Alcohol and Gaming Commission of Ontario

# 2022–23 Annual Report

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# Chair's Message

June 19, 2023

As I enter my fourth year as Chair of the Board of Directors, I am pleased to present the Alcohol and Gaming Commission of Ontario's (AGCO) 2022-2023 Annual Report.

This past fiscal year was a particularly meaningful one for the AGCO, given the integral role this agency has played in the launch of Canada's first open, regulated internet gaming (igaming) market. Like many other jurisdictions, internet gaming in Ontario had, for years, primarily occurred in an unregulated space. Changing that story took the collective efforts of many, from the Government of Ontario to stakeholders across the gaming ecosystem.

The AGCO played a leadership role establishing a regulatory framework that supported the government's objectives, including providing consumers with increased choice, enhancing player protections, and supporting the growth of a new, legal market. The regulator worked closely with iGaming Ontario to ensure a smooth launch of the market in April 2022.

By most measures, the first year of Ontario's open, regulated igaming market was a remarkable success. Many jurisdictions around the world have pointed to Ontario's model as one to learn from and emulate. Indeed, the AGCO was the proud recipient of the International Association of Gaming Regulators' Regulatory Excellence Award, as well as the North American Gaming Regulators Association's Excellence in Gaming Regulation Award for its development of Ontario's igaming regulatory framework.

Beyond gaming, the AGCO continued to support many of the government's important public policy priorities over the past year. These included the implementation of Ontario's new legal framework for the sale and service of liquor, the continued support for a safe and robust private cannabis retail market, and ongoing support for Ontario's horse racing industry as it continued to recover from the effects the pandemic had on the sector.

Through its Strategic Oversight and Governance, and Finance, Audit and Risk-Management committees, the Board of Directors provided the AGCO with the direction and support required for the agency to continue delivering on its effectiveness, transparency, and accountability requirements. This included ongoing oversight of the AGCO's response to recommendations made by the Auditor General of Ontario in her 2020 audit of the organization.

The Board continues to be a strong supporter of the agency's Diversity, Inclusion and Accessibility (DI&A) objectives. We have been pleased to note some of the positive outcomes from this initiative, including the continued implementation of a multi-year DI&A strategy, and the establishment of a new, dedicated office. This new capacity will help the agency ensure equity and inclusion are rooted in the AGCO's workplace values and sustainably incorporated into its day-to-day operations.

On behalf of the Board, I would like to extend our sincere thanks to all AGCO staff and leaders for their strong commitment to the agency and to the sectors and communities we serve.

Earlier this year, our CEO and Registrar, Tom Mungham, announced that he will be retiring in Autumn 2023, after almost 33 years of dedicated public service. On behalf of the Board of Directors, we thank Tom for his extraordinary commitment to regulatory modernization, to

enhancing consumer protection, and to providing high quality services for the sectors we regulate. We wish him all the best in the next chapter of his journey.

I am pleased to share that the Board has initiated the recruitment process to identify the AGCO's next Registrar and CEO. While that person will have big shoes to fill, I have the utmost confidence that the Board will find a candidate who shares Tom's dedication to the public interest, to effectiveness, and to modernization in support of Ontarians and the AGCO alike.

**Lalit Aggarwal**

Chair

# Chief Executive Officer's Message

May 9, 2023

Over the past several years, significant change and positive transformation have continued to be part of the AGCO's journey, and the 2022-23 fiscal year was no exception.

April 4, 2022, marked a historic milestone - Ontario was the first Canadian province to launch an open, regulated internet gaming (igaming) market. Since then, Ontarians have been able to play on world class igaming sites under a safer, fully regulated framework. From most perspectives, the first year of the regulated market was a great success. As of March 31, 2023, 45 operators are live in Ontario and the AGCO has approved over 5,000 certified games for use in the province. We continue to work alongside the AGCO's subsidiary, iGaming Ontario (iGO), towards achieving the government's objectives of providing consumer choice, ensuring player protection, supporting the growth of the legal igaming market and generating provincial revenues for the benefit of Ontarians. In the past year, many jurisdictions have pointed to Ontario's market launch as a model of success. In October 2022, the AGCO was awarded the International Association of Gaming Regulators' (IAGR) Regulatory Excellence Award for its work on developing and implementing the regulatory framework for igaming.

Throughout the COVID-19 pandemic, the AGCO committed to providing support to our licensees and registrants as they navigated unprecedented challenges. In 2022-23, the AGCO permanently adopted several measures that had originally been put in place on a temporary basis to ease the burden on individuals and businesses caused by the pandemic. Notable examples include liquor reforms such as takeout and delivery of liquor with food from eligible liquor sales license premises and a new framework for temporary outdoor physical extensions (temporary patios). Charitable gaming reforms were also made such as allowing credit card transactions and decreasing the number of charity representatives required to be present at Bingo Revenue Model halls.

Our work with the cannabis sector this year included amendments in June 2022 to the Registrars Standards for Cannabis Retail Stores, focusing on the reduction of anti-competitive industry practices. The AGCO also provided expertise and support on possible amendments to the federal Cannabis Act to the Expert Panel leading the review.

This past year also saw some important changes for the alcohol sector, starting with a new caterer's endorsement for licensed manufacturers which came into effect in April. In addition, we implemented a new approval framework for temporary outdoor physical extensions (temporary patios) for liquor sales licensees. This new approval framework came into effect on January 1, 2023.

Throughout 2022-23, the AGCO continued to work closely with Horse Racing industry experts on equine welfare reforms, several of which are anticipated to take effect in Spring 2023. And the AGCO has worked with the Ontario Lottery and Gaming Corporation and the Province's casinos to support post pandemic recovery efforts, with a balanced approach to public safety with regulatory burden reduction.

The AGCO continued to demonstrate its commitment to responding to the findings of the Auditor General of Ontario's 2020 Value for Money Audit. Since the report's release, the AGCO has implemented 40% of the Auditor General's recommended action items in areas such as compliance and inspection activities, regulatory processes and public transparency. Another 21% are underway and remain a priority for the AGCO in the coming year.

Building on our response to the Value for Money Audit, a Funding Framework Review has been initiated by the AGCO with the Ministry of the Attorney General (MAG) to move towards becoming a more financially self-sufficient regulatory agency.

In line with the Government of Ontario's Digital Service focus and commitment towards new digital practices and technologies to deliver simpler, faster, better services to Ontarians, the AGCO prioritized the development of a Digital Strategy to guide and prioritize the agency's digitalization efforts.

The AGCO is proud to serve the people of Ontario, and continue implementation of our multi-year Diversity, Inclusion and Accessibility (DI&A) strategy. We are committed to the sustainable integration of DI&A with our operations to enhance organizational effectiveness and uphold our "People First" approach.

In addition to services we provide externally, our DI&A journey requires equal focus on our internal workforce. This year, AGCO leaders were provided with Intercultural Development Inventory (IDI) training, a comprehensive diversity and inclusion training program providing concrete ways to engage in respectful and positive interactions. An employee census was launched to develop a baseline for employee demographics, which will enable us to gather, understand and report on measurable results of DI&A efforts. The 2022-23 fiscal year brought positive change and forward movement to the AGCO. We pride ourselves on our consistent and continued efforts to support the sectors we regulate while upholding a steadfast commitment to the safety of Ontarians.

**Tom Mungham**

Chief Executive Officer

# Board of Directors

The AGCO Board of Directors (the Board) is responsible for the overall governance of the AGCO and meets regularly. In exercising its governance functions, the Board sets goals and develops policy and strategic directions for the Commission to fulfill its mandate; this includes working with the Chief Executive Officer and senior management on regulatory and governance activities.

As part of its governance structure, the Board has two standing committees. These committees are the Finance, Audit and Risk Management Committee and the Strategic Oversight and Governance Committee. The committees are accountable to the Board and provide regular updates at board meetings, highlighting key decision points, areas of substantive discussion and recommendations to the Board.

## Finance, Audit and Risk Management Committee

The Finance, Audit and Risk Management Committee is responsible for providing oversight on matters related to financial performance. This committee also provides oversight on cybersecurity, internal audit activities, risk management and emergency management, including internal control systems and annual risk management and audit plans.

## Strategic Oversight and Governance Committee

The Strategic Oversight and Governance Committee is responsible for ensuring the agency has an effective governance framework and is carrying out its responsibilities and fulfilling its legislative mandate. In particular, this committee is responsible for monitoring and assessing the agency's performance against key strategies and objectives and providing strategic oversight with respect to the AGCO's corporate social responsibility program and human resources strategy.

The list below reflects the members of the Board who served during the fiscal year ending March 31, 2023, including their original appointment dates.

Total per diems of all appointees for 2022–23: **$122,080.10**

**Table 1— Board of Directors and per diems**

| Name | Position as of March 31, 2023 | Original Appointment | Current Term Start Date | Current Term Expiry Date | Fiscal Year 22–23 Per Diem Payments ($) |
|---|---|---|---|---|---|
| **Lalit Aggarwal** | Chair<br>Part-time | June 6, 2019 | June 6, 2020 | June 5, 2024 | $43,504.03 |
| **Heidi Reinhart** | Vice-Chair and Member<br>Part-time | October 29, 2020 | September 16, 2021 | September 15, 2023 | $13,986.64 |

| Name | Position as of March 31, 2023 | Original Appointment | Current Term Start Date | Current Term Expiry Date | Fiscal Year 22–23 Per Diem Payments ($) |
|---|---|---|---|---|---|
| **Neil Desai** | Member Part-time | September 17, 2020 | September 17, 2022 | September 16, 2025 | $18,145.39 |
| **Dave Forestell** | Member Part-time | December 12, 2018 | June 20, 2020 | June 19, 2024 | $7,308.94 |
| **Douglas McLarty** | Member Part-time<br><br>Chair, Finance, Audit and Risk Management Committee | February 20, 2020 | February 20, 2022 | February 19, 2025 | $15,321.00 |
| **Paul Stoyan** | Member Part-Time | July 29, 2021 | July 29, 2021 | July 28, 2023 | $14,142.98 |
| **Cara Vaccarino** | Member Part-time<br><br>Chair, Strategic Oversight and Governance Committee | February 14, 2020 | February 14, 2022 | February 13, 2025 | $9,671.12 |

# About the AGCO

## Vision

A world-class regulator that is innovative, proactive, inclusive and socially responsible.

## Mandate

To regulate in accordance with the principles of honesty and integrity and in the public interest.

## Governing Legislation

The AGCO is an arms-length regulatory agency of the provincial government, reporting to the Ministry of the Attorney General (MAG). It was established on February 23, 1998, under the *Alcohol, Cannabis and Gaming Regulation and Public Protection Act,* 1996 (ACGRPPA). The AGCO continues as a corporation under a new corporate governance statute, the *Alcohol and Gaming Commission of Ontario Act,* 2019 (AGCO Act).

The AGCO is responsible for the administration of:

- *Alcohol and Gaming Commission of Ontario Act,* 2019
- *Liquor Licence and Control Act,* 2019
- *Gaming Control Act,* 1992
- *Order-in-Council 1413/08* (as amended)
- *Cannabis Licence Act,* 2018
- *Horse Racing Licence Act,* 2015

## AGCO Subsidiary

iGaming Ontario (iGO) was established on July 6, 2021, as a subsidiary corporation of the AGCO. iGO is responsible for conducting and managing igaming through private operators in Ontario. As of April 4, 2022, private igaming operators that have registered with the AGCO and have executed an operating agreement with iGO can legally offer their games to players in Ontario. Companies who successfully enter the Ontario market are required to meet rigorous standards of game and operator integrity, fairness, player protections and social responsibility.

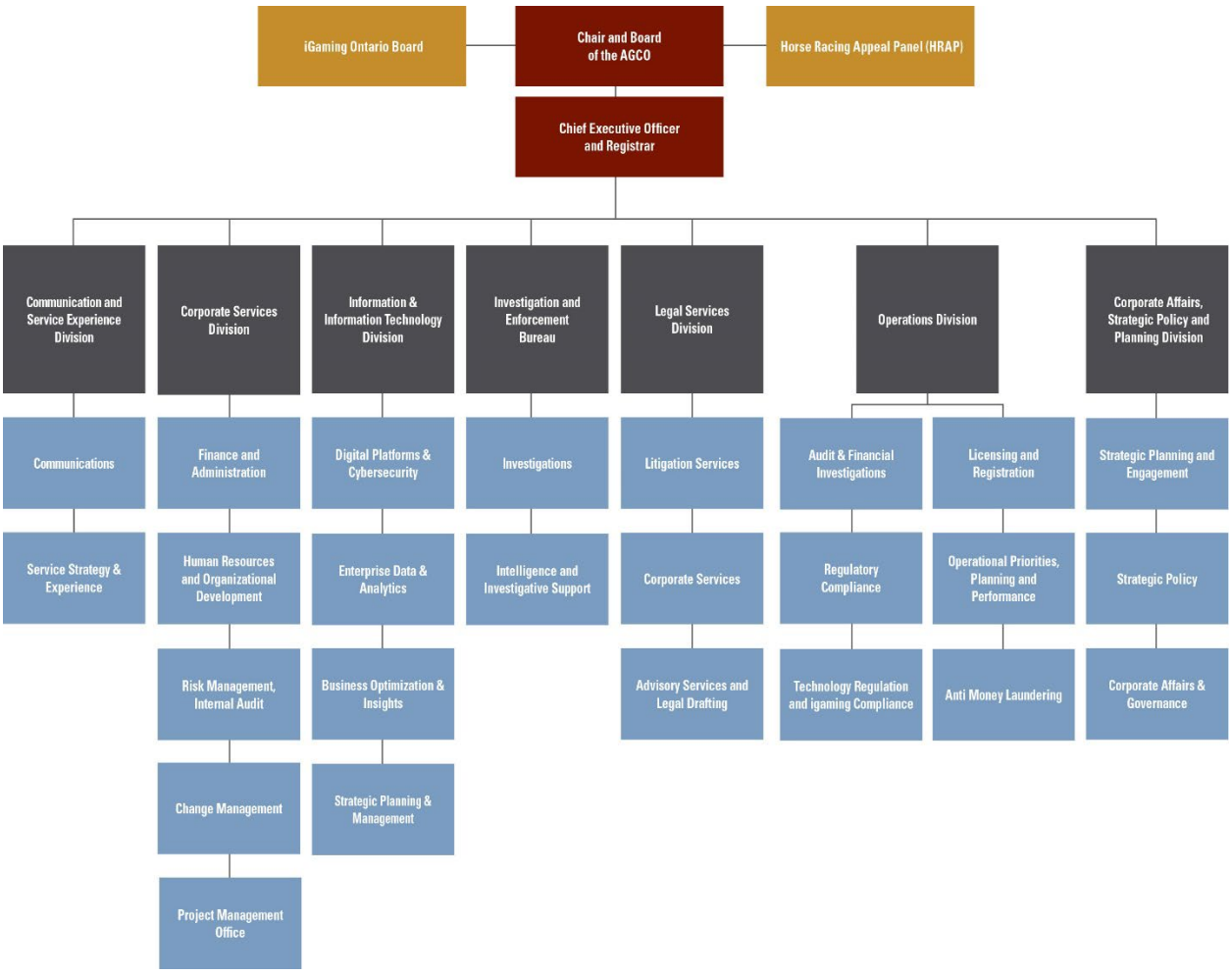
The AGCO's role as regulator remains the same and is kept separate from iGaming Ontario's commercial role. The AGCO continues to be responsible for regulatory oversight of all gaming activities in Ontario, including private igaming operators and suppliers as well as iGaming Ontario.

AGCO is responsible for the following activities as the regulator of Ontario's igaming market:

- Develop regulatory standards (Registrar's Standards for Internet Gaming).
- Determine eligibility and register igaming operators and gaming-related suppliers to ensure the integrity of sector participants.
- Register independent testing labs (ITLs) that test and certify that igaming technology meets the required Registrar's Standards for Internet Gaming.
- Monitor igaming operators, suppliers and digital game offerings for compliance with regulatory obligations, including the Registrar's Standards for Internet Gaming.
- Where compliance concerns are identified, bring operators and suppliers back into compliance through the use of progressive sanctions, including warnings, suspensions, monetary penalties, and in the most serious of cases, revocations.
- Work with igaming operators and suppliers to increase their understanding of regulatory obligations and to improve overall compliance.
- Address regulatory complaints and inquiries, including those related to game integrity and fairness, misuse of private information, responsible gambling violations, and money laundering.

The AGCO's Annual Report must contain the Annual Report of its subsidiary. As such, the iGO Annual Report is appended below.

# Corporate Structure




## Communications and Service Experience Division

The Communications and Service Experience Division provides strategic communications advice and services, manages media relations and the AGCO's public reputation and oversees the development of internal and external communication materials and publications. It builds understanding and acceptance of organizational objectives and policy priorities through regular communication with staff and stakeholders.

The Service Strategy and Experience Branch works with partners across the organization to strengthen its service culture and competencies and ensure customer needs are the "organizing principle" around service design and delivery. The branch includes the AGCO's Contact Centre, which handles over 100,000 customer interactions yearly across a range of channels. It also provides oversight of the agency's inquiries and complaints handling policy and ensures the customer experience is monitored, measured and managed.

## Corporate Services Division

The Corporate Services Division provides advice and guidance on all aspects of the AGCO's day-to-day administration and client services and plays a strategic role as a proactive facilitator of the agency's major change initiatives.

The Human Resources and Organizational Development Branch is responsible for supporting the People First strategic goal, including full-cycle human resources operational services, wellness, employee engagement, coaching, management/labour relations, talent management and succession planning, talent data analytics/reporting and internal and external training. The Human Resources and Organizational Development Branch oversees the Diversity, Inclusion and Accessibility (DI&A) framework.

The Finance and Administration Branch provides financial planning and reporting, accounting, payroll, procurement (including oversight of vendor management), facilities management and mail and courier services.

The Risk Management and Internal Audit Branch undertakes internal audits, which provide reasonable assurance that the AGCO's risk management, governance and internal control processes are operating effectively. The Branch also supports the agency's Enterprise Risk Management framework and coordinates the Emergency Management Enterprise System, which includes the Business Continuity Plan.

The Project Management Office manages the AGCO's priority projects. It ensures major projects stay on track, outcomes are aligned to strategic goals and the right resources are in the right place based on corporate needs.

The Change Management Office supports the agency by applying structured processes and tools to lead people through organizational change and helping individuals transition by engaging, adopting and implementing change.

## Information and Information Technology Division

The Information and Information Technology Division (I&IT) supports the AGCO to fulfill its regulatory mandate by managing and transforming our data and technology portfolios, implementing innovative solutions and providing services that improve agency performance and our ways of working (operating model). I&IT strives to enable the AGCO to conduct digital business with agility, speed and innovation while continuing to advance I&IT's multi-year strategic goals.

The Digital Platforms and Cybersecurity Branch is composed of five departments that ensure the delivery and operation of digital services and products. The Enterprise Architecture department creates technology roadmaps and ensures alignment to business strategy. The Cybersecurity department works to minimize the risk and impact of internal, external, deliberate and accidental threats to AGCO digital information assets. The Digital Product Delivery department delivers, maintains and supports digital products through the integration, development, support and testing of both in-house applications and third-party offerings. The Infrastructure and Operations department proactively and strategically works to ensure uptime, performance and recoverability for AGCO digital services and products. The Service Desk is a

single point of contact for all end-user computing needs, resolving issues and supporting equipment to ensure productivity.

The Enterprise Data and Analytics Branch matures how the AGCO values data as a strategic asset and maximize its business value. This is accomplished through the innovation and development of modern data products that better use data to inform proactive actions in regulatory policy and operations. In addition, through a Data Governance and Information Management function they build confidence and trust in our data by ensuring it's well defined, discoverable and of high quality, while maintaining appropriate access and use of data.

The Business Optimization and Insights Branch brings an enterprise-wide business lens to three critical digital services. First, they maximize workforce efficiency and improve work output quality through continuous improvement of processes for AGCO lines of business and shared service functions. Next, through the Digital Product Planning function they guide the growth of the AGCO digital product portfolio, ensuring alignment with strategic business outcomes and I&IT technology architecture. Lastly, they are responsible for building a culture of accountability by continually evaluating the efficiency and efficacy of AGCO programs, projects and core operations through the Performance Measurement program.

New to I&IT this past fiscal year, the Strategic Planning and Management Branch is responsible for championing I&IT's vision and promoting its business value across the AGCO while working to better to optimize the I&IT portfolio and drive overall delivery excellence. This team is also leading the development of the AGCO Digital Strategy which will set out the vision plan and roadmap for how the AGCO matures its digital business capabilities, manages its digital investments and forecasts the required supporting resources and technology architecture.

### Investigation and Enforcement Bureau

The Ontario Provincial Police (OPP) Investigation and Enforcement Bureau (IEB or Bureau) is an OPP Bureau assigned to the AGCO. It employs approximately 164 sworn and civilian members, fully integrated within the AGCO. The Chief Superintendent reports to an OPP Deputy Commissioner as well as the CEO of the AGCO. The Bureau's branches conduct investigations across all sectors regulated by the AGCO. The Bureau also provides investigative expertise to, and shares information with, other law enforcement agencies and regulatory and industry stakeholder agencies to ensure integrity and public safety within these regulated industries and sectors.

### Legal Services Division

The Legal Services Division provides legal advice and services to the AGCO. This includes providing advice on the application of legislation, regulations and standards administered by the AGCO, providing advice and assistance in developing and drafting legislation, contracts and policies strategic direction, as well as providing advice and opinions on corporate issues and initiatives. It also provides legal advice on licensee and registrant eligibility and compliance matters within the regulatory mandate and represents the Registrar at hearings of appeals before the Licence Appeal Tribunal, the Horse Racing Appeal Panel, the Divisional Court and the Court of Appeal.

## Operations Division

The Operations Division has a broad mandate covering the AGCO's daily and strategic operational activities.

The Licensing and Registration Branch (L&R) is responsible for reviewing and processing all application types, including licences, permits, authorizations and registrations, across all the sectors regulated by the AGCO. L&R also works with municipalities and First Nations overseeing the licensing of charitable lottery schemes.

Compliance Services is made up of regional, cross-functional Regulatory Compliance Teams who take a comprehensive, risk-based, outcomes-focused approach to regulatory compliance as well as centralized support for compliance programs and administration. Specifically, Compliance Services is composed of three branches: Regulatory Compliance Branch (RCB), Technology Regulation and iGaming Compliance Branch, and Audit and Financial Investigations Branch.

In March 2023, the Technology Regulation and iGaming Compliance Branch moved into Compliance Services. This change enables greater collaboration and team-based delivery among the AGCO's compliance services teams as the compliance program continues to evolve, most notably in the gaming line of business. The new structure of Compliance Services is intended to reflect the growing operational interdependency amongst compliance teams given the increasing convergence of the land-based and online gaming compliance models.

RCB includes the Racing Officials (Judges and Stewards), who supervise and officiate horse races conducted at Ontario's licensed racetracks, as well as Veterinary Services, which oversees the health and welfare of horses during racing. Veterinary Services works with the Official Veterinarians, who are employed by the racetracks but supervised by the AGCO.

The Equine Drug Unit is composed of inspectors from RCB and OPP investigators from IEB, who work together to conduct inspections and investigations into violations related to equine medication control. Their primary focus is to reduce the use and distribution of performance-enhancing drugs within the sport through a combination of inspections and investigative techniques.

The Operational Planning, Priorities, and Performance Branch (OPB) was established in 2022 to ensure that the Operations Division is focused on the highest-priority compliance issues facing the sectors regulated by the AGCO. To deliver on its mandate, the OPB identifies operational priorities on a recurring and formalized basis, coordinates the execution of operational priorities plans while managing large, complex and high-profile regulatory matters, drives divisional efforts to achieve performance goals and evaluates operational effectiveness.

The Anti-Money Laundering Unit (AML) maintains an effective anti–money laundering program designed to mitigate money laundering risks in AGCO regulated sectors. The team implements a risk- and evidence-based approach to AML, including targeted oversight activities to assess transactional accountability and reporting outcomes at gaming sites and risk mitigation, prevention, disruption and deterrence of suspected money laundering activities. The team maintains and fosters strong relationships with AGCO partners and stakeholders, including the Ontario Lottery and Gaming Corporation (OLG), iGaming Ontario (iGO), the OPP and the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

## Corporate Affairs, Strategic Policy and Planning Division

The Corporate Affairs, Strategic Policy and Planning Division provides a variety of strategic functions to support the delivery of the agency's mandate.

The Corporate Affairs and Governance Branch assists the Board in fulfilling its governance responsibilities, which includes ensuring key corporate accountability measures are completed and monitoring compliance with the Memorandum of Understanding between the government and the AGCO. The branch also serves as the primary liaison with government partners to support government initiatives and conduct issues management and serves as the lead for Freedom of Information Requests received by the AGCO. A dedicated and independent unit within the branch provides administrative support to the Horse Racing Appeal Panel.

The Strategic Policy Branch provides strategic policy leadership to support the delivery of the agency's regulatory mandate and emerging government, licensee and stakeholder regulatory policy priorities across the liquor, cannabis, gaming and horse racing sectors. The branch is responsible for the development of Registrar's standards which are a key component of the overall regulatory framework for each of the sectors that AGCO regulates.

The Strategic Engagement and Planning Branch leads external and internal stakeholder engagement, including management of memoranda of understanding with other regulators, and holds the strategic and corporate planning function for the agency.

# 2022–23: Year in Review

## Government initiatives, priorities and mandate letter

As a provincial government agency, the AGCO supports and delivers on the Ontario government's public policy priorities and fiscal objectives. The AGCO continues to ensure its priorities and operations align with government direction and ensure cost-effective, customer-focused service delivery. Government priorities are embedded in our approach, as evidenced in our work on igaming, liquor modernization and the Auditor General of Ontario Report, which stem directly from the Attorney General's direction in our mandate letter for the 2022–23 fiscal year.

## Competitiveness, sustainability and expenditure management

The AGCO has initiated a funding framework review with the Ministry of the Attorney General (MAG) to mitigate its ongoing structural deficit and respond to the government's commitment to program sustainability, and in response to the Auditor General's recommendations for the AGCO to become a more financially self-sufficient regulatory agency.

This review will identify opportunities to bring greater consistency in legal authorities and processes to recover costs across the sectors AGCO regulates. It will also create stronger alignment between fee revenue and AGCO recoveries by sector with the aim of reducing the AGCO's annual net allocation from government to the greatest extent possible. Changes to the existing AGCO funding framework will require the support of government and may require legislative changes.  The review findings and recommendations will be made in 2023-24.

In 2022-23, the AGCO made the decision to transition away from its regional offices, which are located across the province, as these respective leases were naturally expiring. The move follows a review in 2020 that looked at how AGCO regional offices are used by staff. It also supports the agency's hybrid work model and customer service model while still maintaining high-quality services. As of March 31, 2023, the AGCO has closed all regional offices, except for its London, Ontario location. Upon government recommendation, the lease for the London office has been extended for an additional two years to assist staff in the area per MAG and Infrastructure Ontario's recommendation, which coincides with the Interim Realty Measures put in place by the Ministry of Infrastructure.

## Transparency and accountability

For fiscal year ended March 31, 2023, the AGCO Chair, CEO and Chief Administrative Officer have attested to government that the AGCO is in substantial compliance with all applicable legislation, regulations, directives, and policies, has maintained an effective system of internal controls; and has established and maintained a system of internal controls that supports the integrity and reliability of the Agency's financial reports for the year ended March 31, 2023.

## Auditor General of Ontario: 2020 AGCO Value for Money Audit Report

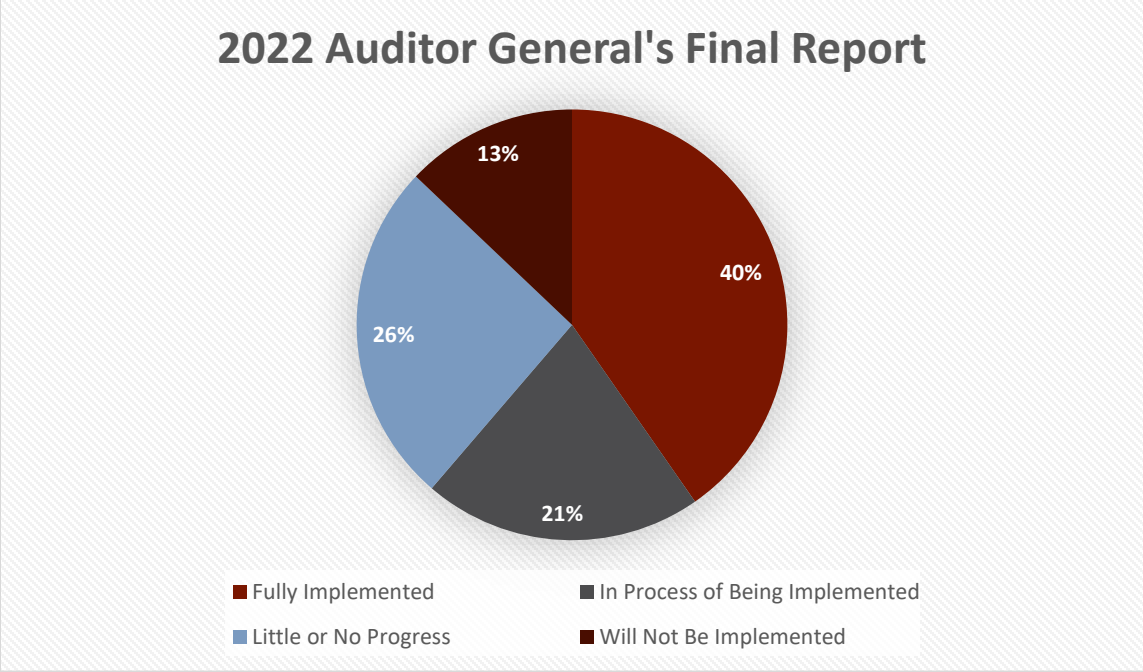
In December 2020, the Auditor General of Ontario released a Value for Money (VFM) Audit Report of the Alcohol and Gaming Commission of Ontario. The report contained 26 recommendations and proposed 62 action items, along with management responses from the AGCO and the Ministry of the Attorney General. Fifty-six out of the 62 action items were assigned to the AGCO for response.

The AGCO established a dedicated VFM Audit Action Plan Project Team overseeing working groups to address each recommendation and related action items. Throughout 2021, the AGCO provided quarterly updates to Ontario Internal Audit. The AGCO also provided an update outlining the completed and outstanding undertakings for each recommendation to the Standing Committee on Public Accounts in April 2021.

In 2022-23, the Auditor General completed a two-year follow-up review to assess the AGCO's progress on each of the recommendation actions. The final report was published in December 2022 and reported that the AGCO fully implemented 25 (40%) of the recommended action items and that 13 (21%) action items were in the process of being implemented.

As a result of the recommendations, the AGCO has improved and strengthened regulatory processes within its operations and introduced new functionality into iAGCO, its online service delivery platform. Recommendations have been implemented through robust government partnerships that support the AGCO's regulatory mandates.

In March 2023, the Auditor General initiated its continuous follow-up process for the outstanding recommendations. The AGCO remains committed to its action plan and recognizes the value of the Auditor General of Ontario's recommendations to enhance its effectiveness as a modern regulator. This remains a corporate priority for fiscal year 2023–24.



## Risk management

The AGCO uses an Enterprise Risk Management (ERM) framework to assist the organization in identifying areas of risk and responding in a disciplined and integrated way.

ERM is a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective and assists management in making strategic decisions that contribute to the achievement of the AGCO's corporate objectives.

The goal of the ERM framework is to embed risk management within all operations and across all levels of staff. The framework sets out a process for identifying and assessing risks and highlighting and reviewing controls and mitigation strategies.

Key actions to address risks identified under the framework include:

- Ensuring the People First strategy addresses current workforce trends and best practices to enhance talent attraction and retention.
- Building a strong information security approach, including expeditious recovery in the event that a significant information security incident occurs.
- Developing the financial framework/dependence in order to meet operating and performance expectations.

A semi-annual divisional-specific risk management process allows divisions to better manage their specific risks. An annual risk management cycle identifies key risks and exposures that the AGCO continues to address. Staff and management are involved in these risk assessments that help the AGCO identify and action its key risks. An annual risk workshop is held with the C-Suite to identify, assess and decide on prioritization and mitigation activities for the AGCO's top risks.

The final key risks are reviewed and approved by C-Suite, the Finance, Audit and Risk Management Committee and the Board.

These risk-assessment activities assist in the development of the AGCO's Internal Audit Work Plan in addition to playing a fundamental role in the development of the AGCO's Corporate Plan.

### Workforce management risk

The AGCO will continue to develop its "People First" strategic plan that will include actions to retain, develop and attract the workforce needed to deliver on its mandate.

### Information security risk

The AGCO will continue to assess, develop and implement information security awareness, policies and protocols to mitigate current and emerging cyber threats and increase the security maturity of existing controls. In addition, enhancing security awareness and security education increases knowledge and heightens staff vigilance.

### Financial risk

The AGCO reviews and augments its financial risk mitigation measures to sustain operations and deliver on its mandate.

## Workforce management

The AGCO continues to undertake a comprehensive transformation agenda to modernize its regulatory approach and business processes, including a focus on service excellence and workplace environment. The AGCO's modernization efforts support and align with key government objectives for enhanced efficiency in delivering public services and reducing regulatory burden.

The AGCO's Human Resources and Organizational Development Branch has updated its vision, strategy and roadmap to better deliver solutions that enable the organization's talent to actively contribute to the achievements of the AGCO's mandate and vision. A key component has been the launch of the new organizational development function to better support organizational effectiveness. This is done by ongoing development and reinforcement of programs, structures and processes to support and grow the agency's talent.

The AGCO leverages a hybrid work model to support the needs of employees to balance their work and home lives, while maintaining an engaged, productive workforce. It enables AGCO employees, where operationally feasible, to work from other locations, such as home offices. In support of the evaluation of the agency's success in managing these priorities, the AGCO administers a monthly pulse survey to all staff and people leaders. 98% of the staff who completed the survey report that the hybrid work model contributes to their overall well-being; and 93% of the people leaders who completed the survey report that their staff regularly complete the tasks assigned to them at with a high level of quality within the time allocated. To provide optimal service delivery, the AGCO continues to utilize a risk management approach to identify priority areas and redeploy staff performing key regulatory activities to the areas of greatest need.

## Diversity and inclusion

Since 2019, Diversity, Inclusion, and Accessibility (DI&A) has been a corporate priority initiative under the AGCO's five-year Strategic Plan. The AGCO has made significant progress in advancing DI&A, most notably through the development of a multi-year DI&A strategy in 2021, which followed an organization-wide assessment conducted by a third-party consultant. The strategy establishes the DI&A goals of having a workforce reflective of Ontario's demographic diversity, building an inclusive workplace culture free of discrimination and harassment, and delivering services in an accessible, culturally aware, relevant and responsive way. To ensure a feasible and successful journey, our DI&A strategy comprises four foundational pillars in the following areas:

1. Recruitment and Retention
2. Strengthening and Embedding AGCO's DI&A Culture
3. Public Face and Storytelling

4. Accountability

In 2022-23, the AGCO focused on two of the pillars, as follows:

## Strengthening and embedding the AGCO's DI&A Culture

The AGCO continued to recognize significant holidays and observances that celebrate racial and gender inclusivity, including National Day for Truth and Reconciliation, International Holocaust Remembrance Day, Black History Month and International Women's Day.

To support employees in their personal and professional DI&A journeys, several training and development opportunities with a DI&A focus were offered to employees. This included monthly videos on various topics such as unconscious bias, systemic racism, allyship and anti-harassment. Additionally, 69 staff in leadership roles were provided with Intercultural Development Inventory training to help assess, reflect, and learn about cultural sensitivity.

The AGCO also updated its coaching and performance program to further support employee development and growth in alignment with our DI&A strategy. As of April 2022, all employees are required to establish at least one goal with a DI&A focus as part of their performance development plan.

To recognize individuals at the AGCO for being catalysts for change in areas of diversity, inclusion and accessibility, a DI&A Award was introduced and added to our existing employee awards and recognition program. The inaugural award was presented to an individual for their efforts in 2022 in helping promote an equitable, inclusive, accessible, anti-racist and diverse workplace.

In our continued effort to meet our DI&A goals, the DI&A Committee, including its function, governance and membership, was refreshed in late 2022. Fifteen committee members were selected through a careful review process, which consisted of an agency-wide expression of interest. The members represent a true cross section of our diverse workforce and, together, serve as an advisory group to ensure diverse insights and perspectives are heard on all equity-related matters at the AGCO. To effectively carry out this work, working groups were formed and significant progress has already been made in the areas of education and training, data gathering and reporting, refining recruiting procedures, and expanding external partnerships. The DI&A Committee also participates in helping drive DI&A initiatives forward and acts as change agents to champion, strengthen and embed DI&A culture within our organization.

## Accountability

Since 2020, the AGCO has been a signatory to the BlackNorth Initiative (BNI), which aims to end systemic anti-Black racism in Canada. The AGCO continued its commitment to the initiative by meeting with other signatories on a monthly basis to share updates, goals and progress, and to understand best practices to keep us accountable.

Early in 2023, the AGCO launched an employee census to better understand our workforce demographics at all levels within the organization. The voluntary, anonymous census asked staff to self-identify certain aspects of themselves, such as their race, ethnicity, gender and sexual orientation. Before the census launched, we adopted an inclusive engagement process

that consisted of two information sessions to help provide staff with context on gathering data, building trust and raising awareness. The data collected will be used to guide the AGCO's DI&A strategy and will help keep us accountable in our DI&A journey. In the first phase of the census, we had a participation rate of 51.7%. The next phase will track mobility and progression within the AGCO within our diverse populations.

Going forward, the AGCO will continue implementing its DI&A strategy, building on our four foundational pillars, strengthening our inclusive, people-first organization and continue measuring our progress.

## Data collection

The AGCO has begun the first phase of developing and establishing an enterprise-wide data and analytics program in conjunction with an enterprise Digital Strategy. The objective of the program is to partner with AGCO stakeholders across all divisions to better leverage data as a strategic asset. The program aims to improve the efficiency and effectiveness of our regulatory oversight by producing and managing data analytics and information products, guiding the organization on how to leverage data effectively to inform business decision making and to develop evidence-based policies and programs. The program will also establish enterprise governance of data and information assets to ensure these resources are managed according to their risk and value, and optimized for use by the AGCO, its partners and stakeholders.

The AGCO has developed a Data Governance framework that will allow users to work confidently with data and information, increasing its quality and availability while continuing to appropriately protect sensitive and confidential data.  The Enterprise Data Catalogue will provide an authoritative view of the data and information landscape, connecting tangible assets to well-defined roles and responsibilities, and thereby providing critical support for the development of data-driven culture within the agency. Data privacy is further enhanced through ongoing guidance to project and business teams during system and program design, as well as coordinating and leading responses when breaches or other incidents occur.

To enhance technical capability and build a scalable data and analytics practice, the AGCO has begun to migrate onsite data and analytics tools to the Microsoft Azure cloud platform. This will ensure the agency leverages modern analytics capabilities to help process large datasets and build agile, timely and informative analytics products. These tools will also support the agency’s ability to provide timely and relevant advice and information to the Ministry to support decision-making and policy development, as needed.

## Digital delivery and customer service

The AGCO relies on digital platforms to deliver accessible, reliable, secure and customer-centric services to Ontarians. In line with the Government of Ontario’s Digital Service focus and commitment towards new digital practices and technologies to deliver simpler, faster, better services to Ontarians, the AGCO began the development of a Digital Strategy in 2022–23 to guide and prioritize the agency’s digitalization efforts.

The agency’s Digital Strategy will define future-state business and technology architecture needs and outline a digital maturity roadmap that will support the prioritization of initiatives,

ensure continued alignment to enterprise strategy and optimize digital investments. Through the Digital Strategy, the AGCO will develop a comprehensive implementation plan that will chart the positive evolution of the agency's digital business capabilities and portfolio, featuring current innovative and forward-thinking approaches, ways of working and alignment to digital trends.

The AGCO Digital Strategy will reinforce the service design practice that is in place to support customer and user-centred design and delivery of services, and better monitor our customers' experience. The AGCO's Customer Experience roadmap has been updated to include a new focus on the advancement in the use of user research to better inform our understanding of both digital and non-digital AGCO services in the coming year.

## COVID recovery

The AGCO continues to work closely with the government to provide ongoing supports for the sectors we regulate as a result of the COVID-19 pandemic. The AGCO swiftly responded to requests from regulated sectors and the Ontario Government to adapt our regulatory requirements to help protect public health while supporting the continued economic viability of the liquor, gaming, horse racing, and retail cannabis sectors.

The AGCO worked with the retail cannabis sector to implement curbside pickup and delivery from cannabis retail stores and will continue to support these retailers. In charitable gaming, many of the temporary COVID-19–related flexibilities were updated to provide permanent flexibility where possible. In the liquor sector, many of the reforms that were introduced to support businesses during the COVID-19 pandemic have since been made permanent, such as takeout and delivery of liquor with food from eligible liquor sales licence premises and extended liquor retail store hours.

Aligning with public health requirements, all AGCO service transactions were made available to customers remotely when gathering restrictions were in place. With the re-openings of business and government services, customers continued to show a strong preference towards online services, although race day services were once again made available to support time-sensitive transactions available in person at select racetracks. Other in-person services are now available upon request by appointment.

The decision to change from a walk-in service model to a by-appointment model was the result of declining in-person service visits following the introduction of online services that began well before the pandemic, although was accelerated by it.

The AGCO continues to use its enhanced engagement toolkit to connect with its diverse stakeholder network within Ontario, as well as nationally and internationally, to seek feedback on the issues they care about. This includes its ConnectAGCO Digital Engagement Platform which provides the agency with access to innovative and accessible approaches to engage with its stakeholders and Ontarians. The engagement portal continues to allow the AGCO to undertake comprehensive consultations and engagements virtually and allows interested stakeholders to follow and participate in engagement opportunities to provide input on AGCO projects, policies and initiatives.

# AGCO's Core Business Delivery

## Key initiatives

### iGaming

The launch of Ontario's igaming market on April 4, 2022, was a major milestone.

The AGCO developed a regulatory model for this new, competitive market that protects consumers and provides them with choice, reduces red tape and supports legal market growth and provincial returns.

This model reflects the AGCO's regulatory objectives for igaming while meeting the unique requirements of the igaming open market. It was informed by a series of engagements with industry stakeholders on the *Registrar's Standards for Internet Gaming* (Standards) and the eligibility and compliance approaches for igaming. Following the federal government's legalization of single-event sports betting, the AGCO also undertook stakeholder engagement on the regulatory standards for sports and event betting, which apply to all sports, esports, novelty and betting exchange.

Through the igaming regulatory model, the AGCO undertook several strategic shifts in its operational compliance and eligibility activities to ensure market participants act in accordance with the law, with honesty and integrity, and in the public interest.

Engagements were also initiated with other jurisdictions to inform the creation of the AGCO's player service model to ensure information and assisted services met player needs.

The updated risk-based registration model emphasizes applicant ability to meet the Standards and previous experience of applicants, including history in leading jurisdictions. Compliance activities focus on ensuring regulatory objectives are met through innovative, targeted approaches. This includes setting compliance expectations for entry into the market through game and critical system testing, confirmations of full system compliance with the Standards, as well as setting and monitoring priority compliance areas with targeted monitoring and interventions where appropriate.

The AGCO provided smooth and transparent service delivery to igaming customers, including:

- publishing guides on its website to assist prospective igaming Operators and Gaming-Related Suppliers with the registration process (for example, the *Internet Gaming Operator Application Guide*) and to help them understand compliance requirements when participating in Ontario's regulated market (for example, the *Internet Gaming Go-Live Compliance Guide*);
- collaborating with iGaming Ontario (iGO) on the development and coordination of a robust onboarding process to ensure igaming Operators have met all requirements to enter the market;
- implementing a robust customer service model for handling both regulatory and iGO matters, including responding to complaints and inquiries; and

- making enhancements to the AGCO internet gaming portal, including the creation of a new player support section to provide players with information about the new igaming model and additional resources.

The AGCO also implemented system changes to support the launch of the new igaming market. This included updates to the iAGCO online portal to include igaming applications, processes for complaints and inquiries and development of a digital system to monitor and manage ongoing compliance activities through regulatory intelligence data.

Over the course of 2022-23, the AGCO supported 45 operators to launch in Ontario and meet AGCO compliance requirements. This includes the transitioning of 33 operators from the unregulated market into the regulated market.

## Liquor modernization

The *Liquor Licence and Control Act,* 2019 (LLCA) came into effect on November 29, 2021, marking a major milestone for liquor regulation in Ontario. The new liquor framework under the LLCA enables the AGCO to modernize the way it regulates the sale, service and delivery of liquor and allows for a more flexible approach.

The new liquor framework is designed to reduce burden, facilitate better monitoring and compliance and reflect the changing liquor landscape for the benefit of Ontarians. It includes the introduction of a new liquor licence and permit structure and the transfer of the regulatory authority for some activities from the Liquor Control Board of Ontario (LCBO) to the AGCO.

The Registrar's *Interim Standards and Requirements for Liquor* (Interim Standards) came into effect under the LLCA and primarily maintain and consolidate many of the previous requirements. Over the coming years, the AGCO will build on this work to develop a comprehensive outcomes-based regulatory model, consistent with our overall strategic approach for other regulated sectors.

Enhanced social responsibility measures were also introduced with the creation of a new re-certification requirement for licensees relating to the responsible sale, service and delivery training (such as Smart Serve). The AGCO adopted this industry best practice in recognition of the significant modernization of Ontario's liquor sector and the need for continued commitment to social responsibility and public protection in the liquor sector.

## Cannabis

In June 2022, the AGCO amended rules related to inducements in the *Registrar's Standards for Cannabis Retail Stores* to create an additional exemption permitting agreements between retailers and federally-licensed producers (LPs) for store brand products. The objective of these changes was to reduce anti-competitive practices. As the cannabis sector evolves, the AGCO will continue to be responsive, including supporting innovation and flexibility in the sector while regulating in accordance with the principles of honesty and integrity and in the public interest.

Building on the relationships built between the AGCO and First Nations during the cannabis engagements, the AGCO's compliance team has further strengthened its relationship with

leadership in multiple First Nations communities through the establishment of regular communication mechanisms. The AGCO has set up quarterly roundtable meetings with several First Nation representatives to maintain open lines of communication and keep First Nations apprised of any new developments.

In November 2022, the Registrar submitted a letter to the Expert Panel leading the review of the Cannabis Act, outlining the AGCO's perspective on possible amendments to the federal Cannabis Act to give provincial regulators more flexibility in developing and enforcing regulatory requirements related to cannabis display, promotions, and advertising.

## Gaming modernization

Gaming modernization is focused on identifying the successes and lessons learned from the implementation of the igaming regulatory framework and their applicability to casino gaming, as well as identifying specific opportunities for burden reduction and how to better target potential harms in the casino sector. This strategy also encompasses the regulatory work to support OLG Lottery Expansion, which involves the introduction of 1,400 self-serve terminals in the province starting in November 2023, and the ongoing transition of the igaming and sport and event betting frameworks to regular operations.

Key accomplishments from the 2022–23 year include:

- completing internal work to review current standards, eligibility and compliance in the casino sector in preparation for external consultations in 2023. This work builds on many of the innovations introduced in igaming and aims to address casino concerns about creating a fair and competitive regulatory environment across gaming sectors;
- supporting MAG in its work to make the necessary regulation changes under the *Gaming Control Act* to permit self-serve lottery terminals, as well as completing the regulatory analysis to identify potential impacts to the *Registrar's Standards for Gaming: Lottery Sector;* and
- completing a number of external engagements related to making adjustments to the *Registrar's Standards for* Internet Gaming.

## Charitable Gaming

In Winter 2022, AGCO supported the charitable gaming industry through a number of strategic updates to simplify processes and reduce burden with the objective of providing more effective fundraising for charities. These updates focused on:

- clarifying collaborative fundraising opportunities;
- updating temporary COVID-19-related flexibilities to provide permanent flexibility where possible;
- updating rules for Bingo Revenue Model Halls to reduce burden by permitting the use of credit and debit cards and decreasing the number of charity representatives required to be present at the hall;
- updating terms and conditions for Break Open Tickets to be more standards and outcomes-based; and

- increasing permissible use of proceeds for Service Clubs and Royal Canadian Legions and clarifying additional ways these organizations can use charitable funds for general operating and maintenance costs of their own premises.

## Equine welfare

As part of the AGCO's ongoing commitment to protecting Ontario's racehorses, enhancing the integrity of racing and providing a regulatory framework appropriate for today's racing industry, we have worked with industry participants on four welfare reforms that are anticipated to take effect in Spring 2023, which include:

- a new rule and a revision to the *Thoroughbred Rules of Racing* to ensure safe and acceptable loading practices in the starting gate, for both horses and starting gate personnel;
- certain medications and substances will now be regulated in horses participating in an Official Workout (Thoroughbred and Quarter Horse) or in a Qualifying Race (Standardbred);
- a new rule that will require licensed trainers to report all stabling locations they operate under their licence, including any location changes to the Registrar within five (5) calendar days; and
- a revision of 22.19 of the *Standardbred Rules of Racing* will update language and the penalty structure that prohibits a driver's foot to make contact with the horse in any manner, aligning it more closely with the urging provisions.

# Service strategy and experience

## Service metrics

The AGCO's Contact Centre and Communications teams serve licensees, registrants and authorization holders as well as members of the Ontario public. The following tables show interactions via the AGCO's customer service channels, communications with stakeholders and inquiries and complaints as of March 2023. The tables also include volumes from the previous fiscal year.

**Table 2—Service provision**

| | 2021–22 | 2022–23 |
|---|---|---|
| Telephone Contacts (Contact Centre) | 60,826 | 87,330 |
| In-person customers (Head Office) | 0<br>(Head Office in-person Services were halted, and | 0<br>Online services with in-person service |

| | 2021–22 | 2022–23 |
|---|---|---|
| | transitioned online due to the COVID-19 Pandemic) | appointments available by appointment |
| Self-Help (using automated voice messaging system) | 28,874 | 29,058 |
| Web Chat | 5,295 | 9,287 |

**Table 3 —Communication with AGCO stakeholders**

| | 2021–22 | 2022–23 |
|---|---|---|
| AGCO website visits | 1,204,640 | **1,228,717** |
| Overall website traffic change compared to the previous fiscal year | -0.25% | 2.00% |
| Number of engagements (retweets, replies, and likes) received by AGCO's Twitter accounts from users | 841 | 990 |
| Number of AGCO's direct email campaigns | 145 | 55 |
| Total number of emails sent by AGCO to licensee and stakeholder groups across all regulated lines of business | 327,547 | 184,374 |

**Table 4 —Inquiries and Complaints**

| | 2021–22 | 2022–23 |
|---|---|---|
| Inquiries - Total number of general inquires received in iAGCO (new, cancelled excluded) | 34,719 | 29,929 |
| Complaints - Total number of complaints received in iAGCO (new, cancelled excluded) | 3,899 | 8,630 |
| % of complaints that were addressed within 30 days (cancelled complaints excluded) | 77% | 86% |

**Table 5—Online Service and auto-renewal**

The following table shows the percentage of licences, registration and authorizations in regulated sectors that were automatically renewed, further contributing to a streamlined process and reduced burden.

| | 2021–22 | 2022–23 |
|---|---|---|
| Gaming registration auto-renewals | 89% | 87% |
| Horse Racing auto-renewals | 44% | 63% |
| Liquor licences auto-renewals | 37% | 43% |
| Cannabis auto-renewals | 100% | 68% |

Note: Cannabis renewals significantly increased in 2022-23 due to the increased number of cannabis retail stores in the province. This resulted in an increased total number of renewals flagged by AGCO's eligibility criteria, disqualifying them from auto-renewal and decreasing the percentage of cannabis auto-renewals.

## Licensees, registrants and authorization holders

The AGCO provides services to a wide group of licensees, registrants and authorization holders. The following tables show AGCO's current active licensees, registrants and authorization holders as of March 2023. The tables also include volumes from the previous fiscal year.

**Table 6—Total number of AGCO licensees and registrants**

| | 2021–22 | 2022–23 |
|---|---|---|
| Alcohol Industry/ Licensees (Special Occasion Permits excluded) | 32,381 | 32,845 |
| Gaming & Lottery Registrants | 25,828 | 25,622 |
| Horse Racing Licensees | 12,106 | 13,183 |
| Cannabis | 5,485 | 4,902 |

**Table 7—Total number of liquor licences**

| | 2021–22 | 2022–23 |
|---|---|---|
| Liquor Sales Licensed Establishments | 17,872 | 18,076 |
| Ferment-on-Premise Facilities | 403 | 378 |
| Liquor Delivery Services | 707 | 568 |
| Manufacturers (By-the-Glass Included) | 1,307 | 1,327 |
| Manufacturers' Representatives | 1,097 | 1,124 |
| Grocery Store Licenses | 502 | 585 |
| On-Site and Off-Site Retail Stores | 1,034 | 1,055 |

| | 2021–22 | 2022–23 |
|---|---|---|
| Other Endorsements and Authorizations | 9,459 | 9,629 |

**Table 8—Total number of gaming registrations**

| | 2021–22 | 2022–23 |
|---|---|---|
| Gaming Assistant | 13,450 | 14,546 |
| Gaming-Related Supplier – Lottery (not OLG or BOT) | 17 | 13 |
| Gaming-Related Supplier – Manufacturers | 50 | 117 |
| Gaming-Related Supplier – Other | 76 | 87 |
| Non-Gaming Related Supplier | 280 | 267 |
| Operator – Charitable – 3 or less events per week | 7 | 5 |
| Operator – Charitable – 4 or more events per week | 56 | 57 |
| Operator – Commercial | 36 | 36 |
| Operator - Internet Gaming | _ | 76 |
| Seller | 10,449 | 10,398 |
| Trade Union | 18 | 19 |
| Total | 24,440 | 25,622 |

Note: The 2021-22 Annual Report included AGCO Subsidiary (iGO) in this table, however, the subsidiary is not a registrant of the AGCO. As a result, iGO has been removed from this year's Annual Report.

**Table 9—Total number of cannabis licences and authorizations**

| | 2021–22 | 2022–23 |
|---|---|---|
| Cannabis Retail Store Authorization | 1,584 | 1,745 |
| Cannabis Retail Operator Licence | 1,407 | 1,156 |
| Cannabis Retail Manager Licence | 2,494 | 2,001 |
| Total | 5,485 | 4,902 |

**Table 10—Total number of horse racing licences**

| | 2021–22 | 2022–23 |
|---|---|---|
| Standardbred | 7,267 | 7,818 |
| Thoroughbred | 4,651 | 5,139 |
| Quarter Horse | 375 | 495 |
| Teletheatres | 51 | 50 |
| Racetracks | 15 | 15 |

## Licensing and registration activities

The AGCO's Operations Division is responsible for reviewing and processing new, renewal and amendment applications for licences, permits, authorizations and registrations for the sectors regulated by the AGCO. Eligibility Officers, Senior Eligibility Officers and Managers review applications to assess an applicant's eligibility to hold a particular licence, permit, authorization or registration. When necessary, they enlist the services of additional AGCO departments, such as Compliance Services and the OPP Investigation and Enforcement Bureau, to facilitate further review or investigation of an application.

As part of the AGCO's risk-based licensing approach, the AGCO considers various factors in reviewing applications. These factors include an applicant's type of business, location, compliance history and experience. Some applicants pose a greater risk to public safety, public interest and/or non-compliance with the law. Additionally, when reviewing an application, past conduct, financial responsibility, experience, training and honesty and integrity of an applicant are considered. If the Registrar believes that the issuance of a licence or registration is not in the public interest, the Registrar may issue a Notice of Proposal (NOP) to review or refuse to the applicant or licensee, who may request a hearing on the NOP before the Licence Appeal Tribunal (LAT).

If the Registrar believes that a licensee or registrant may require additional assistance or support to remain compliant with the applicable acts and/or the Registrar's Standards, additional conditions may be attached to their licence, permit, authorization or registration. Licensing and Registration (L&R) performs risk-based assessments during the lifetime of all licences, permits, authorizations and registrations to ensure potential risks posed by a licensee or establishment are considered and evaluated.

Highlights for licensing and registration activities in 2022–23 include the continued processing of high volumes of cannabis retail operators and retail store authorizations as the regulated cannabis market continued to evolve at a fast pace. In addition, several net new registrations were issued to internet gaming operators and gaming related suppliers to support the establishment of a competitive and open internet gaming market in Ontario.

The following tables outline the number of licences and registrations issued during the fiscal year. It is important to note that the following tables represent applications that have been approved and issued, not all applications submitted.

**Table 11—Liquor licences issued, renewed and amended**

| | 2021–22 | 2022–23 |
|---|---|---|
| Liquor Sales Licensed Establishments | 6,988 | 6,884 |
| Ferment-on-Premise Facilities | 227 | 128 |
| Liquor Delivery Services | 275 | 207 |
| Manufacturers (By-the-Glass Included) | 505 | 772 |
| Manufacturers' Representatives | 244 | 327 |
| SOPs Issued | 18,046 | 51,053 |
| Beer Store - store location approvals | 9 | 9 |
| Grocery Store Licenses | 282 | 349 |
| On-Site and Off-Site Retail Stores | 410 | 429 |
| Other Endorsements and Authorizations | 3,920 | 3,936 |

**Table 12—Gaming registrations issued, renewed and amended**

| | 2021–22 | 2022–23 |
|---|---|---|
| Gaming Assistant | 14,491 | 18,492 |
| Gaming-Related Supplier – Lottery (not OLG or BOT) | 8 | 13 |
| Gaming-Related Supplier – Manufacturers | 70 | 192 |
| Gaming-Related Supplier – Other | 72 | 119 |
| Non-Gaming Related Supplier | 147 | 260 |
| Operator – Charitable – 3 or less events per week | 5 | 7 |
| Operator – Charitable – 4 or more events per week | 16 | 60 |
| Operator – Commercial | 40 | 28 |
| Operator – Internet Gaming | 23 | 140 |
| Seller | 2,764 | 2,929 |
| Trade Union | 10 | 20 |

Note: The 2021-22 Annual Report included AGCO Subsidiary (iGO) in this table, however, the subsidiary is not a registrant of the AGCO. As a result, iGO has been removed from this year's Annual Report.

**Table 13—Charitable lottery licences issued, renewed and amended**

| | 2021–22 | 2022–23 |
|---|---|---|
| Bingo Event Licence | 7 | 13 |
| Bingo Hall Charity Association Licence | 141 | 120 |
| Break Open Ticket Licence<br>• Issued in conjunction with another licensed event. | 32 | 80 |
| Loonie Progressive Licence<br>• Issued in unorganized territory, First Nations or issued in conjunction with a Bingo Event Licence. | 8 | 39 |
| Progressive Bingo Licence<br>• Issued in conjunction with a Bingo Event Licence | 1 | 8 |
| Provincial Break Open Ticket Licence | 33 | 89 |
| Raffle Licence | 1,550 | 1,391 |
| Social Gaming Licence | 59 | 131 |
| Special Occasion Gaming Licence<br>• Renamed Social Event Gaming Licence in October 2021 | 2 | 10 |
| Super Jackpot Licence<br>• Issued in conjunction with a Bingo Event Licence | - | 10 |

Note: The Social Gaming Licence is not issued under the charitable component of the *Criminal Code*. All wagers under this licence are paid out to winners and this is not a charitable fundraising opportunity.

Note: Charitable Gaming Eligibility was removed from this table. It is a required step within the broader Charitable Gaming licensing process, not a licence on its own. It's inclusion in this table would result in a double count of licenses issued, renewed or amended.

**Table 14—Cannabis licences and authorizations issued, renewed and amended**

| | 2021–22 | 2022–23 |
|---|---|---|
| Cannabis Retail Store Authorization | 1,186 | 1,107 |
| Cannabis Retail Manager Licence | 944 | 1,165 |

| | 2021–22 | 2022–23 |
|---|---|---|
| Cannabis Retail Operator Licence | 533 | 688 |
| Total | 2,663 | 2,960 |

**Table 15—Horse racing licences issued, renewed and amended**

| | 2021–22 | 2022–23 |
|---|---|---|
| Thoroughbred | 4,927 | 4,126 |
| Standardbred | 7,746 | 6,658 |
| Quarter Horse | 465 | 487 |
| Teletheatres | 36 | 42 |
| Racetracks | 97 | 62 |

**Table 16—Response to Public Notices—Alcohol and cannabis**

| | 2021–22 | 2022–23 |
|---|---|---|
| Objections (Liquor Sales Licence) | 163 | 159 |
| Written Submissions (Cannabis Retail Store Authorization) | 2,214 | 1,169 |

## Compliance activities

### Operations

The AGCO promotes compliance with relevant legislation, regulations and Registrar's Standards to protect the public interest and align with government and ministry priorities. The AGCO undertakes a number of core regulatory activities which enable the agency to effectively fulfill its mandate in Ontario's alcohol, lottery and gaming, horse racing, cannabis and internet gaming sectors.

The AGCO delivers regulatory services in a manner that is evidence-based, risk-based and outcomes-focused while being as efficient as possible. Compliance Services respond to and proactively address compliance concerns when and where they occur, taking a multi-sector approach to reach desired regulatory outcomes. In addition, the financial investigations team conduct due diligence in support of licensing and registration processes and financial investigations regarding allegations of fraud. These branches conduct regulatory compliance activities across all industries and sectors that the AGCO regulates, including delivery of education, inspections, compliance reviews, along with audits and financial investigations across these sectors.

The AGCO inspects, monitors and educates to ensure compliance with applicable laws and regulations. The AGCO's compliance approach is risk-based and outcome-focused. Risk-based refers to the regulatory risks underlying the Standards, regulations, laws and requirements. A risk-based compliance approach focuses the greatest resources on mitigating the highest risk areas. Outcome-focused means emphasizing the results that regulated sectors are meant to achieve, rather than prescriptive activities that must be carried out.

The AGCO's compliance approach emphasizes monitoring through a series of inspection activities, including unannounced inspections, responding to police reports and evaluating regulatory submissions and public complaints. The AGCO also conducts ongoing regulatory assurance activities, including regular audits, compliance reviews and mystery shopper visits.

The Data Driven Compliance pilot application to better use data to inform and provide inspectors with intelligence of entities with the greatest likelihood of non-compliance activities in the liquor sector was launched in June 2022. The application allows the AGCO to strengthen the planning of high-impact compliance activities by providing Inspectors with the tools they need to focus on liquor licences that are anticipated to have the greatest likelihood of non-compliance. The application automates a significant portion of the research that Inspectors previously completed manually.

In the horse racing sector, the AGCO ensures compliance with the *Rules of Racing* by reviewing alleged rule infractions and having Race Officials present to officiate races. The AGCO supports the health and welfare of horses and horse racing participants by monitoring and enforcing the Equine Medication and Drug Control Program and ensuring an official veterinarian is in attendance to supervise live racing.

## Partnerships

To support a coordinated approach to compliance activities, the AGCO's compliance approach places significant emphasis on working with local community partners, including police, fire services, municipal by-law and public health units. In the liquor sector, this work also includes administering the Police Report and Last Drink Programs in partnership with the police.

## Mystery Shopper Program

The use of mystery shoppers in the grocery sector continues to be an effective tool to aid in evaluating how grocery stores are performing in preventing youth access to alcohol. Throughout 2022–23, the AGCO expanded the Mystery Shopper Program to cover all liquor licensees operating within the province.

To adequately assess the sector's ability to prevent youth access to cannabis products, the AGCO continues to use the Mystery Shopper Program to identify retailers who present an increased risk of permitting youth access. During this fiscal year, the AGCO enhanced the Mystery Shopper Program to support enhanced oversight of cannabis retailers operating close to high schools.

## Educational activities

The AGCO proactively provides education to all sectors to increase their understanding of regulatory obligations and improve overall compliance. All new licensees or authorization holders in the liquor and cannabis sectors receive this education. In addition, any licensee or authorization holder can take advantage of these opportunities at any time throughout the life cycle of their licence.

Please note that all information in the following tables has been adjusted to align with the new methodology of categorizing inspections that was implemented in fiscal year 2021–2022.The category “Miscellaneous Compliance Activity” includes but is not limited to compliance activity driven by intelligence or investigation activity, the Mystery Shopper Program or criminal charges.

**Table 17—Compliance Services inspections—Alcohol**

| | 2021–22 | 2022–23 |
|---|---|---|
| Inspection Activity | 11,134 | 14,823 |
| Consultation | 531 | 577 |
| Education | 527 | 1,597 |
| Miscellaneous Compliance Activity | 834 | 1,858 |
| Violations Cited | 1,297 | 3,206 |
| Serious violations escalated for further review | 116 | 165 |

**Table 18—Compliance Services inspections—Lottery retailers**

| | 2021–22 | 2022–23 |
|---|---|---|
| Inspection Activity | 166 | 265 |
| Consultation | 4 | 0 |
| Education | 0 | 0 |
| Miscellaneous Compliance Activity | 7 | 4 |
| Violations Cited | 33 | 36 |
| Warnings | 11 | 269 |

**Table 19—Compliance Services inspections—Raffles**

| | 2021–22 | 2022–23 |
|---|---|---|
| Inspection Activity | 18 | 15 |

| | 2021–22 | 2022–23 |
|---|---|---|
| Consultation | 2 | 0 |
| Education | 0 | 0 |
| Violations Cited | 3 | 1 |

**Table 20—Compliance Services inspections—Cannabis**

| | 2021–22 | 2022–23 |
|---|---|---|
| Inspection Activity | 4,229 | 3,256 |
| Consultation | 590 | 392 |
| Education | 685 | 300 |
| Miscellaneous Compliance Activity | 526 | 362 |
| Violations Cited | 525 | 806 |

**Table 21—Cannabis private retail inspections**

| | 2021–22 | 2022–23 |
|---|---|---|
| Systems Assessments in Pre-Opening Inspections | 929 | 312 |

**Table 22—Compliance Services inspections—Horse racing**

| | 2021–22 | 2022–23 |
|---|---|---|
| Inspection Activity | 419 | 577 |
| Consultation | 40 | 18 |
| Education | 6 | 1 |
| Miscellaneous Compliance Activity | 24 | 5 |
| Violations Cited | 30 | 24 |

**Table 23—Rulings by Racing Officials**

| | 2021–22 | 2022–23 |
|---|---|---|
| Thoroughbred – Stewards' Rulings | 139 | 187 |
| Thoroughbred – Live Race Dates | 140 | 171 |

| | 2021–22 | 2022–23 |
|---|---|---|
| Standardbred – Judges' Rulings | 337 | 417 |
| Standardbred – Live Race Dates | 587 | 710 |
| Quarter Horse – Stewards' Rulings | 16 | 13 |
| Quarter Horse – Live Race Dates | 20 | 25 |

## Technology regulation and igaming compliance

Ontario's public confidence in gaming is supported by the AGCO's delivery of a modern igaming compliance program that oversees all aspects of regulatory compliance in internet gaming. The agency ensures the technical integrity of gaming technology by developing minimum technical standards that products must comply with and by testing and providing approvals of games and related gaming systems against those standards. This technology is used throughout the province in all gaming industries and sectors regulated by the AGCO, including casino gaming, charitable and raffle gaming, and lotteries. However, for internet gaming, the AGCO has modernized the approach whereby the AGCO oversees the certification of internet gaming technology against the Registrar's Standards for Internet Gaming by registered independent test labs rather than testing this technology inhouse and providing AGCO approvals.

The AGCO's Gaming Lab is accredited to the international standard ISO 17025:2017 for testing laboratories, considered the international benchmark for excellence in testing laboratories. This achievement sets the AGCO apart as the only known gaming regulator with an in-house accredited gaming laboratory. This accreditation provides annual third-party assurance of the ongoing quality of the testing performed by the Gaming Lab.

In 2022–23, the Gaming Lab conducted its annual survey of regulated entities, reaching out to Operators to request their anonymous evaluation and feedback. Seven (7) Operators responded to the survey, with 100 percent of responses indicating the Gaming Lab does either an excellent or very good job of satisfying its mandate of providing expert technical services and approvals supporting the regulation of gaming technology in accordance with the principles of integrity and public interest. The Gaming Lab will conduct its annual survey in 2023–24 to gather valuable feedback from regulated Gaming Related Suppliers to enable it to continue to provide industry-leading services.

**Table 24—Gaming Lab**

| | 2021–22 | 2022–23 |
|---|---|---|
| Electronic gaming-related products requested for approval | 2,616 | 1,909 |
| Low-risk electronic gaming products that were pre-approved | 51 | 82 |

| | 2021–22 | 2022–23 |
|---|---|---|
| Products with regulatory issues discovered by the AGCO that were consequently not approved | 193 | 79 |
| Average turnaround time for approval | 25 calendar days | 27 calendar days |

### iGaming Compliance

In 2022–23, the Technology Regulation and iGaming Compliance Branch successfully implemented a new internet gaming (igaming) compliance program to oversee all aspects of regulatory compliance of the igaming open market that launched in April 2022. This includes functionality to produce sector-level compliance information, analysis, plans and priorities to direct compliance teams; the delivery of high-quality, impartial and independent services that assess and certify gaming technology products for use in Ontario; and a full suite of modern and effective compliance assurance activities that address compliance priorities and provide reasonable assurance of compliance for regulated internet gaming entities and technology. These areas lead a low-burden, priority-driven compliance program in the internet gaming space.

Along with the development of the AGCO's regulatory model for igaming, the priorities for igaming compliance in 2022–23 were:

- Responsible Advertising—oversight of potentially harmful public advertising and messaging. Ontario prohibits the broad, public advertising of bonuses, credits and other gambling inducements.
- Responsible Gambling—protection of players from experiencing harm from gambling.
- Sport and Event Betting—new line of business for Ontario that launched with iGO on April 4, 2022.
- Game Integrity—requiring certification of all games and critical gaming systems linked to determination of game outcome.

## Appeals and arbitration

The Legal Services Division provides expert legal advice on licensee and registrant compliance within the regulatory framework. The Division's experienced counsel represents the Registrar by negotiating settlements and appearing at hearings of appeals before the Licence Appeal Tribunal (LAT), the Horse Racing Appeal Panel (HRAP), the Divisional Court and the Court of Appeal.

**Table 25—Notices of Proposal (NOPs) and Orders of Monetary Penalty (OMPs)—Alcohol**

| | 2021–22 | 2022–23 |
|---|---|---|
| Notices of Proposal<br>• Applications (new, change, transfer)<br>• Disciplinary (suspend and/or add conditions, revoke)<br>• Premises closed (revoke licence)<br>• Other | 61 | 57 |
| Orders of Monetary Penalty | 21 | 21 |

**Table 26—Alcohol-related settlements without a hearing**

| | 2021–22 | 2022–23 |
|---|---|---|
| Number of Settlements agreed to without a hearing (NOPs and OMPs) | 16 | 21 |

**Table 27—Notices of Proposed Order (NOPOs) or immediate suspensions—Horse racing**

| | 2021–22 | 2022–23 |
|---|---|---|
| Notice of Proposed Order | 5 | 6 |

**Table 28—Gaming-related settlements without a hearing**

| | 2021–22 | 2022–23 |
|---|---|---|
| Gaming-related settlements without a hearing | 2 | 1 |

## Investigation and Enforcement activities

### Modernization, transformation and integration

2022–23 saw the implementation of several important initiatives to drive the Bureau Excellence strategic priority. Bureau Excellence includes a new coaching and mentoring program for all new full-time Investigation and Enforcement Bureau (IEB) members, members on temporary assignments to IEB as well as members from outside police services coming into IEB as part of a joint forces operation. The program enables new members to become proficient in their chosen area of expertise in the Bureau through assignment of identified coaches and promotes a structured and firm foundation of understanding for new IEB members on all AGCO lines of business.

## Eligibility and Major Investigations

The Enhanced Cannabis Application Pre-Screening Interviews continue to be essential in supporting the honesty and integrity of licensees, registrants and authorization holders and allow for immediate flagging of any criminal associations. In 2022, Eligibility and Major Investigations (EMI) conducted 641 cannabis-related investigations and noticed a significant decrease in the identification of problematic applications. This is attributed to the message being conveyed within the cannabis industry that the OPP was conducting thorough background investigations on applicants and entities.

In the igaming sector, IEB implemented EMI's pre-screening igaming CEO interview questions to identify any possible risks associated with the AGCO registration of igaming entities. IEB continues to receive requests to conduct investigations on igaming service providers and suppliers. The igaming market continues to grow and evolve and many of the operators and suppliers are requesting amendments, hiring new personnel and applying for new licences.

The EMI igaming interview process continues to successfully identify problematic applicants. In some cases, this results in the withdrawal of applications by igaming applicants and entities.

## Anti–money laundering

Anti–money laundering (AML) continues to be a key focus. IEB continues to proactively monitor, detect and deter money laundering from occurring within or related to legalized gaming activities in Ontario by continuing to:

a. lead and leverage the AGCO's law enforcement and regulatory response to money laundering through sound processes and collaboration between all stakeholders to help protect the reputation of legalized gaming in Ontario, and

b. enhance training, investigative and analytical approaches, leveraging OPP and AGCO resources, partnerships and information sharing that emphasize the prevention, detection and reduction of potential money laundering activities in Ontario land-based gaming and igaming sites.

Anti–money laundering efforts are aligned with the Auditor General's Value for Money Report which required IEB to gather evidence on the sources of funds for patrons identified with suspicious cash transactions, including conducting source-of-funds interviews, and updating the new data analytics system that was established to determine patrons' risk ratings with all relevant data from all casinos.

A data-driven mindset is key to the IEB's anti–money laundering approach. An analytical Suspicious Transaction Report (STR), dashboard tool that helps to identify and initiate investigations of individuals who pose risks of engaging in money laundering activities, has now been fully implemented. By automating the intake of all STRs generated at Ontario gaming sites, this tool has significantly reduced the number of manual processes. Thresholds and indicators are built within the dashboard to establish investigative priority and identify individuals, enabling IEB to allocate resources effectively and efficiently to determine if criminal investigations and/or regulatory recommendations are warranted. The STR analytical dashboard has over seven years of STR data from all gaming sites in the province of Ontario from 2016. An automated process has been implemented to obtain all future STRs from gaming

sites on a monthly basis and working towards transitioning to weekly updates to the system in the future.

A STR/AML file assignment program called Significant Target Analysis Report (STAR) has been implemented across the province. This is a proactive police tool to identify High Priority Individuals (HPIs) for investigation. The analytical dashboard uses a catalog of tools to conduct a risk assessment on individuals based on Player Gaming Activity Reports obtained from the Ontario Lottery and Gaming Corporation (OLG), Police Risk Rating Scores, FINTRAC reports, police database searches and open-source searches.

The STAR approach proactively identifies HPIs that warrant investigations, which allows IEB to utilize resources effectively and efficiently. In addition, the STAR approach eliminates the administrative burden for frontline investigators and allows for more time to be spent on investigations. This is one of many enhanced strategies to reduce money laundering at land-based casinos in the province. In addition, IEB has developed a tracking system that allows for monitoring and automated follow-up capabilities of all STAR investigations assigned to ensure completion.

This proactive policing approach framework assists with intelligence-based decision making and next steps, such as recommendations for criminal or regulatory investigations, submissions for an AGCO Direction to Exclude, or providing cautions to OLG and its service provider partners.

Partnerships are key to the success of these AML programs. This year, a video was developed and implemented to raise awareness of AML investigative analytic processes among stakeholders, including the OLG, the OPP, the AGCO and FINTRAC. These partnerships were further supported by utilizing IEB's AML Coordination Model, where dedicated OPP, OLG and AGCO analysts worked closely to query and analyze their respective agency's data sets to openly share and discuss information and identify individuals and activities that pose AML risks.

## Anti–human trafficking

The IEB Anti–Human Trafficking (AHT) Working Group collaborated with the OPP Anti–Human Trafficking Unit, Criminal Intelligence Service Ontario and municipal partners to proactively focus on AHT activities. The working group created a 2022 list of AHT police contacts from police jurisdictions across Ontario that house casinos and/or racetracks. The collaborative effort of this initiative allows investigators to quickly mobilize a multi-jurisdictional response to AHT investigations.

In October 2022, all IEB members received AHT training. Members of IEB have provided AHT training to service providers at all casino locations across the province. To date these IEB members have trained over 1,900 casino associates such as security, surveillance, and hotel staff.

**Table 29—Eligibility investigations**

| | 2021–22 | 2022–23 |
|---|---|---|
| Gaming and Lottery | 315 | 287 |

| | 2021–22 | 2022–23 |
|---|---|---|
| Cannabis | 1,037 | 561 |
| Horse Racing | 122 | 62 |
| Outside Agency Assist Checks | 381 | 313 |

**Table 30—Number of IEB investigations**

| | 2021–22 | 2022–23 |
|---|---|---|
| Internet Gaming | 126 | 537 |
| Charitable Gaming | 7 | 1 |
| Cannabis | 1 | 1 |
| Horse Racing | 153 | 51 |
| Liquor Licence Holders and Applicants | 106 | 26 |

Note: The launch of Ontario's igaming market occurred on April 4, 2022, resulting in a significant increase in the number of Internet Gaming investigations that took place in 2022-23.

**Table 31—Lottery-related investigations**

| | 2021–22 | 2022–23 |
|---|---|---|
| Lottery Insider Wins | 39 | 27 |
| Lottery Suspicious Wins | 71 | 48 |
| Other Lottery Investigations | 64 | 61 |

**Table 32—Occurrences at casinos and slot machine facilities**

| | 2021–22 | 2022–23 |
|---|---|---|
| Total Investigations in Casinos and Slot Machine facilities | 2,814 | 5,044 |
| Total Criminal Code Offences | 117 | 483 |
| Total Non–Criminal Code Related Offences | 629 | 4,552 |
| Alleged Cheat-at-Play Instances | 74 | 101 |
| Cheat-at-Play Charges Laid | 17 | 18 |
| AML Investigations | 314 | 318 |

# Performance Measurement

## Strategic planning goals and themes

The AGCO's strategic plan outlines the vision and strategic goals for the organization. The AGCO is currently in the fourth year of its five-year strategic plan.

The AGCO seeks to achieve its vision of being a world-class regulator that is innovative, proactive, inclusive and socially responsible through its three strategic goals: Modern Regulator, Service Excellence and People First.

## Performance measurement framework

The AGCO measures performance and program effectiveness by setting targets, assessing data and evaluating results. Through continuous evaluation and feedback, the AGCO is able to achieve the key objectives identified in the AGCO strategic plan.

The results from these measures, shown in the table below, demonstrate that the AGCO has met or surpassed the majority of agency targets, largely thanks to:

- a continued focus on stakeholder engagement and an enhanced approach to stakeholder education;
- a modern regulatory approach that is risk-based, outcomes-based and compliance-focused;
- a hybrid work model that provides the tools and flexibility for a positive employee experience post-COVID;
- the development of a strategy to address diversity, inclusion and accessibility at the AGCO; and
- the continuous optimization of iAGCO.

The AGCO is committed to further developing an agency-wide performance strategy. The Business Optimization and Insights Branch is responsible for advancing multi-year goal setting, linking agency efforts to resource planning and developing a robust performance measurement framework to support transparency, accountability and regulatory effectiveness.

## Modern Regulator

Being a Modern Regulator remains a key commitment and shapes how the AGCO regulates and works with its stakeholders. The AGCO is committed to leveraging evidence and effective stakeholder engagement as part of the development and implementation of its regulatory direction.

### Key commitments

- Serve the public interest through effective and innovative approaches to regulation in the alcohol, gaming, cannabis and horse racing sectors.
- Make evidence-based decisions to regulate in the public interest.
- Strengthen our organizational foundation to support the agency's expanding priorities and business strategies.

### Performance measures – Digital First

The AGCO provides user-based services and information through multiple windows and service channels anytime and anywhere.

- **Outcome metric:** % of users using digital options to transact with the AGCO meets or exceeds target of 85%.

**Table 33—Digital First**

| | 2021–22 | 2022–23 |
|---|---|---|
| % of users using digital options to transact with the AGCO | 92% | 94% |

Note: Number of digital applications and complaints received to the AGCO are used to calculate this total. The methodology for this metric was revised this past year to exclude inquiry volumes, and only include complaints and applications. The intention of this measure is to assess the nature of our clients/users choice, as it pertains to the channels that they decide to conduct their activities with us through.

The AGCO is a digital-first organization that provides convenient and consistent digital self-service channels anytime and anywhere for all its core services. Our goal is to create an optimal service experience for our applicants and licensees that better supports them in navigating the AGCO service journey and in understanding and meeting their compliance obligations.

## Service Excellence

Service Excellence is a core foundation embedded throughout the AGCO's work, from the AGCO's core service delivery to licensing and registration, compliance, and investigations and enforcement. The AGCO applies a Service Excellence lens to ensure that the AGCO builds programs and policies that best serve the needs of our customers.

### Key commitments

- Continuously ensure a deep understanding of our stakeholders to anticipate and respond to their evolving needs.
- Provide a positive experience through the delivery of services that are clear, timely and that meet the expectations of those we serve.

### Performance measures – Value for Money

**Table 34—Online Service and auto-issue**

Ensuring value per transaction (internal and external) with a focus on streamlining process and reducing regulatory burden.

- **Output metric:** % of applications for SOPs auto-issued meets or exceeds target of 90%.

| | 2021–22 | 2022–23 |
|---|---|---|
| % of applications for SOPs auto-issued | 91% | 87% |

**Note:** AGCO has clear criteria for auto-issuance of applications which promote efficiency and reduced burden while maintaining regulatory controls in the public interest. Fluctuations slightly above or below the target are expected due to the nature of each individual application received within that fiscal year.

### Clear and timely services that meet expectations

The AGCO is committed to creating a positive experience for our licensees and registrants, as well as the public through the delivery of clear, timely services and meeting the expectations of those we serve. Through iAGCO, the agency's digital services portal, 83,678 customer service transactions were initiated. The AGCO Customer Service supported 104,049 customer interactions including calls, webchats, online inquiries, email, and regular mail.

With the return to normal operations, the AGCO modernized its approach to in-person services by introducing a by-appointment model for most AGCO services with the exception of race day activities in horse racing. This change in service approach reflects shifting customer preferences away from in-person services that began prior to the pandemic with an uptake in digital service delivery and was further accelerated by pandemic related requirements.

In 2022–23, the AGCO implemented a new enterprise contact centre solution. This work included new multiple-channel functionality and enhanced knowledge base features that positions the AGCO to improve the consistency of its services and better meet evolving customer preferences and expectations of a modern contact centre environment.

### Customer-centric design and delivery

To improve the design and delivery of AGCO services, the AGCO is working to better understand our stakeholders.

Service design tools and methodologies are being applied to key corporate projects to improve customer journeys and improve service outcomes. This included:

- the establishment of a Licensing & Registration Survey to better gauge customer satisfaction and support continuous improvement of the AGCO's licensing experience;
- establishing user research and service design requirements for the selection of a vendor to support the redesign of the AGCO website;
- the use of human-centred design to support liquor and gaming modernization initiatives.

The AGCO uses service insights such as customer satisfaction surveys and complaints, inquiries and service performance measures from iAGCO to better listen to customers and identify opportunities for service improvement. This has led to improvements in both the website and iAGCO application guidance.

### AGCO customer service standards

The people of Ontario expect a lot from government services, including those offered by the AGCO. This past year, the AGCO updated its customer service standards to better demonstrate its commitment to its goal of service excellence. The AGCO's specific service commitment around general service standards have been published on our website for common service interactions, like when a customer contacts us, asks a question or makes a complaint. These updates help create a more positive service experience for our customers by letting them know what they can expect in their service journey with the AGCO.

Additional service standards are planned to address those services our customers care about most, like application processing times.

## People First

The AGCO continues to invest in the strength of our people and understands the importance of developing and fostering this organizational priority. A people-first mindset and an ongoing commitment to diversity, inclusion and accessibility are central to achieving progress on this strategic goal.

### Key commitments

- Champion an inclusive workplace by implementing recommendations from the AGCO's DI&A strategy to further develop employees' wellbeing and best serve the people of Ontario.
- Develop our talent to empower employees and nurture our internal talent succession pool.

## Performance measures – Employee Experience

**Table 35—Employee experience**

The level of engagement and enablement is directly correlated with higher productivity, increased motivation and job satisfaction.

- **Outcome metric:** The percentage of AGCO staff who would recommend AGCO as a place to work meets or exceeds target of 75%.
- **Outcome metric:** The percentage of AGCO staff who believe they have opportunities to have their ideas adopted and put into use meets or exceeds target of 70%.

| | 2021–22 | 2022–23 |
|---|---|---|
| The % of AGCO staff who would recommend AGCO as a place to work | 89% | 95% |
| The % of AGCO staff who believe they have opportunities to have their ideas adopted and put into use | 73% | 87% |

A key factor in the AGCO's success has been a highly engaged workforce, which has played a crucial role in driving innovation and productivity to new heights.

For the 2022–23 year, the AGCO is pleased to report a 6% increase in employee recommendations, with 95% of employees saying they would recommend AGCO as a place to work. This reflects a strong commitment to being a People First employer, where employees' total well-being is top priority. The AGCO remains committed to providing employees with a hybrid work model that supports their work-life balance, and extensive training opportunities that foster a culture of continuous learning and career growth.

The AGCO's commitment to employee engagement has led to significant improvements in the adoption and implementation of employee ideas, with a 14% increase in the percentage of employees who believe their ideas are being utilized. Employee input is essential to driving innovation and improving organizational outcomes.

Regular pulse surveys and Ask Us Anything sessions with the senior executive team have been instrumental in providing valuable insights to improve in these areas. The AGCO is committed to taking meaningful actions to promote employee development, well-being and ensure that the AGCO remains a great place to work for everyone.

**Table 36 – Diversity, Inclusion and Accessibility (DI&A)**

- **Outcome metric:** The % of AGCO staff who believe the AGCO is making progress on its DI&A commitment meets or exceeds 91%.
- **Outcome metric:** The % of AGCO staff who feel able to bring their "whole selves" to work meets or exceeds 92%.

| | 2021-22 | 2022–23 |
|---|---|---|
| The % of AGCO staff who believe the AGCO is making progress on its DI&A commitment | 87% (September) | 91% (Feb) |
| The % of AGCO staff who feel able to bring their “whole selves” to work | 87% (September) | 91% (Feb) |

Note: The measures above reflect one point in time and are sourced from surveys conducted in September 2021 and February 2023.

This year marks the first full year of implementation for the AGCO’s multi-year DI&A Strategy. The strategy, developed in 2021, gained momentum in 2022–23 with a strong focus on strengthening and embedding DI&A into AGCO’s culture.

The number of staff who believe the AGCO is making progress on its DI&A commitment has risen this year, in part due to the many initiatives to highlight the importance of DI&A. Staff have been provided with training and development opportunities with a DI&A focus and Intercultural Development Inventory training for 69 staff in leadership roles. The AGCO established a new DI&A Award to recognize staff making great strides in this area, and the coaching and performance program has been updated to hold staff accountable for their own DI&A journey.

These initiatives, and many more, have contributed to the percentage of AGCO staff who feel able to bring their “whole selves to work”.

# Analysis of Financial Performance

**Note:** These are numbers from the system excluding iGO direct costs and revenue. You will notice that 21-22 numbers don't tie to prior year because we excluded some costs last year that we included this time for FY21-22.

| Expense Category (In $000s) | 2021–22 (excluding iGO*) | 2022–23 (excluding iGO*) | Increase/ (Decrease) |
|---|---|---|---|
| **Operating** | | | |
| Salaries and Wages | 64,159 | 68,738 | 4,579 |
| Benefits | 14,550 | 15,077 | 527 |
| **Other Direct Operating Expenditures (ODOE)** | | | |
| Transportation and Communications (T&C) | 964 | 1,386 | 422 |
| Services | 14,436 | 12,750 | (1,686) |
| Supplies and Equipment (S&E) | 723 | 747 | 24 |
| Transfer Payment | - | - | - |
| **Sub-Total Gross Operating Expenditures** | **94,832** | **98,698** | **3,866** |
| Less: Recoveries | 20,865 | 34,408 | 13,543 |
| **Total Net Operating Expenditures** | **73,967** | **64,290** | **(9,677)** |
| | | | |
| **Bad Debt Expense** | 7 | - | (7) |
| **Capital Assets** | 2,477 | 795 | (1,682) |
| **Capital Amortization** | 1,771 | 1,942 | 171 |
| **Revenue** | 29,254 | 49,046 | 19,792 |

* iGaming Ontario (iGO) Operating Expenditures and Recoveries are excluded from this analysis. iGO Salaries and Wages, Benefits and ODOE Expenditures incurred by the AGCO on behalf of iGO in FY22–23 totaled $7.7M (2022 – 6.1M). Expenditures incurred by AGCO to provide shared resources based on agreement are not excluded from the figures.

Overall increase in Salaries and Wages and Benefits Expenditures is mainly due to cancelled COVID-19 redeployment arrangement and increase in headcount. The increase in headcount is primarily attributable to the needs of resources for igaming regulatory activities.

Decrease in Services is mainly due to fewer Cannabis Eligibility Assessments as a result of fewer cannabis applicants.

Increase in recoveries is attributed to higher recoveries from land-based casinos, OLG cGaming, and the horse racing sector as there were no COVID-19 closures in FY22–23 compared to FY21–22. Furthermore, recoveries from igaming operators began in FY22–23 for the first time.

Capital spending decrease is due iAGCO enhancements to support igaming line of business, Liquor Reform, and other operational changes that occurred in FY21–22 and did not re-occur in FY22–23.

Increase in Amortization reflects the full year cost of the AGCO's Regulatory Assurance Solution (RAS/iAGCO), after it went live in October 2020.

Revenue increase in FY22–23 due to higher gaming, cannabis and liquor revenues. It is important to note that licence extensions due to COVID expired during the fiscal year and new igaming licences were issued after the launch of the igaming open market on April 4, 2022. Additionally, balances in liability accounts related to Liquor Advertising, Charity Gaming Hall Projects and Deferred Capital Contributions were written off in FY22–23.

# Alcohol and Gaming Commission of Ontario

## Financial Statements

**March 31, 2023**

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# Management's Statement of Responsibility for Financial Reporting

The accompanying financial statements of the Alcohol and Gaming Commission of Ontario have been prepared by management in accordance with the Canadian public sector accounting standards and, where appropriate, include amounts based on management's best estimates and judgements. The financial statements have been properly prepared within reasonable limits of materiality and are based on information available up to August 9, 2023.

Management is responsible for the integrity of the financial statements and maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded, and reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors ensures that management fulfills its responsibilities for financial information and internal control through a Financial, Audit and Risk Management (FARM) committee. The FARM committee meets with management and internal audit regularly to review the policies and procedures.

The financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are prepared in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

Tom Mungham

Chief Executive Officer & Registrar

Date: August 9, 2023

Joseph Pittari

Chief Administrative Officer

Date: August 9, 2023

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

# INDEPENDENT AUDITOR'S REPORT

To the Alcohol and Gaming Commission of Ontario

## Opinion

I have audited the financial statements of the Alcohol and Gaming Commission of Ontario (the AGCO), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and accumulated deficit, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AGCO as at March 31, 2023, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for Opinion

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

## Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the AGCO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the AGCO either intends to cease operations, or has no realistic alternative but to do so.

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

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## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AGCO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the AGCO's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the AGCO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario
August 9, 2023

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

**Alcohol and Gaming Commission of Ontario**

**Statement of Financial Position**
**($'000)**

| As at March 31, 2023 | Note(s) | 2023 | 2022 |
|---|---|---|---|
| **Liabilities** | | | |
| Accounts Payable and Accrued Liabilities | 3 | $ 9,465 | $ 9,298 |
| Deferred Licence Revenue | 4 | 37,296 | 32,958 |
| Other Employee Future Benefits | 5 | 7,876 | 7,245 |
| Security and Customer Deposits | 6 | 7,317 | 7,720 |
| | | **61,954** | **57,221** |
| **Financial Assets** | | | |
| Cash | | — | — |
| Accounts Receivable | 7 | 13 | 422 |
| Due from the Province | 13 | 45,155 | 34,329 |
| Due from iGaming Ontario | 14 | 2,703 | 7,884 |
| | | **47,871** | **42,635** |
| **Net Debt** | | **(14,083)** | **(14,586)** |
| **Non-Financial Assets** | | | |
| Tangible Capital Assets | 8 | 13,067 | 14,214 |
| Prepaid Expenses | | 1,016 | 372 |
| | | **14,083** | **14,586** |
| **Accumulated Deficit** | | **$ —** | **$ —** |

See accompanying notes to the financial statements.

On Behalf of the Board:

Chair, Board of Directors

Chair, Financial, Audit and Risk Management Committee

**Alcohol and Gaming Commission of Ontario**

**Statement of Operations and Accumulated Deficit**
**($'000)**

| For the Year Ended March 31, 2023 | Note(s) | 2023 Budget | 2023 Actual | 2022 Actual |
|---|---|---|---|---|
| **Revenue** | | | | |
| Fees, Licences and Registrations | | $ 38,366 | $ 48,957 | $ 29,172 |
| Recoveries - Gaming Sector | | 79,095 | 32,600 | 19,735 |
| Recoveries - iGaming Ontario | 14 | — | 9,474 | 7,264 |
| Other Revenue | | 151 | 90 | 82 |
| | 9 | **117,612** | **91,121** | **56,253** |
| **Expenditures** | | | | |
| Salaries and Wages | | 76,017 | 74,805 | 66,229 |
| Services | | 22,062 | 13,058 | 17,987 |
| Employee Benefits | 5 | 15,468 | 16,366 | 14,972 |
| Amortization of Tangible Capital Assets | 8 | 3,534 | 1,942 | 1,771 |
| Transportation and Communications | | 3,348 | 1,386 | 965 |
| Supplies and Equipment | | 2,070 | 750 | 812 |
| Bad Debts | | — | — | 7 |
| | | **122,499** | **108,307** | **102,743** |
| **Annual Deficit from Operations** | | | **(17,186)** | **(46,490)** |
| **Contribution by the Province** | 13 | | **17,186** | **46,490** |
| **Annual Deficit** | | | **—** | **—** |
| **Accumulated Deficit, Beginning of Year** | | | — | — |
| **Accumulated Deficit, End of Year** | | | **$ —** | **$ —** |

See accompanying notes to the financial statements.

**Alcohol and Gaming Commission of Ontario**

**Statement of Change in Net Debt**
**($'000)**

| For the Year Ended March 31, 2023 | Note(s) | 2023 Budget | 2023 Actual | 2022 Actual |
|---|---|---|---|---|
| **Annual Deficit** | | **$** | **— $** | **—** |
| Acquisition of Tangible Capital Assets | 8 | (3,774) | (795) | (2,477) |
| Amortization of Tangible Capital Assets | 8 | 3,534 | 1,942 | 1,771 |
| (Increase) in Prepaid Expenses | | — | (644) | (51) |
| | | **(240)** | **503** | **(757)** |
| **Decrease (Increase) in Net Debt** | | **(240)** | **503** | **(757)** |
| **Net Debt, Beginning of Year** | | **(14,586)** | **(14,586)** | **(13,829)** |
| **Net Debt, End of Year** | | **$ (14,826)** | **$ (14,083)** | **$ (14,586)** |

See accompanying notes to the financial statements.

**Alcohol and Gaming Commission of Ontario**

**Statement of Cash Flows**
**($'000)**

| For the Year Ended March 31, 2023 | | 2023 | 2022 |
|---|---|---|---|
| **Operating Transactions** | | | |
| **Annual Deficit** | | **$ —** | **$ —** |
| **Non-Cash Items:** | | | |
| Amortization of Tangible Capital Assets | 8 | 1,942 | 1,771 |
| **Changes in Non-Cash Balances:** | | | |
| Increase in Accounts Payable and Accrued Liabilities | | 167 | 1,282 |
| Increase in Deferred Licence Revenue | | 4,338 | 13,872 |
| Increase (Decrease) in Other Employee Future Benefits | | 631 | (900) |
| (Decrease) Increase in Security and Customer Deposits | | (403) | 3,340 |
| Decrease in Accounts Receivable | | 409 | 407 |
| Decrease (Increase) in Due from iGaming Ontario | | 5,181 | (7,884) |
| (Increase) in Prepaid Expenses | | (644) | (51) |
| (Increase) in Due from the Province | | (10,826) | (9,360) |
| **Cash Provided by Operating Transactions** | | **795** | **2,477** |
| **Capital Transactions** | | | |
| Acquisition of Tangible Capital Assets | 8 | (795) | (2,477) |
| **Cash Applied to Capital Transactions** | | **(795)** | **(2,477)** |
| **Net Increase (Decrease) in cash** | | **—** | **—** |
| **Cash, Beginning of Year** | | **—** | **—** |
| **Cash, End of Year** | | **$ —** | **$ —** |

See accompanying notes to the financial statements.

**Notes to the Financial Statements**
**For the Year Ended March 31, 2023**
**($'000)**

## 1. Nature of operations

The Alcohol and Gaming Commission of Ontario (AGCO) is a regulatory board-governed agency incorporated without share capital, that reports to the Ministry of the Attorney General (MAG). The agency was established on February 23, 1998 under the *Alcohol and Gaming Regulation and Public Protection Act, 1996*, which was amended in 2018 and re-named the *Alcohol, Cannabis and Gaming Regulation and Public Protection Act, 1996* (ACGRPPA). On November 29, 2021, the ACGRPPA was repealed and the *Alcohol and Gaming Commission of Ontario Act, 2019* (AGCO Act) was proclaimed into force, continuing the AGCO under a new statute.

The AGCO is responsible for regulating the alcohol, gaming, horse racing and cannabis retail sectors in accordance with the principles of honesty and integrity, and in the public interest. In so doing, the AGCO administers the *Liquor Licence and Control Act, 2019*, the *Gaming Control Act, 1992*, the *Horse Racing Licence Act, 2015* and the *Cannabis Licence Act, 2018*. The AGCO also administers the charity lottery licensing Order-in-Council 1413/08.

iGaming Ontario was established on July 6, 2021 as a subsidiary corporation of the AGCO. See Note 14 for further disclosure pertaining to the AGCO's relationship with iGaming Ontario.

As a regulatory agency with a governing board reporting to MAG, the AGCO receives its annual spending authority from the Ministry's printed estimates, as approved by the Ontario Legislature. The AGCO is funded from a combination of revenue from the Consolidated Revenue Fund and charges to the regulated sectors (fees and cost recoveries).

Pursuant to the *Income Tax Act*, the AGCO is exempt from income taxes.

## 2. Significant accounting policies

### a. Basis of accounting

These financial statements have been prepared in accordance with PSAS established by the Canadian Public Sector Accounting Board. The significant accounting policies used to prepare these statements are summarized below.

## 2. Significant accounting policies (continued)

### b. Currency

The financial statements are presented in Canadian dollars.

At the transaction date, revenue or expenditures in currencies other than the AGCO's functional currency are recognized in Canadian dollars at the exchange rate in effect at that date. The AGCO is not impacted by the remeasurement gains and losses caused by foreign currency, because its cash, including foreign exchange rates, is handled by the Ministry of Public and Business Service Delivery (formerly known as the Ministry of Government and Consumer Services) without charge.

### c. Revenue recognition

Fee revenue from licences, registrations and permits collected from the liquor, lottery, gaming, horse racing and cannabis-retail sectors are recorded in the fiscal year to which they pertain. For the term of licences beyond the current fiscal year, the AGCO records deferred licence revenue as a liability and recognizes revenue over the term of licences.

The AGCO is authorized to recover costs of its regulatory activities in accordance with the *Alcohol and Gaming Commission of Ontario Act, 2019* (AGCO Act). The AGCO records a deposit liability (included in Security and Customer Deposits) when amounts are received. Recoveries are recognized as revenue (included in Recoveries - Gaming Sector) as the related regulatory costs are incurred, which settles the deposit liability. Currently, costs for regulatory activities are only being recovered from the gaming sector.

Other revenue includes recovery of prior year's expenditures and awarded costs from court received in the fiscal year.

### d. Expenditures recognition

Expenditures are recognized on an accrual basis. Expenditures are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed.

### e. Financial instruments

All financial instruments are included on the Statement of Financial Position and are measured initially at fair value and subsequently at cost.

## 2. Significant Accounting Policies (continued)

### f. Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost of tangible assets is amortized on a straight-line basis over estimated useful lives as follows:

| | Useful life |
|---|---|
| Business application software | 10 years |
| Information technology hardware | 3 - 6 years |

Assets under construction are not amortized until construction is complete and the assets are ready for their intended use.

### g. Use of estimates

In preparing the financial statements, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods.

Items requiring the use of significant estimates include: useful life of capital assets and other employee future benefits.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

### h. Future changes in accounting standards

#### (a) PS 3400 - Revenue

The new standard provides a framework for recognizing revenue by distinguishing between revenue arising from transactions that include performance obligations, referred to as exchange transactions, and those that do not have performance obligations, referred to as non-exchange transactions. While the impact of any changes on the AGCO's financial statements is not reasonably determinable at this time, the AGCO intends to implement the standard effective April 1, 2023, for the fiscal year 2023-24.

## 3. Accounts payable and accrued liabilities

| | 2023 | 2022 |
|---|---|---|
| Accounts payable | $ 1,134 | $ 1,145 |
| Operational expenses accruals | 5,249 | 4,155 |
| Accrued other employee benefits | 3,082 | 3,736 |
| Capitalized assets accruals | — | 262 |
| | **$ 9,465** | **$ 9,298** |

Accounts payable relate largely to normal business transactions with third-party vendors and subject to standard provincial government payment terms.

Operational expenses accruals relate to goods or services received but that have not been paid, including regular salaries and wages, employee benefits and normal operating expenses.

Accrued other employee benefits include employee vacation credits accruals and salary continuance arrangements.

## 4. Deferred licence revenue

Deferred licence revenue represents payments received for licences with terms that extend beyond the current operating cycle. Changes in the deferred licence revenue balances during the current fiscal year are summarized as follows:

| | | | | 2023 |
|---|---|---|---|---|
| | Balance, beginning of year | Received during year | Recognized during year | Balance, end of year |
| Cannabis | $ 9,544 | $ 5,845 | $ (7,287) | $ 8,102 |
| Gaming | 12,905 | 18,939 | (16,586) | 15,258 |
| Horse Racing | 871 | 1,062 | (1,175) | 758 |
| Liquor | 9,638 | 12,485 | (8,945) | 13,178 |
| | **$ 32,958** | **$ 38,331** | **$ (33,993)** | **$ 37,296** |

| | | | | 2022 |
|---|---|---|---|---|
| | Balance, beginning of year | Received during year | Recognized during year | Balance, end of year |
| Cannabis | $ 12,660 | $ 4,744 | $ (7,860) | $ 9,544 |
| Gaming | 466 | 15,484 | (3,045) | 12,905 |
| Horse Racing | 324 | 1,330 | (783) | 871 |
| Liquor | 5,636 | 8,879 | (4,877) | 9,638 |
| | **$ 19,086** | **$ 30,437** | **$ (16,565)** | **$ 32,958** |

## 5. Employee future benefits

### a. Pension costs

Certain employees of the AGCO participate in the Public Service Pension Plan (PSPP) and the Ontario Public Service Employees Union Pension Plan (OPSEUPP), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario is the sole sponsor of the PSPP and a joint sponsor of the OPSEUPP with the Ontario Public Service Employees Union (OPSEU). The sponsors of these plans determine the AGCO's annual payments to the respective plans. The AGCO's responsibilities with regard to the PSPP and the OPSEUPP are limited to its contributions. Payments made to the plans are recognized as an expenditure when employees have rendered the service entitling them to the contributions. The AGCO's required annual contribution of $5,613 (2022 – $5,012), is included in Employee Benefits in the Statement of Operations and Accumulated Deficit.

### b. Other employee future benefits

The obligations of separation, long-term income protection (LTIP) pension contributions, and time banking entitlements earned by eligible employees are included in Other Employee Future Benefits in the Statement of Financial Position.

| | 2023 | 2022 |
|---|---|---|
| Separation entitlements | $ 4,507 | $ 4,778 |
| LTIP pension contributions | 2,493 | 1,633 |
| Time bank entitlements | 876 | 834 |
| | **$ 7,876** | **$ 7,245** |

#### (a) Separation entitlements

Employees hired prior to April 1, 2015 and who have completed at least five (5) years of continuous service as a permanent full-time employee with the AGCO as of April 1, 2015, will be eligible for a separation payment equivalent to one week's base pay for each year of active service up to a maximum of sixteen (16) weeks upon retirement, resignation, or death.

Employees hired prior to April 1, 2015 and who had not completed five (5) years of continuous service as a permanent full-time employee as of April 1, 2015, will only be eligible for a separation payment in the event of retirement, resignation, or death if they have completed at least ten (10) years of continuous service as a permanent full-time employee as of the date of their retirement, resignation, or death. An employee who meets these requirements will be entitled to separation payment equivalent to one week's base pay for each year of active service up to a maximum of sixteen (16) weeks upon retirement, resignation, or death.

**5. Employee future benefits (continued)**

The separation entitlements were calculated using a discount rate of 3.64% (2022 - 3.19%) and expected average remaining service life of 13 years (2022 - 13 years). The estimated annual increase in salaries used in the calculation ranged from 1% to 1.5% (2022 – 1%).

For the year ended March 31, 2023, these costs amounted to $372 (2022 - $469) and included in employee benefits in the Statement of Operations and Accumulated Deficit.

**(b) LTIP pension contributions**

As required by the PSPP and the OPSEUPP, the AGCO makes the regular employer contributions and the members' contributions to the pension plans for periods when members are eligible for or receive LTIP benefits.

The cost of living adjustment of pension contributions was determined by the pension boards, 6.3% starting January 2023 (2022 - 2.4%). Each LTIP arrangement was evaluated individually, based on term and the corresponding discount rate using weighted average rate from Ontario bond yield curve rates.

For the year ended March 31, 2023, these costs amounted to $1,271 (2022 - $506) and included in employee benefits in the Statement of Operations and Accumulated Deficit.

**(c) Time bank entitlements**

Eligible AGCO employees can bank up to 10 vacation days at the end of each calendar year into the "Time Bank", with a cap of 125 days in total. These time bank days can only be used when employees leave the organization as time off or a lump sum pay.

The time bank entitlements were calculated using a discount rate of 3.64% (2022 - 3.10%) and expected average remaining service life of 10 years (2022 - 10 years). The estimated annual increase in salary ranges used in the calculation was 1.5% (2022 - 1%).

**c. Non-pension post-employment benefits**

The costs of non-pension benefits for eligible pensioners are paid by the Province of Ontario and are not included in these financial statements.

## 6. Security and customer deposits

| | 2023 | 2022 |
|---|---|---|
| Ontario Lottery and Gaming Corporation (OLG) and land-based casino deposits | $ 4,297 | $ 5,960 |
| Order of monetary penalties | 1,541 | 1,124 |
| Gaming eligibility assessment deposits | 892 | 622 |
| Regulatory activity deposits - internet gaming | 564 | — |
| Other deposits | 23 | 14 |
| | **$ 7,317** | **$ 7,720** |

These deposits are established under the AGCO Act, which allows the AGCO to establish fees and other charges in administering the acts in Note 1. The nature of these deposits are as follows:

- OLG and land-based casino deposits: Under Subsection 12 (1) of the AGCO Act, the AGCO may direct the Ontario Lottery and Gaming Corporation (OLG) to pay money to the AGCO. These deposits relate to the OLG's lottery, land-based casino gaming, internet gaming and charitable gaming lines of businesses.
- Order of monetary penalties (OMP): Under Subsection 12 (2) of the AGCO Act, monetary penalties serve as an administrative action to promote regulatory compliance for all entities the AGCO regulates in the alcohol, gaming, horse racing and cannabis retail sectors and can be only used for education, training, and awareness purposes.
- Gaming eligibility assessment deposits: Under Section 9 of the *Gaming Control Act*, all applicants/registrants are required to pay the reasonable costs of an inquiry or investigation related to gaming registrations under the Act.
- Regulatory activity deposits - internet gaming: Under Section 12.1 of the AGCO Act, the AGCO is permitted to direct iGaming Ontario to pay money to the AGCO. These deposits relate to the internet gaming line of business.

## 7. Accounts receivable

Accounts receivable relate to fees, licences and registrations revenue for outstanding payments from horse racing operators, and OMP due to appeal periods.

| | 2023 | 2022 |
|---|---|---|
| Accounts receivable | $ 68 | $ 444 |
| Allowance for doubtful accounts | (55) | (22) |
| | **$ 13** | **$ 422** |

## 8. Tangible capital assets

| | Business application software | Information technology hardware | Construction in progress | 2023 |
|---|---|---|---|---|
| **Cost** | | | | |
| Opening balance | $ 17,679 | $ 3,785 | $ 181 | $ 21,645 |
| Additions | — | 532 | 263 | 795 |
| Transfer out | — | (154) | — | (154) |
| Transfer from construction in progress | — | 444 | (444) | — |
| **Closing balance** | **17,679** | **4,607** | **—** | **22,286** |
| **Accumulated amortization** | | | | |
| Opening balance | 4,927 | 2,504 | — | 7,431 |
| Additions | 1,486 | 456 | — | 1,942 |
| Transfer out | — | (154) | — | (154) |
| **Closing balance** | **$ 6,413** | **$ 2,806** | **$ —** | **$ 9,219** |
| **Net book value** | **$ 11,266** | **$ 1,801** | **$ —** | **$ 13,067** |

| | Business application software | Information technology hardware | Construction in progress | 2022 |
|---|---|---|---|---|
| **Cost** | | | | |
| Opening balance | $ 15,850 | $ 3,545 | $ — | $ 19,395 |
| Additions | | 467 | 2,010 | 2,477 |
| Transfer out | — | (227) | — | (227) |
| Transfer from construction in progress | 1,829 | — | (1,829) | — |
| **Closing balance** | **17,679** | **3,785** | **181** | **21,645** |
| **Accumulated amortization** | | | | |
| Opening balance | 3,632 | 2,255 | — | 5,887 |
| Additions | 1,295 | 476 | — | 1,771 |
| Transfer out | — | (227) | — | (227) |
| **Closing balance** | **$ 4,927** | **$ 2,504** | **$ —** | **$ 7,431** |
| **Net book value** | **$ 12,752** | **$ 1,281** | **$ 181** | **$ 14,214** |

## 9. Revenue

| | Cannabis Retail | Gaming | Horse Racing | Liquor | Other | 2023 |
|---|---|---|---|---|---|---|
| Fees, Licences and Registrations | $ 8,465 | $ 17,821 | $ 9,381 | $ 13,290 | $ — | **$ 48,957** |
| Recoveries - Gaming Sector | — | 32,600 | — | — | — | **32,600** |
| Recoveries - iGaming Ontario | — | 9,474 | — | — | — | **9,474** |
| Other Revenue | — | — | — | — | 90 | **90** |
| | **$ 8,465** | **$ 59,895** | **$ 9,381** | **$ 13,290** | **$ 90** | **$ 91,121** |

| | Cannabis Retail | Gaming | Horse Racing | Liquor | Other | 2022 |
|---|---|---|---|---|---|---|
| Fees, Licences and Registrations | $ 7,859 | $ 6,169 | $ 7,473 | $ 7,671 | $ — | **$ 29,172** |
| Recoveries - Gaming Sector | — | 19,735 | — | — | — | **19,735** |
| Recoveries - iGaming Ontario | — | 7,264 | — | — | — | **7,264** |
| Other Revenue | — | — | — | — | 82 | **82** |
| | **$ 7,859** | **$ 33,168** | **$ 7,473** | **$ 7,671** | **$ 82** | **$ 56,253** |

## 10. Related party transactions

The Province of Ontario is a related party as it is the controlling entity of the AGCO. Organizations that are commonly controlled by the Province of Ontario are also related parties of the AGCO. Transactions with related parties are outlined below, except for transactions with the AGCO's subsidiary, iGaming Ontario, which are outlined in Note 14.

All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

### a. Ministries of the Province of Ontario

During the course of the year, the AGCO entered into the following transactions with various Ministries of the Province of Ontario:

(i) The AGCO has statutory authority to carry out specific types of investigations, inspections and other similar activities in accordance with the Acts and regulations that it administers. The AGCO covers the costs for dedicated Ontario Provincial Police (OPP) officers within its Investigation and Enforcement Bureau to perform these activities. A Memorandum of Understanding between the AGCO and OPP establishes that the AGCO is responsible for funding the salaries, wages, expenses and administrative support costs for these OPP officers. For the year ended March 31, 2023, the AGCO was charged $16,877 (2022 - $15,126) by the Ministry of the Solicitor General for these costs and is included in Salaries and Wages, Employee Benefits and Services in the Statement of Operations and Accumulated Deficit.

(ii) The Ministry of Public and Business Service Delivery (MPBSD, formerly known as the Ministry of Government and Consumer Services) provides the AGCO with network, telecommunication and administrative services. For the year ended March 31, 2023, the AGCO was charged $1,347 (2022 - $1,382) by MPBSD for these costs and are included in Transportation and Communication, Services in the Statement of Operations and Accumulated Deficit. MPBSD also provides the AGCO with other services such as accounting, tax remittance and cash management without charge.

(iii) The Ministry of Transportation supplies the AGCO with leased vehicles that are used by employees to perform their duties. For the year ended March 31, 2023, the AGCO was charged $848 (2022 - $667) for this cost and is included in Services in the Statement of Operations and Accumulated Deficit.

(iv) For the year ended March 31, 2023, MAG charged the AGCO $315 (2022 - $351) for legal services, horse racing regulatory costs, Workplace Safety Insurance Board charges and other administrative services and is included in Salaries and Wages, Employee Benefits and Services in the Statement of Operations and Accumulated Deficit.

## 10. Related party transactions (continued)

(v) MAG provides the AGCO with leased office space at 2 (2022 – 6) locations across the province. The costs of the leases are paid by MAG out of their voted appropriation. For the year ended March 31, 2023, the costs of rental were $3,893 (2022 - $4,354).

### b. Ontario Racing Management Inc. (ORM)

For the year ended March 31, 2023, the AGCO paid ORM $112 (2022 - $114) for the rental of one office location. The space use licence agreement commenced on August 1, 2016 and shall expire on July 31, 2026, unless sooner terminated in accordance with this agreement. The AGCO acknowledges that ORM is subject to the terms of the Prime Lease with Pearson Corporate Centre GP Inc.

### c. Ontario Lottery and Gaming Corporation (OLG)

The AGCO recovers costs from OLG related to the regulation of OLG's lotteries, internet gaming (iGaming), charitable gaming (cGaming) and OLG land-based casino(s). For the year ended March 31, 2023, the AGCO received $7,717 (2022 - $17,635) of which $9,344 (2022 - $12,447) was recognized to offset regulatory costs incurred during the year. The remaining amounts are recorded as deposits included in Security and Customer Deposits in the Statement of Financial Position until future costs are incurred.

## 11. AGCO Board of Directors' remuneration

The AGCO's Board of Directors are appointed through an Order in Council by the Lieutenant Governor in Council. Total remuneration paid to the Board of Directors during the year was $122 (2022 - $136).

## 12. Financial instruments risks

### a. Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The AGCO is subject to interest rate risk on its other employee future benefits liability. The discount rates used in future cash flows for other employee future benefits are based on Ontario bond yield curve depending on employee expected average remaining service life or the term of the future cash flows.

## 12. Financial instruments (continued)

### b. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The AGCO's exposure to credit risk is minimal as the majority of the receivables are from the Province of Ontario and iGaming Ontario (a related party under common control by the Province of Ontario).

### c. Currency risk

The AGCO's exposure to currency risk is minimal as few transactions are in currencies other than Canadian dollars.

### d. Liquidity risk

The AGCO's exposure to liquidity risk is minimal as the AGCO may recover its costs through revenue and recoveries from entities that form part of the regulated sectors. As well any deficiency of revenue over expenses is absorbed by the Province and is reflected in the Due from the Province on the Statement of Financial Position.

## 13. Due from the Province

Due from the Province represents the difference between cash receipts submitted to the Province by the AGCO and the AGCO's expenses paid. Should the AGCO incur a deficit in any fiscal year, the deficit is covered by the Province and is reflected in Contribution by the Province in the Statement of Operations and Accumulated Deficit.

Cash received by the AGCO is deposited directly into the Consolidated Revenue Fund (CRF). The AGCO's invoices are paid by the Province's CRF on behalf of the AGCO and booked against the AGCO's budget. Goods and Services provided by other ministries in Note 10 are treated as inter-ministry chargebacks and included in Due from the Province.

## 14. iGaming Ontario

*Nature of Relationship*

iGaming Ontario was created on July 6, 2021 by *Ontario Regulation 517/21* under the A*lcohol, Cannabis and Gaming Regulation and Public Protection Act, 1996* and continued by *Ontario Regulation 722/21* under the *Alcohol and Gaming Commission of Ontario Act, 2019*. iGaming Ontario is responsible to conduct and manage internet gaming offered through private gaming operators.

In addition to its regulatory responsibilities over the internet gaming market, the AGCO is responsible to oversee iGaming Ontario's conduct and management of internet gaming, which includes recommending appointments to the board of iGaming Ontario to the Attorney General. The Attorney General is responsible for appointing board members to iGaming Ontario based on these recommendations. The Minister of Finance determines the timing of any cash remittances from iGaming Ontario to the Province of Ontario. As a result, the financial results of iGaming Ontario are not consolidated into these financial statements as iGaming Ontario is controlled by the Province of Ontario and is consolidated into the Province's financial statements.

*Shared Resources Agreement*

For the year ended March 31, 2023, the AGCO and iGaming Ontario entered into a Shared Resources Agreement (SRA). Through the SRA, the AGCO provides iGaming Ontario with human resources, payroll, procurement, facilities, customer services, communication and information technology services on a cost recovery basis. The AGCO also directly paid expenditures (including salaries and benefits of iGaming Ontario employees and vendor invoices) to support the establishment of iGaming Ontario. The associated recovery of these costs, exclusive of HST, is reflected in Recoveries – iGaming Ontario in the Statement of Operations and Accumulated Surplus and amounts to $9,474 (2022 - $7,264). As at March 31, 2023, the balance of $2,703 (2022 - $7,884) is outstanding and is included in Due from iGaming Ontario in the Statement of Financial Position.

*Recovery of Costs - iGaming Ontario's Internet Gaming Market*

Under Section 12.1 of the AGCO Act, the AGCO is permitted to direct payment from iGaming Ontario. The operator agreements between iGaming Ontario and igaming operators establish that igaming operators are responsible for costs charged by the AGCO in regulating the internet gaming market, regardless of whether the costs are initially billed to iGaming Ontario by the AGCO or billed directly to the igaming operator. The AGCO billed and collected payments from the igaming operators directly. For the year ended March 31, 2023, the AGCO received $4,254 (2022 - $nil) from igaming operators, of which $3,690 (2022 - $nil) was recognized to offset regulatory costs incurred during the year. The remaining amount, $564 (2022 - $nil), is recorded as a deposit included in Security and Customer Deposits in the Statement of Financial Position until future costs are incurred.

## 15. Other Matters

A number of unions challenged the legality of Protecting a Sustainable Public Sector for Future Generations Act, 2019 (the Act or Bill 124), which limited public sector wage increases to 1% per year for a three-year moderation period. The Superior Court of Justice, in a decision issued November 29, 2022, held that the Act violated the applicants' right to freedom of association under section 2(d) of the Canadian Charter of Rights and Freedoms by interfering with collective bargaining rights. As a result, it was declared to be "void and of no effect". The Ontario government has appealed the Superior Court's decision.

The AGCO, alongside the OPS and several other agencies, agreed to a wage reopener for bargaining unit employees in the event that Bill 124 was struck down by a court of competent jurisdiction. The court's decision in late 2022 has activated the wage reopener and the AGCO is currently engaged in talks with the union. The likelihood, timing or extent of any potential liability is uncertain at this time.

## 16. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

# Appendix II: Horse Racing Appeals Panel

Established through the Horse Racing Licence Act, 2015, the Horse Racing Appeal Panel (HRAP) is an adjudicative body that is mandated to consider appeals of decisions made under the Rules of Racing.

The HRAP was established as an institutionally independent and impartial adjudicative body that operates at arm's length from the AGCO. Members are appointed to the HRAP by the AGCO Board of Directors. The HRAP is also provided operational and administrative support by the HRAP Secretariat, which is a unit within the Corporate Affairs, Strategic Policy and Planning Division of the AGCO. The HRAP Secretariat is operated as a standalone unit and is separate from other parts of the AGCO organization to support the institutional independence of the HRAP. Although the HRAP Chair and Panel members are appointed by the AGCO Board of Directors, the AGCO has no oversight role or involvement in adjudicative matters overseen by the Panel and has no authority or jurisdiction to intervene in individual cases.

## Panel members

HRAP members are appointed by the AGCO Board of Directors based on experience and qualifications and through a competitive, merit-based process. There is broad representation from the various sectors of the industry on the Panel, with various members possessing a background or experience in law, veterinary medicine and pharmacology, governance and administrative justice.

**Stanley Sadinsky**
CHAIR
First Appointed: April 1, 2016
Term Expires: March 31, 2025

**Brian Newton**
MEMBER
First Appointed: April 1, 2016
Term Expires: March 31, 2026

**Sandra Meyrick**
VICE-CHAIR
First Appointed: April 1, 2016
Term Expires: March 31, 2026

**Bruce Murray**
MEMBER
First Appointed: April 1, 2016
Term Expires: March 31, 2025

**John Charalambous**
MEMBER
First Appointed: April 1, 2016
Term Expires: March 31, 2025

**Eric Anthony Clear (Tony) Williams**
MEMBER
First Appointed: July 22, 2020
Term Expires: July 21, 2023

**Dr. John Hayes**

MEMBER

First Appointed: April 1, 2016

Term Expires: March 31, 2026

## Year in review

Throughout 2022-23, hearings continued to be offered through an electronic format. These hearings are accessible through a secure Zoom platform and facilitated by the HRAP Secretariat. Virtual training is available through the Secretariat to all participants in the electronic hearing process.

This year was the first one since 2020 wherein no racing dates were lost due to COVID-19 mitigation measures.

The HRAP received a total of fifty-four (54) Notices of Appeal and heard a total of forty-seven (47) virtual hearings (and one (1) in-person on an accommodation basis) with seventeen (17) additional matters, totaling sixty-four (64) electronic hearings for the fiscal year. This number does not include contested Motions or pre-hearing conferences. In doing so, the HRAP continued to operate without any backlog of cases. In the “A” hearings stream, which are usually complex cases with significant consequences, regular pre-hearing conferences have helped shorten the hearing process. The type “B” hearings are the less complex cases and the average filing time from appeal to hearing for this fiscal year was 67 days (down from 96 days in 2019–20).

## Statistical report for 2022–23

**Table 37 - Notices of Appeal**

| Number of Notices of Appeal filed with HRAP in 2021–22 | Number of Notices of Appeal filed with HRAP in 2022–23 |
|---|---|
| 32 | 54 |

**Table 38 - Appeals by type of infraction**

| | 2021–22 | 2022–23 |
|---|---|---|
| Interference | 10 | 26 |
| Human Alcohol or Drug | 0 | 0 |
| Equine Drug or Medication | 7 | 11 |
| Urging | 4 | 4 |
| Other Racing Violation | 11 | 13 |

**Table 39 - Motions**

| Number of Motions |
|---|
| 55 |

| Stay Motions | Orders | Other Types of Motions |
|---|---|---|
| 30 | 13 | 12 |

**Table 40 - Hearings**

| Electronic Hearings | Additional Matters | Total Electronic Hearings |
|---|---|---|
| 47 | 17 | 64 |

| Appeal Hearings | Stay Hearings | Motion Hearings |
|---|---|---|
| 30 | 7 | 10 |

# Annual Report 2022-23

**iGaming Ontario 2022–2023 Annual Report**

**Memorandum to**: The Honourable Doug Downey
Attorney General

**From**: Heidi Reinhart
Chair
iGaming Ontario

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I am pleased to present iGaming Ontario's Annual Report covering the period April 1, 2022 to March 31, 2023.

Heidi Reinhart
Board Chair

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## Letter from the Chair

The start of iGaming Ontario's (iGO) 2022-23 fiscal year will be remembered for the opening of the regulated, safe, and legal internet gaming (igaming) market in Ontario. This market - the first of its kind in Canada - was carefully designed to maximize player choice, prioritize player protections, and generate revenue for the government. One year in, it's clear that Ontario's igaming market has resonated with both players and operators, becoming one of the most competitive markets in North America.

In its first year, Ontario's open igaming market has generated over $35.5 billion in total wagers and $1.26 billion in Total Gaming Revenue from 46 operators serving over 1.6 million customer accounts. At the end of its first year, iGO vastly exceeded projections, delivering nearly $230 million of new revenue to various levels of government, with $145.7 million for the province of Ontario alone.

That said, our measure of success is about much more than just revenue. In just one year, iGO has worked with operators to bring a new level of player protections to the market. These include requiring all operators to have responsible gambling tools in place – such as an RG Check certification – and, unlike in the previous grey market, iGO's operators comply with all federal anti-money laundering (AML) requirements. On top of this, iGO is working to enable pathways for additional innovative products such as betting exchanges, pari-mutuel horse racing, and charitable sector gaming products – most notably peer-to-peer bingo – to ensure that iGO delivers on its commitment to be a forward-thinking government agency.

Despite the large workload to deliver on its commitments in a short period of time, iGO remains an organization that prioritizes efficiency and respect for the taxpayer. iGO has delivered one of the highest ratios of provincial contribution to full-time equivalent employees (FTE) of any Ontario government agency, earning approximately $2.5 million for every FTE. iGO will continue to prioritize an efficient and effective workforce moving forward.

As iGO's newly appointed Board Chair I want to take this opportunity to thank and acknowledge everyone who works at and with the agency, from the previous Board Chair Dave Forestell and current and former Board members to iGO staff, government partners at the Alcohol and Gaming Commission of Ontario, operators, and the Ministry of the Attorney General, among others. The work accomplished by iGO and its partners in the 2022-23 fiscal year is nothing short of impressive.

Even with the progress made, there is still much to be done to achieve iGO's vision of leading the world's best gaming market. iGO will continue to innovate along with the ever-changing igaming market while also ensuring the voice of the player is front and centre. We will develop and strengthen internal processes and continue to build confidence in the market for players, operators, and the public. We will work with our government partners to address the illegal market, the responsible gambling community to improve player protections, and operators to address outstanding barriers to competition and innovation.

We cannot do this work alone. iGO's early success is in part because of a collaborative and consultative approach. By working alongside the sector, we can achieve even more.

I look forward to working with my fellow Board members, our Executive Director Martha Otton, and the sector to create an even more vibrant, innovative, and dynamic Ontario igaming market that drives revenue for the province, promotes private sector growth, and puts the player at the core of everything it does.

Heidi Reinhart
*Board Chair, iGaming Ontario*

## Letter from the Executive Director

The 2022-23 fiscal year was a monumental one for iGaming Ontario (iGO). On April 4, 2022, we opened Canada's first privately operated igaming market. Our first wager was placed mere seconds after midnight, and we haven't looked back since.

In the 12 months that followed, iGO onboarded 46 operators – more than any jurisdiction in North America - offering over 70 gaming sites to Ontario players. iGO's operators accepted more than $35.5 billion in total wagers from over 1.6 million active player accounts. Ontario has emerged as a leading igaming market in North America, helping support more than 12,000 jobs and generating over $145.7 million in total financial contributions to the province[1] – significantly higher than the organization's projection for year one.

The 2022-23 fiscal year has been full of accomplishments to be proud of, but there is more work to be done.

*Leading the World's Best Gaming Market:*

Though the 2022-23 fiscal year will be remembered for the opening of the market, iGO also underwent significant change. The organization grew as staff were onboarded to accommodate the rapidly growing market. iGO also completed its first business planning process and, in doing so, set the organization's vision, mission, and values. That vision - to lead the world's best gaming market – is no small feat.

To accomplish that vision, we articulated four key values for the organization:

Fun – To facilitate new and exciting entertainment choices for players.

Respect – To promote responsible gaming, value diversity, equity, and inclusion, and treat one another with respect.

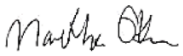
Empowerment – To enable innovation and speed to market by reducing red tape and leveraging private sector expertise.

Excellence – To create a culture of constant reflection and continuous improvement.

We harnessed these values throughout the 2022-23 fiscal year to create a roadmap to achieving our vision.

That means creating a lean, highly efficient and effective strategy-driven organization that provides unique value and drives change. An organization that fosters a commercially attractive market, supports and enables operators and their suppliers, and promotes economic development. A government agency that helps protect player's interests, providing access to fun entertainment options for Ontarians while promoting safer play. All of this done in a safe, regulated environment that provides protection for players and delivers a positive fiscal return for government.

Throughout this annual report, we will detail the actions taken during the 2022-23 fiscal year that embody our values and helped us get closer to achieving our vision, to lead the world's best gaming market.



Martha Otton
*Executive Director, iGaming Ontario*

[1] Please see the Management's Discussion & Analysis section for a full definition and breakdown of the metrics used, including "total financial contributions to the province." Further explanations on these metrics can be found in iGO's quarterly market reports available at www.igamingontario.ca.

# Description of Activities Over the Year

iGaming Ontario (iGO) is an agency of the Government of Ontario that was established as a subsidiary of the Alcohol and Gaming Commission of Ontario (AGCO). iGO conducts and manages internet gaming in the province when provided through private gaming operators who act as agents on iGO's behalf. iGO is governed by a Board of Directors. Prior to the creation of iGO, all regulated internet gaming in the province was provided through Ontario Lottery and Gaming Corporation (OLG), a Government Business Enterprise.

iGO enters into operating agreements with operators who meet rigorous standards of game and operator integrity, fairness, player protections and social responsibility, allowing all players to play with confidence. A share of revenues generated by these commercial relationships is returned to the Government of Ontario to support provincial priorities.

The Government of Ontario and the Ministry of the Attorney General officially created iGO on July 6, 2021, and the launch of Ontario's legal, regulated, and safe igaming market occurred on April 4, 2022. During the first year of market operations, iGO onboarded 46 operators and oversaw over $35.5 billion in total wagers resulting in $1.26 billion in Total Gaming Revenue from over 1.6 million player accounts. To achieve these results, iGO used four pillars to guide its work: growing the economy, breaking down barriers, empowering customers, and building iGO up.

## *Breaking Down Barriers*

The world's best gaming market is one that is seamless for operators and for players, maximizing efficiency and constantly reducing unnecessary barriers to innovation. For iGO, that work started with ensuring a modern, customer focused service offering. From day one and throughout the 2022-23 fiscal year iGO provided a hands-on, direct approach to prospective operators to help guide them through the process as quickly and efficiently as possible. In just one year, iGO onboarded 46 operators - more than any individual U.S. state has ever onboarded. Over two thirds of those operators transitioned from the unregulated market to the regulated market, thereby helping further iGO's channelization and player protection goals.

That work continued throughout the year, including ongoing work to assess options for an automated AML system that can expedite reporting and analysis, a self-exclusion registry solution to enable market wide self-exclusion, and a contract oversight system to ensure operators are providing the services iGO expects.

Additionally, iGO is also uniquely positioned as the recipient of a large volume of gaming related data, which poses a unique challenge and advantage for the organization. This data can be used to create a world leading gaming market with leading insights into consumer behaviour. To this end, iGO began and expanded quarterly data reports for operators and the general public, started on a data governance strategy, and set a series of Key Performance Indicators (KPIs) to track performance and seek continual improvement.

Lastly, when it comes to breaking down barriers, it is important to remember iGO is an agency that conducts and manages digital companies providing an online service. That means the complexities for information technology and cyber security are vast. To increase efficiency in this aspect of operations iGO used the 2022-23 fiscal year to complete an internal technology migration, establish a centralized centre for process improvements and automation, and procured a vendor to manage detection of and response to cyber incidents in internal information systems.

## *Growing the Economy*

If iGO is to lead the world's best gaming market, that means ensuring the gaming market comes to Ontario and thrives here. Given that igaming is a digital product, the direct economic benefits to Ontario may be less

visible. To help mitigate this, iGO took several steps throughout the year to help grow the local gaming economy right here in Ontario.

To grow the gaming economy, iGO worked to ensure the newly opened market would be attractive and sustainable. To help achieve that, iGO has established strong governance for operators by developing and standardizing controls for and reporting obligations by operators.

iGO supported a robust market by exploring additional lines of business becoming of a leading gaming market. That meant establishing a framework for the launch of exchange betting, launching peer-to-peer bingo in February of 2023 and supporting Ontario's charitable sector. We also worked with government partners on growth initiatives such as exploring omnichannel opportunities with the land-based sector and incorporating pari-mutuel horse racing into player offerings, which launched in August of 2023, to ensure a full product complement for players and operators.

The immediate and projected results of this work is already evident. iGO also hired an external firm to complete an economic benefits report that was released early in fiscal year 2023-24. That report measured the current job, revenue, and GDP benefits of Ontario's igaming market but also projected the potential economic benefits to the country, province, and Ontario municipalities in 5 years' and 10 years' time.[2] These projections can serve as targets for iGO's work to help grow the gaming industry in Ontario now and into the future.

## *Empowering Customers*

Without satisfied and returning players, iGO cannot lead the world's best gaming market. Since iGO serves players primarily via its relationships with operators, iGO considers both players and operators its customers. As such, the organization set out to empower both players and operators by providing the supports they needed.

For players, that meant helping to raise awareness of the newly legalized market and its regulated operators by developing an iGO website and public facing communications strategy – including the release of quarterly data reports and a social media presence. iGO also established a policy and process to help resolve disputes between players and operators that complemented the existing AGCO channels for consumer inquiries and complaints. To help operators to compete effectively in the newly regulated market, iGO created an innovative approach to compensate operators for some costs of their promotional programs within defined limits. iGO also began work to incorporate new offerings including peer-to-peer bingo, betting exchanges, progressive jackpots, pari-mutuel horse racing, and omnichannel experiences.

To encourage operators to choose the Ontario market, iGO attended a number of gaming conferences and events to tell iGO's story and executed on a world-class onboarding process that saw a record number of operators launch in the Ontario market in just one year. iGO continues to work with government partners, including the AGCO, to address the illegal market.

As shown in an IPSOS study jointly commissioned by iGO and the AGCO in March 2023, this work culminated in 85.3% of Ontario players playing on a regulated gaming site in the province, a substantial channelization rate for just one year in.[3]

[2] https://igamingontario.ca/en/deloitte-economic-contribution-ontarios-regulated-igaming-market
[3] https://www.agco.ca/blog/lottery-and-gaming/apr-2023/one-year-anniversary-ontario-internet-gaming-market-new-study-shows

### *Building iGO Up*

Of course, iGO cannot lead the world's best gaming market if the organization itself is not on stable footing. To ensure a lean, efficient, and effective organization iGO focused its efforts in the 2022-23 fiscal year on creating a positive work culture, embodying service excellence, and promoting responsible gambling through internal staff training.

These achievements include the return to a regular cadence of in-person work and work events, including quarterly town-halls and monthly management meetings among other regular in-person meetings. iGO also launched new training initiatives with guest speakers to better educate employees about the newly launched market. iGO established a performance management system for employee evaluation and development.

To embody service excellence, iGO began work to incorporate the voice of the player, enhanced its operator engagement activities with two operator roundtable meetings and engaged with key stakeholders on proposed policy changes.

On responsible gambling, iGO commissioned research on igaming participation and high-risk gambling behaviour, conducted research and consultations on a future centralized self-exclusion policy and program, and designed responsible gambling marketing requirements for operators. The implementation of these programs continues into the 2023-24 fiscal year.

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> At Flutter, we are so proud of Ontario's success in establishing a regulated and competitive igaming market over the past year.
>
> — George Sweny, Vice President, Regulatory Affairs, Flutter International

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## Operational Performance

During the 2022-2023 fiscal year, iGO designed and released its first public business plan which contains a series of KPIs for the organization. These KPIs are designed to measure how iGO achieves the goals set out in its mandate:

- To develop, undertake and organize prescribed online lottery schemes.
- To promote responsible gaming with respect to prescribed online lottery schemes.
- To conduct and manage prescribed online lottery schemes in accordance with the Criminal Code (Canada) and the Gaming Control Act, 1992 and the regulations made under those Acts.

The KPIs and iGO's performance are as follows:

| KPI | Description | Performance |
|---|---|---|
| **Breaking Down Barriers** | | |
| 1. Achieve 5% annual growth in channelization rate of players to the legal market, reaching 90% within 5 years | In iGO's first year of market operations the channelization rate (players using a legal site) for players to the legal market, according to the IPSOS study procured by iGO and the AGCO, was 85.3%. This outperforms iGO's year one target of 70% and puts iGO in a solid position to deliver on its year five target of 90% channelization. The IPSOS definition of channelization in that study was limited to which sites players use without considering how much money or time players spent on these sites. iGO intends to create a more comprehensive definition of | Passing/Passed |

| KPI | Description | Performance |
|---|---|---|
| | channelization as part of its fiscal 2023-24 market sizing research plan. | |
| **Growing the Economy** | | |
| 2. Achieve 5% annual average growth in net income before stakeholder expenses between 2023-2024 and 2025-2026 | The 2022-23 fiscal year serves as a baseline for this KPI. That baseline totals $96.2 million from which iGO will look to grow by an annual average of 5% between the 2023-24 fiscal year and the 2025-26 fiscal year. | In Progress (Baseline/Target to be Set or Results not yet known) |
| **Empowering Customers** | | |
| 3. Establish baseline of operator evaluation to be used for future KPIs and evaluations | The first operator evaluation framework will be launched in the fourth quarter of fiscal year 2023-24 and will create a baseline for this KPI moving forward. iGO staff and senior leadership regularly engage and consult with operators, iGO has hosted a series of operator roundtables, and initial feedback provided during the market's one year anniversary indicated positive comments about the organization. | In Progress (Baseline/Target to be Set or Results not yet known) |
| 4. Establish baseline for iGO player awareness of responsible gambling tools with a goal of increasing the awareness of these tools by 5% year-over-year | iGO is in the process of setting targets for player awareness of responsible gambling tools and a baseline measurement will be taken in the third quarter of fiscal year 2023-24. iGO will closely monitor operator compliance for responsible gambling advertisements in the 2023-24 fiscal year which will help the organization achieve this KPI. | In Progress (Baseline/Target to be Set or Results not yet known) |
| **Building iGO Up** | | |
| 5. Reduce iGO Touch Time on data and onboarding processes by 20% | iGO has achieved this KPI with touch time for onboarding processes reducing from 10 weeks to eight weeks. Reductions in Touch Time for data validation in the onboarding process also exceeded the KPI target, with 25% reductions in processing from 20 days to 15 days.<br>Given that most operators interested in joining the Ontario market did so in 2023-24, iGO expects the number of new operators joining the market to decline in the coming years. As a result, iGO will be removing this KPI from future business plans and annual reports and replace it with a KPI that better measures current operational needs and performance. | Passing/Passed |
| 6. Maintain employee satisfaction target of 80% | iGO has set a base target of 80% of employees recommending iGO as a place to work. iGO completed its first employee engagement survey in fiscal year 2022-23 and obtained an employee engagement score of 84%, thereby exceeding the KPI. iGO will continue to measure engagement as employee tenure and the nature of our work evolves. | Passing/Passed |

As Canada's first province to establish a legal market for private operators, Ontario has distinguished itself while proving the widespread benefits that derive from a consumer friendly and commercially minded framework.

— Benjie Levy, President and COO, theScore and Head of PENN Interactive

## Risk Events

Throughout the 2022-23 fiscal year, several risks were identified as barriers to the operational success of the organization. These risks are best categorized into external and internal risks.

### *External Risks*

iGO does not deliver igaming products on its own. Rather, iGO has entered into operating agreements with private gaming operators who operate internet gaming sites on behalf of iGO in accordance with the requirements of those agreements. Therefore, a number of external factors facing these operators, and by extension iGO, such as: operators' ability to satisfy iGO's mandated insurance or banking requirements, the COVID-19 pandemic, talent shortages, the Russian invasion of Ukraine, cash flow issues, underperformance, mergers & acquisitions, continued pressure from the illegal market, and cyber security/privacy incidents.

iGO took a number of steps to help mitigate these risks. These included ongoing account management post-onboarding to help operators comply with Operating Agreement obligations, created processes for operator exits, consolidation of gaming sites or other corporate changes, adjusted iGO policies to accommodate for real-world operational concerns, and instituted a disaster recovery and incident management protocol. Each of these mitigation efforts was relied upon during the year to reduce the impact of external risks to operators and to iGO.

In addition, given that iGO is the first agency of its kind in Canada, there are also legal risks that come with the creation and operation of the organization. In the 2022-23 fiscal year, the Mohawk Council of Kahnawa:ke served a notice of application with the Ontario Superior Court against iGO and the Attorney General of Ontario seeking 'a declaration that the Ontario government does not "conduct and manage" online lottery as required under s. 207(1)(a) of the Criminal Code' as well as challenging the legislative and constitutional authority which underpins the regulated internet Gaming market scheme in Ontario. The application is expected to be heard in February 2024.

There are also reputational and financial risks that could materialize from a failure to comply with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. To address these risks, iGO has established a comprehensive Anti-Money Laundering Policy and Program that includes the key elements as prescribed by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). In addition, iGO monitors operator risk and oversees operator compliance with iGO AML requirements. In its first year of market operations, iGO reviewed and filed over 26,000 regulatory reports to FINTRAC.

Gambling is an activity that brings with it inherent risks to players and consequently to iGO as the conductor and manager of igaming. With these risks in mind, iGO established mandatory requirements for operators that complement the AGCO's regulatory standards. These iGO requirements are: RG Check accreditation, mandatory operator spend on marketing campaigns that focus on responsible gambling messaging, participation in a future centralized-self exclusion registry, and the sharing of anonymized player data for the purposes of research. iGO will also be setting a baseline for player awareness of responsible gambling tools and reporting on this Key Performance Indicator.

### *Internal Risks*

During the 2022-23 fiscal year, iGO continued to operate in a hybrid environment with a combination of remote and in-person work arrangements. This can create internal risks related to employee performance, training, satisfaction, retention, and communication. To help with this hybrid environment, iGO completed a full cloud migration to its own tenant to enable a technological approach that was customizable to iGO's

needs. iGO also instituted in-person events such as town halls, monthly management meetings, and regular touchpoint meetings to ensure in-person communications both between and within departments.

iGO also grew during the 2022-23 fiscal year, bringing on dedicated human resources staff, bolstering the information & technology department, and making additional departmental hires where necessary. This helped to reduce burnout and increase employee satisfaction. That said, iGO ensured all hiring decisions were made under an organization wide effort to prioritize a lean, efficient organization. In the 2022-23 fiscal year, iGO delivered $2.5 million in provincial contribution per full-time equivalent employee – an important measure of our value for taxpayers – while also securing an employee satisfaction rate of 84% for the year, higher than iGO's target and also among the leaders for any Ontario government agency.

## Board Details

In accordance with O. Reg. 722/21 under the Alcohol and Gaming Commission of Ontario Act, 2019, the Minister of the Attorney General appoints a maximum of seven members to the Board of Directors of iGO on the recommendation of the Board of Directors of the AGCO. The Minister is required to designate one member as the chair of the Board and one member as vice-chair and ensure that the majority of the Board is not composed of directors, officers, or employees of the AGCO.

Appointees of the Board of Directors are paid the remuneration fixed by resolution of the Board of Directors of the AGCO subject to the approval of the Minister. The rate of remuneration is on a per diem basis of $200 per day for Board members, $250 per day for the vice-chair, and $350 for the chair.

Appointees are reimbursed for reasonable work-related expenses while engaged in the business of iGO in accordance with the Travel, Meal and Hospitality Expenses Directive and any other Treasury Board and Management Board of Cabinet directives. Board members that served during the 2022-2023 fiscal year and their terms are noted below. All Board members serve part-time roles.

Chair: DAVE FORESTELL
04-Apr-2022 - 26-July-2023 Toronto

Vice-Chair: NEVEEN TAKLA
04-Apr-2022 - 03-Apr-2023 Mississauga

Member: ALAN GERTNER
04-Apr-2022 - 03-Oct-2023 Toronto

Member: MIKE BUNN
13-Jan-2022 - 12-Jan-2024 Ramara

Member: GIOVANNI (JOHN) TRIVIERI
04-Apr-2022 - 03-Apr-2024 St. Catharines

Member: KARIN SCHNARR
04-Apr-2022 - 21-Aug-2023 Kitchener

The Board of Directors of iGO transitioned from an interim Board of Directors to a permanent Board of Directors on April 4, 2022. iGO Chair Dave Forestell resigned as Chair of the Board on July 26, 2023. Heidi Reinhart was appointed as Chair of the iGO Board of Directors on July 27, 2023.

## Achievements in Accordance with Mandate

iGO's mandate is detailed in its governing regulation, O.Reg 722/21 under the *Alcohol and Gaming Commission of Ontario Act, 2019*. This regulation mandates the organization to develop and establish certain lottery schemes as prescribed, promote responsible gambling, and conduct and manage the prescribed lottery schemes.

This mandate was largely achieved through the launch of the safe, legal, and regulated market on April 4, 2022. For the remainder of the year, iGO executed operating agreements with 46Operators leading to the launch of over 70 gaming websites – more than any other jurisdiction in North America. iGaming Ontario's operators accepted more than $35.5 billion in total wagers from over 1.6 million active player accounts on behalf of iGO. In just one year, Ontario has emerged as a leading igaming market in North America, helping support more than 12,000 jobs and providing over $96 million in net income and a more than $145 million in total financial contributions to the province when the provincial portion of iGO's HST payments are included. That amount is significantly higher than the government's original projection for iGO's first year.

iGO achieves its mandated responsible gambling accountability through a variety of measures such as mandatory operator accreditation by RG Check, participation in a future centralized self-exclusion program and responsible gambling focused advertisement requirements. In addition to these operator requirements, iGO is commissioning ongoing research into igaming participation and high-risk gambling behaviour in Ontario. To ensure consumers are protected, customer care and dispute resolution policies were developed that set out requirements and processes for players who have concerns or complaints related to products, services, or actions of an operator.

In addition to the mandate laid out in regulation, iGO also received a mandate letter from the Attorney General outlining a variety of priorities including: competitiveness, expenditure management, transparency and accountability, risk management, workforce managements, diversity and inclusion, data collection, digital delivery and customer service, collaboration with the OLG and AGCO on land-based gaming cross-promotion, and promoting further growth and consumer choice in the online gaming market.

To address these priorities iGO pursued the following initiatives:

*Competitiveness, Sustainability, and Expenditure Management* – iGO launched a record number of gaming operators – more than any jurisdiction in North America – in just one year, leading to $1.26 billion in Total Gaming Revenue and more than $145 million in total financial contributions to the province once HST remittance to the province is accounted for. Ontario's market is now widely regarded as one of the most competitive in the world.

*Transparency and Accountability* – iGO complied with applicable government directives and policies including publishing its first annual report and business plans. It co-operated with the Office of the Auditor General of Ontario, including on its inaugural audit with gaming revenues, and will comply with the Auditor's recommendations for improvement.

*Risk Management* – iGO conducted numerous risk management exercises, established Board sub-committees including one for Financial, Audit & Risk Management (FARM), and procured an outside vendor to help with the development of a risk management framework and monitoring.

*Workforce Management* – iGO has prioritized the creation of a lean, engaged, and efficient team.

*Diversity and Inclusion* – iGO continues to promote an equitable, diverse, accessible, and anti-racist workplace including participating in Ontario Public Service informational sessions and webinars around significant commemorations such as Black History Month and National Day for Truth and Reconciliation.

*Data Collection* – iGO is acting on its inaugural data strategy and using the gaming data under its control to publish publicly available reports as well as offer unique insights to operators and the public about player behaviour. This data collection also applies to responsible gambling statistics which will be used to inform future work in that area.

*Digital Delivery and Customer Service* – iGO embraced a hybrid workforce, including working outside of regular hours to accommodate international operators, to ensure seamless customer service throughout the COVID-19 pandemic. iGO has also been using the services of the AGCO contact centre to respond to consumer complaints and queries in a cost-effective and timely manner.

*Collaborating with the OLG and AGCO on Land-Based Gaming Cross-Promotion* – In the 2022-23 fiscal year iGO worked with its government gaming partners and land-based casinos towards allowing a forthcoming omnichannel experience that will enable joint loyalty programs through sharing of promotional data between loyalty programs in land-based gaming and online gaming sites owned by the same operators. iGO worked with the AGCO and other government partners to allow operators of Ontario's land-based charitable gaming centres to offer online peer-to-peer pay-to-play bingo where a portion of the operator's share of revenue is provided to charities.

*Increase Growth and Consumer Choice* – iGO onboarded 46 operators throughout the year to create one of the most competitive online gaming markets in the world, offering Ontario consumers more choice than ever before. iGO also ensured a flexible gaming catalogue that allows sports betting, casino play, and peer-to-peer poker. Throughout the year, iGO worked with operators to adjust internal policies and requirements to enable the launch of peer-to-peer bingo, betting exchanges, and pari-mutuel horse racing offerings. Each of these product expansions will help channelize players away from the illegal market and, directly or indirectly, increase revenue while maximizing consumer choice.

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> It has been great collaborating with iGaming Ontario, who has been instrumental in making this launch a success for all stakeholders.
>
> — Bruce Caughill, Managing Director, Canada, Rush Street Interactive

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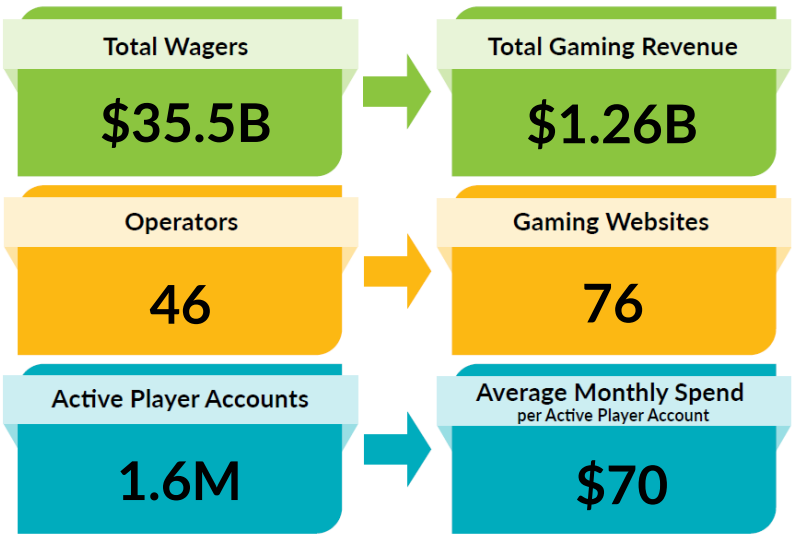
## Financial Highlights

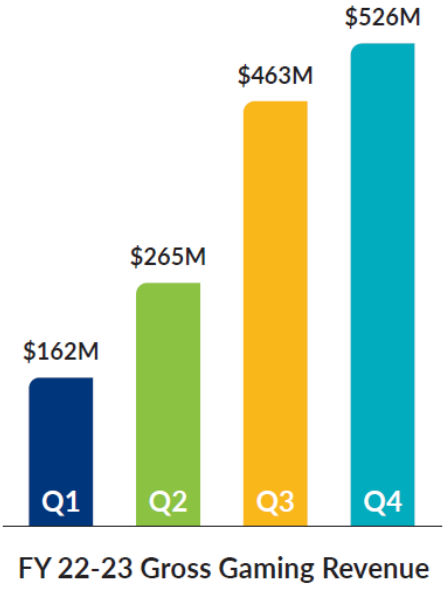
In iGO's first year of market operation, Ontarians wagered nearly $35.5 billion and generated $1.26 billion in Total Gaming Revenue. Total Gaming Revenue was driven by three main product lines: casino play, betting (including sports, novelty, e-sports, and proposition bets), and peer-to-peer poker. Peer-to-peer bingo products launched late in the 2022-23 fiscal year and made incremental amounts while betting exchange products did not launch during the 2023-2024 fiscal year and thus are not included in these figures. In total, $855 million in revenue was generated from online casino play, $368 million from betting, and $37 million from peer-to-peer poker.

Though the numbers are impressive, iGO has yet to have a full year of operations with a full complement of operators. When the market launched on April 4, 2022, iGO had 12 operators. By the end of the first quarter, that number had grown to 18 operators and, by the end of the fiscal year, that number had grown further to 46 operators. The cadence of onboarding, which peaked surrounding the October 31, 2022, grey market transition deadline put in place by the AGCO, partially explains the rate of wagers and Total Gaming Revenue seen in the chart below. As more operators went live and made customers aware of their offerings

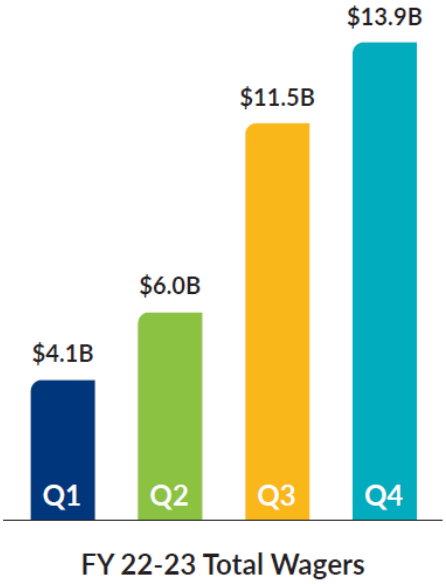
through advertising, both wagers and revenue increased (as seen below) culminating in a total of roughly $35.5 billion in total wagers and $1.26 billion in Total Gaming Revenue in fiscal year 2022-23.[4]

The timing and cadence of onboarding also explains some customer behaviour. For example, the launch of operators that feature peer-to-peer poker offerings were staggered throughout the year, partially explaining lower totals in that segment. Similarly, the sports calendar generally slows throughout the summer months with few, if any, National Basketball Association, National Football League, English Premier League, or National Hockey League contests throughout those months. Throughout the first year, basketball proved to be the most popular sport in terms of total wagers, followed by soccer, football, hockey, and baseball. Four of those sports take summer breaks which, when added to the cadence of onboarding, explains the increase




FY 22-23 Gross Gaming Revenue




FY 22-23 Total Wagers

[4] Numbers may not add due to rounding. These figures are in line with iGO's approved audited financial statements and may differ from previously reported unaudited figures due to the use of eligible deductions and timing issues related to settlement of wagers.

in wagering and revenue in the second half of the fiscal year. Given 2023-2024 will begin with considerably more operators than the beginning of 2022-2023, iGO expects significant revenue growth in 2023-2024.

Casino play continues to be a main driver of wagers and revenue. In 2022-2023, 48% of all casino wagers were on slots, with 32% on live table games, and another 19% on computer-based table games.

The 2022-2023 fiscal year saw wagers placed by more than 1.6 million active player accounts. According to a joint study released by the AGCO and iGO, 85.3% of Ontario players reported playing on a regulated site between January and March of 2023. This channelization rate is in large part due to the highly competitive and open nature of the Ontario market leading to a large number of operators, dynamic sports betting products, and over 5,000 casino games being available to Ontario players for the first time in a safe, regulated, and legal fashion.

In total, these numbers place Ontario as one of the most competitive igaming jurisdiction in North America. The wagering and revenue statistics also make Ontario a top 5 igaming jurisdiction in North America even though iGO has yet to undergo a full year of market operations with a full complement of operators. It should be noted that iGO's numbers do not include wagering or revenue statistics from the OLG's igaming business and, when added, further increase the size of the Ontario igaming market.

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> As one of the first companies to join Ontario's regulated igaming market, we welcome that our ongoing relationship with iGaming Ontario has allowed us to offer a quality product for our customers in a safe and responsible environment. We look forward to working together into the future to continue to raise standards in the regulated market.
>
> — Bet365

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# Management's Discussion and Analysis

## For the year ended March 31, 2023

The following Management's Discussion and Analysis (MD&A) is a commentary on the consolidated financial position and financial performance of iGaming Ontario (iGO or the Corporation) and should be read together with the audited Financial Statements of iGO for the fiscal year ended March 31, 2023.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Amounts are presented in Canadian dollars and are rounded to the nearest thousands. Certain comparative figures in this MD&A have been reclassified, where necessary, to conform to the current year's presentation. iGO adopted IFRS as its accounting framework effective April 1, 2022, where the previous year was reported under Canadian Public Sector Accounting Standards. There are no restatements required due to the change in accounting framework in the current fiscal year.

These financial statements represent iGO's first year of revenue generation, with the launch of the new regulated internet igaming market on April 4, 2022.

Please note that financial figures have been rounded or truncated, which means that certain charts or tables may not add or cross-tabulate. The Board of Directors approved the contents of this MD&A on Sept 29, 2023.

## Forward-Looking Statements

This MD&A contains forward-looking statements about expected or potential future business and financial performance. For iGO, forward-looking statements include, but are not limited to: statements about possible future revenue and other statements about future events or conditions. Forward-looking statements are not guaranteeing future performance and involve risks and uncertainties that could cause actual results to differ materially from those projected. These uncertainties include but are not limited to: the economic environment, customer demand, changes in government policy, the outcome of litigations, the competitive environment, the timing and number of new Gaming Operators, and changes in regulation.

Although such statements are based on management's current estimates, expectations and currently available competitive, financial and economic data, forward-looking statements are inherently uncertain. The reader is cautioned that a variety of factors could cause business conditions and results to differ materially from what is contained herein.

## Non-IFRS measures

In the following analysis, iGO uses some key performance indicators and non-IFRS measures which management believes are useful in assessing the Corporation's performance. Readers are cautioned that these measures may not have standardized meanings under IFRS and therefore, may not be comparable to similar terms used by other companies.

*Wagers: includes the aggregate amount of all cash and cash equivalents collected from players for the right to participate in the eligible igames. Wagers includes rake fees, tournament fees and other fees.*

*Winnings: means the amount of money payable to a player as a result of the consequences of the outcome of the eligible igames.*

*Total iGO Contribution to the Province:* Represents iGO's Net Income plus a portion of the GST/HST that iGO pays to the Federal Government, that is recovered to the Province of Ontario. iGO estimates approximately 37% of the GST/HST it pays to the Federal Government is recovered by the Province.

iGO's revenues are driven through the multitude of independent, national and international gaming operators. iGO conducts and manages internet gaming with these gaming operators via a commercial contractual relationship, (an operating agreement, the 'Agreement'), where the operator is accountable to fund and deliver all gaming operations required to generate igaming revenues in accordance with the terms of the Agreement. iGO makes operator payments to each gaming operator in accordance with the terms of the Agreement. Net Gaming Revenue, being Gaming Revenue less Operator Payments was $239.9 million for the year.

### *Financial Summary: (in Millions)*

| | Fiscal 2022-23 | For the Period July 6, 2021 to March 31, 2022 |
|---|---|---|
| **REVENUE** | | |
| Gaming Revenue | 1,259.9 | n/a |
| Less Operator Payments | 1,020.0 | n/a |
| **Net Gaming Revenue** | **239.9** | **n/a** |
| Other Income | 4.9 | n/a |
| | | |
| **EXPENSES** | | |
| GST/HST | 133.7 | 1.2 |
| Salaries & Benefits | 8.8 | 3.3 |
| General Operating, Administration & Other | 4.7 | 1.7 |
| Information Technology & Infrastructure Services | 1.1 | 2.1 |
| Marketing & Promotion | 0.2 | 0.3 |
| Depreciation[1] | 0.0 | 0.0 |
| | | |
| **Net Income** | **96.2** | **(8.7)** |
| Provincial Portion of GST/HST Refunded to Province | 49.5 | 0.4 |
| | | |
| **Total iGO Contribution to Province** | **145.7** | **(8.3)** |

*[1] Depreciation expense of $29,000 and $16,000 was incurred for fiscal 2022-23 and 2021-22 respectively.*

The prior fiscal year reflects iGO's first year of operations, being from the July 6, 2021, the date of establishment, until the fiscal year end of March 31, 2022. As noted above, the igaming market in Ontario launched on April 4, 2022, the current fiscal year. Accordingly, the prior fiscal year only reflects expenditures as iGO carried out various pre-market launch readiness activities such as ensuring the required resources, processes, policies and procedures, and commercial contracts were in place.

In its first year of revenue operations iGO generated strong financial returns to the province, $96.2 million in net income for the year ending March 31, 2023, and almost $146 million of contributions generated for the Province, when considering the amount of GST/HST that is recovered by the Province.

For additional clarity, GST/HST is one of the largest expenditures incurred by iGO, primarily attributable to the incurrence of Operator Payments. Operator payments attract a 13% GST/HST obligation for iGO, which is remitted to the Canada Revenue Agency and total HST was $133.7 million in 2022-2023.

Salaries and Benefits expenditures increased by $5.5 million, to $8.8 million, primarily due to less reliance on shared AGCO resources, incremental hires to support the market launch, and the impact of a full year of operations (the prior fiscal reflected nine months of operations only). The market response, and the number of operators seeking to join the new market in the first year far surpassed iGO's original expectations. As a result, iGO needed to respond to ensure the appropriate number of resources were in place to manage the demand and required workloads to enable a well controlled and successful launch of each new gaming operator. iGO reduced the utilization of AGCO shared resources during the fiscal year as iGO established its required independent functions, such as IT support functions. The use of AGCO shared FTE resources declined to approximately 10 FTEs in fiscal 2022-23 versus 13 FTEs in fiscal 2021-22.

General Operating, Administration and Other increased year over year in part due to a full year of operations, combined with higher banking fees than in the previous year.

Financial Statements of

# iGaming Ontario

Year ended March 31, 2023 and for the period from July 6, 2021 (date of incorporation) to March 31, 2022

# iGaming Ontario

## Management Statement of Responsibility for Financial Reporting

### Responsibility for Financial Reporting:

The accompanying Financial Statements of iGaming Ontario (iGO) have been prepared in accordance with International Financial Reporting Standards (IFRS). The preparation of Financial Statements in conformity with IFRS requires management to make judgments, estimations, and assumptions (that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses). Estimations and underlying assumptions are reviewed on an ongoing basis.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors, through the Finance, Audit and Risk Management Committee, is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls.

The Financial Statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly represented in accordance with International Financial Standards. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.

Martha Otton

Executive Director

Date: August 17, 2023

Jerry Zhang

Director, Strategic Business Services

Date: August 17, 2023

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

# INDEPENDENT AUDITOR'S REPORT

## To iGaming Ontario

## Opinion

I have audited the financial statements of iGaming Ontario, which comprise the statements of financial position as at March 31, 2023 and 2022, and the statements of income and comprehensive income, changes in equity (deficit) and cash flows for the year ended March 31, 2023 and for the period from July 6, 2021 to March 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of iGaming Ontario as at March 31, 2023 and 2022, and its financial performance and its cash flows for the year ended March 31, 2023 and for the period from July 6, 2021 to March 31, 2022 in accordance with International Financial Reporting Standards (IFRSs).

## Basis for Opinion

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

## Emphasis of Matter

I draw attention to Note 17 of the financial statements, which describes the notice of application between Mohawk Council of Kahnawà:ke and iGaming Ontario and the Attorney General of Ontario. This notice of application challenges the legality of Ontario's internet gaming framework. My opinion is not modified in respect of this matter.

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www.auditor.on.ca

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing iGaming Ontario's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless iGaming Ontario either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing iGaming Ontario's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of iGaming Ontario's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on iGaming Ontario's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause iGaming Ontario to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The audit of these financial statements is a group audit engagement. As such, I also obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit and I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audits.

Toronto, Ontario
August 17, 2023

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

# iGaming Ontario

Statement of Financial Position

As at March 31, 2023 and 2022
(In thousands of dollars)

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash | | $ 130,017 | $ 3 |
| Restricted cash | 5 | 9,802 | - |
| Accounts receivable | 6 | 35,749 | - |
| Prepaid assets | | 121 | - |
| Total current assets | | 175,689 | 3 |
| Non-current assets | | | |
| Property and equipment | 7 | 116 | 66 |
| Total assets | | $ 175,805 | $ 69 |
| **Liabilities and Equity** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 8 | 42,353 | 161 |
| Due to Alcohol and Gaming Commission of Ontario | 10 | 2,703 | 7,884 |
| Due to Government of Canada | 13 | 18,162 | 621 |
| Due to Gaming Operators | 5 | 9,802 | - |
| Derivative liabilities | 14 | 15,130 | - |
| Total current liabilities | | 88,150 | 8,666 |
| Non-current liabilities | | | |
| Non-pension employee benefits | 11 | 178 | 127 |
| Total liabilities | | 88,328 | 8,793 |
| Equity (deficit) | | | |
| Retained earnings (deficit) | | 87,477 | (8,724) |
| Total equity (deficit) | | 87,477 | (8,724) |
| Total liabilities and equity | | $ 175,805 | $ 69 |

Contingencies (Note 17)
Subsequent events (Note 18)

See accompanying notes to financial statements.

On behalf of the Board:

Heidi Reinhart _____ Chair

Mike Bunn _____ Director

# iGaming Ontario

Statement of Income and Comprehensive Income

Year ended March 31, 2023 and for the period from
July 6, 2021 (date of incorporation) to March 31, 2022
(In thousands of dollars)

| | Note | 2023 | Period from July 6, 2021 to March 31, 2022 |
|---|---|---|---|
| Gaming revenue | 3(a), 9 | $ 1,259,865 | $ - |
| Operator payments | 3(b) | (1,019,996) | - |
| Net gaming revenue | | 239,869 | |
| Other income | 3(m) | 4,894 | - |
| Expenses | | | |
| GST/HST expense | 10, 13 | 133,721 | 1,241 |
| Salaries and benefits | 10, 11 | 8,768 | 3,328 |
| General operating, administration and other | 3(l),10 | 4,719 | 1,739 |
| Information technology and infrastructure services | 10 | 1,104 | 2,054 |
| Marketing and promotion | 10 | 221 | 346 |
| Depreciation | 7 | 29 | 16 |
| | | 148,562 | 8,724 |
| Net income (loss) and comprehensive income (loss) | | $ 96,201 | $ (8,724) |

See accompanying notes to financial statements.

# iGaming Ontario

Statement of Changes in Equity (Deficit)

Year ended March 31, 2023 and for the period from
July 6, 2021 (date of incorporation) to March 31, 2022
(In thousands of dollars)

| | 2023 | 2022 |
|---|---|---|
| Equity (deficit) at beginning of year | $ (8,724) | $ - |
| Net income (loss) for the period | 96,201 | (8,724) |
| Equity (deficit) at end of year | $ 87,477 | $ (8,724) |

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

# iGaming Ontario

Statement of Cash Flows

Year ended March 31, 2023 and for the period from
July 6, 2021 (date of incorporation) to March 31, 2022
(In thousands of dollars)

| | 2023 | Period from July 6th, 2021 to March 31, 2022 |
|---|---|---|
| Operating activities: | | |
| Net income (loss) for the year | $ 96,201 | $ (8,724) |
| Adjustments for: | | |
| Depreciation | 29 | 16 |
| Interest income | (2) | - |
| Changes in working capital: | | |
| Increase in accounts receivables | (35,749) | - |
| Increase in prepaid assets | (121) | - |
| Increase (decrease) in due to Alcohol and Gaming Commission of Ontario | (5,181) | 7,884 |
| Increase in due to Government of Canada | 17,541 | 621 |
| Increase in derivative liabilities | 15,130 | - |
| Increase in accounts payables and accrued liabilities | 42,192 | 161 |
| Increase in due to Gaming Operators | 9,802 | - |
| Increase in non-pension employee benefits | 51 | 127 |
| Cash provided by operating activities | 139,893 | 85 |
| Investing activities: | | |
| Additions to property and equipment | (79) | (82) |
| Interest received | 2 | - |
| Cash used in investing activities | (77) | (82) |
| Net increase in cash and restricted cash during the year | 139,816 | 3 |
| Cash and restricted cash, beginning of year | 3 | - |
| Cash and restricted cash, end of year | $ 139,819 | $ 3 |
| Cash | 130,017 | 3 |
| Restricted cash | 9,802 | - |
| Cash and restricted cash, end of year | $ 139,819 | $ 3 |

# iGaming Ontario

Notes to Financial Statements

Year ended March 31, 2023 and for the period from
July 6, 2021 (date of incorporation) to March 31, 2022
(In thousands of dollars)

## 1. Reporting entity

iGaming Ontario (iGO or the Corporation) was established without share capital on July 6, 2021 as a subsidiary corporation of the Alcohol and Gaming Commission of Ontario (AGCO) pursuant to Ontario Regulation 517/21 under the *Alcohol, Cannabis and Gaming Regulation and Public Protection Act, 1996* and continued under Ontario Regulation 722/21 under the *Alcohol and Gaming Commission of Ontario Act, 2019* (the "Regulation").

The Corporation is responsible to develop, undertake and organize prescribed online gaming schemes, to promote responsible gambling on those schemes, and to conduct and manage the schemes in accordance with the *Criminal Code (Canada)* and the *Gaming Control Act, 1992*. iGO makes payments out of the revenue that it receives from all prescribed online gaming schemes and that it generates from its conduct and management of those schemes in priority established in the Regulation. iGO transfers most of its earnings to the Province's Consolidated Revenue Fund in the form of a dividend. Refer to subsequent event (Note 18).

The AGCO is responsible for overseeing iGaming Ontario's conduct and management of Internet gaming, and also recommendations regarding appointments to the board of iGaming Ontario to the Attorney General.

The Attorney General is responsible for appointing board members to iGaming Ontario based on these recommendations. The Minister of Finance determines the timing of any cash remittances from iGaming Ontario to the Province of Ontario. As a result, the financial results of iGaming Ontario are not consolidated into the AGCO's financial statements as iGaming Ontario is controlled by the Province of Ontario and is consolidated into the Province's financial statements.

Pursuant to the *Income Tax Act*, iGO is exempt from income taxes.

The Corporation's head office and corporate office, respectively, are located at: 90 Sheppard Avenue East, North York, Ontario, Canada, M2N 0A4.

On April 4, 2022, iGO launched the new market for online gaming in Ontario. On this date, private gaming companies ("Gaming Operators") that executed an operating agreement ("Operating Agreement") with iGO began to offer their games to players in Ontario. For the period July 6, 2021 to March 31, 2022, iGO earned no gaming revenue since the market was launched subsequent to March 31, 2022.

Under the Operating Agreements, iGO appoints Gaming Operators as its agents solely to operate websites that offer, on behalf of iGO, online games to players in the Province of Ontario. The Corporation conducts and manages the regulated Internet gaming market in Ontario, while the Gaming Operators provide their services, in accordance with the terms of the Operating Agreement.

The Corporation does not control these Gaming Operators and therefore, does not consolidate the financial position or results of operations of these Gaming Operators.

**1. Reporting entity (continued)**

As at March 31, 2023, iGO has entered into Operating Agreements with 46 Gaming Operators.

These financial statements were authorized for issue by the Board of Directors of iGO on August 17, 2023.

**2. Basis of presentation**

(a) Statement of compliance:

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

These financial statements are the first financial statements prepared by the Corporation under IFRS and, as such, are prepared in accordance with the provisions of IFRS 1 – First Time Adoption of International Financial Reporting Standards. Refer to Note 19 for information on how the Corporation adopted IFRS.

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis except for the derivative liabilities measured at fair value through profit and loss (Note 3(f)).

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars. The Canadian dollar is the Corporation's functional currency and the currency of the primary economic environment in which the Corporation operates.

(d) Use of estimates and judgments:

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

- Revenue (Note 3 (a))
- Due to the Government of Canada (Note 13)

**2. Basis of presentation (continued)**

(d) Use of estimates and judgments (continued):

- Contingencies (Note 17)

An area of significant estimation and uncertainty that may have a significant effect on the amounts recognized in the financial statements, and could result in a material adjustment within the next fiscal year is the fair value measurement of derivative liabilities as of March 31, 2023, which is discussed in Note 3(f).

**3. Significant accounting policies**

(a) Gaming revenue:

The Corporation earns revenue from offering online games through a network of third-party Gaming Operators. These services, performed under Operating Agreements, are accounted for as a single performance obligation composed of a series of distinct services that are substantially the same and have the same pattern of transfer (i.e. distinct days of service). Gaming revenue generated from online games is recorded in the same period the games are played. Gaming revenue is measured at the fair value of the consideration received or receivable.

The Corporation's gaming revenue includes the gross amounts, or wagers collected by Gaming Operators from players less winnings paid to players and less eligible deductions. Wagers include rake fees, tournament fees and other fees. Eligible deductions are cashable payments to players derived from the wagering of promotional play funds such as free bets or bonuses dependant on conditions and up to a limit specified in Operating Agreements.

The Corporation has used significant judgment in determining that it should recognize revenue on a gross basis as it is the principal for the online lottery schemes. To determine that the Corporation is the principal, it considers whether it obtains control of the services before these are transferred to the players. In making this evaluation, several factors are considered, most notably whether the Corporation has primary responsibility for fulfilment to the players based on the terms of the Operating Agreements.

The Corporation disaggregates revenue into the following products and is shown in Note 9:

- *Casino* games includes slots, live and computer-based table games, and peer-to-peer bingo.
- *Betting* includes betting on sports, esports as well as proposition and novelty bets.
- *Peer-to-Peer Poker* includes cash games and tournaments where players play against each other.

**3. Significant accounting policies (continued)**

Significant judgment is needed to determine whether gaming bets and online casino gaming transactions are within the scope of IFRS 9 – Financial Instruments ("IFRS 9") or IFRS 15 – Revenue from Contracts with Customers ("IFRS 15").

Transactions where an Operator takes a position against a player and the revenue varies depending on the likelihood of the occurrence of a specified event meet definition of derivatives and are accounted for in accordance with IFRS 9. In such transactions, revenue is recorded as the gain or loss on betting transactions settled during the period plus fair value adjustments on open bets under IFRS 9. The Corporation accounts for Betting and Casino transactions in accordance with IFRS 9.

Transactions where Gaming Operators are only administering games without taking any position are accounted for in accordance with IFRS 15. The Corporation accounts for Peer-to-Peer Poker transactions in accordance with IFRS 15.

Gaming revenue includes the Corporation's net gains or net losses on derivative financial liabilities measured at fair value through profit and loss as discussed in Note 14.

(b) Operator payments:

In accordance with the terms of each Operating Agreement, Gaming Operators accept, on behalf of and as agent for the Corporation, bets on eligible online games offered on Gaming Operators' websites. Gaming Operators are also required to pay, on behalf of and as agent for the Corporation, all winnings to players. Gaming Operators remit all wagers less winnings and eligible deductions to iGO. The Corporation remits 80% of the gaming revenue deposited back to each Gaming Operator as variable compensation for the online services they provide to players as iGO's agent, in accordance with the terms of the Operating Agreement and any related policies. The Corporation reflects the 80% Gaming Operator revenue share payment as a cost of earning gaming revenues.

The cost is recorded in the Statement of Income and Comprehensive Income simultaneously as the gaming revenue is earned.

(c) Cash:

Cash is comprised of cash held with financial institutions and excludes restricted cash related to performance security received from Gaming Operators under Operating Agreements.

(d) Restricted cash:

Restricted cash, represents the amounts of cash deposited into a segregated bank account from certain Gaming Operators to satisfy performance security requirements under their Operating

**3. Significant accounting policies (continued)**

(d) Restricted cash (continued):

Agreement (Note 5). These funds are held in accordance with the terms of the Operating Agreement and a separate agreement signed between iGO and the respective Gaming Operator.

(e) Property and equipment:

(i) Recognition and measurement:

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes an expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized on a net basis in the Statement of Income and Comprehensive Income.

(ii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognized in the Statement of Income and Comprehensive Income on a straight-line basis over the estimated useful life of each component of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

- Computer equipment 3 years
- Video equipment 5 years

(f) Financial instruments:

(i) Financial assets:

Initial Recognition and Measurement:

The Corporation recognizes a financial asset when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value

**3. Significant accounting policies (continued)**

(f) Financial instruments (continued):

(i) Financial assets (continued):

through profit or loss or through other comprehensive income are expensed in the Statement of Income and Comprehensive Income when incurred.

Classification and subsequent measurement:

On initial recognition, financial assets are classified as, and subsequently measured at, amortized cost, fair value through other comprehensive income or fair value through profit or loss. The Corporation determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost – Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, and derecognition are recognized in the Statement of Income and Comprehensive Income. Financial assets measured at amortized cost comprise of cash, restricted cash, and accounts receivable.
- Fair value through other comprehensive income – Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. All changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to the Statement of Income and Comprehensive Income. The Corporation does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily or designated at fair value through profit or loss – Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in the Statement of Income and Comprehensive Income. The Corporation does not hold any financial assets mandatorily or designated measured at fair value through profit or loss.

**3. Significant accounting policies (continued)**

(f) Financial instruments (continued):

(i) Financial assets (continued):

Derecognition of financial assets:

The Corporation derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

(ii) Financial liabilities:

Recognition and initial measurement:

The Corporation recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Corporation measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss ("FVTPL") for which transaction costs are immediately recorded in the Statement of Income and Comprehensive Income.

Classification and subsequent measurement:

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method or FVTPL.

The Corporation's non-derivative financial liabilities measured at amortized cost are comprised of accounts payables and accrued liabilities, due to AGCO, due to Gaming Operators, and due to Government of Canada. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method, if applicable. Interest expense is recognized in the Statement of Income and Comprehensive Income.

The Corporation's derivative financial liabilities measured at FVTPL consist of unsettled betting transactions as at the financial reporting date. Subsequent to initial recognition, these financial liabilities are measured at fair value. Net gains or losses are recognized in gaming revenue on the Statement of Income and Comprehensive Income.

Derecognition of financial liabilities:

The Corporation derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

**3. Significant accounting policies (continued)**

(f) Financial instruments (continued):

(iii) Fair values measurement:

The Corporation, when applicable, provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - inputs are quoted prices in active markets for identical assets and liabilities.
- Level 2 - inputs are based on observable market data, either directly or indirectly other than quoted prices; and includes the derivative liability.
- Level 3 - inputs are not based on observable market data.

(g) Offsetting:

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position only when the Corporation has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(h) Impairment:

(i) Financial assets:

At each reporting date, the Corporation assesses whether financial assets carried at amortized cost are credit impaired. The Corporation applies the simplified approach for accounts receivables. Using the simplified approach, the Corporation records a loss allowance equal to the expected credit losses (“ECL”) resulting from all possible default events over the assets’ contractual lifetime.

The Corporation uses historic actual credit losses as the basis for estimating ECLs and uniformly applies this estimate to its gross balance (net of balances already fully impaired and written off) at each reporting date. The Corporation believes this amount to best reflect the ECL.

Loss allowances on financial assets measured at amortized cost are deducted from the gross carrying amount of the asset, and the related impairment loss is recorded in the Statement of Income and Comprehensive Income. The gross carrying amount of a financial asset is written off when the Corporation has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

**3. Significant accounting policies (continued)**

(i) Provisions:

Provisions are liabilities of uncertain timing and amount. A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount would be recognized on the Statement of Income and Comprehensive Income. Provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

(j) Employee benefits:

(i) Defined benefit pension plan:

A defined benefit plan is a post-employment benefit plan that requires entities to record their net obligation in respect of the plan and is not a defined contribution plan. The Corporation provides defined benefit pension plan through the Public Service Pension Fund (PSPF). The Corporation does not have a net obligation in respect of the defined benefit pension plan as the plan is a sole-sponsored defined benefit plan established by the Province of Ontario, and there is no contractual agreement or stated policy for charging the net defined benefit cost of the plan to the Corporation. The Province of Ontario controls all entities included in the pension plan.

The Corporation's contributions to the plan are accounted for on a defined contribution basis. Accordingly, the Corporation's contributions are charged to the Statement of Income and Comprehensive Income in the period the contributions become payable.

(ii) Other long-term employee defined benefit plan:

Separation payment benefits:

The Corporation provides separation payment benefits to some of its employees. This benefit was grandfathered for eligible AGCO employees hired by iGO prior to June 30, 2022. These employees are entitled to separation payment in the event of retirement, resignation, or death.

Former full-time AGCO employees hired prior to April 1, 2015, and who have completed at least five years of continuous service as a permanent full-time employee with the AGCO as of April 1, 2015, are eligible for a separation payment equivalent to one week's base pay for each year of active service up to a maximum of 16 weeks upon retirement, resignation, or death.

**3. Significant accounting policies (continued)**

(j) Employee benefits (continued):

(ii) Other long-term employee defined benefit plan (continued):

Former full-time AGCO employees hired prior to April 1, 2015 and who had not completed five years of continuous service as a permanent full-time employee as of April 1, 2015, will only be eligible for a separation payment in the event of retirement, resignation, or death if they have completed at least 10 years of continuous service as a permanent full-time employee as of the date of their retirement, resignation, or death.

(iii) Accumulated compensated leaves:

The Corporation also provides a facility to some of its employees for accumulating their annual earned leaves up to a cap of 125 days. Accumulated leaves can be encashed at the end of the employee's service.

The Corporation's obligation for the other long-term employee benefits are the amounts of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine their present values and are unfunded. The discount rate is the yield at the reporting date on AA/AAA credit-rated bonds that have maturity dates approximating the terms of the Corporation's obligations. The calculation is performed using the projected unit credit method. Any gains and losses are recognized in the Statement of Income and Comprehensive Income in the period in which they arise.

(iv) Termination benefits:

Termination benefits are recognized as an expense at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, they are discounted to their present value.

(v) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability and expense are recognized for the amount expected to be settled wholly within 12 months of the end of the reporting period if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Corporation also provides a facility to its employees to carry forward one year's vacation from one calendar year to the next. The annual cost of staff vacation is recognized as an expense in the financial statements on an accrual basis.

**3. Significant accounting policies (continued)**

(k) Shared resources costs:

AGCO provides certain resources to iGO including the provision of goods, services or advice by AGCO personnel and through any third-party that has been procured by the AGCO for that purpose ("Shared Resources"). The Shared Resources are charged back to iGO using an overhead rate or based on direct usage if the costs are directly attributable to iGO.

(l) General operating, administration and other:

General operating, administration and other expenses are primarily comprised of office supplies and consumables, travel, telecommunication, office space rental, and other miscellaneous expenses.

(m) Other income:

Other income represents interest income earned on bank account balances which is recognized when deposited, and a recovery of certain banking fees from Gaming Operators which is recognized when the recovery is charged.

(n) Goods and services tax / Harmonized sales tax (GST/HST):

As a prescribed registrant, the Corporation is obligated to calculate and remit GST/HST to the Government of Canada for gaming related operations pursuant to the Games of Chance (GST/HST) Regulations of the *Excise Tax Act*.

## 4. New accounting standards and interpretations issued but not yet effective

The Corporation has not yet applied the following new standards, interpretations and amendments to standards that have been issued but are not yet effective. Unless otherwise stated, the Corporation does not plan to early adopt any of these new or amended standards and interpretations.

*Amendments to IAS 1 – Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the Statement of Financial Position and not the amount or timing of recognition of any asset, liability, income, or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counter-party of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The amendments are not expected to have a material impact on the Corporation.

*Amendments to IAS 1 - Presentation of Financial Statements*

In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The IASB also issued amendments to IFRS Practice Statement 2 Making Materiality Judgments (the PS) to support the amendments in IAS 1 by explaining and demonstrating the application of the four-step materiality process to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their significant accounting policies with a requirement to disclose their material accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023. The amendments are not expected to have a material impact on the Corporation.

*IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

Amendments to IAS 8, issued in February 2021, introduce a new definition of "accounting estimates" to replace the definition of "change in accounting estimates" and also include clarification intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments are not expected to have a material impact on the Corporation.

## 5. Restricted cash

Restricted cash represents cash received from Gaming Operators as performance security and held by iGO in a segregated bank account (Note 3(d)). Pursuant to Operating Agreements, Gaming Operators are required to submit a performance security with the Corporation that may be in form of cash deposits, letter of credits, surety bonds or any other instrument acceptable to the Corporation. Under Operating Agreements, performance security serves as collateral and may be drawn upon by the Corporation to satisfy payments of debts and liabilities of Gaming Operators with the Corporation, losses for which the Gaming Operators are responsible, or for any winnings not paid by Gaming Operators as at March 31, 2023. Due to Gaming Operators represents the liability related to this restricted cash.

The Corporation recognizes the performance security held by iGO in a segregated bank account in the Statement of Financial Position. Performance security issued or maintained by Gaming Operators are not recognized by the Corporation.

## 6. Accounts receivable

Accounts receivable of $35,749 (2022 – Nil) are due from Gaming Operators and consist of gaming revenues receivable and non-gaming related chargebacks as at March 31, 2023.

## 7. Property and equipment

| **Costs** | Computer Equipment | Audio-video Equipment | Total |
|---|---|---|---|
| Balance at July 6, 2021 | $ - | $ - | $ - |
| Additions | 82 | - | 82 |
| Balance at March 31, 2022 | 82 | - | 82 |
| Additions | 60 | 19 | 79 |
| Balance at March 31, 2023 | $ 142 | $ 19 | $ 161 |

| **Accumulated depreciation** | Computer Equipment | Audio-video Equipment | Total |
|---|---|---|---|
| Balance at July 6, 2021 | $ - | $ - | $ - |
| Depreciation for the period | 16 | - | 16 |
| Balance at March 31, 2022 | 16 | - | 16 |
| Depreciation for the year | 29 | - | 29 |
| Balance at March 31, 2023 | $ 45 | $ - | $ 45 |
| | | | |
| Carrying amounts at March 31, 2022 | 66 | - | 66 |
| Carrying amounts at March 31, 2023 | $ 97 | $ 19 | $ 116 |

## 8. Accounts payable and accrued liabilities

| | 2023 | 2022 |
|---|---|---|
| Accounts payable – Gaming Operators | $ 40,155 | $ - |
| Accounts payable and accrued liabilities – general | 1,938 | - |
| Short-term employee benefits | 260 | 161 |
| | $ 42,353 | $ 161 |

Accounts payable to Gaming Operators consists of $29,679 (2022 – Nil) relating to the 80% revenue share of gaming revenue and eligible deductions of $10,476 (2022 – Nil) as at March 31, 2023. The Corporation's accounting policy and exposure to liquidity risks related to accounts payable and accrued liabilities is disclosed in Note 15.

## 9. Gaming revenue

The following table details the disaggregation of the Corporation's gaming revenue by product for the year ended March 31, 2023:

| | Casino | Betting | Peer-to-Peer Poker | Total |
|---|---|---|---|---|
| Wagers | $ 27,582,415 | $ 6,969,460 | $ 992,369 | $ 35,544,244 |
| Less: Winnings and eligible deductions | (26,727,629) | (6,586,185) | (955,435) | (34,269,249) |
| Fair value of derivative liabilities | - | (15,130) | - | (15,130) |
| Gaming revenue | $ 854,786 | $ 368,145 | $ 36,934 | $ 1,259,865 |

## 10. Due to the Alcohol and Gaming Commission of Ontario

On April 1, 2022, AGCO and iGO entered into a Shared Resources Agreement (the "Agreement"), pursuant to which AGCO provides human resources, payroll, procurement, facilities, communication and information technology services on a cost recovery basis ("Shared Resources"). The total cost of these Shared Resources was $1,808 (2022 – $1,131), plus HST of $235 (2022 – $147), and is included within the related expense categories on the Statement of Income and Comprehensive Income. The Agreement expired on March 31, 2023 and was renewed on April 1, 2023 for another year.

The AGCO also paid direct expenses, including salaries and benefits of iGO employees and vendor invoices of $7,666 (2022 – $6,133), plus HST of $38 (2022 – $473), and these costs are fully recovered by AGCO.

As at March 31, 2023, $2,703 (2022 – $7,884) is outstanding, inclusive of HST, and is included in Due to the Alcohol and Gaming Commission of Ontario in the Statement of Financial Position.

## 11. Employee benefits

a) Defined benefit pension plan:

The Corporation's required contributions of $464 (2022 – $190) is included in salaries and benefits expenses on the Statement of Income and Comprehensive income.

b) Non-pension employee benefits (unfunded):

The present value of the Corporation's unfunded other post-employment benefit plans is $178 (2022 – $127).

**11. Employee benefits (continued)**

b) Non-pension employee benefits (unfunded) (continued):

The main assumptions underlying the valuation are as follows:

- The liability at year-end being the present value of future liability was determined using a discount rate of 3.5% to 4.2% (2022 – 3.1% to 3.2%) representing an estimate of the yield on high quality corporate bonds as at the valuation date. A 1% increase or decrease in the discount rate would result in a decrease of $6 (2022 – $13) or increase of $8 (2022 – $15) to the liability, respectively.
- Future general salary levels were assumed to increase at 3.5% (2022 – 3.5%) per annum.
- Cost of living adjustments ("COLA") were assumed to increase at 1.0% (2022 – 1.0%) per annum.

**12. Related parties**

The Corporation is a legal subsidiary of the AGCO and is also related to various other government agencies, ministries and Crown corporations. All transactions with these related parties are in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

Related party transactions include:

- Transactions with the AGCO (Note 10);
- Contributions to the Public Service Pension Fund (Note 3(j)(i) and Note 11(a));
- Key management personnel compensation; and
- Recovery of AGCO's regulatory costs.

*Key management personnel compensation*

The Corporation's key management personnel, consisting of its Board of Directors and senior leadership members including the Executive Director and their direct reports, have authority and responsibility for overseeing, planning, directing and controlling the activities of the Corporation.

Key management personnel compensation includes:

| | 2023 | 2022 |
|---|---|---|
| Salaries and short-term employee benefits | $ 1,804 | $ 987 |
| Post employment benefits | 138 | 92 |
| Directors' fees | 14 | 13 |
| | $ 1,956 | $ 1,092 |

**12. Related parties (continued)**

*Recovery of AGCO's regulatory cost relating to iGaming's Internet Gaming Market*

Under Section 12.1 of the AGCO Act, the AGCO is permitted to direct payment from the Corporation. The Operator Agreements between the Corporation and Gaming Operators establish that Gaming Operators are responsible for costs charged by the AGCO in regulating the internet gaming market, regardless of whether the costs are initially billed to the Corporation by the AGCO or billed directly to Gaming Operators. For the year ended March 31, 2023, an amount of $4,254 (2022 – Nil) was billed and collected from the Gaming Operators directly by the AGCO.

**13. Due to the Government of Canada**

The Corporation remits GST/HST to the Government of Canada on the basis it will be a Prescribed Registrant pursuant to the Games of Chance (GST/HST) Regulations of the *Excise Tax Act*. The Corporation's net tax for a reporting period is calculated using net tax attributable to online gaming activities.

The non-recoverable GST/HST payable to suppliers and the additional imputed tax payable to the Government of Canada on online gaming-related expenses were recognized as payments to the Government of Canada, which are recorded as GST/HST expense on the Statement of Income and Comprehensive Income.

The net tax attributable to online gaming activities results in a 26 per cent tax burden on most taxable online gaming expenditures incurred by the Corporation.

Gaming Operators qualify as distributors as defined in the *Excise Tax Act*. GST/HST of 13 per cent is self-assessed on the fees paid to Gaming Operators for services provided pursuant to Operating Agreements (see Note 3(n)).

**14. Derivative liabilities**

Derivative liability of $15,130 represents the net liability position of all bets placed and open as of March 31, 2023. The derivative liabilities are carried at fair value through profit or loss determined using Level 3 fair value measurement inputs. Fair value is calculated by using appropriate historical hold percentage applied to the outstanding open bet balance. Fair value adjustment of $15,130 was recorded in revenue on the Statement of Income and Comprehensive Income for the year ended March 31, 2023 (2022: Nil).

A 1% increase or decrease in hold percentage would result in $161 decrease or increase in the fair value of derivative liability at March 31, 2023 and corresponding increase or decrease in net income (loss) and comprehensive income (loss) for the year ended March 31, 2023.

## 15. Financial Risk Management

The carrying values of cash, restricted cash, accounts receivables, due to AGCO, due to Government of Canada, due to Gaming Operators, and accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these financial instruments.

The Corporation's financial instruments expose it to a variety of risks. The Corporation has implemented a risk management program to identify and mitigate exposure to credit risk, and liquidity risk.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. In the normal course of business, the Corporation is exposed to credit risk from its cash and accounts receivable. iGO holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. The accounts receivable represents the Corporation's maximum exposure to credit risk, however, this risk is mitigated by letters of credit or cash deposited by the Gaming Operators and held by iGO in a segregated bank account, as part of performance security pursuant to the Operating Agreement with each operator (Note 5). Historically, the Corporation also has not experienced any significant losses in accounts receivables.

(ii) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk by maintaining sufficient balances in cash, and managing credit risk as outlined above. The Corporation is exposed to this risk mainly in respect of accounts payable and accrued liabilities, due to AGCO, due to Government of Canada, and due to Gaming Operators, which are all contractually due within one year.

The Corporation maintains the required balance in a segregated bank account for amounts due to Gaming Operators (Note 5).

## 16. Capital Management

The Corporation's objectives in managing capital are to ensure sufficient resources are available to fund future growth of its operations and to provide returns to the Province of Ontario.

The Board of Directors is responsible for the oversight of management, including the establishment of policies related to financial and risk management. The Corporation manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Corporation is not subject to any externally imposed capital requirements.

The Corporation defines capital as total equity. At March 31, 2023, capital under management was equity of $87,477 (2022 − deficit of $8,724).

## 17. Contingencies

a) On November 28, 2022, the Mohawk Council of Kahnawa:ke (“MCK”) served a notice of application with the Ontario Superior Court against the Corporation and the Attorney General of Ontario seeking ‘a declaration that the Ontario government does not “conduct and manage” online lottery as required under s. 207(1)(a) of the Criminal Code” as well as challenging the legislative and constitutional authority which underpins the regulated internet Gaming market scheme in Ontario. The application is expected to be heard in February 2024. The Corporation believes that the outcome of this application is not determinable.

b) The Corporation is, from time to time, involved in other various legal proceedings of a character normally incidental to its business. The Corporation believes either the probability of an outflow of resources is not determinable or it is not probable that the ultimate resolution of any of these proceedings and claims, individually or in total, will have a material adverse effect on the Corporation's business, financial results, or financial condition.

## 18. Subsequent events

In June and July 2023, the Corporation declared and paid dividends totalling $85,000 to the Province of Ontario.

On April 5, 2023, the Corporation was directed by the Ministry of Finance and the Ministry of Indigenous Affairs to pay monthly revenue sharing payments to the Ontario First Nations Limited Partnership (“OFNLP”). The first monthly payment of $1,400 was made in April 2023 and will continue every month thereafter until March 31, 2024, unless agreed to otherwise by the Corporation and OFNLP.

The Corporation, the Ministry of Finance and the Ministry of the Attorney General are currently in discussions with OFNLP to establish a formal revenue sharing agreement with respect to the Corporation’s gaming revenues.

## 19. First-time adoption of IFRS

These financial statements, for the year ended March 31, 2023, are the first the Corporation has prepared in accordance with IFRS. For periods up to and including the year ended March 31, 2022, the Corporation prepared its financial statements in accordance with Canadian Public Sector Accounting (“PSAS”) for provincial reporting entities established by the Canadian Public Sector Accounting Board.

Accordingly, the Corporation has prepared financial statements that comply with IFRS applicable as at March 31, 2023, together with the comparative period data as at March 31, 2022 and for the period from July 6, 2021, to March 31, 2022, as described in the summary of significant accounting policies.

**19. First-time adoption of IFRS (continued)**

The transition to IFRS did not result in any adjustments to the equity or net income and comprehensive income as at March 31, 2022 and for the period from July 6, 2021, to March 31, 2022. IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. No exemptions were applicable to the Corporation.