

# **ANNUAL REPORT**

## **2016-17**



## Who We Are

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 at [aglc.ca](https://www.aglc.ca)

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The background features a series of overlapping, semi-transparent circular shapes in shades of blue and purple. The colors range from a bright, medium blue to a deep, dark purple. The shapes are arranged in a way that creates a sense of depth and movement, with some shapes appearing to be in front of others. The overall composition is clean and modern.

# **Year at a Glance**

## We are proud to be one of Alberta's top employers

**68%**  
employee  
engagement  
(12% increase)

**979**  
full and  
part-time  
employees



## We are connecting with our stakeholders



**94%**  
stakeholder  
satisfaction



**58,952**  
SMART training  
certifications  
issued



**119**  
GAIN sessions  
provided in 58  
communities



## We generate revenue for the benefit of Albertans

**\$1.4 billion**

net revenue from provincial gaming transferred to the Alberta Lottery Fund

**\$855.3 million**

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

## We are committed to maintaining and maximizing charitable gaming proceeds

**17,904**

charitable gaming licences issued

**\$336.2 million**

earned by charities through charitable gaming activities

## We promote responsible gaming experiences and liquor consumption

**99%**

of Albertans gamble responsibly

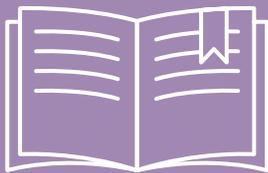
*GameSense*  
+  
*DrinkSense*  
↓

educating Albertans to make healthy and safe choices

**91%**

of Albertans drink responsibly

## We ensure the integrity of the gaming and liquor industries



**3,231**

gaming inspections conducted

**97%**

charitable gaming compliance rate

**26,985**

liquor inspections conducted

**99%**

liquor compliance rate

## We provide gaming and liquor choices Albertans can trust

**19** 

traditional casinos

**4** 

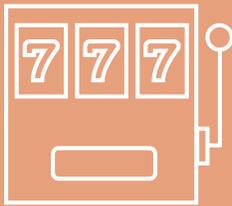
racing entertainment centres (RECs)

**5** 

Host First Nation casinos

**22** 

bingo facilities



**14,281**

casino gaming terminals in casinos & RECs

**5,992**

vlt's operating in 854 retail locations

**2,744**

lottery ticket centres



**22,815**

liquor products that Albertans can access

**5,303**

licensed restaurants, bars, and lounges

**2,136**

licensed liquor stores

**85**

Alberta liquor manufacturers

**534**

liquor agencies







**20 Years of  
the AGLC**

While the AGLC has grown from 300 employees to just under 1,000, it has maintained integrity at its core. Fostering an environment of respect and collaboration over the years has made the AGLC an organization that is one of Alberta's Top 70 Employers.

We continue to strive for, and achieve, excellence in everything we do. The AGLC aims for continued growth and innovation in the next 20 years and beyond.

For over 20 years the AGLC has provided gaming and liquor choices Albertans can trust; reflections from our employees highlight this ongoing dedication.

“

*It is neat to see that a lot of those people are still here, the 20+ people. It is still a nice culture. There is respect and everybody seems easy going, it is friendly, a lot of fun. I think that is why a lot of us stick around.*

– Cameron Leddy



Nearly 1 in 10 employees have been with the AGLC throughout its 20 year journey.

“

*The biggest change has been an increase in the spirit of collaboration; we are much more of a team now.*

– John Annett

“

*We have grown and matured considerably as an organization. We are more structured and more accountable to our stakeholders. It has been an adventure, especially in the early days.*

– Fred Demers

“

*I'm so grateful for the opportunities I've been given and for what I've learned over the years from the people I've had the honour to work with. The AGLC has been, and very much is, a wonderful place to learn and grow – and be valued for what each person brings to our organization, and to support our stakeholders and Albertans.*

– Alain Maisonneuve





# **Our Organization**

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

This past year marked an important milestone for the Alberta Gaming and Liquor Commission (AGLC) with the 20th anniversary of the organization. In twenty years, Alberta has experienced tremendous growth, the province's gaming and liquor industries have expanded and matured and the AGLC itself has evolved as an organization. However, our core purpose – to provide economic and social benefits to Albertans – has never changed. As we look back on 2016-17, we do so with pride in the balanced approach taken to deliver these benefits to Albertans.

Our Strategic Directions are the guiding principles of the AGLC and they directed our actions during the previous fiscal year. These 4 strategic elements – *Responsible Growth, Culture of Moderation, Regulatory Innovation and Continuous Improvement* – represent the AGLC's commitment to finding the right balance in how we serve Albertans. We are committed to responsibly generating revenue for the Government of Alberta as well as to increasing awareness and educating Albertans about responsible gambling and moderate liquor consumption. We are dedicated to a regulatory and policy environment that maintains our commitment to compliance yet reduces barriers for businesses in the province's gaming and liquor industries. We are proud of this balanced approach. This Annual Report showcases our achievements in 2016-17 and our progress on these priorities.

“

*As we look back on 2016-17, we do so with pride in the balanced approach taken to deliver these benefits to Albertans.*

We have much to be proud of from the past year, including our commitment to maintaining and maximizing charitable gaming proceeds in support of the valuable programs and services offered by eligible charitable organizations to Albertans, and our efforts to modernize gaming and liquor policy. As we move forward with a dedication to continued modernization, we do so while acknowledging our history and the contributions of our dedicated employees – many of whom have been with us since the start. Our ability to serve Albertans is driven by the commitment of AGLC staff, a diverse and dedicated team of which we are extremely proud. We are especially proud of how our employees live our organizational values of integrity, respect, collaboration, innovation and excellence. These values reflect what our employees see as important in how we contribute to the province. Our strength is in our people, and in their experience, dedication, knowledge and relationships with stakeholders in Alberta's gaming and liquor industries. We thank them all for their part in the successes of the past year.

In looking back on 2016-17, we wish to acknowledge the guidance and leadership of Susan Green, our previous Board Chair, as well as Bill Robinson, our past President and Chief Executive Officer. Their dedication to our values allowed us to continue to deliver economic and social benefits to Albertans, and guided our many accomplishments. We are proud to carry on in the same spirit and to ensure that we continue to strike the right balance in serving Albertans for the next 20 years.

*Original signed by*

Gael MacLeod  
Chair of the Board

*Original signed by*

Alain Maisonneuve  
Acting President and Chief Executive Officer

# Our Story

## A Past Worth Celebrating

Alberta has come a long way in terms of gaming and liquor laws. After prohibition, drinking was only permitted in hotels that met strict standards of décor—with separate rooms for ladies and escorts. Gaming was essentially limited to bingo and horse racing. Starting in the 30s, Alberta Liquor Control Board (ALCB) liquor stores opened, with wine and spirits sold in ALCB-branded stone bottles and jars. Over Alberta airspace, planes couldn't serve alcohol. Things started changing in the 50s and 60s, with the advent of clubs, mixed-gender drinking, and charitable casinos. 1975 saw the first-ever lottery ticket sold. In 1996, three years after liquor sales were privatized, the AGLC was created, bringing responsibility for gaming and liquor in the province into one organization.

## A Present to Be Proud Of

Choices Albertans can trust is the promise of the AGLC and we deliver on that promise every day. We respect the interests of all Albertans, ensuring a wide range of choices for our consumers and a balanced competitive landscape for businesses. Our dedication to doing what is right has made gaming in this province fair, well-regulated, and trusted by Albertans. Equally, we work to ensure safe environments where liquor is served in our province. Social responsibility goes hand in hand with our work and we're proud to help make a positive impact in our communities. All in all, we're here to serve Alberta.

## A Future We Create Together

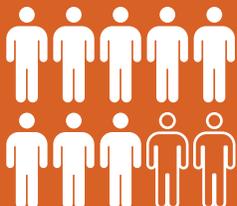
Today, thousands of liquor licensees offer almost 23,000 unique liquor products and Albertans are enjoying more gaming choices than ever before. But we will not stop there. We will seize the opportunity to create one of the best environments for responsible gaming and liquor choices. We will build on social responsibility initiatives already making a difference in communities across Alberta, furthering momentum towards a culture of moderation. With integrity at the forefront of everything we do, the AGLC won't lose sight of the trust that Albertans have placed in us.

# Our Connections

## Serving Albertans

Albertans enjoy extensive choices when it comes to gaming and liquor. The AGLC provides benefits to Albertans through gaming and liquor products and services, as well as our financial contribution to government. We continually improve our service to Albertans by being an approachable, fair, and values-driven organization. With a focus on excellence, we will modernize our operations to ensure Albertans are satisfied with our products and services and the ways in which they are delivered.

Given that gaming revenue contributes to Alberta's social and economic development, the AGLC's job is to maximize the benefits of gaming products and services to the advantage of all Albertans. In doing so, we ensure that Albertans have the best options to consider when spending their entertainment dollar.



The AGLC can say with confidence that we are meeting the expectations of Albertans, our stakeholders, and our employees - 8 in 10 feel the AGLC has an excellent reputation.

The charitable gaming model provides charitable organizations with the opportunity to benefit directly from gaming activities. Gaming proceeds are intended to provide financial support to supplement their existing programs and services. The AGLC is committed to maintaining and maximizing charitable gaming proceeds in support of the valuable programs and services offered by eligible charitable organizations to Albertans.

Unparalleled selection and convenience are the hallmarks of Alberta's privatized liquor model. The AGLC is the only jurisdiction in Canada with a fully privatized liquor model. Our model also provides an equal opportunity for all liquor manufacturers to sell their products in Alberta. We have one of the most open liquor marketplaces in the country. There are no barriers to listing liquor products and nearly 23,000 liquor products are available to consumers. Alberta's unique liquor model ensures Albertans continue to benefit from great product selection.

On behalf of the Government of Alberta, the AGLC collects markup on all liquor products sold within the province. We work to sustain the long-term economic benefits of liquor in Alberta in a socially responsible manner.

The AGLC also supports provincial efforts to reduce gambling and liquor-related harms. We're focused on supporting Albertans to make positive choices for themselves and enjoy gaming and liquor products in a fun and responsible way.



## A Fresh Look for the AGLC

In July 2017, the AGLC launched a new and improved website. As the AGLC continues to innovate in the avenues of gaming and liquor, we required a website that will move us in a forward-thinking and modern direction.

The website is more user-friendly and intuitive so Albertans and our stakeholders can better connect with our organization.

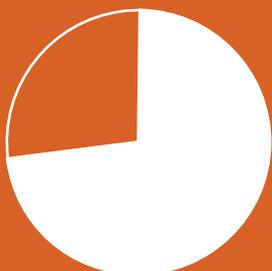
Visit us at [aglc.ca](http://aglc.ca)

We are always looking for ways to develop our organization while being mindful of our commitment to integrity, social responsibility and providing choices Albertans can trust. We are here to serve Alberta.

### **Working with our Stakeholders**

The AGLC's promise – to provide choices Albertans can trust – reflects our commitment to the relationships we have with our stakeholders. From associations to municipalities, from charitable organizations to all Albertans, the AGLC works hard to ensure voices are heard and all angles of an issue are considered as we strive to ensure our work is reflective of today's Alberta.

To that end, we have increased our focus on stakeholder relations, to ensure our efforts are going in the right direction, that our path is clear and that we are meeting the needs of Albertans. We appreciate the continued conversations we have had with various stakeholders, and look forward to working together in the future.



**73% of Albertans are confident that the AGLC responsibly manages gaming and liquor activities**

## Where the Money Goes

We collect and disburse funds in our gaming and liquor 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**.



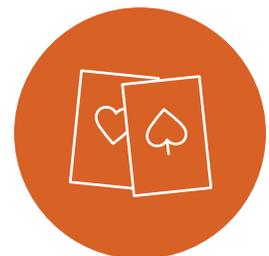
### Provincial Gaming

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 receive a percentage of the revenue generated from casino gaming terminals operating during their licensed casino events. Charitable and religious groups also receive commission from electronic bingo and keno operating during charitable gaming events in licensed bingo facilities. All related AGLC operating costs are deducted and the income from Western Canada Lottery Corporation (WCLC) for ticket lottery sales in Alberta is added. The net operating results from provincial gaming are transferred to the **Alberta Lottery Fund**.

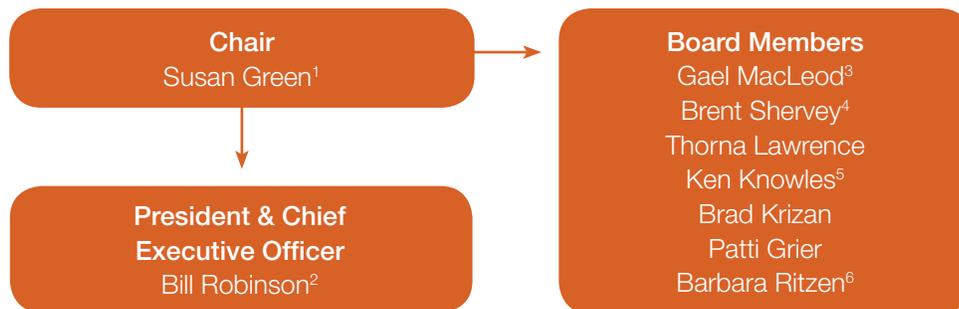


### Charitable Gaming

Eligible charitable and religious groups that conduct raffles, sell pull tickets, and conduct bingo and casino table games use the proceeds from these gaming activities for approved charitable or religious purposes. The groups pay private sector suppliers for the cost of products and services they obtain to 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 Board for 2016-17



### Notes:

1. Term expired March 31, 2017.
2. Bill Robinson retired March 15, 2017. Alain Maisonneuve was appointed to the role of Acting President and CEO.
  - The President & Chief Executive Officer is a non-voting member of the Board.
3. Appointed as Chair of the Board June 28, 2017.
4. Acting Chair from April 1, 2017 to June 28, 2017.
5. Term expired March 31, 2017; re-appointed to the Board on June 28, 2017.
6. Appointed to the Board June 28, 2017.

## Our Divisions



In addition to the St. Albert head office, the AGLC has five regional offices in Calgary, Grande Prairie, Lethbridge, Red Deer, and Stettler. These regional offices ensure the efficient and effective operation of licensing and inspection programs for gaming and liquor in the assigned area, as well as casino and vlt technical services. Depending on the regional office, staff may include inspectors, investigators, auditors, field service technicians, account representatives, and warehouse staff.

## Office of the President and Chief Executive Officer

### **Alain Maisonneuve**

Acting 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 President and Chief Executive Officer leads the organization with a clearly defined business direction and purpose, and serves as a model for the AGLC's vision, mission and values.

## Lottery and Gaming Services

### **Niaz Nejad**

Vice President

This division manages the business operations related to the conduct and management of the province's gaming industry with a focus on revenue sustainability and growth, operational efficiencies, and customer service excellence.

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

## Liquor Services

### Jody Korchinski

Vice President

Liquor Services oversees the liquor supply chain in Alberta. It builds strong relationships with stakeholders to support developments in the industry and collects revenue for the General Revenue Fund.

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

## Regulatory Services

### Dave Berry

Acting Vice President

The Regulatory Services division ensures the integrity of Alberta's gaming and liquor industries. This is achieved through education and compliance efforts such as: providing education programs to our stakeholders, conducting industry audits, issuing gaming and liquor licences and registrations, conducting on-site inspections, and investigating gaming, liquor and tobacco related offences. This division also manages the AGLC's anti-money laundering (AML) Program.

## Human Resources and Employee Development

### Wendy Romanko

Vice President

The Human Resources and Employee Development division plans, develops and delivers all human resource programs, policies and practices for the organization, and promotes the alignment of strategic human resource initiatives that support the AGLC business and strategic goals. This division is involved in staffing, performance evaluation, employee recognition, retention initiatives, learning and development, health and wellness, occupational health and safety, benefit administration, labour relations and collective bargaining.

## 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.

## Corporate Strategic Services

### **Bernie Bolton**

Vice President and Chief Risk Officer

The division provides support to all AGLC lines of business. It is responsible for developing strategic and operational policy that regulates Alberta's provincial gaming, liquor, and charitable gaming activities, and that supports the AGLC's strategic directions and business priorities.

Corporate Strategic Services is also responsible for enterprise risk management, the business continuity plan, and ensuring adherence to the *Freedom of Information and Protection of Privacy Act* (FOIP).

As well, this division provides support across the organization to evaluate our programs, policies, and services.

## Information Technology

### Neil A. Brown

Vice President and Chief Information Officer

The Information Technology 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 develops and manages systems to deliver key components of the gaming and liquor businesses of the AGLC efficiently and effectively. Additionally, it develops specialized applications and collects and monitors 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.

The division is also responsible for the management of the portfolio of corporate priority projects.

## Corporate Responsibility and Reputation

### Michelle Hynes-Dawson

Vice President

The AGLC's Corporate Responsibility and Reputation division is the champion of a corporate approach to promoting the AGLC brand and communicating with employees and external stakeholders. It leads marketing solutions to build consumer and stakeholder engagement, develops and implements plans for communicating with internal and external audiences, manages the AGLC visual identity, and acts as the corporate advocate for living the values of the AGLC.

The area also delivers social responsibility programs and initiatives to encourage healthy choices, and develops programs that enhance the AGLC's role with respect to social outcomes related to the gaming and liquor industries.





**Our  
Strategy**

# 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

### 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.

# Our Strategic Plan

## Responsible Growth

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

### Objectives

- Meet Albertans' expectations for liquor and gaming
- Generate stable revenue to benefit Albertans

### Business Priorities

- Implement casino modernization initiatives
- Undertake casino relocation and expansion projects
- Develop innovative gaming options
- Upgrade lottery infrastructure
- Targeted gaming promotions
- Increase liquor distribution capacity

### Performance Measure

- Total dollars returned to the Government of Alberta, the Alberta Lottery Fund and eligible charities meets or exceeds GDP growth

## Culture of Moderation

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

### Objectives

- Educate Albertans about responsible liquor and gambling experiences
- Provide access to self-help tools to reduce harm
- Enhance safety and security of licensed premises
- Collaborate with stakeholders to promote moderation

### Business Priorities

- Promote the GameSense responsible gambling awareness program
- Expand the Best Bar None program for liquor licensees
- Provide targeted social responsibility campaigns to Albertans
- Continue to partner in the implementation of the Alberta Alcohol Strategy, Alberta Responsible and Problem Gambling Strategy and the Alberta Fetal Alcohol Spectrum Disorder Cross-Ministry Committee's 10 year strategic plan

### Performance Measures

- Responsible Gamblers
- Responsible Drinkers

## Regulatory Innovation

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

### Objectives

- Proactively engage stakeholders
- Employ risk-based, outcomes-focused and evidence-based practices
- Enhance Alberta's charitable gaming and liquor models

### Business Priorities

- Enhance stakeholder relationships
- Expand web-based relationship management
- Deliver anti-money laundering programs with partners in Alberta's gaming industry
- Modernize charitable gaming
- Enhance Alberta's liquor model

### Performance Measure

- AGLC Stakeholder Satisfaction Index

## Continuous Improvement

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

### Objectives

- Inspire engagement in the workplace and in employees to drive results
- Deliver services with increased efficiency and effectiveness
- Maintain Albertans' satisfaction with AGLC products and services

### Business Priorities

- Development of workforce including continued implementation of the Talent Management Strategy
- Modernize AGLC infrastructure
- Streamline business processes

### Performance Measure

- Percentage of all revenues to be received by Licensed Charities, the General Revenue Fund and Alberta Lottery Fund

# Our Performance

Target	Actual	
-3.8%	-5.0% \$2,614,980*	Total dollars returned to the Government of Alberta, the Alberta Lottery Fund and eligible charities meets or exceeds GDP growth
97%	99%	Responsible Gamblers
92%	91%	Responsible Drinkers
90%	94%	AGLC Stakeholder Satisfaction Index
80%	83%	Percentage of All Revenues to be Received by Licensed Charities, the General Revenue Fund and Alberta Lottery Fund

\* in thousands of dollars

## Measuring Performance – Responsible Growth

### Total Dollars Returned to the Government of Alberta, the Alberta Lottery Fund and Eligible Charities Meets or Exceeds GDP Growth

This measure combines the total contributions to the Government of Alberta's General Revenue Fund (GRF), the Alberta Lottery Fund (ALF) and to charities, and compares them year to year. In 2016-17, there was a 5.0 per cent reduction in total dollars returned to charities, GRF and ALF.

As a reference, the year-over-year change in performance is compared to the overall economic status of Alberta, as measured by the annual percentage change in provincial GDP.

The note references included below are from the the AGLC audited financial statements (pages 101-132).

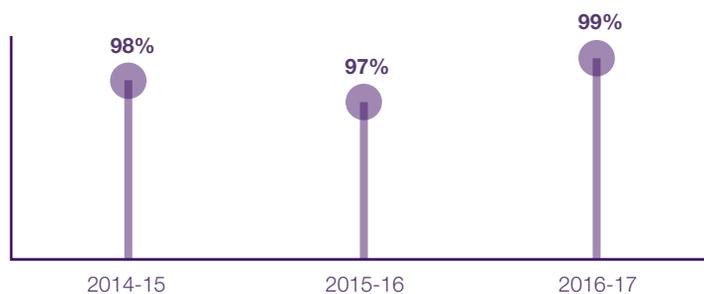
(\$ thousands)	2016-17	2015-16
<b>Contribution to ALF, GRF &amp; Charities</b>		
Contribution to ALF (Note 9)	1,429,604	1,552,747
Contribution to GRF (Note 10)	855,255	855,793
Contribution to Licensed Charities <sup>1</sup>	330,121	345,493
<b>Total Contribution to ALF, GRF &amp; Charities</b>	<b>2,614,980</b>	<b>2,754,033</b>
Growth in Dollars Returned to Charities, GRF and the Alberta Lottery Fund (%)	-5.0%	4.7%
<b>Alberta GDP Growth (%)<sup>2</sup></b>		
Actual Results	-3.8%	-3.6%

#### Notes:

- Contributions to licensed charities are calculated as the net proceeds from charitable gaming licences in effect (total gross proceeds less prizes and less expenses; see p.62) plus the commissions paid to charities from provincial lotteries (Note 12).
- The results for the change in Alberta GDP are from the Treasury Board and Finance Alberta Economy – Indicators at a Glance, July 7, 2017.

## Measuring Performance – A Culture of Moderation

### Percentage of Responsible Gamblers



**Source:**

2016-17 Survey of Albertans – Social Responsibility – NRG Research Group

**Notes:**

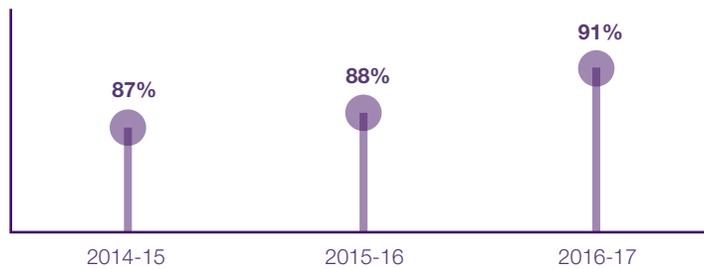
There is 95 per cent certainty that the results are accurate to: 2014-15:  $\pm 3.0$  per cent, 2015-16 and 2016-17:  $\pm 3.1$  per cent

Through dedicated programs, public awareness efforts and stakeholder partnerships, we seek to encourage gamblers to make healthy, safe choices, and prevent harm. To better understand gambling in Alberta, 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 2016-17, 99 per cent of Albertans self-reported that they gamble responsibly. This result is consistent with previous survey results and exceeds our target by 2 per cent.

Detailed information on the Survey of Albertans – Social Responsibility is available on page 94.

## Percentage of Responsible Drinkers



**Source:**

2016-17 Survey of Albertans – Social Responsibility – NRG Research Group

**Notes:**

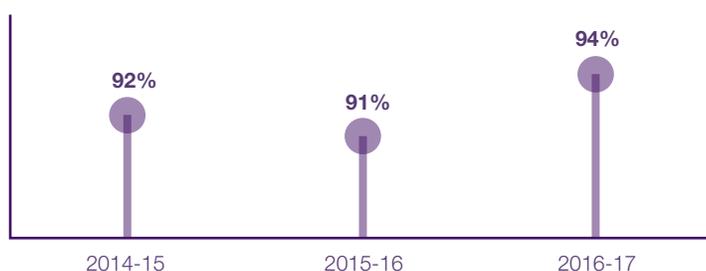
There is 95 per cent certainty that the results are accurate to:  
2014-15:  $\pm 3.0$  per cent, 2015-16 and 2016-17:  $\pm 3.1$  per cent

The AGLC leads and 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.

The number of Albertans who drink alcohol in moderation is 91 per cent. This is slightly below the target of 92 per cent; however, this is a marginal increase from the results of the past three surveys.

Detailed information on the Survey of Albertans – Social Responsibility is available on page 94.

## Measuring Performance – Regulatory Innovation



### Source:

2016-17 Survey of Gaming Retailers, Survey of Liquor Industry Clients, and Survey of Charitable Gaming Licensees – NRG Research Group

### Notes:

There is 95 per cent certainty that the results are accurate to:

- Survey of Gaming Retailers – 2014-15:  $\pm 3.4$  per cent, 2015-16:  $\pm 3.3$  per cent, and 2016-17:  $\pm 3.1$  per cent
- Survey of Liquor Industry Clients – 2014-15:  $\pm 3.4$  per cent, 2015-16:  $\pm 3.1$  per cent, and 2016-17:  $\pm 3.2$  per cent
- Survey of Charitable Gaming Licensees – 2014-15:  $\pm 2.2$  per cent, 2015-16:  $\pm 2.1$  per cent, and 2016-17:  $\pm 1.9$  per cent

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

## AGLC Stakeholder Satisfaction Index

This performance measure combines ratings of satisfaction on several factors from three main categories of stakeholders: gaming retailers, liquor licensees and agencies, and charitable gaming licensees.

Each year, we survey our stakeholders to get their feedback on services we offer. This year's surveys indicate that the vast majority (94 per cent) of our stakeholders are satisfied with the services we are providing them. This exceeds our target by 4 per cent.

Detailed information on the stakeholder surveys is available on page 96.

## Measuring Performance – Continuous Improvement

Percentage of All Revenues to be Received by Licensed Charities, the General Revenue Fund and Alberta Lottery Fund

	2016-17		2015-16	
<b>Revenue</b>				
Electronic gaming revenue (Note 12)	1,731,841		1,849,213	
Non-electronic gaming proceeds <sup>1</sup>	172,204		177,060	
<b>Total gaming proceeds</b>	<b>1,904,045</b>		<b>2,026,273</b>	
Provincial lottery (Note 15)	362,087		398,901	
Liquor (Note 12)	877,142		872,224	
Other revenue (Note 12)	15,164		18,052	
<b>Total revenue</b>	<b>3,158,438</b>		<b>3,315,450</b>	
<b>Contribution to ALF, GRF &amp; Charities</b>				
Contribution to ALF (Note 9)	1,429,604		1,552,747	
Contribution to GRF (Note 10)	855,255		855,793	
Contribution to Licensed Charities <sup>2</sup>	330,121		345,493	
<b>Total Contribution to ALF, GRF &amp; Charities</b>	<b>2,614,980</b>	<b>82.8%</b>	<b>2,754,033</b>	<b>83.1%</b>
<b>AGLC Share of Operating Expenses, Commissions &amp; Taxes</b>	<b>543,458</b>	<b>17.2%</b>	<b>561,417</b>	<b>16.9%</b>

### Notes:

1. Includes net proceeds (total gross, less prizes/winnings and expenses) for licensed casino, raffle, pull ticket and bingo events in 2016-17. See charitable gaming summary (page 62) for additional information.
2. Total contributions to licensed charities includes non-electronic gaming proceeds as well as commissions paid to charities from electronic gaming (casino gaming terminals and electronic bingo; Note 12) operating during licensed charitable events.

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 (gaming for which the AGLC conducts and manages), proceeds from non-electronic gaming such as paper bingo, casino table games, pull tickets and raffles (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 101-132), 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 the charitable gaming activities, less prizes/winnings and related expenses.





**Our  
Employees**

## We All Play a Part

The AGLC is dedicated to supporting Alberta's gaming and liquor industries. Our progress as an organization is accomplished through the actions of our employees. At the AGLC, we foster a corporate culture based on our values: integrity, respect, collaboration, innovation, and excellence. Living our values inspires engagement in our employees, allowing us to serve Albertans better.

Our employees have a sense of purpose and pride; they are proud to work at the AGLC. Our team of dedicated high performers is driven to provide our stakeholders with outstanding service and Albertans with choices they can trust.

### Employer of Choice

We pride ourselves on being an employer of choice in the province. In 2017, the AGLC was named as one of Alberta's Top 70 Employers for the second year in a row. Organizations are compared to determine who offers exceptional places to work. The AGLC was evaluated using information submitted in April 2016 about our organization and the benefits provided to employees. This award confirms that we are an employer of choice and offer workplace programs to attract new talent and retain and engage our employees.

At the AGLC, we strive to attract and retain a diverse and talented workforce that contributes to the Commission's vision, mission, values and strategic direction. We want employees to feel excited about coming to work every day and feel proud to tell others they work for the AGLC.



### Supporting our Employees' Well-Being

The AGLC is committed to supporting employees as they strive to improve their overall health and wellness. As part of our health and wellness strategy, the AGLC introduced Active@AGLC, a new program designed with employee's well-being in mind. Each month, Active@AGLC brings in a different health-related theme to help employees work towards a healthy lifestyle. Many of the ideas introduced respond to employee suggestions and feedback. Some of the free activities we offered to our employees this year are: a fitness boot camp class, shoulder massages, and a yoga class.



## Employee Engagement

The AGLC is constantly striving to become a better organization and employee engagement is one of our measures of success. That is why being attuned and responsive to our employees' needs is critical and why we chose to examine the way we run our organization by conducting a Corporate Employee Engagement Survey in May 2016. This survey allows us to measure our levels and drivers of engagement so that we can better understand the needs of our workforce, confidently address areas for improvement, and analyze the factors behind our success.

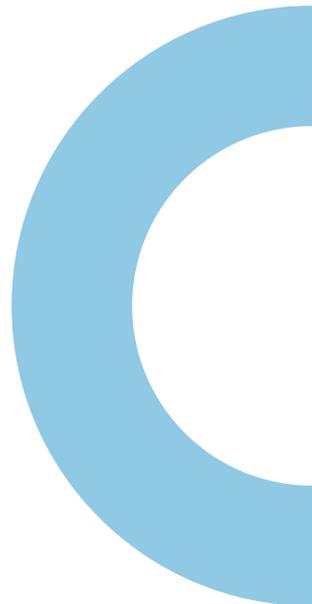
The results from the survey showed a 12% increase in overall employee engagement to 68%. We are committed to our employees and will continue to inspire engagement in our workforce.

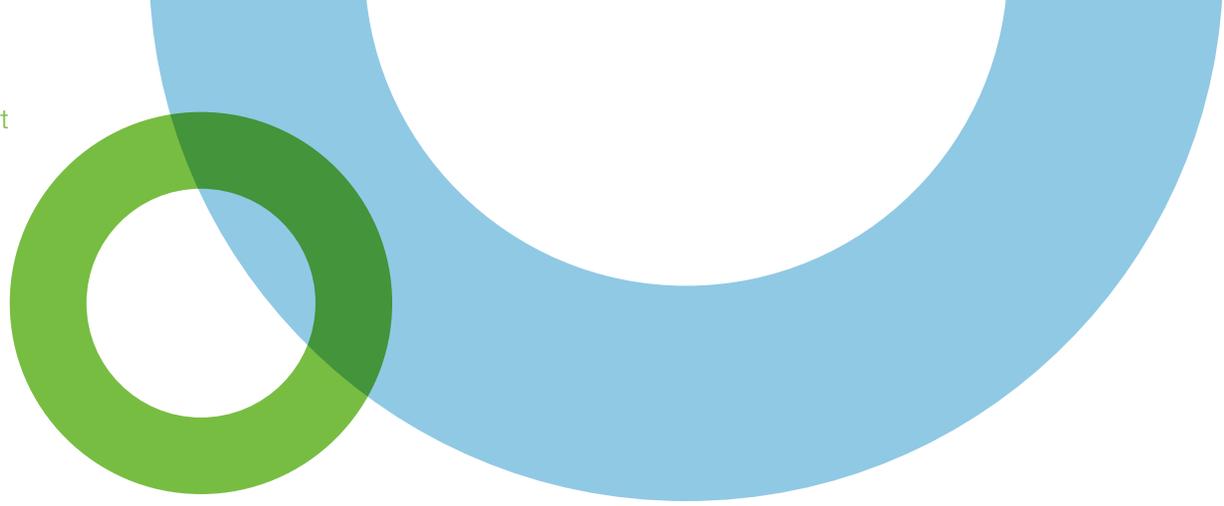
## Employee Recognition

Recognizing employees for a job well done is a priority for the AGLC. In that respect, the Special Thanks And Recognition (STAR) Program was launched to acknowledge employee contributions and the commitment of employees. STAR ensures employees feel valued and appreciated for behaviours that align with the AGLC values and actions that contribute to the business objectives. This is done through day-to-day recognition and formal awards such as dedicated service milestones, and the Employee Achievement Award.

## Employee Development

The AGLC supports opportunities for career advancement and development, and fosters a work environment that encourages individuals to develop their abilities and leadership potential. We support employee learning and growth in many ways by providing: operational and health and safety training; endorsing professional development courses; encouraging internal development opportunities; and subsidizing externally offered formal education programs. These efforts facilitate the further development and engagement of our workforce, which is a priority for the AGLC.





The second offering of the Leaders@Work program concluded in 2016-17. This program was developed in collaboration with the University of Alberta to better prepare our people managers for future leadership opportunities. The goal of the program is to leverage learning, experience, and relationship building in a highly integrated, project-based program. To date, 50 employees from across the AGLC have completed the program.

## Succession Planning

Succession planning allows the AGLC to plan both for the foreseen and unexpected absences of people who hold leadership roles in the organization. It is important for the AGLC to have a plan in place to advance existing talent within the organization thereby providing opportunities for employee development and growth while providing greater operational sustainability and stability.

## Not Myself Today

Our employees are our most important resource and play a critical role in the success of the organization and in making the AGLC a positive workplace. With this in mind, the AGLC participates in the Not Myself Today initiative.

This initiative is led by Partners for Mental Health and engages workplaces across Canada to support mental health and those who may be facing challenges. Not Myself Today is about engaging employees in three areas:

- Better understanding and promotion of mental health
- Reducing stigma
- Fostering a safe and supportive work environment

The background features several overlapping circles in shades of orange and yellow. A large, semi-transparent orange circle is positioned in the upper left, overlapping a smaller, solid yellow circle. Another large, semi-transparent orange circle is on the right side, overlapping a smaller, solid yellow circle. The bottom left corner is a solid yellow circle. The text 'Our Business' is overlaid on the bottom left, with 'Our' in orange and 'Business' in yellow.

# **Our Business**

The AGLC has two core businesses: gaming and liquor. Supported by our regulatory, corporate and social responsibilities, we provide Albertans with gaming and liquor choices they can trust.

We regulate charitable gaming activities, conduct and manage provincial gaming and regulate 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.

## A Modern Regulator

The AGLC is committed to maintaining the integrity of gaming and liquor industries. We accomplish this by supporting and educating our stakeholders so they can ensure compliance with gaming and liquor legislation, regulation and policy.

### Licensing and Eligibility

A dedicated eligibility team informs and educates charitable gaming applicants who seek approval to conduct gaming activities (casino, bingo, raffle, and pull ticket). A separate area within licensing advises charitable gaming licensees on the use of gaming proceeds. Additionally, our licensing area provides support and education to the gaming and liquor industries primarily through the processing of licence applications and registering gaming workers (for casino, bingo, and racing entertainment facilities).



## Inspections

The Inspections branch has a number of support tools it utilizes to educate stakeholders. The most effective of these is the contact licensees have with our inspectors. Through the licence application phase, issuance of the licence and regularly scheduled maintenance and operating checks, AGLC inspectors are in contact with licensees communicating our policies and providing support. The success of these efforts can be seen in our licensee compliance ratings of 97% for gaming and 99% for liquor.

To ensure we are properly meeting the changing needs of the industry while maintaining safety and integrity, we continually offer new opportunities to support our licensees. In 2016-17, we reviewed and updated a number of policies and have begun delivering training seminars targeted towards our stakeholders.

## Gaming

Gaming is a core business of the AGLC. The AGLC manages a portfolio of products and services to drive and sustain gaming revenue growth, and further advance social and economic benefits for Albertans.

We conduct and manage electronic gaming in Alberta. Electronic gaming equipment is provided to retail operators in four distinct retail channels: slot machines (casino gaming terminals) are supplied to casinos and racing entertainment centres (RECs), vlts are furnished to licensed premises, lottery ticket terminals are made available to various retail outlets, and electronic bingo devices are provided to bingo halls.

**\$1.4 billion**

**Gaming Net Operating Results**

In each of these channels, the retail operator earns a commission reflective of the retail space and services it provides. Charitable organizations also earn a commission on electronic gaming in casinos and in bingo halls. The residual revenues after prize payout, retailer and charitable organization commissions and the AGLC's associated costs, are deposited to the Alberta Lottery Fund.

The AGLC takes a balanced approach in managing gaming activities in the province, one that respects the interests of Albertans. We provide Albertans with a wide variety of entertaining gaming products as well as the tools required to participate in gambling activities in a healthy manner.

Despite a challenging economic condition in the province, the AGLC maintained excellence in delivering engaging products throughout the network of casinos, vlt locations, lottery ticket centres and bingo halls. We made great strides in discovering efficiencies through both technology adoption and refinement of business practices. Additionally, significant progress was made towards the modernization of the casino business which focuses on the sustainment of our commitment to Albertans and charitable organizations for years to come.

## **Providing Support and Education to Industry**

The AGLC prides itself on working very closely with casino operators. In addition to our dedicated Retail Services team that provides daily and weekly support, we have a dedicated Gaming Operations training team that regularly visits and trains all our casino partners on pertinent operating requirements.

Also, the senior management of the AGLC is in constant communication with our key stakeholders, including organizing and conducting our annual gaming industry engagement meeting. This interactive meeting covers a variety of in-depth topics of interest to our casino operators.

Recently, the AGLC developed an Operator Advisory Committee. This group is a collaborative working group of AGLC members and casino operator partners with the mutual goal of developing best practices for the new player loyalty program in Alberta.

Lastly, our Customer Market Insights team is continually providing research and analytical data that is circulated via our Retail Services team.

## Modernizing Gaming Experiences in Casinos

The Casino Modernization Program was designed to modernize the gaming experience in casinos across Alberta and has three primary drivers:

- To satisfy evolving player expectations
- To promote casinos as favoured entertainment destinations
- To grow revenue from casino gaming terminals (e.g. slot machines)

AGLC has procured a Casino Management System (CMS) which includes a Player Account Management system and supporting technologies. The rollout of these systems will be crucial in the implementation of the player loyalty program that is anticipated to grow revenue for the AGLC, our casino operator partners and charitable organizations throughout Alberta, as well as provide enhanced responsible gambling tools and entertainment value for casino patrons.

In 2016-17, the AGLC began the testing and development of the CMS with the first pilot site scheduled for Fall/Winter 2017. The implementation of the system will introduce significant new functionality to the AGLC.

The AGLC is placing high priority on engaging with our casino operator partners and ensuring that they are made aware of scheduling and business impacts to their staff and properties throughout the rollout.

## Player Loyalty Program

An exciting new player loyalty program is in development and anticipated to be available at Alberta casinos and racing entertainment centres in 2019. This program will offer members special promotions, exclusive events and rewards beyond free play (such as discounts on dining and more) to encourage them to balance their gambling with other activities. Just as important, the loyalty program will put enhanced responsible gambling (GameSense) features into the hands of players to help them make more informed choices about their spending and manage their entertainment budget. Using these tools, members can set time or spending limits on their slot play and view win/loss statements. The program will deliver a valuable entertainment experience for its members, while generating increased revenue in a responsible manner to benefit Albertans.

## Boomtown Casino – Recovering from Crisis

As a long-standing stakeholder in Alberta's gaming industry, Gamehost Inc. is one of the most experienced gaming facility operators in the province, with several properties, including Boomtown Casino in Fort McMurray. However, none of this experience could have prepared them for the unprecedented impact of the Wood Buffalo wildfires in May 2016.

With the rapidly changing conditions in and around Fort McMurray on May 3, 2016, Boomtown Casino, like so many local businesses, was forced to close quickly. With less than 10 minutes of notice, the staff at Boomtown secured the casino and joined the evacuation of Fort McMurray. Elston Noren, Chief Operations Officer for Gamehost, recognizes the dedication of the staff in securing the facility that day, but recalls that beyond the impact to the casino, the most significant effect of the evacuation was on their employees. "The impact on our staff was horrendous... they were uprooted within minutes or hours, with no quick sign of relief," recalls Noren. "From hour to hour, we didn't know what the outcome was going to be."

As people from across the Regional Municipality of Wood Buffalo were scattered due to evacuation, Gamehost reached out to their employees, maintaining payroll during the closure and even offering accommodations for some staff at their other facilities across Alberta. Noren recalls that Gamehost's commitment to staff during this crisis was repaid, as after a closure of 73 days, and with lingering uncertainty for residents of Fort McMurray, greater than 90% of casino staff returned to employment within a month of re-opening.

“

*The AGLC understood the situation and our needs... they hit the ground running... the AGLC dropped a team on the ground that worked around the clock... it was seamless.*

– Elston Noren, Chief Operations Officer, Gamehost, Inc.

“

*The Boomtown post-fire experience was unique. It wasn't just about cleaning and returning a casino to its natural state. It was living and working in a community of individuals that all had an incredible story to share during our time in Fort McMurray. We learned first-hand about how the evacuation affected each person.*

**– Ed Laforce, Field Services Manager, AGLC**

The process of reopening the Boomtown Casino was a coordinated effort on the part of the casino operator, Gamehost, and the AGLC. When access to Fort McMurray resumed, staff from the AGLC met with Gamehost representatives and their insurance and restoration companies to assess the damage to the facility (as the AGLC has a responsibility for the integrity of all gaming machines in the province). Though the building was not directly damaged in the fires, there was a heavy smoke smell that required significant restoration work. As a result of the coordinated effort between Gamehost, the AGLC and the insurance and restoration companies, Boomtown Casino reopened on July 15, 2016.

Fort McMurray is still recovering and rebuilding from the wildfire devastation. Gamehost remains dedicated to Boomtown Casino and its continued presence as an entertainment option and venue for eligible charitable groups to participate in charitable gaming activities in the region. The AGLC has a long-term commitment to stakeholders in Alberta's gaming industry; the success of our licensees and operators is essential to the success of the AGLC as an organization.



[www.gamehost.ca](http://www.gamehost.ca)



## New Lottery Games Introduced

Two new draw-based lottery games became available in Alberta during the 2016-17 fiscal year – Daily Grand and Poker Lotto. Daily Grand is a national game that is drawn twice a week (Mondays and Thursdays) and offers players the opportunity to win \$1,000 a day for life. Poker Lotto is a regional draw-based game available in Alberta, Saskatchewan, Manitoba and the territories. Poker Lotto is our first game in the “watch and win” category where players have an opportunity to win an instant prize of up to \$10,000 as well as a nightly draw of up to \$100,000.

Keno was expanded from a small segment of Alberta retailers to the entire network of nearly 2,750 retailers in October of 2016. Keno is a regional draw-based game that plays every 5 minutes and gives players the opportunity to win up to \$100,000 per draw.



## A New Casino in Downtown Edmonton

The Grand Villa Casino Edmonton opened on September 7, 2016 adjacent to the new Rogers Place arena. With its 60,000 square feet, this facility hosts 500 slot machines, 34 table games, 22 vlts, and a variety of restaurants.

The opening of the facility in downtown Edmonton had unique challenges compared to previous casino openings. Logistically, the casino was in the middle of the construction within the new downtown Ice District and access for both AGLC employees and equipment was a concern. Due to the unique interior design of the casino, AGLC staff and the operator relied on their experience and creativity to develop a suitable site layout. Collaboration between the AGLC and Gateway Casinos led to a successful completion of the project that allowed Grand Villa Casino Edmonton to open on schedule.

## Engage Your GameSense



Although there are obvious economic and social benefits that are derived from Alberta's gaming industry, reducing associated risks and potential social harms are equally important for the AGLC. For this reason, social responsibility is integrated in all that we do.

In October 2015, the AGLC launched a responsible gambling program – GameSense – that offers programs, develops partnerships and provides an opportunity to educate Albertans about gambling so they are able to make informed decisions when participating in gambling activities. The program also focuses on reducing the stigma around accessing information and resources on responsible gambling.

We encourage Albertans to learn more about how gambling works, the odds and randomness of gambling, the differences between skill- and chance-based games and more.

As part of the program, GameSense Advisors are present on the casino floors and have interactive GameSense Information Centres set up to give patrons information about the establishment and how the odds work in the different games.

**GameSenseab.ca** 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 your gambling behaviour.

## Self-Exclusion Program

One of the components of GameSense is the Self-Exclusion program. This program enables patrons to voluntarily exclude themselves from all Alberta casinos and racing entertainment centres (RECs) for a specified time period.

Once participants sign up for Self-Exclusion, their name and photograph are given to all security offices in casinos and RECs to help them honour their commitment of not gambling. Participants can also opt into follow up contact from GameSense Advisors.

Research has shown that when self-exclusion is combined with treatment, it can be one of the most effective ways to stop gambling.

A number of multi-media promotions have been undertaken to educate Albertans about how to gamble responsibly. Many of the advertisements use humour to convey the message to play responsibly when making gambling one of your entertainment choices.

Along with the launch of the GameSense program, an extensive evaluation framework was developed and implemented. The framework assesses all aspects of the program from multiple stakeholder perspectives: Albertans, gaming facility management and staff, and AGLC employees. This evaluation is intended to assess the extent to which GameSense outcomes are achieved through program activities and to measure program awareness and utilization, in order to inform and enable future program development.

GameSense is an important part of our ongoing commitment to promote responsible gambling in Alberta.

## Deterring Money Laundering Activities

In July 2015, the AGLC established a comprehensive anti-money laundering program to detect and deter money laundering activities within gaming facilities in Alberta. The Anti-Money Laundering (AML) program complies with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, associated Regulations and Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) guidelines.

Since the program's inception:

- 70,000+ transactions reviewed and submitted to FINTRAC
- \$839 million in financial transactions processed
- 3,800+ casino personnel and AGLC staff trained and AML Certified

## Key Facts - Gaming

### Slots

	2016-17	2015-16	2014-15
<b>Casinos</b>			
Edmonton	4,616	4,543	4,527
Calgary	4,662	4,601	4,616
Other	3,688	3,688	3,683
<b>Racing Entertainment Centres</b>	1,315	1,304	759
<b>Total</b>	<b>14,281</b>	<b>14,136</b>	<b>13,585</b>

### Video Lottery Terminals (vlts)

Within the distributed network (bars, pubs, Gaming Entertainment Centres (GECs)) as at March 31, 2017.

	2016-17	2015-16	2014-15
Number of operating vlts	5,992	5,956	5,837
vlts retail locations	854	895	884
GECs (included in the total number of retail locations above)	76	74	74

Within casinos as at March 31, 2017.

	2016-17	2015-16	2014-15
Number of operating vlts	346	332	246

## vlt Revenue 2016-17

vlt's are programmed to payout, on average, 92 per cent of all credits wagered. Ultimately, what players walk away with in winnings (cash) depends on their behaviour (how long they played 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	7,428,099	Cash In	2,358,950
Credits Won (Prizes)	(6,840,992)	Cash Out	(1,771,843)
Revenue	587,107	Revenue	587,107
Payout Percentage: Credits Won/Credits Played	<b>92%</b>	Cashout Percentage: Cash Out/Cash In	<b>75%</b>

## Ticket Lottery

	2016-17	2015-16	2014-15
Number of Lottery Ticket Centres	2,744	2,722	2,677

## Keno

	2016-17	2015-16	2014-15
Bingo halls offering Keno	12	12	12
Casinos and RECs offering Keno	25	20	19
GECs offering Keno	53	51	51
All Other offering Keno	2,654	n/a	n/a
<b>Total</b>	<b>2,744</b>	<b>83</b>	<b>82</b>

## Charitable Gaming

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 charitable gaming model can continue to deliver benefits to communities across Alberta each year.

### Developing Opportunities for Community Engagement

In Alberta, charitable gaming helps make a difference for community-based initiatives across the province. Every year, numerous community organizations across Alberta benefit from charitable gaming funds.

In September 2016, the first Play a Part event was held in St. Albert. This event was a celebration of the positive impact of charitable gaming on communities in the area. Local charitable organizations were able to promote themselves and their accomplishments as a result of their participation in Alberta's charitable gaming model.

Play a Part events are designed to showcase organizations benefiting from charitable gaming and to highlight this history over the past 20 years.

The logo for 'WE | ALL play a part' is located in the bottom right corner of the page. It features the text 'WE | ALL' in a small, orange, sans-serif font above the words 'play a part' in a larger, purple, sans-serif font. The entire logo is contained within a white rectangular box.

WE | ALL  
play a part

## 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. 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 and a democratically chosen executive. Charitable and religious groups must also demonstrate that they provide programs that benefit the broader community, and not the self-interest of group members.

Each charitable organization's eligibility is assessed upon its initial application; however, as per policy, eligibility may be reassessed at any time.

## Supporting Charitable Groups Through Education

The Gaming Information for Charitable Groups (GAIN) program provides information sessions to assist charitable and religious groups understand their obligations when conducting charitable gaming activities (casinos, bingos, raffles and pull tickets).

GAIN sessions cover eligibility, gaming licensing, use of proceeds and financial reporting information. These voluntary sessions are free of charge and are offered online and by facilitated sessions around the province. The program is in the process of developing webinars and videos to make this information more accessible to the thousands of charitable organizations and their volunteers who conduct and manage gaming activities each year.

In 2016-17, GAIN program facilitators provided 119 sessions in 58 communities to 1,700 participants from 1,000 different charitable groups. The GAIN online training program assisted 294 individuals from 266 different organizations.

For more information about the GAIN program, visit [gain.aglc.ca](http://gain.aglc.ca).

## Charitable Gaming Summary

In 2016-17, 17,904 charitable gaming licences were issued; charitable gaming activities related to these licences generated over \$336 million in proceeds. Data for Host First Nations charities are also included in the table below.

	2016-17					2015-16
	Bingos <sup>3</sup>	Casinos	Pull Tickets <sup>4</sup>	Raffles <sup>5</sup>	Total	Total
Charity Licences <sup>1</sup>	953	3,426	305	13,220	17,904	16,802
(in thousands of dollars)						
Total Gross	118,488	1,227,715	86,607	163,873	1,596,683	1,679,219
Prizes/Winings	(77,076)	(993,611)	(60,811)	(66,606)	(1,198,104)	(1,259,285)
Expenses <sup>2</sup>	(32,163)	(149,682)	(13,214)	(31,316)	(226,375)	(242,874)
	(109,239)	(1,143,293)	(74,025)	(97,922)	(1,424,479)	(1,502,159)
Net proceeds	9,249	84,422	12,582	65,951	172,204	177,060
Electronic Gaming Proceeds	7,829	155,869	-	-	163,698	175,186
Keno Proceeds	266	25	-	-	291	292
Total Proceeds to Charity	17,344	240,316	12,582	65,951	336,192	352,538

### 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 and proceeds to charity rows.
3. Includes current year information for bingo events conducted at licensed bingo facilities and prior year data for bingo events conducted at community bingo facilities. Does not include community bingos with gross sales under \$2,500.
4. Includes 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 prior year information for raffles with gross sales over \$10,000 and current year information for raffles with gross sales under \$10,000.

## Charitable Gaming Proceeds by Gaming Stream



### From Tables to Casino Gaming Terminals

In traditional casinos, a licensed charitable organization provides volunteers to work in administrative positions during a casino event and earns proceeds from the table games. Net proceeds (sales less prizes and event expenses) from table games are pooled and distributed to the participating charitable organizations quarterly within a pooling region.

The AGLC manages all electronic gaming devices; volunteers have no direct role in the operation of casino gaming terminals. Charitable organizations receive a 15 per cent commission on net sales from these terminals during their casino events. Charitable organizations also receive 5 per cent commission from the gross sales from keno in casinos.

## Use of Proceeds by Charitable Groups

Proceeds earned from charitable gaming activities must be used for approved charitable or religious purposes. These proceeds help support thousands of programs and services provided by charitable organizations to their communities. The following chart summarizes how eligible charitable and religious groups used the proceeds from gaming activities in 2015-16.

Since charitable organizations report on their use of proceeds on an ongoing basis, complete data for 2016-17 is not yet available. Data for 2016-17 will be reported in the 2017-18 Annual Report. Data for Host First Nation use of proceeds from casino events appears on page 67 of this report, and is not included in the information below.



## Charitable Gaming – Host First Nation Casinos

In accordance with Alberta's charitable gaming model, Host First Nation (HFN) casinos operate in parallel to traditional casinos.

The HFN is the casino facility operator 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. The AGLC receives no revenue from table games.

### Casino Gaming Terminals

HFN 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

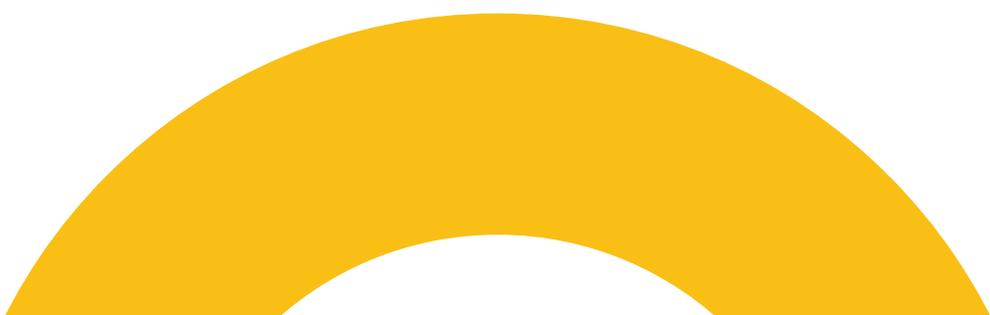
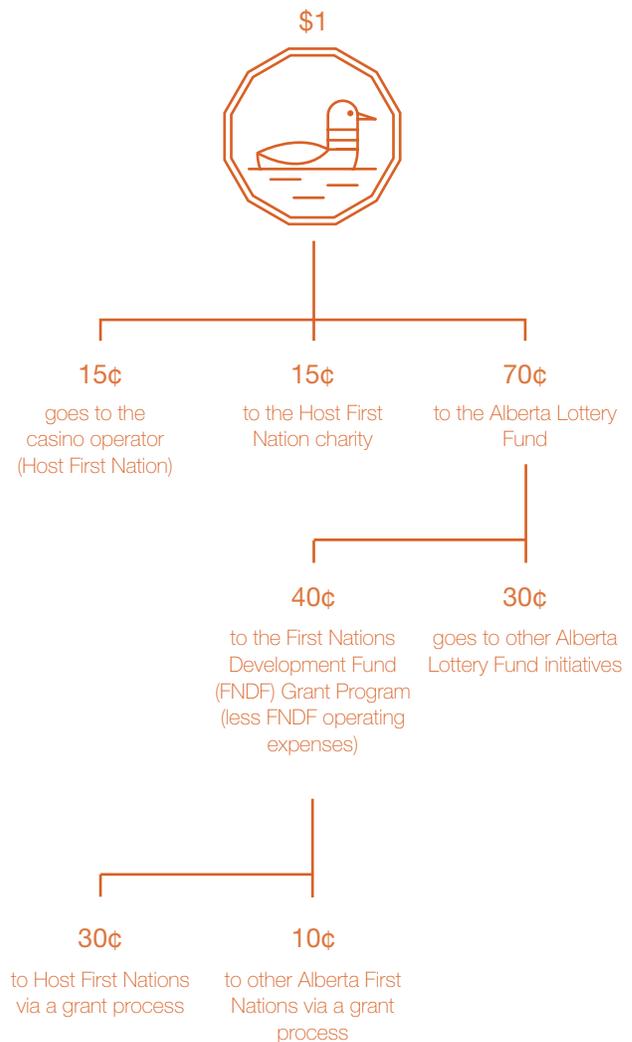
The 40% FNDF portion is allocated via a grant process:

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

The HFN licensed charity receives a five per cent commission on gross sales from keno. The HFN (as the casino facility operator) also earns a five per cent commission on gross sales from keno and a two per cent commission on redemptions. The remainder is transferred to the ALF after AGLC operating costs and prize liabilities are deducted.

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 [indigenous.alberta.ca](http://indigenous.alberta.ca).

For each dollar of casino gaming terminal proceeds in a First Nation casino:



## 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 2015-16. Since HFN licensed charities report on their use of proceeds on an ongoing basis, complete data for 2016-17 is not yet available. Data for 2016-17 will be reported in the 2017-18 Annual Report. Data for the use of proceeds by all other charities appears on page 64 of this report.



## Building Relationships with Alberta's Host First Nation Charities

The use of gaming proceeds has a meaningful impact on First Nations communities across Alberta. Proceeds from HFN charitable gaming activities are used for education, housing, daycares, food banks, cultural activities, health and youth.

The AGLC works in consultation with the five HFN charities to develop charitable casino policies that meet the needs of their communities. This is done through the Host First Nation working group that has representatives from the AGLC and each of the five HFNs. The group collaborates:

- on issues and opportunities of mutual interest with respect to the continual development and application of policy
- to develop training needs and/or information sessions for the HFN members and their communities
- to share and recommend best practices
- to work through the Calls to Action from the Truth and Reconciliation Commission to ensure they are considered in policy development

A team of AGLC employees works closely with HFNs to ensure that they have a full understanding of AGLC policies and procedures. This area is also responsible for providing Aboriginal Awareness Training to other areas within the AGLC. This training initiative is in response to the Truth and Reconciliation Commission of Canada: Calls to Action 57 which states:

“We call upon federal, provincial, territorial, and municipal governments to provide education to public servants on the history of Aboriginal peoples, including the history and legacy of residential schools, the United Nations Declaration on the Rights of Indigenous Peoples, Treaties and Aboriginal rights, Indigenous law, and Aboriginal-Crown relations. This will require skills-based training in intercultural competency, conflict resolution, human rights, and anti-racism.”

## Liquor

Liquor is a core business of the AGLC. We are responsible for managing the liquor supply chain in Alberta. The AGLC ensures progressive developments in the industry while building strong relationships with liquor stakeholders and collecting revenue for the General Revenue Fund.

The AGLC administers and enforces the *Gaming and Liquor Act*, Gaming and Liquor Regulation, and AGLC liquor policies. This includes the collection of the provincial markup on beverage alcohol. We work to sustain the long-term economic benefits of liquor in Alberta in a socially responsible manner.

### Liquor Industry Outreach

The AGLC is proud of our strong stakeholder relationships. Collaboration is the key to our corporate culture and, as such, we support engagement with the liquor industry and opportunities to hear the diverse perspectives that our many stakeholder groups and associations share with us on an ongoing basis.

In 2016-17, we were asked to participate in several industry-led conferences such as the Alberta Liquor Industry Conference hosted by the Alberta Liquor Store Association (ALSA), Northern Lands-Vinitaly, and the first annual Alberta Craft Brewing Convention that was held in Red Deer, Alberta. The AGLC was also invited to speak about Alberta's liquor model at the International Federation of Wines and Spirits (FIVS) meeting and presented at the 2017 Alberta Hotel and Lodging Association (AHLA) Convention.

**\$855.3 million**

**Liquor and Other  
Net Operating Results**

## **Spirit Hills Honey Winery** Established 2012

*A family farm business in Millarville, AB with a commercial apiary and honey winery. The production capacity of food-pairing honey wines has increased 4-fold since opening, with plans to double that.*

### **Q. How does the AGLC support your business?**

**A.** Through dialogue with the industry, the AGLC has learned how some regulations were true barriers for growth of our industry and has worked together with us to remove those barriers and create a regulatory climate that is socially responsible but also allows our businesses to grow.

### **Q. How has regulation of the Alberta liquor industry evolved?**

**A.** The relaxation of start-up requirements and production capacity (in 2013) have allowed more craft producers to open their doors and has allowed for the growth of new Alberta created liquor beverages in the market. As more honey wineries and meaderies open in Alberta and create new Alberta-based products, the consumer also becomes aware that we have a honey wine and mead industry in our province, which in turn increases demand and the opportunity for more start-ups.

**Q. How has your relationship with the AGLC evolved over time?**

A. When we started we already were impressed with AGLC's interest to work with the industry to create a healthy regulatory framework for our industry to grow. However, it seemed action was often delayed. Over the past few years, the AGLC has developed more of a sense of urgency, which industry always has, and is more responsive to the needs of producers. The responsive and cooperative approach the AGLC is taking will most certainly help in the development of the small producer industry in Alberta.

**Q. What are the next steps for Spirit Hills?**

A. Due to the economic slowdown within the province, Spirit Hills is also focusing on export. We started exporting to Japan and will explore China next year. Besides that, we are attracting more visitors and tourists to our winery. Our wines have won multiple awards, and in Alberta we steal market share from traditional grape wine. This spring, we planted the first commercial vineyard in Alberta.



[www.spirithillswinery.com](http://www.spirithillswinery.com)

[www.facebook.com/spirithillswinery](https://www.facebook.com/spirithillswinery)

## Small Manufacturer Growth

Alberta's liquor manufacturing industry continues to grow substantially since the AGLC removed minimum production requirements in 2013. In 2016-17, the number of manufacturers grew to 85 from 52 the previous year. That's a growth of 63% in just one year! In fact, more than 50 new manufacturers have been licensed since 2013.

There are also now three industry associations that represent our home-grown manufacturers in Alberta. These are the Alberta Small Brewers Association (ASBA), the Alberta Craft Distillers Association (ACDA), and the Alberta Estate Winery and Meadery Association (AEWMA).

## Beer Markup Changes

The AGLC's responsibilities include collecting the provincial markup on behalf of the Government of Alberta. After a government-led review of the beer markup structure and thorough discussions with Alberta-based and national brewers, the AGLC applied the existing standard markup rate of \$1.25/L to all regular beers sold in Alberta.

Between October 2015 and August 2016, small brewers located in Alberta, B.C. and Saskatchewan were eligible for a reduced markup rate determined by their level of production. All other brewers had a standard markup rate of \$1.25/L for regular beer (beer with less than or equal to 11.9% alcohol by volume). As of August 2016, all brewers, regardless of size or origin, now have one consistent markup rate applied to their regular beers sold in Alberta. Standardizing the application of markup rates on all regular beer products supports a level playing field.



## Liquor Distribution Centre Under Construction

Construction is well underway on a new liquor distribution centre to serve Alberta's liquor industry.

By building the new liquor distribution facility, the AGLC will be able to accommodate both current and future product volumes, while minimizing the need to lease 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. Upon completion, the facility will be approximately 543,000 square-feet, with 473,000 square-feet of warehouse space and another 70,000 of office space. It will serve as the province's main distribution centre for spirits, wine and imported beer.

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

Construction is expected to be completed in early 2018.

## **Two12 Social Co.** Established 2009

*Operates Central Social Hall (2 locations) and The Ranch.  
We are local and proud to be doing business in Edmonton where we grew up.*

### **Q. How does the AGLC support your business?**

**A.** The AGLC is there to work with industry and support us. They not only regulate; they also educate us on liquor policies. They provide customer service where they go out of their way to help us solve problems in a timely manner. The AGLC understands our business needs. We are truly appreciative of their support.

### **Q. How has your business benefited from recent policy changes such as the elimination of happy hours?**

**A.** As industry gets better and more responsible, restrictive policies no longer make sense. Streamlining policies allows businesses to operate better and address safety concerns smartly. Safety minimums should be included in policy instead of specific one-off policies that do not always work in combination with other policies. Simplifying policy helps us as well as the AGLC to better understand and discuss policy. The recent liquor policy changes enable us to develop our business. The previous happy hours policy forced us to have an all-day drink special as the happy hours times did not fit with our business model. The elimination of this policy allows us flexibility to offer drink specials that will drive our business.

**Q. How has your business benefited from participating in Best Bar None?**

**A.** We have been involved in Best Bar None for a number of years. It is a positive way to recognize safety and responsibility efforts within the liquor industry. Our company has a commitment to safety and a good customer experience. The program brings up the level of operations while educating stakeholders on liquor policy. It keeps safety as an ongoing focus for us since we strive to be first place every year. A better industry is good for everybody.

**Q. How has your relationship with the AGLC evolved over time?**

**A.** Our relationship with the AGLC has evolved into a partnership. As long as we hold up our end of the bargain and run a respectable operation, it becomes a dialogue with the AGLC about customer service and safety. At the end of the day the industry and the AGLC want the same thing, positive and safe customer experiences. The relationship has become more collaborative but there is still the expectation that we abide by liquor laws and policies. The better the relationship between the AGLC and the liquor industry, more open conversations can be had. In the past few years, there seems to be a culture of “let’s make it better” at the AGLC.



[www.centralsocialhall.com](http://www.centralsocialhall.com)  
[www.theranchroadhouse.com](http://www.theranchroadhouse.com)

# Hudsons Canada's Pub Established 2002

*Four business partners who raised the money, created the concept and operated the business themselves. They saw success and continued to expand. Now operating 9 locations within Alberta and 1 in Saskatchewan.*

## Q. How does the AGLC support your business?

A. By being a partner to ensure fun and safe liquor service.



## Q. How has your business benefited from recent policy changes such as the elimination of happy hours?

A. It has been very positive. These changes allow us to run innovative, fun and interesting promotions! Keeping the minimum drink price high is the key and the AGLC has done that. Now how and when discounts are offered depends on business flow and needs, allowing operators way more flexibility.

## Q. How has your relationship with the AGLC evolved over time?

A. Ten years ago, it was much more adversarial and compliance driven. Now it is providing education and a partnership to achieve goals and standards together.

## Q. How has your business benefited from participating in Best Bar None?

A. The program sets standards to work towards, builds relationships with regulation agencies, helps educate our team, and establishes a safe brand standard for customers.

## Liquor Policy Modernization

A number of liquor policies were amended in 2016-17. These policy changes demonstrate the AGLC's commitment to a modern regulatory environment that supports consumer choice, innovation and economic growth.

The following are examples of policies that were updated:

### Happy Hours

The provision that "Happy Hours" had to end by 8 p.m. was eliminated. An overwhelming majority of licensees requested an end to the previous time restriction on happy hours, as this would give them greater flexibility in managing their promotions. For many licensees, the former cut off time for specials did not align with evening events (e.g., televised hockey games), preventing these businesses from benefiting from this policy. Core social responsibility policies such as minimum drink prices and the two drink maximum after 1 a.m. remain in effect.

### Patio Hours

The AGLC removed the restrictions on hours of service and liquor consumption on patios. This also included the exclusion of entertainment restrictions on patios. Restaurants and lounges indicated that the elimination of these restrictions would enable them to better manage occupancy levels during peak times.

### Minors as Entertainers

In 2016-17, the AGLC approved a policy change permitting young entertainers to perform in minors-prohibited venues such as lounges and bars. This policy change will allow young artists to showcase their talents and gain additional profile, potentially helping to advance their entertainment careers.

Looking back, in March 2007, the AGLC removed its policy allowing minors as entertainers in Class A venues due to public safety concerns. Since then, public safety-oriented programs like Best Bar None, ProServe and ProTect have been introduced to help prevent alcohol-related harms and support patrons and hospitality staff in making responsible choices.

Licensees can now request approval from the AGLC to permit minors to enter their venue as entertainers. The AGLC will review the licensee's operating history prior to making its decision as an added safety support for young performers.

### Artisan Markets

The AGLC updated policy so that cottage wineries and meaderies may sell products at approved artisan markets. Wineries and meaderies can gain access to a new retail option and an opportunity for exposure to a wider consumer base.



## Responsible Liquor Service

The AGLC is committed to the responsible service and consumption of liquor products. As such, the AGLC provides SMART Training Programs that help licensees, registrants and the public understand and meet the requirements set out in legislation, regulation and policy.

**ProServe Liquor Staff Training** is Alberta's responsible liquor sales and service program. It is designed to help make sure that the service and sale of liquor is done according to law and in a way that keeps customers, guests and others safe from alcohol-related harms. Everyone involved in the sale and service of liquor is required to be ProServe certified.

**ProTect Liquor Staff Training** was designed to increase the safety of patrons and staff in licensed premises. This training assists security staff in improving their observation and communication skills to better prepare them to prevent, defuse and manage customer disturbances before violence escalates. All industry staff who provide security at a bar or lounge or supervise security staff are required to be ProTect certified as well as ProServe certified.

## Know Your DrinkSense

To provide Albertans with dedicated programs, committed partnerships, and consistent messaging around responsible alcohol consumption in Alberta, the AGLC launched DrinkSense in September 2016. The program launched through an advertising campaign that included videos playing at movie theatres, bars and restaurants, online advertisements and other promotional materials. Promotion of DrinkSense includes [drinksenseab.ca](http://drinksenseab.ca) which features tips and videos to help people better understand responsible drinking.

This program focuses on increasing information and engagement opportunities for all Albertans to support healthy choices, through promotion of moderate use of liquor products.

Along with the launch of the DrinkSense program, an extensive evaluation framework was developed and implemented. The framework assesses all aspects of the program as they relate to Albertans and liquor licensees. This evaluation is intended to assess the extent to which the program outcomes are achieved through program activities and to measure program awareness and utilization, in order to inform and enable future program development.

The AGLC is fostering a culture of moderation by promoting responsible liquor experiences through DrinkSense.


 The logo for DrinkSense, featuring the word "DrinkSense" in a bold, sans-serif font. "Drink" is in purple and "Sense" is in black.

## Raising the Bar

Best Bar None is a voluntary accreditation program for licensed liquor establishments, designed to keep patrons and staff safe while recognizing excellence in the liquor industry. Working with government bodies and law enforcement, a Best Bar None accredited establishment has taken steps to make sure their business is held to the highest levels of safety and quality. The program uses a system of accreditation, assessment and awards to engage licensed premises in responsible management and safe operations.

In 2016-17, 148 establishments were successfully accredited. This is comprised of 77 in Edmonton, 62 in Calgary and 9 in Grande Prairie. Overall, there was an increase in the number of accredited establishments from last year including 20 new applicants in Edmonton.



## Key Facts - Liquor

### Liquor Licences

The AGLC issues licences to companies and individuals for the sale and service of liquor. There were 8,975 liquor licences in effect on March 31, 2017, excluding special event licences. This is a 2.4 per cent increase in licences in effect as compared to the previous year.

	2016-17	2015-16	2014-15
Class A (open to the public)	5,303	5,240	5,172
Class B (facilities where people pay an entrance fee or buy a ticket)	664	622	597
Class C (private clubs)	787	785	796
Class D (retail outlets that sell liquor for off-premises consumption)*	2,136	2,065	2,024
Class E (liquor manufacturers and packaging) **	85	52	38
<b>Total</b>	<b>8,975</b>	<b>8,764</b>	<b>8,627</b>

\* 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.

\*\* The total of Class E licences includes two packaging licences.

### Liquor products available (as at March 31, 2017)

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 almost 23,000 liquor products to choose from.

Liquor Products Available	2016-17	2015-16	2014-15
Spirits	4,778	4,273	3,898
Wine	13,260	13,458	12,764
Coolers/Cider	608	553	445
Beer	4,169	3,509	2,998
<b>Total</b>	<b>22,815</b>	<b>21,793</b>	<b>20,105</b>

Liquor Sales by Type (\$ thousands)	2016-17	2015-16	2014-15
Spirits	750,606	763,792	744,795
Wine	591,781	601,670	565,672
Coolers/Cider	141,563	141,639	126,523
Beer	1,061,169	1,127,155	1,103,274
<b>Total</b>	<b>2,545,119</b>	<b>2,634,256</b>	<b>2,540,264</b>

Liquor Sales by Volume (in hectolitres, hL)	2016-17	2015-16	2014-15
Spirits	270,935	278,574	275,819
Wine	442,458	453,192	436,077
Coolers/Cider	282,278	291,593	273,018
Beer	2,590,336	2,756,429	2,817,285
<b>Total</b>	<b>3,586,007</b>	<b>3,779,788</b>	<b>3,802,199</b>

# hectolitre?

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





**Our  
Governance**

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

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

## 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 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

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 Responsibility

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

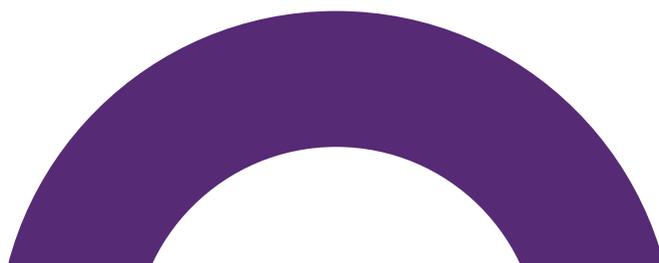
The Board's regulatory responsibilities are prescribed by legislation. In its regulatory role, the Board of the AGLC functions as an administrative tribunal. Within the limits of its legislative jurisdiction, the Board conducts hearings, develops and applies policies and rules, and makes decisions on 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 2016-17, 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.



## 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 governance system to define and guide the organizational governance of the AGLC, as well as the relationship between the Board and the President and Chief Executive Officer. Through the Policy and Governance Committee, the Board completed a comprehensive review of their Policy Handbook in 2015-16. 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, such as Committee mandates.

## Internal Audit

The Internal Audit office operates under a mandate approved by the Audit Committee, a committee of the Board (see page 88). 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 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 Resources Committee is to assist the Board in fulfilling its obligations by focusing on corporate human resource matters. This includes: conducting an annual President and Chief Executive Officer performance review; making a recommendation on compensation for the President and Chief Executive Officer; and ensuring succession planning is maintained and progressing 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 AGLC 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.

There was one disclosure of wrongdoing filed with the Public Interest Commission for the AGLC between April 1, 2016 and March 31, 2017. The investigation was concluded with no finding of wrongdoing.





# **Annual Satisfaction Surveys**



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

An independent professional survey company is contracted to conduct the surveys on behalf of the AGLC. NRG Research Group (NRG) conducted the surveys the past two years. Previous surveys were conducted by Leger, the Research Intelligence Group. The change in vendor appears to have had no influence on the results. This year's surveys commenced in February and were completed by mid-March 2017.

This section provides details on each survey and its corresponding performance measures.

## Methodology for Survey-Based Performance Measures

### Survey of Albertans

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

In 2015-16 and 2016-17, 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 of no greater than  $\pm 3.1\%$  at the 95 per cent confidence level. The samples for 2014-15 were based on Statistics Canada census population estimates made available July 1 that year.



Telephone interviews were conducted via random digit dialing and included cell phone numbers. The average duration of the interview was 23 minutes.

The topics covered in the survey are:

- Satisfaction with conduct of liquor business in Alberta
- Confidence in AGLC to manage gaming and liquor activities
- Satisfaction with the conduct and availability of legal gaming in Alberta
- Awareness of responsible gambling and drinking programs
- Awareness and perceptions of the AGLC
- Casino player behaviour
- Determining what other entertainment options Albertans consider

The Survey of Albertans gathers results for the following performance measures:

### Albertans' Confidence that the AGLC Responsibly Manages Gaming and Liquor Activities

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

*“Overall, how confident are you that the AGLC responsibly manages gaming activities that deliver benefits to the community, such as spending on charitable activities?”*, and

*“The AGLC also contributes to provincial revenues, by collecting markup on all liquor products sold to retailers and other liquor businesses. How confident are you that the AGLC responsibly manages liquor activities that generate revenue for the government programs and services?”*

## Survey of Albertans – Social Responsibility

Each year, we measure Albertans' self-reported behaviours regarding gambling and alcohol consumption.

In 2015-16 and 2016-17, 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  $\pm 3.0$  per cent at the 95 per cent confidence level. The samples for 2014-15 were based on Statistics Canada census population estimates made available July 1 of that year. The sample size was 1,000 adult Albertans, providing a margin of error in the results of no greater than  $\pm 3.1$  per cent at the 95 per cent confidence level.

Telephone interviews were conducted via random digit dialing and included cell phone numbers. The average duration of the interview was 9 minutes.

The primary objectives of the survey are:

- Determine incidence of Albertans who gamble responsibly
- Determine incidence of Albertans who drink alcohol responsibly
- Assess Albertans' awareness of social responsibility programming

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

### Percentage of Responsible Gamblers

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 that the respondent does not engage in the specified behaviours and three indicates that the respondent almost always engages in the specified behaviour. The answers for each question are totaled 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?”*

### Percentage of Responsible Drinkers<sup>1</sup>

The calculation of this performance measure is based on *Canada’s Low-Risk Alcohol Drinking Guidelines*. The questions to determine a person’s drinking behaviour 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.

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<sup>1</sup> Note: There was a change of methodology for this measure in 2014–15 which set a different threshold for determining if a person drinks alcohol in moderation. Formerly, AGLC used the World Health Organization’s alcohol assessment measure, the Alcohol Use Disorders Identification Test. Under Canada’s 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.

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 questions:

*“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?”*

## Surveys of Stakeholders

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

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

These surveys are conducted online by invitation. Stakeholders were also phoned to encourage participation in the surveys. Potential respondents were also provided the opportunity to complete the survey by telephone.

The gaming retailers survey includes vit, casino, racing entertainment centre (REC) and lottery ticket retailers. All of the retailers were invited to participate in the survey. In 2016-17, the survey response rate was 22 per cent. The median response time was 9 minutes. The margin of error in the results is no greater than  $\pm 3.1\%$  at the 95 per cent confidence level.

The survey of liquor industry clients includes liquor agencies and licensed establishments. In 2016-17, 1,086 chose to respond to the survey. Respondents completed the survey in a median time of 7 minutes. The margin of error in the results is no greater than  $\pm 3.2\%$  at the 95 per cent confidence level.

All licensed charitable organizations were invited to participate in the survey. The survey response rate was 36 percent in the most recent survey. Survey respondents were asked to indicate the types of licences (i.e. bingo, casino, pull ticket, raffle) that they held during the year to provide more context to their responses. This was a change in methodology for 2016-17. In previous surveys, charitable organizations were placed into licence categories based on the licence types they held (bingo, casino, pull ticket or raffle). The previous methodology did not take into account that licensees can be licensed for more than one licence type. Respondents completed the survey in a median time of 3 minutes. The margin of error in the results is no greater than  $\pm 1.9\%$  at the 95 per cent confidence level.

The stakeholder surveys support the following performance measures:

### Stakeholder Satisfaction Index

The Stakeholder Satisfaction Index (SSI) combines ratings of satisfaction on several factors by stakeholders of the AGLC.

The SSI results are calculated by combining 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
- Online services
- Knowledge of employees
- Easy access to services
- Courtesy of employees
- Frequency of contact
- Access to information
- Training materials provided

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

## Reputation Index

The score is based on the public, stakeholders' and employees' perception of the AGLC within six different dimensions: emotional appeal, financial performance, vision and leadership, workplace, social responsibility, and products and services.

The AGLC has adopted the Harris Poll Reputation Quotient methodology to assess our reputation. The reputation index incorporates an internal and external perception of how the AGLC is performing in each of the dimensions. The internal component is captured by AGLC employees on the Employee Engagement survey conducted by TalentMap on behalf of the AGLC. Employee perspective is considered in the vision and leadership and workplace dimensions.

The Reputation Index is an average of the satisfied/confident responses on a Likert scale from the public, charitable organizations, liquor, gaming retailers and AGLC employee surveys.

### Emotional Appeal

*"Is AGLC an organization that you trust to manage and provide gaming activities in the province?"*

*"Is AGLC an organization that you trust to manage liquor activities in the province?"*

### Workplace

Overall Employee Engagement Score

### Social Responsibility

*"How confident are you that the AGLC is doing enough to promote responsible gambling behaviours?"*

*"How confident are you that the AGLC is doing enough to promote responsible drinking behaviours?"*

### **Financial Performance**

*“How confident are you that the AGLC responsibly manages gaming activities that deliver benefits to the community, such as spending on charitable activities?”*

*“How confident are you that the AGLC responsibly manages liquor activities that generate revenue for the government programs and services?”*

### **Vision and Leadership**

*“Have you heard of AGLC?”*

*“How would you rate your knowledge of the AGLC and its role in Alberta?”*

*“What is your overall opinion of the AGLC?”*

Overall Organizational Vision

### **Products and Services**

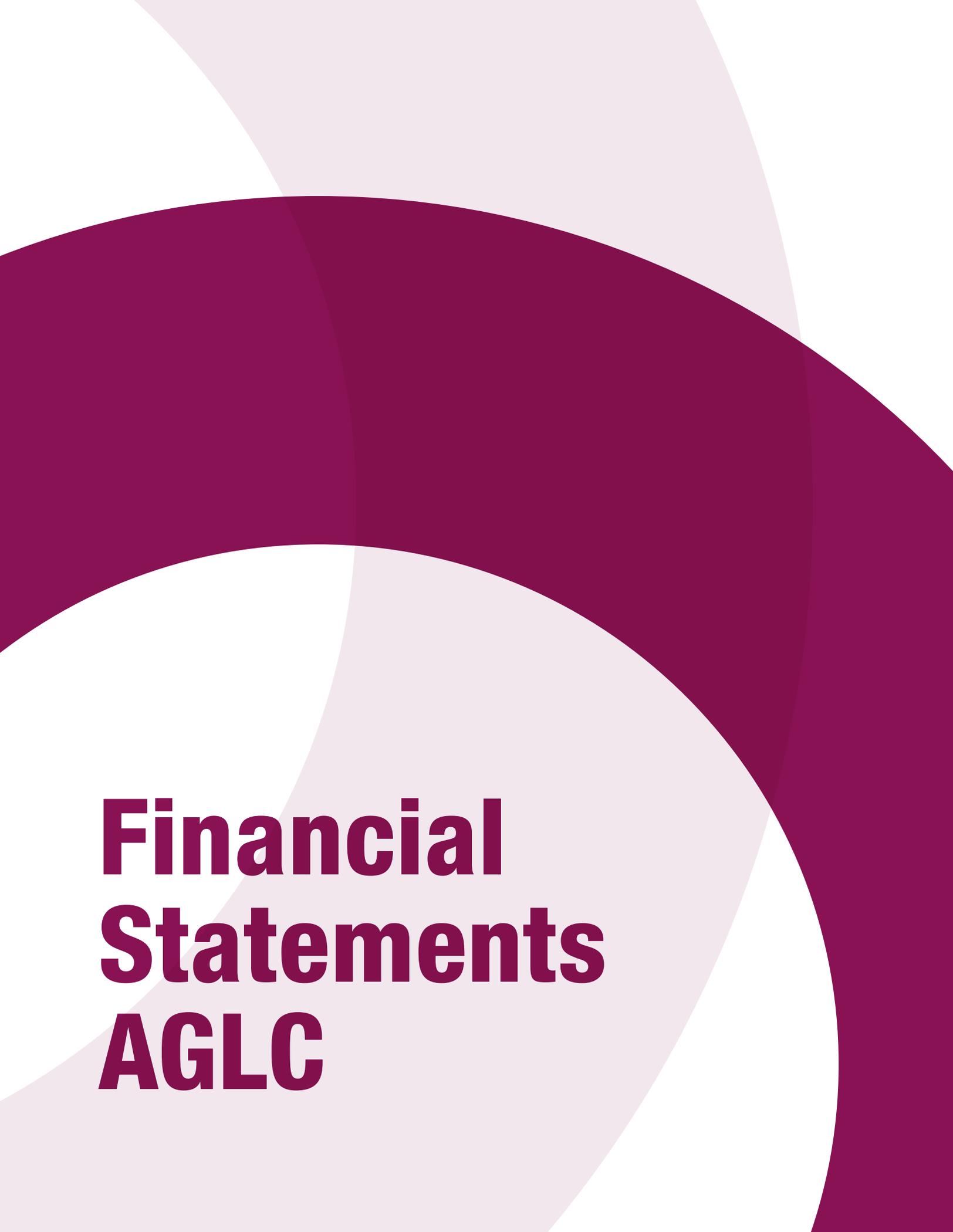
*“Thinking about all the legal gaming entertainment options available in Alberta, overall, how satisfied are you with the availability of gaming entertainment products and activities provided to Albertans?”*

*“How satisfied are you with the way liquor business is conducted in Alberta?”*

*“Do you have a positive relationship with the AGLC?”*

This measure allows for the ability to reliably track performance trends over time and identify industry and company-specific drivers of corporate reputation.





**Financial  
Statements  
AGLC**



## 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, 2017, 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, 2017, 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 24, 2017  
Edmonton, Alberta

## Statement of Management's Responsibility for Financial Reporting

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

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

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

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

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

*Original signed by*

Alain Maisonneuve  
Acting President and Chief Executive Officer

*Original signed by*

Kandice Machado  
Vice President, Corporate Services  
and Chief Financial Officer

## Statement of Financial Position

As at March 31  
(in thousands of dollars)

	Note	2017	2016
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	\$ 147,958	\$ 206,354
Accounts receivable		18,789	29,532
Inventory and prepaid expenses	5	11,858	11,162
		178,605	247,048
<b>Non-Current Assets</b>			
Property and equipment, net	6	247,325	254,534
Intangible assets, net	7	28,106	29,215
Investment properties, net	8	88,508	42,398
Investment in Western Canada Lottery Corporation	2g & 15	36,101	29,293
		400,040	355,440
		\$ 578,645	\$ 602,488
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 160,142	\$ 190,816
Due to Alberta Lottery Fund	9	59,045	71,316
		219,187	262,132
<b>Non-Current Liabilities</b>			
Due to General Revenue Fund	10	322,509	305,254
Provision for loss on leased properties	16 & 17	145	144
Net defined benefit pension liability	2f & 11	62,364	58,906
		385,018	364,304
<b>Accumulated Other Comprehensive Income (Loss)</b>	11	(25,560)	(23,948)
		\$ 578,645	\$ 602,488

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

### Approved By:

Board

*Original signed by*

Thorna Lawrence, CPA, CA  
Audit Committee Chair

Management

*Original signed by*

Alain Maisonneuve  
Acting President and Chief Executive Officer

## Statement of Net Income

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

	Note	2017	2016
Liquor revenue		\$ 2,545,119	\$ 2,634,256
Liquor cost of sales		(1,667,977)	(1,762,032)
	12	877,142	872,224
Gaming revenue	12	1,731,841	1,849,213
		2,608,983	2,721,437
Commissions and federal payments	12	(430,201)	(458,843)
Operating expenses	13	(224,598)	(224,298)
<b>Profit from Operations</b>		1,954,184	2,038,296
Other revenue	14	15,164	18,052
Income from Western Canada Lottery Corporation	15	315,511	352,192
<b>Net Income</b>	2I & 12	\$ 2,284,859	\$ 2,408,540

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	2017	2016
Net income	2I & 12	\$ 2,284,859	\$ 2,408,540
<b>Other Comprehensive Income (Loss)</b>			
Net actuarial gain (loss)	11	(1,612)	11,419
<b>Total Comprehensive Income</b>		\$ 2,283,247	\$ 2,419,959

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)

	2017	2016
<b>Operating Activities</b>		
Net income	\$ 2,284,859	\$ 2,408,540
Increase (decrease) in provision for loss on leased properties	1	(81)
Amortization	61,312	59,556
Loss on disposal of property, equipment and intangible assets	2,428	436
Write-down of intangible assets	871	-
Change in defined benefit pension liability	3,458	(9,307)
Net changes in non-cash working capital	(22,239)	12,505
	2,330,690	2,471,649
Transfers to Alberta Lottery Fund	(1,441,875)	(1,589,516)
Transfers to General Revenue Fund	(838,000)	(830,000)
<b>Cash Provided by Operating Activities</b>	50,815	52,133
<b>Investing Activities</b>		
Purchase of property and equipment	(48,443)	(31,991)
Purchase of intangible assets	(9,008)	(8,348)
Additions to investment properties	(46,917)	(8,975)
Proceeds on disposal of property, equipment and intangible assets	1,965	3,136
Net change in investment in Western Canada Lottery Corporation	(6,808)	5,911
<b>Cash Used in Investing Activities</b>	(109,211)	(40,267)
<b>Net Increase (Decrease) in Cash During the Year</b>	(58,396)	11,866
<b>Cash, beginning of year</b>	206,354	194,488
<b>Cash, end of year</b>	\$ 147,958	\$ 206,354
<b>Supplemental Cash Flow information:</b>		
Interest received	\$ 1,717	\$ 1,518

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

## Notes to the Financial Statements

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

### 1. Nature of Operations

The Alberta Gaming 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 the Board 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, import, sale, purchase, possession, storage, transportation, use and consumption 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 *Interprovincial Lottery Act*, RSA 1980 cI-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, 2017 were authorized for issue by the Board on May 24, 2017.

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

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

#### e. Investment Properties

Investment properties are comprised of land, building or a combination thereof, that are held by the owner to earn rental income. They include the distribution and storage facility located in St. Albert (50 Corriveau Avenue), currently leased to Connect Logistics Services Inc., as well as the liquor distribution centre under construction in St. Albert (2 Boudreau Road).

Investment properties are initially recognized at cost, and are subsequently carried 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.

#### 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 Net Income.

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 is 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 provides 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 a future date. The AGLC is currently evaluating the impact of adoption of the amended/new standards.

#### 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 sets 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, Assumptions and Critical Judgments

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

For the provision for pension liability, judgment is used to estimate the underlying assumptions for future salary increases, inflation rates and discount rates. If these assumptions are incorrect, this could result in an adjustment to the liability and the gain/loss recorded in Other Comprehensive Income (Loss) 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 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 consist 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 18.

The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. For the year ended March 31, 2017, securities held by the CCITF had a time-weighted yield of 0.9% per annum (March 31, 2016: 0.8% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

#### 5. Inventory and Prepaid Expenses

	2017	2016
Inventory	\$ 10,232	\$ 9,662
Prepaid expenses	\$ 1,626	\$ 1,500
	11,858	11,162

## 6. Property and Equipment

	Land	Buildings & Leasehold Improvements	Vehicles	Equipment & Computer Hardware	Gaming Equipment & Terminals	Total
Cost, March 31, 2016	\$ 2,057	\$ 38,745	\$ 4,132	\$ 28,200	\$ 455,418	\$ 528,552
Additions	-	1,082	158	9,415	37,788	48,443
Disposals	-	-	(518)	(819)	(16,065)	(17,402)
Cost, March 31, 2017	2,057	39,827	3,772	36,796	477,141	559,593
Accumulated amortization, March 31, 2016	-	(22,225)	(3,267)	(22,015)	(226,511)	(274,018)
Additions	-	(1,220)	(550)	(2,566)	(47,243)	(51,579)
Disposals	-	-	518	819	11,992	13,329
Accumulated amortization, March 31, 2017	-	(23,445)	(3,299)	(23,762)	(261,762)	(312,268)
Net book value, March 31, 2017	\$ 2,057	\$ 16,382	\$ 473	\$ 13,034	\$ 215,379	\$ 247,325
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	2,057	38,745	4,132	28,200	455,418	528,552
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	-	(22,225)	(3,267)	(22,015)	(226,511)	(274,018)
Net book value, March 31, 2016	\$ 2,057	\$ 16,520	\$ 865	\$ 6,185	\$ 228,907	\$ 254,534

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

- Buildings - Up to 40 Years
- Leasehold improvements - Lease Term
- Vehicles - 3 years
- Equipment and computer hardware - Up to 10 Years
- Gaming equipment and terminals - Up to 8 Years

## 7. Intangible Assets

	<b>Computer Software</b>	<b>Gaming Software</b>	<b>Total</b>
Cost, March 31, 2016	\$ 28,989	\$ 35,397	\$ 64,386
Additions	171	8,837	9,008
Disposals/write-downs	-	(1,532)	(1,532)
Cost, March 31, 2017	29,160	42,702	71,862
Accumulated amortization, March 31, 2016	(17,648)	(17,523)	(35,171)
Additions	(3,660)	(5,266)	(8,926)
Disposals/write-downs	-	341	341
Accumulated amortization, March 31, 2017	(21,308)	(22,448)	(43,756)
Net book value, March 31, 2017	\$ 7,852	\$ 20,254	\$ 28,106
Cost, March 31, 2015	\$ 27,611	\$ 28,449	\$ 56,060
Additions	1,400	6,948	8,348
Disposals	(22)	-	(22)
Cost, March 31, 2016	28,989	35,397	64,386
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	(17,648)	(17,523)	(35,171)
Net book value, March 31, 2016	\$ 11,341	\$ 17,874	\$ 29,215

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

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

## 8. Investment Properties

	<b>Land</b>	<b>Buildings</b>	<b>Work in Progress</b>	<b>Total</b>
Cost, March 31, 2016	\$ 21,126	\$ 31,256	\$ 13,985	\$ 66,367
Additions	-	482	46,435	46,917
Disposals	-	-	-	-
Cost, March 31, 2017	21,126	31,738	60,420	113,284
Accumulated amortization, March 31, 2016	-	(23,969)	-	(23,969)
Additions	-	(807)	-	(807)
Disposals	-	-	-	-
Accumulated amortization, March 31, 2017	-	(24,776)	-	(24,776)
Net book value, March 31, 2017	\$ 21,126	\$ 6,962	\$ 60,420	\$ 88,508
Cost, March 31, 2015	\$ 21,123	\$ 30,407	\$ 5,862	\$ 57,392
Additions	3	849	8,123	8,975
Disposals	-	-	-	-
Cost, March 31, 2016	21,126	31,256	13,985	66,367
Accumulated amortization, March 31, 2015	-	(23,627)	-	(23,627)
Adjustment	-	418	-	418
Additions	-	(760)	-	(760)
Disposals	-	-	-	-
Accumulated amortization, March 31, 2016	-	(23,969)	-	(23,969)
Net book value, March 31, 2016	\$ 21,126	\$ 7,287	\$ 13,985	\$ 42,398

- a. The estimated useful life for the asset category is as follows:
- Buildings - Up to 40 Years
- b. The Liquor Distribution Centre under construction is classified as work in progress

## c. Net Profit from Investment Properties

	2017	2016
Rental income derived from investment properties	\$ 3,251	\$ 2,943
Direct operating expenses (including repair and maintenance)	(1,179)	(1,193)
Net profit arising from investment properties	\$ 2,072	\$ 1,750

Estimated rental income for the current lease term expiring on January 31, 2018 is:

**2017-18**      \$ 2,709

## d. Fair Value of Investment Properties

	2017	2016
Fair value of investment properties	\$ 131,770	\$ 87,835

Investment properties are recorded and reported at cost.

The fair value at March 31, 2017 and March 31, 2016 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.

The fair value valuation was performed on the distribution and storage facility at 50 Corriveau Avenue using income and direct comparison approaches, while the land purchased at 2 Boudreau Road for the construction of a liquor distribution centre was valued using the direct comparison approach. The valuation did not include the liquor distribution centre currently under construction as the \$60.4 million in costs incurred to-date are assumed to equal the current fair market value. Both properties are located in St. Albert, Alberta.

## 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 at year end due to timing of transfers.

	Note	2017	2016
Due to Alberta Lottery Fund, beginning of year		\$ 71,316	\$ 108,085
Net income, Provincial Lotteries	12	1,429,604	1,552,747
Transfers to Alberta Lottery Fund		(1,441,875)	(1,589,516)
Due to Alberta Lottery Fund, end of year		\$ 59,045	\$ 71,316

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	2017	2016
Due to General Revenue Fund, beginning of year		\$ 305,254	\$ 279,461
Net income, liquor and other	12	855,255	855,793
Transfers to General Revenue Fund		(838,000)	(830,000)
Due to General Revenue Fund, end of year		\$ 322,509	\$ 305,254

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

	2017				2016			
	PSPP	MEPP	SRP	Total	PSPP	MEPP	SRP	Total
<b>Change in Fair Value of Plan Assets</b>								
Opening balance, fair value of plan assets	\$ 122,052	\$ 47,731	\$ 1,594	\$ 171,377	\$ 103,965	\$ 42,875	\$ 1,405	\$ 148,245
Employer contributions	7,757	2,600	128	10,485	7,629	2,339	149	10,117
Benefits paid	(5,451)	(2,378)	(66)	(7,895)	(5,628)	(2,074)	(48)	(7,750)
Interest income	4,435	1,722	65	6,222	3,569	1,462	55	5,086
Actuarial gain on plan assets	4,892	5,458	414	10,764	12,517	3,129	33	15,679
Closing balance, fair value of plan assets	\$ 133,685	\$ 55,133	\$ 2,135	\$ 190,953	\$ 122,052	\$ 47,731	\$ 1,594	\$ 171,377
<b>Change in Defined Benefit Obligation</b>								
Opening balance, defined benefit obligation	\$ 167,091	\$ 61,272	\$ 1,920	\$ 230,283	\$ 155,308	\$ 59,308	\$ 1,842	\$ 216,458
Current-service cost	7,375	2,703	135	10,213	7,214	2,539	158	9,911
Benefits paid	(5,451)	(2,378)	(66)	(7,895)	(5,628)	(2,074)	(48)	(7,750)
Interest expense	6,050	2,212	78	8,340	5,308	2,024	72	7,404
Actuarial (gain) loss on plan liabilities	6,185	5,260	931	12,376	4,889	(525)	(104)	4,260
Closing balance, defined benefit obligation	\$ 181,250	\$ 69,069	\$ 2,998	\$ 253,317	\$ 167,091	\$ 61,272	\$ 1,920	\$ 230,283
<b>Net Pension Benefit Liability</b>	<b>\$ (47,565)</b>	<b>\$(13,936)</b>	<b>\$ (863)</b>	<b>\$ (62,364)</b>	<b>\$ (45,039)</b>	<b>\$(13,541)</b>	<b>\$ (326)</b>	<b>\$ (58,906)</b>

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, 57% for MEPP, and 64% for SRP.

### Accumulated Other Comprehensive Income

	2017				2016			
	PSPP	MEPP	SRP	Total	PSPP	MEPP	SRP	Total
Actuarial gain on plan assets	\$ (4,892)	\$ (5,458)	\$ (414)	\$ (10,764)	\$ (12,517)	\$ (3,129)	\$ (33)	\$ (15,679)
Experience (gain) loss on plan liabilities	6,185	5,260	931	12,376	4,889	(525)	(104)	4,260
Amount recognized in OCI	1,293	(198)	517	1,612	(7,628)	(3,654)	(137)	(11,419)
Beginning balance, AOCI	18,341	5,476	131	23,948	25,969	9,130	268	35,367
Ending balance, AOCI	\$ 19,634	\$ 5,278	\$ 648	\$ 25,560	\$ 18,341	\$ 5,476	\$ 131	\$ 23,948

## Defined Benefit Pension Expense

	2017				2016			
	PSPP	MEPP	SRP	Total	PSPP	MEPP	SRP	Total
Current service cost (employer)	\$ 7,375	\$ 2,703	\$ 135	\$ 10,213	\$ 7,214	\$ 2,539	\$ 158	\$ 9,911
Interest expense	6,050	2,212	78	8,340	5,308	2,024	72	7,404
Interest income on assets	(4,435)	(1,722)	(65)	(6,222)	(3,569)	(1,462)	(55)	(5,086)
Net pension-benefit expense recognized	\$ 8,990	\$ 3,193	\$ 148	\$ 12,331	\$ 8,953	\$ 3,101	\$ 175	\$ 12,229

## 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:

	2017			2016		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Discount rate	3.60%	3.50%	3.90%	3.60%	3.60%	4.00%
Inflation rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Average wage increases	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
AGLC's share of plan payroll	2.22%	2.07%	1.90%	2.20%	1.76%	1.81%
Date of the most recent actuarial valuation	Dec. 31,2014	Dec. 31,2015	Dec. 31,2015	Dec.31,2014	Dec. 31, 2012	Dec. 31, 2012
AGLC's expected contributions for the next period – all plans:		\$ 10,353			\$ 9,533	

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

	2017			2016		
	PSPP	MEPP	SRP	PSPP	MEPP	SRP
Estimated sensitivity of liabilities to a 1% change in the discount rate:	14.20%	13.50%	18.90%	13.50%	13.70%	19.20%
Estimated sensitivity of liabilities to a 1% change in the inflation rate:	7.70%	7.10%	8.00%	6.70%	8.00%	8.70%

### 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*.

	2017				2016		
	Provincial Lotteries			Subtotal	Liquor and Other	Total	Total
	Casino Gaming Terminals	Video Lottery Terminals	Electronic Bingo (a)				
Net sales	\$ 1,133,302	\$ 587,107	\$ 11,432	\$ 1,731,841	\$ 877,142	\$ 2,608,983	\$ 2,721,437
Commissions							
Operators/retailers	(166,755)	(88,066)	(1,715)	(256,536)	-	(256,536)	(273,858)
Charities	(156,144)	-	(1,773)	(157,917)	-	(157,917)	(168,433)
Federal tax expense (b)	(10,391)	(5,187)	(170)	(15,748)	-	(15,748)	(16,552)
	(333,290)	(93,253)	(3,658)	(430,201)	-	(430,201)	(458,843)
Net revenue	\$ 800,012	\$ 493,854	\$ 7,774	\$ 1,301,640	\$ 877,142	\$ 2,178,782	\$ 2,262,594
Operating expenses				(185,893)	(38,705)	(224,598)	(224,298)
Profit from operations				1,115,747	838,437	1,954,184	2,038,296
Other revenue				(1,654)	16,818	15,164	18,052
Income from Western Canada Lottery Corporation				315,511	-	315,511	352,192
Net income				\$ 1,429,604	\$ 855,255	\$ 2,284,859	\$ 2,408,540

a. includes Keno charity commissions

b. as prescribed by the *Games of Chance (GST/HST) Regulations of the Excise Tax Act* (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.

### 13. Operating Expenses

	2017	2016
Salaries and benefits	\$ 94,215	\$ 92,264
Amortization	61,312	59,556
Leased gaming terminals	25,282	26,469
Equipment and vehicles	9,173	13,504
Data processing	6,923	6,034
Data communications	6,243	6,817
Fees and services	4,952	3,971
Property	3,561	3,289
Marketing and retailer relations	2,799	2,396
Freight and ticket product delivery	2,181	1,834
Net interest in net pension benefit liability	2,118	2,318
Travel and training	1,976	2,034
Insurance and bank charges	1,525	1,359
Stationery and supplies	1,468	1,615
Miscellaneous	724	697
Liquor product expense	146	141
	<b>\$ 224,598</b>	<b>\$ 224,298</b>

### 14. Other Revenue

	2017	2016
Licences	\$ 6,551	\$ 6,401
Premises rental revenue	3,251	2,943
Liquor levies	1,980	1,847
Miscellaneous	1,814	3,669
Interest	1,717	1,518
ProServe fees	1,194	1,193
Retailer service fees	712	703
Administrative sanctions	373	214
Loss on disposal of property, equipment and intangible assets	(2,428)	(436)
	<b>\$ 15,164</b>	<b>\$ 18,052</b>

## 15. 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.

	2017	2016
<b>Statement of Financial Position (WCLC)</b>		
Current assets	\$ 89,726	\$ 79,680
Property and equipment	9,195	8,634
Intangible assets	8,716	9,234
	\$ 107,637	\$ 97,548
<b>Statement of Revenue and Expenses (Alberta's portion)</b>		
Lottery sales, net (a)	\$ 865,529	\$ 976,770
Direct expenses (a)	(503,442)	(577,869)
Gross income	362,087	398,901
Operating expenses	\$ (33,694)	\$ (32,401)
Interest and other income	977	-
Net income from operations	\$ 329,370	\$ 366,500
Federal tax expense (a)	(4,775)	(5,252)
Payment to the Federal Government (b)	(9,084)	(9,056)
Income from Western Canada Lottery Corporation	\$ 315,511	\$ 352,192

- 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

	2017	2016
Investment in WCLC, opening balance	\$ 29,293	\$ 35,204
Net operating results recorded by AGLC	315,511	352,192
Interest revenue recorded by Alberta Lottery Fund	-	1,343
WCLC net income allocated to Alberta	315,511	353,535
Advances received from WCLC	(308,703)	(359,446)
Investment in WCLC, closing balance	\$ 36,101	\$ 29,293

#### 16. 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:

	2017	2016
2017	\$ -	\$ 107,484
2018	70,934	38,889
2019	51,991	29,807
2020	17,244	14,764
2021	4,909	4,379
2022	4,753	-
Thereafter	3,121	1,438
	\$ 152,952	\$ 196,761

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

	2017	2016
Not later than 1 year	\$ -	\$ 487
Later than 1 year but not later than 5 years	-	772
Later than 5 years	-	-
	<b>\$ -</b>	<b>\$ 1,259</b>

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 \$145 (2016 - \$144) 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:

	2017
2017-18	\$ 56
2018-19	56
2019-20	56
2020-21	56
2021-22	56
Thereafter	580
	<b>\$ 860</b>

## 17. Contingent Liabilities and Provisions

The AGLC has been named as a defendant in several legal actions and claims. While the outcome of these claims cannot be determined, management is of the opinion that the appropriate adjustments have been made and the ultimate outcome is not expected to have material adverse effect in the financial position or operations of 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 premises 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, 2017, the AGLC's potential liability is \$17.3 million (2016 - \$21.3 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, 2017, there were 2 leases (2016 - 2 leases) that make up the provision.

	<b>Lease Provision</b>
As at March 31, 2016	\$ 144
Amounts charged against the provision	(6)
Estimate adjustment	7
As at March 31, 2017	\$ 145
Expected outflow of resources	
Within one year	\$ 6
After one year but not more than five years	26
After five years	113
	\$ 145

## 18. 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.

	<b>2017</b>	<b>2016</b>
Charitable proceeds	\$ 17,049	\$ 18,197
Held charitable proceeds	153	143
	\$ 17,202	\$ 18,340

## 19. Salaries and Benefits

The following table discloses the amounts earned by board members and senior executives in the year ended March 31, 2017:

	Note	2017			2016	
		Base Salary (a)	Other Cash Benefits (b)	Other Non-cash Benefits (c)	Total	Total
Chair of the Board	d	\$ 118	\$ -	\$ 5	\$ 123	\$ 112
Members of the Board	e	216	-	21	237	212
President and Chief Executive Officer	f	286	204	79	569	374
<b>Vice Presidents (VP)</b>						
VP, Regulatory Services	g	202	129	53	384	247
VP, Information Technology and Chief Information Officer	h	197	64	55	316	281
VP, Liquor Services	i	178	-	47	225	248
VP, Human Resources and Employee Development	j	262	133	76	471	253
VP, Lottery and Gaming Services		196	1	50	247	258
VP, Corporate Services and Chief Financial Officer	k	186	1	62	249	227
VP, Corporate Strategic Services and Chief Risk Officer	l	57	4	17	78	-
Senior VP, Corporate Services	m	66	1	20	87	295
VP, Charitable Gaming Program and Regulatory Research	n	133	163	36	332	-

- Base salary consists of regular base pay, including acting pay. For chair and members of the Board, it consists of remuneration paid, based on rates prescribed in Committee Remuneration Order, for time spent on the business of the Board.
- Other cash benefits consist of vacation payouts, wellness spending account payments and severance payments. There were no bonuses paid during the year.
- Other non-cash benefits include the AGLC's share of employee benefits and contributions/payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.
- Term ended on March 31, 2017.
- At any given time the Board consists of no more than 6 members plus the chair, whose remuneration is disclosed separately.

- f. Occupancy of the position changed on March 16, 2017.  
Other cash benefits include \$166 of severance benefits paid as a result of a termination agreement. Automobile benefit of \$6 (2016 -\$4) is included in other non-cash benefits.
- g. Occupancy of the position changed on August 17, 2016 and March 16, 2017.  
Other cash benefits include \$101 of severance benefits paid as a result of a termination agreement. Position title and scope of responsibilities changed during the year due to organizational re-alignments.
- h. Occupancy of the position changed on February 13, 2017.  
Other cash benefits include \$37 of severance benefits paid as a result of a termination agreement. Position title and scope of responsibilities changed during the year due to organizational re-alignments.
- i. Occupancy of the position changed on August 10, 2016.
- j. Occupancy of the position changed on July 2, 2016, however there was a five month overlap in occupancy due to an extended vacation period.  
Other cash benefits include \$120 of severance benefits paid as a result of a termination agreement.
- k. Position title and scope of responsibilities changed during the year due to organizational re-alignments.
- l. Position created on November 21, 2016.
- m. Position eliminated on July 15, 2016.
- n. Position created on July 18, 2016 and eliminated on February 28, 2017.  
Other cash benefits include \$149 of severance benefits paid as a result of a termination agreement.

## 20. 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.

## 21. 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 those that prevail in arm's length transactions.

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 \$434 (2016 - \$408) 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.

The Western Canada Lottery Corporation (WCLC), an associated entity as disclosed in Note 2g, is also deemed to be a related party to the AGLC. Details of transactions with the WCLC are disclosed in Note 15. In addition to these transactions, the AGLC received \$712 (2016 - \$703) in retailer service fees from the WCLC.

The Board members of the AGLC, executive management and their close family members are deemed to be related parties to the AGLC. Compensation for the Board members and executive management is disclosed in Note 19, while transactions with close family members are immaterial.

## 22. Approved Budget

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

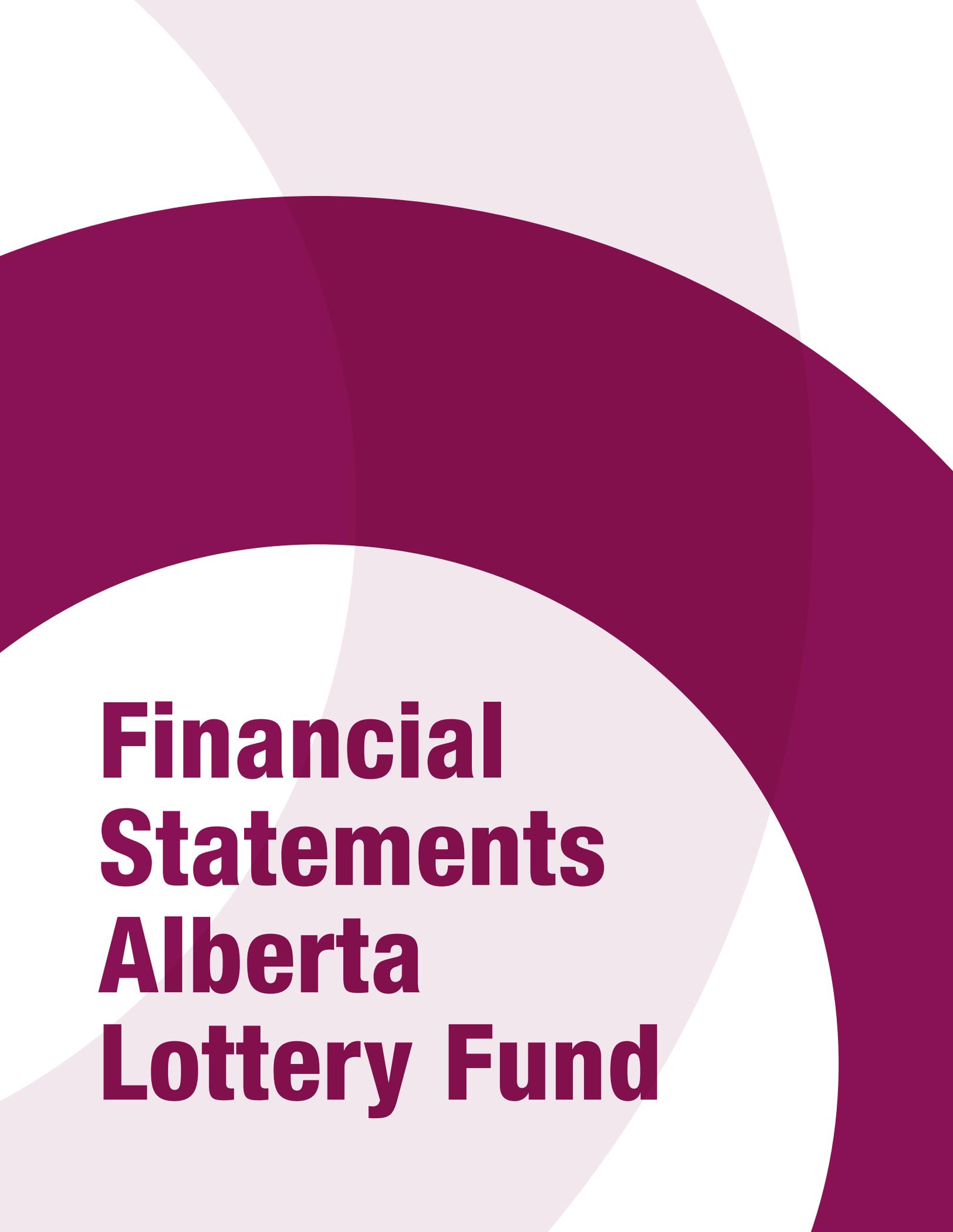
	<b>2017</b>
Liquor revenue	\$ 2,654,959
Liquor cost of sales	(1,757,044)
	897,915
Gaming revenue	1,786,553
	2,684,468
Commissions and federal payments (a)	(444,938)
Operating expenses	(239,260)
<b>Profit from operations</b>	<b>2,000,270</b>
Other revenue	15,082
Income from Western Canada Lottery Corporation	303,595
<b>Net income</b>	<b>\$ 2,318,947</b>
Loss on pension liability	(11,500)
<b>Total comprehensive income</b>	<b>\$ 2,307,447</b>

(a) includes Keno charity commissions

## 23. Comparative Figures

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





**Financial  
Statements  
Alberta  
Lottery Fund**



## 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, 2017, and the statements of operations, 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, 2017, 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 24, 2017  
Edmonton, Alberta

## Statement of Management's Responsibility for Financial Reporting

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

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

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

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

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

*Original signed by*

Alain Maisonneuve  
Acting President and Chief Executive Officer  
Alberta Gaming and Liquor Commission

*Original signed by*

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

## Statement of Financial Position

As at March 31  
(in thousands of dollars)

	Note	2017	2016
<b>Financial Assets</b>			
Cash and cash equivalents	3	\$ 37,563	\$ 17,350
Due from Alberta Gaming and Liquor Commission	5	59,045	71,316
		96,608	88,666
<b>Liabilities</b>			
Accounts payable	6	\$ 43,833	\$ 35,891
		43,833	35,891
<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

*Original signed by*

Thorna Lawrence, CPA, CA  
Audit Committee Chair  
Alberta Gaming and Liquor Commission

Management

*Original signed by*

Alain Maisonneuve  
Acting 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 2017	2017	2016
<b>Revenue</b>				
Proceeds from Provincial Lotteries	7	\$ 1,450,644	\$ 1,429,604	\$ 1,552,747
Interest		425	636	2,743
		1,451,069	1,430,240	1,555,490
<b>Expenses</b>				
Lottery Fund expenditures	1	1,451,069	1,430,240	1,555,490
		1,451,069	1,430,240	1,555,490
<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 2017	2017	2016
Annual surplus	\$ -	\$ -	\$ -
Net financial assets, beginning of year	52,775	52,775	52,775
<b>Net Financial Assets, end of year</b>	<b>\$ 52,775</b>	<b>\$ 52,775</b>	<b>\$ 52,775</b>

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

## Notes to the Financial Statements

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

### 1. Nature of Operations

The 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 Provincial Lotteries and makes transfers therefrom in the public interest in order to support thousands of volunteer, public and community-based initiatives.

The *Appropriation Act, 2016* authorizes transfers from the Lottery Fund as presented in the 2016-17 Estimates, and provides for flexibility in the amount allocated from the Lottery Fund to the General Revenue Fund so that the annual surplus of the Lottery Fund would be zero at the year ended March 31, 2017.

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 re-measurement gains and losses and therefore a Statement of Remeasurement Gains and Losses has not been presented.

### 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 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, 2017, securities held by the CCITF had a time-weighted return of 0.9% per annum (March 31, 2016: 0.8% 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 proceeds from Provincial Lotteries, which has not been transferred by the AGLC to the Lottery Fund at year end due to timing of transfers.

	2017	2016
Due from AGLC, beginning of year	\$ 71,316	\$ 108,085
Proceeds from Provincial Lotteries	1,429,604	1,552,747
Transfers from AGLC	(1,441,875)	(1,589,516)
Due from AGLC, end of year	\$ 59,045	\$ 71,316

### 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>2017</b>	<b>2016</b>
Net revenue from Provincial Lotteries	\$ 1,301,640	\$ 1,390,370
AGLC operating expenses	(185,893)	(189,379)
Profit from operations	1,115,747	1,200,991
Loss on disposal of property, equipment and intangible assets	(1,654)	(436)
Net income from ticket lottery	315,511	352,192
Net income from Provincial Lotteries	\$ 1,429,604	\$ 1,552,747

## 8. Budget

The 2017 budgeted expenditures were authorized in total by the *Appropriation Act, 2016* on May 27, 2016.

## 9. Comparative Figures

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





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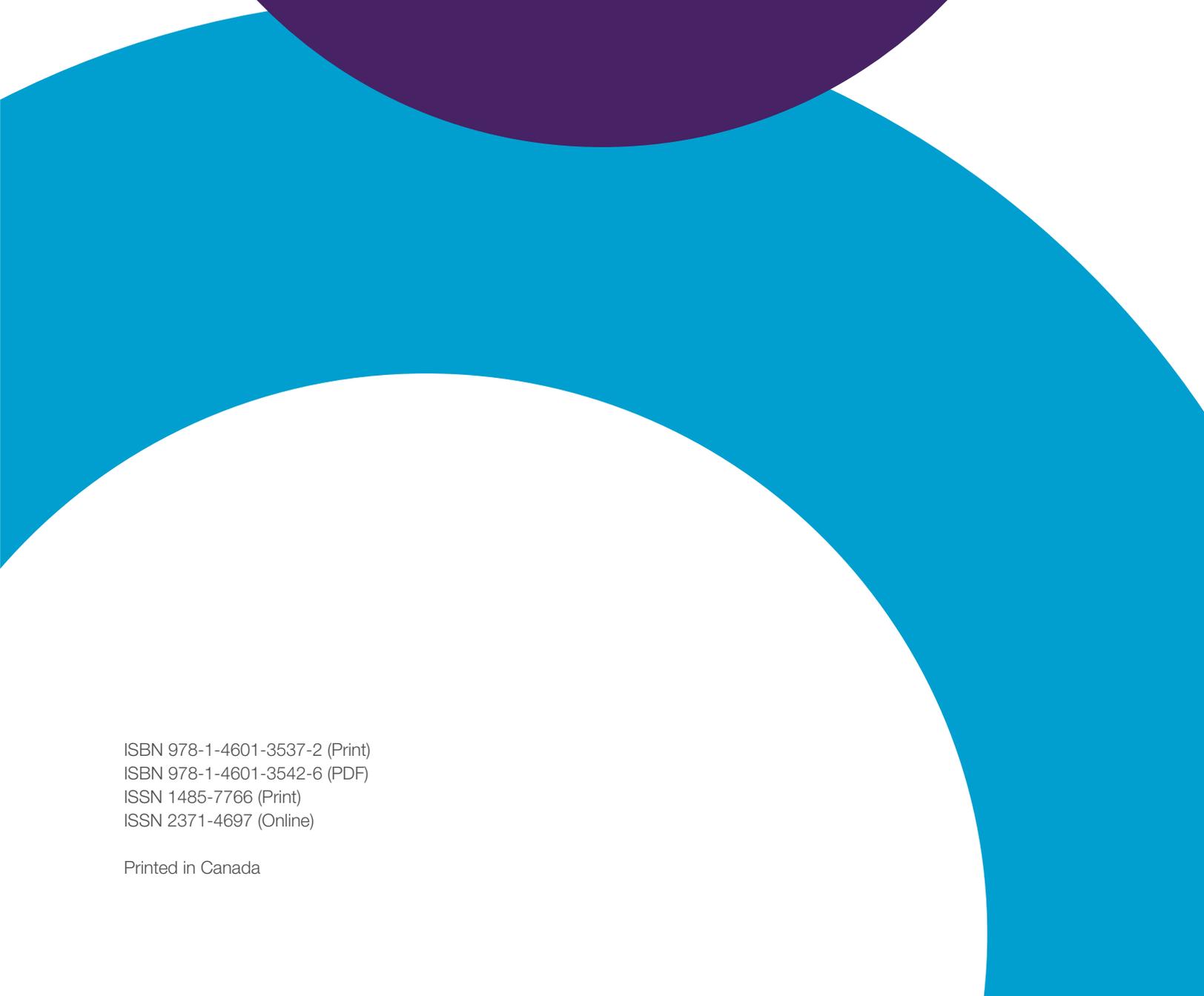
### Toll free:

1-800-272-8876

### Mailing Address:

50 Corriveau Avenue  
St. Albert, AB T8N 3T5  
780-447-8600





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