>\$ 1,301</u>	<u>\$ 8,558</u>	<u>\$ 248,548</u>	<u>\$ 276,795</u>

### The estimated useful lives for each asset category are as follows:

- Buildings
- Leasehold Improvements
- Vehicles
- Equipment and Computer Hardware
- Gaming Equipment and Terminals
- Up to 40 years
- Lease term
- 3 years
- Up to 10 years
- Up to 8 years

## 7. Intangible Assets

	<b>Computer Software</b>	<b>Gaming Software</b>	<b>Total</b>
Cost, March 31, 2015	\$ 27,611	\$ 28,449	\$ 56,060
Additions	1,400	6,948	8,348
Disposals	(22)	-	(22)
Cost, March 31, 2016	<u>28,989</u>	<u>35,397</u>	<u>64,386</u>
Accumulated Amortization, March 31, 2015	(15,694)	(10,966)	(26,660)
Additions	(1,976)	(6,557)	(8,533)
Disposals	22	-	22
Accumulated Amortization, March 31, 2016	<u>(17,648)</u>	<u>(17,523)</u>	<u>(35,171)</u>
Net Book Value, March 31, 2016	<u>\$ 11,341</u>	<u>\$ 17,874</u>	<u>\$ 29,215</u>
Cost, March 31, 2014	\$ 24,596	\$ 26,261	\$ 50,857
Additions	3,015	2,188	5,203
Disposals	-	-	-
Cost, March 31, 2015	<u>27,611</u>	<u>28,449</u>	<u>56,060</u>
Accumulated Amortization, March 31, 2014	(13,753)	(5,713)	(19,466)
Additions	(1,941)	(5,253)	(7,194)
Disposals	-	-	-
Accumulated Amortization, March 31, 2015	<u>(15,694)</u>	<u>(10,966)</u>	<u>(26,660)</u>
Net Book Value, March 31, 2015	<u>\$ 11,917</u>	<u>\$ 17,483</u>	<u>\$ 29,400</u>

**The estimated useful lives for each asset category are as follows:**

- Computer Software Up to 10 years
- Gaming Software 5 years

## 8. Investment Property

	Land	Buildings	Work in Progress	Total
Cost, March 31, 2015	\$ 21,123	\$ 30,407	\$ 5,862	\$ 57,392
Additions	3	849	8,123	8,975
Disposals	-	-	-	-
Cost, March 31, 2016	<u>21,126</u>	<u>31,256</u>	<u>13,985</u>	<u>66,367</u>
Accumulated Amortization, March 31, 2015	-	(23,627)	-	(23,627)
Adjustment	-	418	-	418
Additions	-	(760)	-	(760)
Disposals	-	-	-	-
Accumulated Amortization, March 31, 2016	<u>-</u>	<u>(23,969)</u>	<u>-</u>	<u>(23,969)</u>
Net Book Value, March 31, 2016	<u>\$ 21,126</u>	<u>\$ 7,287</u>	<u>\$ 13,985</u>	<u>\$ 42,398</u>
Cost, March 31, 2014	\$ 2,087	\$ 28,909	\$ -	\$ 30,996
Additions	19,036	1,498	5,862	26,396
Disposals	-	-	-	-
Cost, March 31, 2015	<u>21,123</u>	<u>30,407</u>	<u>5,862</u>	<u>57,392</u>
Accumulated Amortization, March 31, 2014	-	(23,115)	-	(23,115)
Additions	-	(512)	-	(512)
Disposals	-	-	-	-
Accumulated Amortization, March 31, 2015	<u>-</u>	<u>(23,627)</u>	<u>-</u>	<u>(23,627)</u>
Net Book Value, March 31, 2015	<u>\$ 21,123</u>	<u>\$ 6,780</u>	<u>\$ 5,862</u>	<u>\$ 33,765</u>

**(a) The estimated useful life for the asset category is as follows:**

- Buildings Up to 40 years

**(b) The new Liquor Distribution Centre is classified as work in progress**

**(c) Net Profit from Investment Property**

	2016	2015
Rental income derived from investment property	\$ 2,943	\$ 2,841
Direct operating expenses (including repair and maintenance) generating rental income	(1,193)	(280)
Net profit arising from investment property	<u>\$ 1,750</u>	<u>\$ 2,561</u>

Estimated rental income for the current lease term which expires January 31, 2018 is:

<b>2016-17</b>	\$ 3,251
<b>2017-18</b>	\$ 2,709

**(d) Fair Value of Investment Property**

	<u>2016</u>	<u>2015</u>
Fair value of investment property	\$ 87,835	\$ 72,328

Investment property is recorded and reported at cost.

The fair value at March 31, 2016 and March 31, 2015 is based on a valuation performed by Bourgeois & Company Ltd., an accredited independent valuator. Bourgeois & Company Ltd. have appropriate qualifications and recent experience in the valuation of similar properties. Two market based techniques (income and direct comparison approaches) were applied to estimate fair value.

The fair value valuation was performed on the distribution and storage facility at 50 Corriveau Avenue, as well as the land purchased at 2 Boudreau Avenue for the construction of the new Liquor Distribution Centre. Both locations are in St. Albert, Alberta. The valuation did not include the new Liquor Distribution Centre currently under construction – \$14.0 million in costs incurred is assumed to equal the current fair market value.

## 9. Due to Alberta Lottery Fund

The *Gaming and Liquor Act* requires the AGLC to transfer the net operating results from provincial lotteries to the Alberta Lottery Fund. This amount represents the portion of net operating results which has not been transferred to the Alberta Lottery Fund due to year-end invoicing cycles and timing of transfers.

	Note	<u>2016</u>	<u>2015</u>
Due to Alberta Lottery Fund, beginning of year		\$ 108,085	\$ 84,547
Net Income, Provincial Lotteries	12	1,552,747	1,528,341
Transfers to Alberta Lottery Fund		(1,589,516)	(1,504,803)
Due to Alberta Lottery Fund, end of year		<u>\$ 71,316</u>	<u>\$ 108,085</u>

Amounts due to Alberta Lottery Fund are unsecured, non-interest bearing and have no specific terms of repayment.

## 10. Due to General Revenue Fund

The *Gaming and Liquor Act* requires the AGLC to transfer the net operating results from liquor operations and other revenues to the General Revenue Fund. This amount represents the portion of net operating results which has not been transferred to the General Revenue Fund.

	Note	2016	2015
Due to General Revenue Fund, beginning of year		\$ 279,461	\$ 276,689
Net Income, Liquor and Other	12	855,793	765,772
Transfers to General Revenue Fund		(830,000)	(763,000)
Due to General Revenue Fund, end of year		\$ 305,254	\$ 279,461

Amounts due to General Revenue Fund are unsecured, non-interest bearing and have no specific terms of repayment. The AGLC does not expect to pay the total amount owing to General Revenue Fund during the next fiscal year as the AGLC retains funds to maintain a sufficient level of liquidity to support its business operations.

## 11. Employee Benefit Plans

### Change in Plan Assets and Benefit Obligations

	2016				2015			
	PSPP	MEPP	SRP	Total	PSPP	MEPP	SRP	Total
<b>Change in Fair Value of Plan Assets</b>								
Opening balance, fair value of plan assets	\$ 103,965	\$ 42,875	\$ 1,405	\$ 148,245	\$ 94,925	\$ 38,314	\$ 1,259	\$ 134,498
Employer contributions	7,629	2,339	149	10,117	6,809	2,247	112	9,168
Benefits paid	(5,628)	(2,074)	(48)	(7,750)	(4,945)	(1,880)	(42)	(6,867)
Interest income	3,569	1,462	55	5,086	4,218	1,694	57	5,969
Actuarial gain on plan assets	12,517	3,129	33	15,679	2,958	2,500	19	5,477
Closing balance, fair value of plan assets	\$ 122,052	\$ 47,731	\$ 1,594	\$ 171,377	\$ 103,965	\$ 42,875	\$ 1,405	\$ 148,245
<b>Change in Defined Benefit Obligation</b>								
Opening balance, defined benefit obligation	\$ 155,308	\$ 59,308	\$ 1,842	\$ 216,458	\$ 140,731	\$ 50,407	\$ 1,450	\$ 192,588
Current-service cost	7,214	2,539	158	9,911	5,799	2,037	125	7,961
Benefits paid	(5,628)	(2,074)	(48)	(7,750)	(4,945)	(1,880)	(42)	(6,867)
Interest expense	5,308	2,024	72	7,404	6,211	2,221	66	8,498
Actuarial (gain)/loss on plan liabilities	4,889	(525)	(104)	4,260	7,512	6,523	243	14,278
Closing balance, defined benefit obligation	\$ 167,091	\$ 61,272	\$ 1,920	\$ 230,283	\$ 155,308	\$ 59,308	\$ 1,842	\$ 216,458
<b>Net Pension Benefit Liability</b>	\$ (45,039)	\$ (13,541)	\$ (326)	\$ (58,906)	\$ (51,343)	\$ (16,433)	\$ (437)	\$ (68,213)

Employer's portion of the Net Pension Benefit Liability is recorded as a provision and included as a liability in the Statement of Financial Position. The portions attributable to the AGLC are 50% for PSPP, 62% for MEPP, and 54% for SRP.

## Accumulated Other Comprehensive Income

	2016				2015			
	PSPP	MEPP	SRP	Total	PSPP	MEPP	SRP	Total
Actuarial gain on plan assets	\$ (12,517)	\$ (3,129)	\$ (33)	\$ (15,679)	\$ (2,958)	\$ (2,500)	\$ (19)	\$ (5,477)
Experience loss/(gain) on plan liabilities	4,889	(525)	(104)	4,260	7,512	6,523	243	14,278
Amount recognized in OCI	(7,628)	(3,654)	(137)	(11,419)	4,554	4,023	224	8,801
Beginning balance, AOCI	25,969	9,130	268	35,367	21,415	5,107	44	26,566
Ending balance, AOCI	\$ 18,341	\$ 5,476	\$ 131	\$ 23,948	\$ 25,969	\$ 9,130	\$ 268	\$ 35,367

## Defined Benefit Pension Expense

	2016				2015			
	PSPP	MEPP	SRP	Total	PSPP	MEPP	SRP	Total
Current service cost (employer)	\$ 7,214	\$ 2,539	\$ 158	\$ 9,911	\$ 5,799	\$ 2,037	\$ 125	\$ 7,961
Interest expense	5,308	2,024	72	7,404	6,211	2,221	66	8,498
Interest income on assets	(3,569)	(1,462)	(55)	(5,086)	(4,218)	(1,694)	(57)	(5,969)
Net pension-benefit expense recognized	\$ 8,953	\$ 3,101	\$ 175	\$ 12,229	\$ 7,792	\$ 2,564	\$ 134	\$ 10,490

## 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:

	2016			2015		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Discount rate:	3.60%	3.60%	4.00%	3.40%	3.40%	3.80%
Inflation rate:	2.00%	2.00%	2.00%	2.25%	2.25%	2.25%
Average wage increases:	3.00%	3.00%	3.00%	3.50%	3.50%	3.50%
AGLC's share of plan payroll:	2.20%	1.76%	1.81%	2.10%	1.76%	1.81%
Date of the most recent actuarial valuation:	Dec. 31, 2014	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2012
AGLC's Expected Contributions for the next period – all plans:		\$ 9,533			\$ 9,300	

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

	2016			2015		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Estimated sensitivity of liabilities to a 1% change in the discount rate:	13.50%	13.70%	19.20%	13.70%	13.70%	19.30%
Estimated sensitivity of liabilities to a 1% change in the inflation rate:	6.70%	8.00%	8.70%	6.60%	7.50%	8.50%

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 etc.

Multi-employer plan funding risk – In addition to economic and demographic risk factors, the 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.

## 12. Gaming and Liquor Operating Results

Management monitors the operating results of the revenue sectors in order to make decisions about resource allocation and performance assessment. Operating expenses are not allocated to the individual revenue sectors, but are allocated between Provincial Lotteries Revenue and Liquor and Other Revenue as authorized by the *Gaming and Liquor Act*.

	2016					
	Provincial Lotteries				Liquor and Other	Total
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)	Subtotal		
Credits Played	\$ 16,023,973	\$ 7,953,051	\$ 31,488	\$ 24,008,512	\$ -	\$ 24,008,512
Liquor Revenue	-	-	-	-	2,634,256	2,634,256
	<u>16,023,973</u>	<u>7,953,051</u>	<u>31,488</u>	<u>24,008,512</u>	<u>2,634,256</u>	<u>26,642,768</u>
Credits Won	(14,816,670)	(7,322,505)	(20,124)	(22,159,299)	-	(22,159,299)
Cost of Liquor Products	-	-	-	-	(1,762,032)	(1,762,032)
	<u>(14,816,670)</u>	<u>(7,322,505)</u>	<u>(20,124)</u>	<u>(22,159,299)</u>	<u>(1,762,032)</u>	<u>(23,921,331)</u>
Net Sales	1,207,303	630,546	11,364	1,849,213	872,224	2,721,437
Commissions and Federal Payments	(355,065)	(100,075)	(3,703)	(458,843)	-	(458,843)
Net Revenue	<u>\$ 852,238</u>	<u>\$ 530,471</u>	<u>\$ 7,661</u>	1,390,370	872,224	2,262,594
Operating Expenses				(189,379)	(34,919)	(224,298)
Profit from Operations				1,200,991	837,305	2,038,296
Other Revenue				(436)	18,488	18,052
Income from Western Canada Lottery Corporation				352,192	-	352,192
Net Income				<u>\$ 1,552,747</u>	<u>\$ 855,793</u>	<u>\$ 2,408,540</u>

(a) includes Keno charity commissions

2015						
	Provincial Lotteries			Subtotal	Liquor and Other	Total
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)			
Credits Played	\$ 16,262,377	\$ 8,323,763	\$ 30,129	\$ 24,616,269	\$ -	\$ 24,616,269
Liquor Revenue	-	-	-	-	2,540,264	2,540,264
	<u>16,262,377</u>	<u>8,323,763</u>	<u>30,129</u>	<u>24,616,269</u>	<u>2,540,264</u>	<u>27,156,533</u>
Credits Won	(15,027,978)	(7,663,399)	(19,290)	(22,710,667)	-	(22,710,667)
Cost of Liquor Products	-	-	-	-	(1,758,364)	(1,758,364)
	<u>(15,027,978)</u>	<u>(7,663,399)</u>	<u>(19,290)</u>	<u>(22,710,667)</u>	<u>(1,758,364)</u>	<u>(24,469,031)</u>
Net Sales	1,234,399	660,364	10,839	1,905,602	781,900	2,687,502
Commissions and Federal Payments	(367,262)	(104,760)	(3,479)	(475,501)	-	(475,501)
Net Revenue	<u>\$ 867,137</u>	<u>\$ 555,604</u>	<u>\$ 7,360</u>	1,430,101	781,900	2,212,001
Operating Expenses				(188,786)	(32,257)	(221,043)
Profit from Operations				1,241,315	749,643	1,990,958
Other Revenue				(1,704)	16,129	17,833
Income from Western Canada Lottery Corporation				<u>285,322</u>	-	<u>285,322</u>
Net Income				<u>\$ 1,528,341</u>	<u>\$ 765,772</u>	<u>\$ 2,294,113</u>

(a) includes Keno charity commissions

## 13. Commissions and Federal Payments

	<b>2016</b>			
	<b>Casino Gaming Terminals</b>	<b>Video Lottery Terminals</b>	<b>Electronic Bingo (a)</b>	<b>Total</b>
Commissions				
Operators	\$ 177,658	\$ 94,495	\$ 1,705	\$ 273,858
Charities	166,657	-	1,776	168,433
Federal Tax Expense (b)	10,750	5,580	222	16,552
	<b>\$ 355,065</b>	<b>\$ 100,075</b>	<b>\$ 3,703</b>	<b>\$ 458,843</b>

	<b>2015</b>			
	<b>Casino Gaming Terminals</b>	<b>Video Lottery Terminals</b>	<b>Electronic Bingo (a)</b>	<b>Total</b>
Commissions				
Operators	\$ 181,217	\$ 98,979	\$ 1,630	\$ 281,826
Charities	175,039	-	1,690	176,729
Federal Tax Expense (b)	11,006	5,781	159	16,946
	<b>\$ 367,262</b>	<b>\$ 104,760</b>	<b>\$ 3,479</b>	<b>\$ 475,501</b>

(a) includes Keno charity commissions

(b) 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.

## 14. Operating Expenses

	<b>2016</b>	<b>2015</b>
Salaries and benefits	\$ 92,264	\$ 92,539
Amortization	59,556	51,518
Leased gaming terminals	26,469	30,336
Equipment and vehicles	13,504	11,067
Data communications	6,817	6,990
Data processing	6,034	6,236
Fees and services	3,971	7,113
Property	3,289	2,921
Marketing and retailer relations	2,396	910
Net interest in net pension benefit liability	2,318	2,529
Travel and training	2,034	2,786
Freight and ticket product delivery	1,834	1,934
Stationery and supplies	1,615	1,932
Insurance and bank charges	1,359	1,188
Miscellaneous	697	909
Liquor product expense	141	135
	<u>\$ 224,298</u>	<u>\$ 221,043</u>

## 15. Other Revenue

	<b>2016</b>	<b>2015</b>
Licences	\$ 6,401	\$ 6,299
Miscellaneous	3,669	857
Premises rental revenue	2,943	2,841
Liquor levies	1,847	2,105
Interest	1,518	1,624
ProServe Fees	1,193	1,232
Retailer service fees	703	644
Administrative sanctions	214	527
Gain/(loss) on disposal of property, equipment and intangible assets	(436)	1,704
	<u>\$ 18,052</u>	<u>\$ 17,833</u>

## 16. Investment in Western Canada Lottery Corporation

The AGLC's interest in the Western Canada Lottery Corporation (WCLC) is based on Alberta's share of lottery ticket sales. The WCLC is a private entity that is not listed on any public exchange.

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

	2016	2015
<b>Statement of Financial Position (WCLC)</b>		
Current Assets	\$ 79,679	\$ 89,360
Property and Equipment	8,635	10,094
Intangible Assets	9,234	7,245
	<u>\$ 97,548</u>	<u>\$ 106,699</u>
Current Liabilities	\$ 99,707	\$ 109,370
Employee Benefits	14,195	12,627
Equity	(16,354)	(15,298)
	<u>\$ 97,548</u>	<u>\$ 106,699</u>
<b>Statement of Revenue and Expenses (Alberta's portion)</b>		
Lottery Sales, Net (a)	\$ 976,770	\$ 810,208
Direct Expenses (a)	(577,869)	(478,666)
Gross Income	<u>398,901</u>	<u>331,542</u>
Operating Expenses	(32,401)	(33,021)
Operating Income	<u>366,500</u>	<u>298,521</u>
Federal Tax Expense (a)	(5,252)	(4,382)
Payment to the Federal Government (b)	(9,056)	(8,817)
Income from Western Canada Lottery Corporation	<u>\$ 352,192</u>	<u>\$ 285,322</u>

(a) On-line 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 the 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

	<b>2016</b>	<b>2015</b>
Investment in WCLC, opening balance	\$ 35,204	\$ 31,074
Net Operating Results recorded by AGLC	\$ 352,192	\$ 285,322
Interest Revenue recorded by Alberta Lottery Fund	1,343	1,552
WCLC Net Income Allocated to Alberta	\$ 353,535	\$ 286,874
Advances received from WCLC	(359,446)	(282,744)
Investment in WCLC, closing balance	\$ 29,293	\$ 35,204

## 17. Contractual Obligations and Finance Lease Commitments

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

	<b>2016</b>	<b>2015</b>
2016	-	11,945
2017	\$ 107,484	\$ 4,280
2018	38,889	489
2019	29,807	379
2020	14,764	374
2021	4,379	-
Thereafter	1,438	1,463
	\$ 196,761	\$ 18,930

The future minimum lease payments required under finance leases are as follows:

	<b>2016</b>	<b>2015</b>
Not later than 1 year	\$ 487	\$ -
Later than 1 year but not later than 5 years	772	-
Later than 5 years	-	-
	\$ 1,259	\$ -

The AGLC has lease obligations for former retail liquor stores, which have been sub-leased to third parties. Provision for loss on leased properties of \$144 (2015 - \$225) has been made where the payments to be received on the sub-leases are lower than the lease payments to be made. Estimated receipts for the next five years and thereafter are as follows:

2016-17	\$	56
2017-18		56
2018-19		56
2019-20		56
2020-21		56
Thereafter		637
	\$	<u>917</u>

## 18. Contingent Liabilities and Provisions

The AGLC has been named as a defendant in several legal actions and claims. Management has assessed these claims as at March 31, 2016 and determined that none of the claims will be provided for in AGLC's accounts or disclosed in these notes, as they are remote and are not expected to have material adverse effect in the financial position or operations of the AGLC.

The AGLC amended a lease agreement with a tenant on February 5, 2016. Under the terms of the amended agreement, the AGLC has agreed to assume certain third party premise leases for the remainder of the lease term, if a significant change in the terms of the tenant's appointment occurs before January 31, 2020. As of March 31, 2016, the AGLC's potential liability is \$21.3 million (2015 - \$20.7 million).

A provision for loss on leased properties has been recorded on onerous lease contracts on former retail liquor store operations that could not be terminated by the AGLC at the time of liquor privatization in 1993. The provision is determined based on the difference between the aggregate estimated sublease revenue and the total lease obligations. As at March 31, 2016, there were 2 leases (2015 - 2 leases) that make up the provision.

		<u>Lease Provision</u>
As at March 31, 2015	\$	225
Amounts charged against the provision		(6)
Unused amounts reversed		(75)
As at March 31, 2016	\$	<u>144</u>
Expected Outflow of Resources		6
Within one year		24
After one year but not more than five years	\$	<u>114</u>
After five years	\$	<u>144</u>

## 19. Funds under Administration

The AGLC manages the collection, 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 the 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.

	2016	2015
Charitable Proceeds	\$ 18,197	\$ 19,045
Held Charitable Proceeds	143	162
	<u>\$ 18,340</u>	<u>\$ 19,207</u>

## 20. Salaries and Benefits

The following table discloses the amounts earned by board members and senior executives in the year ended March 31, 2016:

	2016			2015	
Note	Base Salary (a)	Other Cash Benefit (b)	Other Non-cash Benefits (c)	Total	Total
<b>Board</b>					
Chair of the Board	\$ 111	-	-	\$ 111	\$ 123
Board Members	203	-	-	203	213
<b>Chief Executive</b>					
President and Chief Executive Officer	d 286	15	73	374	342
<b>Executive Management</b>					
Senior Vice President, Corporate Services	214	23	58	295	315
Vice President, Compliance and Social Responsibility	192	1	54	247	246
Chief Information Officer and Vice President, Innovation and Technology	e 201	16	54	271	610
Vice President, Liquor Services	195	1	52	248	229
Vice President, Human Resources and Learning and Development	195	7	51	253	228
Vice President, Lottery and Gaming Services	195	2	51	248	223
Vice President, Finance and Chief Financial Officer	f 177	1	49	227	-

- (a) Base salary consists of regular base pay, including acting pay.
- (b) Other cash benefits consist of vacation payouts, lump-sum payments, wellness spending account reimbursements and severance payments. There were no bonuses paid in fiscal 2016.
- (c) Other non-cash benefits include the AGLC's share of employee benefits and contributions, or payments made on behalf of employees, including pension and supplementary retirement plans, health care, dental coverage, group life insurance, and short and long term disability plans.
- (d) Automobile provided; taxable benefit amount of \$4 (2015 - \$8).
- (e) Position was occupied by two individuals in fiscal 2015.
- (f) Effective March 25, 2015, the position of Chief Financial Officer and Senior Vice President was separated into two positions.

## 21. Financial Instruments and Risk Management

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

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

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

Liquidity risk is the risk the AGLC would encounter difficulties in meeting its financial obligations as they fall due. The risk is reduced as the majority of the AGLC's operational activities involve cash sales and short-term accounts receivables. The 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

The 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 that that prevail in arm's length transaction.

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

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

During the year, the AGLC made payments totalling \$408 (2015 - \$397) to Risk Management and Insurance. Transactions with the Alberta Lottery Fund are disclosed in Note 9 and transactions with the General Revenue Fund are disclosed in Note 10.

## 23. Approved Budget

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

	<b>2016</b>
Liquor revenue	\$ 2,612,139
Liquor cost of sales	(1,753,502)
	<u>858,637</u>
Gaming revenue	1,917,270
	<u>2,775,907</u>
Commissions and federal payments (a)	(477,173)
Operating expenses	(239,260)
<b>Profit from Operations</b>	<u>2,059,474</u>
Other revenue	16,086
Income from Western Canada Lottery Corporation	306,502
<b>Net Income</b>	\$ <u>2,382,062</u>
Loss on pension liability	(11,500)
<b>Total Comprehensive Income</b>	\$ <u><u>2,370,562</u></u>

(a) includes Keno charity commissions

## 24. Comparative Figures

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

# Financial Statements

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## **Alberta Lottery Fund**

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# Independent Auditor's Report



To the Members of the Alberta Gaming and Liquor Commission

## **Report on the Financial Statements**

I have audited the accompanying financial statements of the Alberta Lottery Fund, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and change in net financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Lottery Fund as at March 31, 2016, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

May 25, 2016

Edmonton, Alberta

# Statement of Financial Position

As at March 31  
(in thousands of dollars)

	Note	2016	2015
<b>Financial Assets</b>			
Cash and cash equivalents	3	\$ 17,350	\$ 30,268
Due from Alberta Gaming and Liquor Commission	5	71,316	108,085
		88,666	138,353
<b>Liabilities</b>			
Accounts payable	6	\$ 35,891	\$ 85,578
		35,891	85,578
<b>Net Financial Assets</b>		\$ 52,775	\$ 52,775
<b>Net Assets</b>		\$ 52,775	\$ 52,775

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

Approved by:

BOARD

MANAGEMENT

*Original signed by*

*Original signed by*

\_\_\_\_\_  
Thorna Lawrence, CPA, CA  
Board Member  
Alberta Gaming and Liquor Commission

\_\_\_\_\_  
D. W. (Bill) Robinson  
President and Chief Executive Officer  
Alberta Gaming and Liquor Commission

# Statement of Operations

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

	Note	Budget 2016	2016	2015
<b>Revenue</b>				
Proceeds from lottery operations	7	\$ 1,544,716	\$ 1,552,747	\$ 1,528,341
Interest		3,000	2,743	4,064
		1,547,716	1,555,490	1,532,405
<b>Expenses</b>				
Lottery Fund expenditures	1	1,547,716	1,555,490	1,532,405
		1,547,716	1,555,490	1,532,405
<b>Annual Surplus</b>		-	-	-

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

# Statement of Change in Net Financial Assets

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

	Budget 2016	2016	2015
Annual Surplus	\$ -	\$ -	\$ -
Net financial assets, beginning of year	52,775	52,775	52,775
<b>Net financial assets, end of year</b>	<u>52,775</u>	<u>52,775</u>	<u>52,775</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)

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## 1. Nature of Operations

The Lottery Fund is administered by the Alberta Gaming and Liquor Commission (AGLC) under the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000. The Lottery Fund receives proceeds from lottery operations (see Note 7) and makes transfers therefrom in the public interest in order to support thousands of volunteer, public and community-based initiatives.

*The Appropriation Act*, 2015 authorizes transfers from the Lottery Fund as presented in the 2015- 2016 Estimates, and provides for flexibility in the amount allocated from the Lottery Fund to the General Revenue Fund so that the net balance of the Lottery Fund would be zero at the year ended March 31, 2016.

The transfer of funds to certain programs is 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.

## 2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS).

### **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.

### d. Adoption of the Net Debt Presentation

The net debt presentation (with reclassification of comparatives) has been adopted for the presentation of these financial statements. Net debt or net financial assets is measured as the difference between financial assets and liabilities.

The effect of this change results in changing the presentation of the Statement of Financial Position and adding the Statement of Change in Net Financial Assets.

## 3. Cash and Cash Equivalents

Cash and cash equivalents consist of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province 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 primarily 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, 2016, securities held by the Fund had a time-weighted return of 0.8% per annum (March 31, 2015: 1.2% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

## 4. Related Party Transactions

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

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

## 5. Due from Alberta Gaming and Liquor Commission

This amount represents the portion of net operating results from provincial lotteries, which has not been transferred by the AGLC to the Lottery Fund at year end.

	2016	2015
Due from AGLC, beginning of year	\$ 108,085	\$ 84,547
Proceeds from provincial lotteries	1,552,747	1,528,341
Transfers from AGLC	(1,589,516)	(1,504,803)
Due from AGLC, end of year	\$ 71,316	\$ 108,085

## 6. Accounts Payable

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

## 7. Proceeds from Provincial Lotteries

Proceeds from provincial lotteries received by the AGLC are recorded as revenue of the Lottery Fund after the deduction of related operating expenses.

	<b>2016</b>		<b>2015</b>
Net revenue from casino gaming terminals	\$ 852,238	\$	867,137
Net revenue from video lottery terminals	530,471		555,604
Net revenue from electronic bingo	7,661		7,360
AGLC operating expenses	(189,379)		(188,786)
Profit from operations	1,200,991		1,241,315
(Loss)/gain from sale of property, equipment and intangible assets	(436)		1,704
Net income from ticket lottery	352,192		285,322
Net income from provincial lotteries	1,552,747		1,528,341

## 8. Budget

The 2016 budgeted expenditures were authorized in total by the *Appropriation Act, 2015* on November 27, 2015.

## 9. Comparative Figures

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

# Contact AGLC

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# Contact AGLC

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