



2021-2022 Annual Report

NEW BRUNSWICK LOTTERIES AND GAMING CORPORATION



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Hon. Ernie L. Steeves
Minister of Finance and Treasury Board
Province of New Brunswick

We are pleased to submit to you the Annual Report of the New Brunswick Lotteries and Gaming Corporation for the fiscal year ended March 31, 2022.



Cheryl Hansen
Vice-Chair



David Nowlan
Director

New Brunswick Lotteries and Gaming Corporation

Under the *Gaming Control Act* (the *Act*), the New Brunswick Lotteries and Gaming Corporation (NBLGC) was established as a Crown corporation responsible for developing, organizing, conducting and managing all provincial gaming as required under paragraph 207(1)(a) of the *Criminal Code* of Canada.

Section 5 of the *Act* sets out the objects of the NBLGC:

- To develop, organize, undertake and conduct and manage lottery schemes on behalf of the government of the Province (or on behalf of the government of the Province and another Provincial government);
- Ensure those lottery schemes are conducted and managed in accordance with the *Criminal Code* of Canada, the *Act* and applicable regulations; and
- To do such other things in respect of lottery schemes as the Lieutenant-Governor in Council may require.

The NBLGC has two additional areas of responsibility in addition to its core mandate to conduct and manage lottery schemes:

- the development and implementation of a responsible gaming policy; and
- the management of gaming revenue sharing arrangements with First Nations.

The NBLGC's current lines of business (i.e. approved lottery schemes) are: video lottery, ticket lottery, iLottery and casino gaming. The Atlantic Lottery Corporation (ALC) operates the video lottery, ticket lottery and iLottery lines of business on behalf of its shareholder, the NBLGC. As the provincial shareholder, the NBLGC is responsible for managing the oversight and accountability relationship with the ALC and appointing directors to represent the shareholder on ALC Board of Directors.

Casino gaming is operated by two private service providers, Great Canadian Gaming New Brunswick, Inc. (Casino New Brunswick) and Grey Rock Entertainment Center Inc. (Grey Rock Casino), in accordance with their respective service provider agreements. The NBLGC exercises its conduct and manage responsibility through the management of those service provider agreements and the oversight of casino operations.

Governance

BOARD OF DIRECTORS

The business and affairs of the NBLGC are administered by a board of directors, which consists of the Minister of Finance and Treasury Board, the Deputy Minister of Finance and Treasury Board, and two senior civil servants appointed by the Lieutenant-Governor in Council. The *Act* requires one of the appointees to be a senior official from the Department of Health. The NBLGC, through its board, is ultimately responsible to the Government of New Brunswick.

At March 31, 2022, the members of the board of directors were:

- Hon. Ernie Steeves, Minister of Finance and Treasury Board (Chair)
- Cheryl Hansen, Deputy Minister of Finance and Treasury Board (Vice-Chair)
- René Boudreau, Associate Deputy Minister of Corporate Services, Department of Health
- David Nowlan, ERP Business Solution Owner, Finance and Treasury Board

OFFICERS AND SUPPORT STAFF

In accordance with the by-laws, the officers of the Corporation are:

- Chief Operating Officer (COO)
- Secretary
- Treasurer

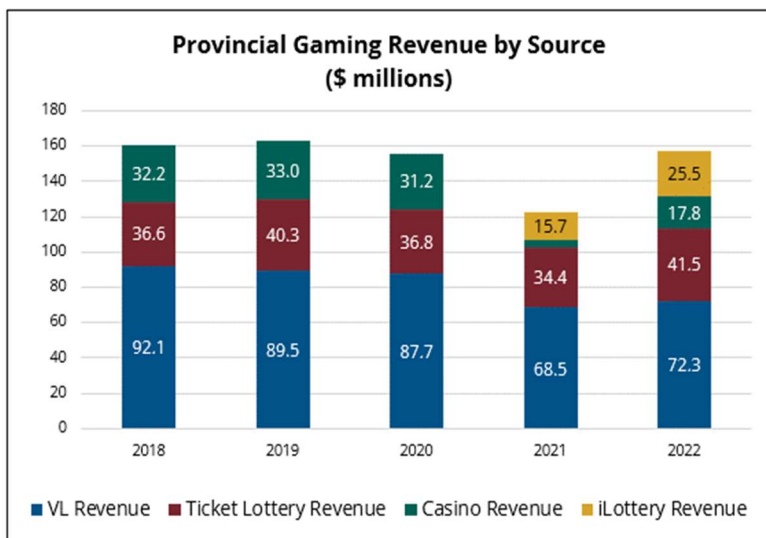
These officers have specific duties as set out in the by-laws as well as any other duties as may be stipulated by the board. The officers of the Corporation are employees of the Province of the New Brunswick. The NBLGC also receives additional support from the Agency Relations Branch in the Department of Finance and Treasury Board.

2021-2022 Financial and Operational Highlights

GAMING REVENUE

The NBLGC receives the net profits from the operations of the Atlantic Lottery Corporation in New Brunswick. The Corporation also receives an allocation of gross gaming revenue from casino operations (Casino New Brunswick and Grey Rock Casino) in accordance with the terms of the respective service provider agreements.

A total of \$157.1 million in gaming revenue was received in 2021-2022. An additional \$338K in licensing revenues was also received during the fiscal year.



Casino gaming revenue was \$17.8 million, a significant increase from the previous year, as casino operations gradually return to pre-pandemic levels.

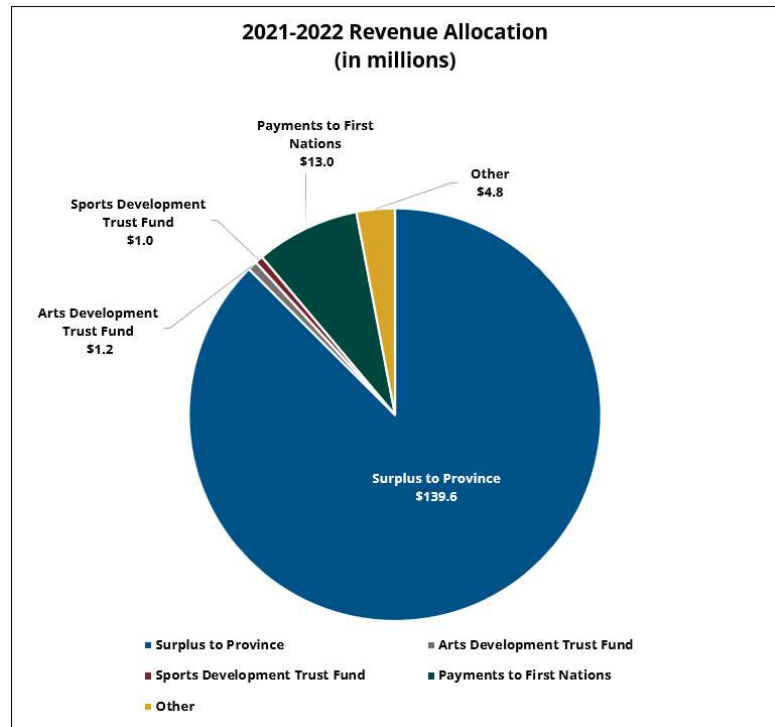
Revenue from video lottery and ticket lottery was \$113.8 million.

Revenue from the iLottery business line was \$25.5 million, with \$15.8 million attributable to iCasino.

WHERE IS GAMING REVENUE REINVESTED?

In 2021-2022, \$2.2 million of the gaming revenue was reinvested in the provincial Arts and Sports Development Funds. \$13 million was disbursed to First Nation communities with revenue-sharing agreements.

The surplus of \$139.6 million was provided to the Province of New Brunswick and invested in provincial programs such as health care and education programs.



CASINO GAMING

CASINO NEW BRUNSWICK

The NBLGC manages the casino service provider agreement with Great Canadian Gaming (NB) Limited. Casino New Brunswick is located in Moncton and has been in operation since 2010.

The destination casino complex is comprised of three distinct buildings integrated into one linear design: a hotel, a casino, and a multifunction entertainment and convention centre hosting a variety of events including concerts and conferences.

In 2021-2022, the casino offered approximately 469 slots, 18 table games and 6 Poker tables and hosted 344,711 visitors.

GREY ROCK CASINO

The NBLGC manages the casino service provider agreement with Grey Rock Entertainment Center Inc. Grey Rock Casino is located on the Madawaska Maliseet First Nation (Edmundston) and has been in operation since 2015.

In 2021-2022, the casino offered approximately 202 slots and 2 electronic tables and hosted 104,251 visitors.

VIDEO AND TICKET LOTTERY

The NBLGC does not directly operate lotteries but is a shareholder in the ALC and the Interprovincial Lottery Corporation (ILC).

The ALC, a jointly-owned corporation of the four Atlantic provinces, operates the video lottery program and ticket lottery on behalf of the NBLGC.

The ALC also handles and markets the products of the ILC. In 2021-2022, in the New Brunswick market, the ALC offered the following products:

- **Video Lottery games:** various games including Royal Spins, Wild Life and Bonus 7s Wild
- **National draw games:** Lotto Max, Lotto 6/49 and Daily Grand
- **Regional draw games:** Atlantic 49, TAG, KENO Atlantic, BUCKO, Salsa Bingo, Twist, Lotto 4 and Poker Lotto and Hit or Miss
- **Sports games:** PRO•LINE, PRO•LINE Stadium Bets, PRO•LINE Fantasy and PRO•LINE Futures
- **Scratch'n Win games** at various price points, including Lucky 7, Bingo, Crossword, Set for Life! and Super Pack
- **Breakopen games** at various price points, including Super Bar, Criss Cross, Bar 10 Bonus and Flaming 7's
- **Digital Instant games** at various price points including Jungle Tumble, Prospector's Gold, Winter Tumble, Leprechaun Wishes
- **iBingo:** various games such as Kitchen Party Bingo, Turbo Bingo and Oceanside Bingo

RESPONSIBLE GAMING

The NBLGC is responsible for the development and implementation of the Province's responsible gaming policy and ensures that all service providers are fulfilling their responsible gaming obligations set out in the service agreements. The NBLGC is also a member of the Responsible Gambling Counsel of Canada and the Canadian Responsible Gaming Association (CRGA). Responsible gaming activities in 2021-2022 included:

FUNDING FOR ADDICTION AND MENTAL HEALTH SERVICES

From the annual surplus provided to the Province, over \$1 million was made available to the Department of Health for addiction services programs with a focus on prevention, treatment and rehabilitation.

RESPONSIBLE GAMING INFORMATION AREA AT GREY ROCK CASINO

The Responsible Gaming information area at the Grey Rock Casino includes a variety of informative responsible gaming materials, provided by the NBLGC, and a seating area where patrons, casino staff and others can learn about responsible gaming.

RESPONSIBLE GAMING INFORMATION CENTRE (RGIC)

The RGIC is located at Casino New Brunswick and is a service established by the NBLGC through a contracted service provider, Morneau Shepell, which operated the RGIC in 2021-2022 at a cost of \$230K.

RGIC at Casino New Brunswick

The RGIC is available to casino patrons, casino staff, members of the public, and other professionals looking for information about responsible gaming supports and services.

The RGIC provides a variety of materials designed to help inform and educate players and others on:

- gambling in general (e.g., myths and facts, odds, randomness);
- how to gamble responsibly (e.g., tips for keeping gambling fun, best practices);
- the signs of problem gambling and available treatment services; and
- the casino's Voluntary Self-Exclusion (VSE) program.

In 2021-2022, 1,518 people visited the RGIC.

RESPONSIBLE GAMBLING TRAINING

Casino staff who have interactions with patrons are required to complete responsible gaming training, including: healthy gaming practices; myths and facts about problem gambling; behavioral red flags; and how to direct patrons to resources and supports.

ATLANTIC LOTTERY CORPORATION

ALC conducts a Social Responsibility Assessment on all games, promotions, and advertising. In addition, ALC promotes responsible gaming through its social media platforms, in advertisements and on alc.ca. The ALC has achieved a Level 4 Responsible Gambling Certification from the World Lottery Association.

As illustrated in the following table, the ALC has a variety of responsible gaming tools and mechanisms incorporated into their player experience.

ALC.ca

Education

- Age verification
- Mandatory weekly deposit limit
- Optional daily wager limit
- Optional daily time limit
- Session timer displayed
- Pop-up reminders: every 60 minutes
- Forced log out
- PlayWise program including healthy play and education awareness, including myth busting, tips and PGSI quiz

Support

- 24 hour pause
- Self-exclusion & reinstatement program
- Reinstatement requires successful completion of a tutorial
- Access to community support information
- Access to customer care centre/Chimo
- Playwise rating: low, moderate & high rating

Destination and Video Lottery

Education

- Maximum cash-in limits: \$60.00
- Clock continuously displayed on every screen
- Screen displays in cash, not credits
- Pop-up play reminders: 60, 90, 120 and 145 minutes
- Forced cash-out: 150 minutes and when exceeding \$1,000
- Player service management tool: time & money settings
- Healthy play pamphlets onsite: game odds & facts

Support

- Mandatory retailer training
- NB gambling support line information on terminals (always on screen)
- Support line materials throughout facility
- Access to customer care centre/Chimo

REVENUE SHARING WITH FIRST NATIONS

The NBLGC shares gaming revenue with First Nations as provided for in section 24 of the *Gaming Control Act*. In 2021-2022, the NBLGC shared \$13 million in gaming revenue.

AMENDMENTS TO THE VLT REGULATIONS

In 2021-2022, the NBLGC and the ALC proposed several amendments to the *Video Lottery Scheme Regulation* and the *Video Lottery Siteholders Regulation* under the *Gaming Control Act* in order to support the NBLGC's strategy to modernize and enhance the video lottery program and to support the ALC's strategy "Fewer Doors, Better Doors". The objective of the strategy is that all VLT sites provide players with a safe and high-quality gaming environment embedded within other entertainment venues and options.

AMENDMENTS TO THE UNANIMOUS SHAREHOLDERS AGREEMENT

The Unanimous Shareholders Agreement was signed in 2000 by the four Shareholder provinces, in order to set out requirements and obligations for the ALC. The four shareholders are: the New Brunswick Liquor and Gaming Corporation (NBLGC), Nova Scotia Gaming Corporation (NSGC), the Prince Edward Island Lotteries Commission, and the Minister of Finance on behalf of Newfoundland and Labrador.

In 2021-2022, a working group of members of the four Shareholder provinces proposed several administrative revisions to the Agreement and included a commitment to review the Agreement and corporate by-laws every five years.

SALE OF GREAT CANADIAN GAMING CORPORATION (GCGC)

Great Canadian Gaming Corporation (GCGC) has service provider agreements with the New Brunswick Lottery and Gaming Corporation, Nova Scotia Gaming Corporation, Ontario Lottery and Gaming, and British Columbia Lottery Corporation (BCLC) to operate casinos in those provinces.

The shareholders of GCGC agreed to the sale of the company in its entirety to Apollo Global Management, pending approval of the sale by all four lottery corporations and gaming regulators in NB, NS, ON, and BC.

In 2021-2022, support staff for the NBLGC, staff at Justice and Public Safety (JPS) (the regulator), the Office of the Attorney General, the Comptroller’s Office, and an external gaming consultant completed extensive due diligence on the terms of the conditional sale. Information and analysis were also shared between the four lottery corporations and regulators. Approval by the NBLGC and JPS were obtained and the transaction was approved in September 2021.

SUMMARY OF RECOMMENDATIONS FROM THE OFFICE OF THE AUDITOR GENERAL

Name and year of audit area	Total Recommendations
Audit of the NBLGC Financial Statements 2021-2022	3

Recommendations	Response
<p>We recommend NBLGC develop and implement a process to estimate NBLGC’s net profits from video gaming devices at Grey Rock Casino as outlined in Revenue Sharing Agreements with First Nations and the <i>Gaming Control Act</i>. We also recommend evidence of this work be retained for audit purposes.</p>	<p>The Auditor General agreed with management’s estimate of retroactive net profits from video gaming devices at Grey Rock Casino. The NBLGC will use the same process for calculating future net profits.</p>
<p>We recommend NBLGC (in conjunction with the Department of Justice and Public Safety) direct Grey Rock Casino to arrange for an audit of its internal control systems every two years as required by the <i>Gaming Control Act</i>.</p>	<p>An audit of internal control systems has been completed by Grey Rock Casino for the period in question. The NBLGC will continue to work with Department of Justice and Public Safety and Grey Rock Casino to ensure the audit is completed every two years.</p>

<p>We again recommend the Department of Finance and Treasury Board and NBLGC resolve recovery of the unauthorized overpayments that were made to First Nations prior to January 1, 2016 as a result of an error in the calculation of gaming revenue.</p>	<p>Direction has been provided from Cabinet for the Department of Finance and Treasury Board to ensure the overpayment is considered as part of Government's larger First Nations strategy.</p>
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SUMMARY OF RECOMMENDATIONS FROM THE OFFICE OF THE AUDITOR GENERAL PREVIOUS YEARS

Name and year of audit area	Recommendations	
	Total	Implemented
Audit of the NBLGC Financial statements 2020-2021	3	2
Audit of the NBLGC Financial statements 2019-2020	4	3
Audit of the NBLGC Financial statements 2018-2019	2	1

Financial Statements

New Brunswick Lotteries and Gaming Corporation

31 March 2022

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Board of Directors of the New Brunswick Lotteries and Gaming Corporation

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of New Brunswick Lotteries and Gaming Corporation (the Entity), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, change in net financial assets, change in accumulated surplus, and cash flow 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 Entity as at March 31, 2022, and the results of its operations, changes in its net financial assets, changes in its accumulated surplus, 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 Entity 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 the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity 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.



Janice Leahy, CPA, CA, CIA
Deputy Auditor General

Fredericton, New Brunswick, Canada
June 27, 2023

Management Report

March 31, 2022

The preparation of the financial information is an integral part of management's responsibilities and the accompanying financial statements are the responsibility of the management of the New Brunswick Lotteries and Gaming Corporation (NBLGC).

The NBLGC has an accounting system and related controls to provide management and the Board of Directors with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with Canadian public sector accounting standards.

It is the responsibility of the NBLGC's Board of Directors to oversee management's performance of its financial reporting responsibilities and to review and approve the financial statements. The Board reviews and recommends approval of the financial statements, and meets periodically with management and the external auditors concerning internal controls and other financial matters.



Cheryl Hansen
Deputy Minister, Finance and Treasury Board
Vice-Chairperson, NBLGC



Denise Horncastle
Chief Operating Officer, NBLGC

New Brunswick Lotteries and Gaming Corporation
Statement of Financial Position
as at 31 March

Financial Assets	2022	2021
Due from Province of New Brunswick - Note 4a	\$ 4,772,513	\$ 2,050,101
Accounts Receivable - Note 4b	7,887,926	3,816,670
Investments:		
Investment in Atlantic Lottery Corporation Inc. - Note 6	35,914,577	24,902,264
Investment in share capital of Interprovincial Lottery Corporation	1	1
Total Financial Assets	\$ 48,575,017	\$ 30,769,036
Liabilities		
Accounts Payable - Note 5	\$ 12,003,844	\$ 5,653,177
HST Payable	407,257	107,513
Deferred revenue	249,338	106,081
Total Liabilities	\$ 12,660,439	\$ 5,866,771
Net Financial Assets	\$ 35,914,578	\$ 24,902,265
Accumulated Surplus	\$ 35,914,578	\$ 24,902,265

Contingent Liabilities - Note 12

The accompanying notes are an integral part of these Financial Statements.

Approved by the Corporation

_____ Director

Annie Pellerin _____ Director

New Brunswick Lotteries and Gaming Corporation
Statement of Operations
for the year ended 31 March

Revenues	2022 Budget – Note 13	2022	2021
Investment Income from ALC Inc. – Note 6	\$ 137,300,000	\$ 139,345,518	\$ 118,605,909
Casino New Brunswick – Note 7	20,000,000	16,476,963	3,340,957
Grey Rock Casino – Note 7	1,000,000	1,331,564	457,781
Other revenue	500,000	337,880	369,129
Total Revenues	\$ 158,800,000	\$ 157,491,925	\$ 122,773,776
Expenses			
Payments to First Nations under Revenue Sharing Agreements – Note 8	\$ 13,500,000	\$ 12,982,733	\$ 11,128,635
Contribution to Arts Development Trust Fund – Note 9	1,200,000	1,200,000	1,200,000
Contribution to Sports Development Trust Fund – Note 9	1,000,000	1,000,000	1,000,000
Taxes – Note 10	3,300,000	2,725,781	607,098
Compliance and Admin	60,000	-	40,000
Distribution to the Province of New Brunswick – Note 11	139,740,000	139,575,152	108,908,025
Total Expenses	\$ 158,800,000	\$ 157,483,666	\$ 122,883,758
Annual Surplus (Deficit)	\$ -	\$ 8,259	\$ (109,982)

The accompanying notes are an integral part of these Financial Statements.

New Brunswick Lotteries and Gaming Corporation
Statement of Change in Net Financial Assets
for the year ended 31 March

	2022 Budget – Note 13	2022	2021
Net Financial Assets – Beginning of Year	\$ 24,902,265	\$ 24,902,265	\$ 17,684,493
Changes in Year			
Annual Surplus (Deficit)	\$ -	\$ 8,259	\$ (109,982)
Change in ALC Accumulated Other Comprehensive Income - Mark to Market Fair Value – Note 6	-	823,490	163,445
Change in ALC Accumulated Other Comprehensive Income - Employee Future Benefits – Note 6	-	10,180,564	7,164,309
Increase in Net Financial Assets	<u>\$ -</u>	<u>\$ 11,012,313</u>	<u>\$ 7,217,772</u>
Net Financial Assets – End of year	<u>\$ 24,902,265</u>	<u>\$ 35,914,578</u>	<u>\$ 24,902,265</u>

New Brunswick Lotteries and Gaming Corporation
Statement of Change in Accumulated Surplus
for the year ended 31 March

	2022 Budget – Note 13	2022	2021
Accumulated Surplus – Beginning of Year	\$ 24,902,265	\$ 24,902,265	\$ 17,684,493
Annual Surplus (Deficit)	\$ -	\$ 8,259	\$ (109,982)
Change in ALC Accumulated Other Comprehensive Income - Mark to Market Fair Value – Note 6	-	823,490	163,445
Change in ALC Accumulated Other Comprehensive Income - Employee Future Benefits – Note 6	-	10,180,564	7,164,309
Accumulated Surplus – End of Year	<u>\$ 24,902,265</u>	<u>\$ 35,914,578</u>	<u>\$ 24,902,265</u>

The accompanying notes are an integral part of these Financial Statements.

New Brunswick Lotteries and Gaming Corporation
Statement of Cash Flow
for the year ended 31 March

	2022	2021
Cash and Cash Equivalents Generated by (used in):		
Operating Activities		
Annual Surplus (Deficit)	\$ 8,259	\$ (109,982)
Increase to Accounts Receivable	\$ (4,071,256)	\$ (992,062)
Increase to Accounts Payable	6,350,667	710,325
Increase (Decrease) to HST Payable	299,744	(21,600)
Increase (Decrease) to Deferred Revenue	143,257	(22,919)
Net Cash Used in Operating Activities	\$ 2,730,671	\$ (436,238)
Investing Activities		
Increase in Investments	\$ (11,012,313)	\$ (7,217,772)
Change in ALC Accumulated Other Comprehensive Income - Mark to Market Fair Value – Note 6	823,490	163,445
Change in ALC Accumulated Other Comprehensive Income - Employee Future Benefits – Note 6	10,180,564	7,164,309
Net Cash Used in Investing Activities	\$ (8,259)	\$ 109,982
Increase in Cash and Cash Equivalents During The Year	\$ 2,722,412	\$ (326,256)
Cash and Cash Equivalents, Beginning of Year	\$ 2,050,101	\$ 2,376,357
Cash and Cash Equivalents, End of Year	\$ 4,772,513	\$ 2,050,101
	2022	2021
Cash and Cash Equivalents represented by:		
Due From Province of New Brunswick	\$ 4,772,513	\$ 2,050,101

The accompanying notes are an integral part of these Financial Statements.

New Brunswick Lotteries and Gaming Corporation
Notes to the Financial Statements
31 March 2022

1. Nature of the Corporation

The New Brunswick Lotteries and Gaming Corporation (NBLGC) is a Crown Corporation under the *Gaming Control Act* established June 26, 2008.

The NBLGC is responsible for developing, organizing, conducting and managing provincial lottery schemes on behalf of the Province. The approval of those lottery schemes and the NBLGC's participation in any other business activities which fall outside of recognized lottery schemes, must be provided by the Lieutenant-Governor in Council. The NBLGC is also responsible for the development and implementation of the Province's responsible gaming policy and for managing agreements with casino service providers with private third parties for the operation of casinos in the province. The NBLGC is the Province's shareholder in the Atlantic Lottery Corporation Inc. (ALC Inc.), which is a jointly-owned corporation of the four Atlantic Provinces. ALC Inc. operates the ticket lottery, iLottery and video lottery programs on behalf of the Province. ALC Inc. also markets and handles regionally the products of the Interprovincial Lottery Corporation (ILC) an organization that operates national lottery games in Canada, owned jointly by the ten provinces. The NBLGC also manages the provincial gaming revenue sharing agreements with First Nations.

2. Summary of significant accounting policies

a) Basis of accounting

These financial statements are prepared in accordance with Canadian public sector accounting standards.

b) Specific Accounting Policies

Revenues and Expenses

Revenues and expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the revenue or expense occurred.

Deferred Revenue

The Province of New Brunswick requires that charitable/non-profit groups pay a fee for licenses for gaming activities such as bingo, raffles, etc. In addition, gaming suppliers and gaming assistants, as defined by regulations under the *Gaming Control Act*, are required to be registered under the act and to pay a registration fee. A portion of these fees are unearned as at March 31, 2022. This amount is deferred and will be recognized as revenue as it is earned.

Government Transfers

Government transfers are transfers of money, such as grants, to an organization for which the NBLGC does not receive any goods or services directly in return. They are recognized in the NBLGC's financial statements as expenses in the period the events underlying the transfer occurred, as long as the transfer is authorized and eligibility criteria have been met. Government transfers are comprised of contributions to the Arts Development Trust Fund, the Sports Development Trust Fund, payments to the Province of New Brunswick and payments to First Nations under Revenue Sharing Agreements.

c) Investments

The NBLGC uses the modified equity method to account for its investment in ALC Inc. Under the modified equity method the investment is initially recognized at cost and subsequently the carrying amount is increased or decreased to recognize the NBLGC's share of income or losses from the investment and

New Brunswick Lotteries and Gaming Corporation
Notes to the Financial Statements
31 March 2022

Note 2c continued

reduced by distributions received. The accounting policies of ALC Inc. are not adjusted to conform to those of NBLGC.

The NBLGC uses the cost method to account for its investment in the Interprovincial Lottery Corporation.

d) Financial Instruments

Financial instruments consist of amounts due from Province of New Brunswick, accounts receivable, accounts payable and HST payable, all of which are recognized at cost and are assumed to approximate their fair value. Financial instruments are recognized when the NBLGC becomes a party to the contractual rights and obligations of the financial instrument.

Financial instruments are derecognized when the contractual rights to the cash flows from the financial asset have expired or have been transferred, and the NBLGC has transferred substantially all risks and rewards of ownership, or are derecognized when the contractual obligation has been discharged, cancelled, or has expired.

e) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period.

Items requiring the use of significant estimates include HST payable on gaming revenue, payments to First Nations under revenue sharing agreements, accounts receivable from Casinos and First Nations and allowance for doubtful accounts on the First Nations accounts receivable. Also, amounts recorded in ALC Inc. financial statements such as the useful lives of tangible and intangible assets, impairment of non-financial assets, accrued liabilities, employee future benefits, development costs, fair value of financial instruments and liabilities for unclaimed prizes, which all impact the net distribution and allocation of undistributed income or loss to the NBLGC. Actual results could differ from the estimates made by management in these financial statements, and these differences, which may be material, could require adjustments in subsequent reporting periods. Due to the unpredictability of future events, the extent of the measurement uncertainty cannot be reasonably estimated.

f) Impact of Coronavirus COVID-19- Measurement Uncertainty

During 2021-22, the ongoing effects of the COVID-19 pandemic have continued to cause significant disruptions to both the operations of ALC Inc. and NBLGC's casino service providers.

The extent and timing of the continued spread, or mitigation, of the COVID-19 virus remains uncertain. Given this uncertainty, the Corporation cannot reasonably estimate the future impact of the COVID-19 virus on the significant areas requiring the use of management estimates.

New Brunswick Lotteries and Gaming Corporation
Notes to the Financial Statements
31 March 2022

3. Risk Management

An analysis of risk from the NBLGC's financial instruments is provided below:

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. Accounts receivables are disclosed in Note 4. The NBLGC's maximum exposure to credit risk at March 31, 2022 is equal to the accounts receivable balance of \$22,630,975 and amounts due from the Province of New Brunswick for \$4,772,513. An allowance for doubtful accounts in the amount of \$14,743,049 has been established. The remaining balances are due from related parties of the NBLGC. The amount due from ALC Inc. of \$5,399,249 is considered low risk and the amount from Grey Rock Entertainment Center Inc. (GREC, Inc) of \$1,686,460 is considered high risk based on collection history.

b) Liquidity risk

Liquidity risk is the risk of not being able to settle or meet an obligation on time or at a reasonable price. Liquidity risk is managed through the Province's consolidated fund in order to meet operating and capital requirements. Management has determined liquidity risk to be insignificant.

c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The NBLGC's management considers exposure to interest rate risk to be insignificant. NBLGC's maximum exposure to interest rate risk at March 31, 2022 is equal to ALC Inc's mark to market long-term debt interest rate swap fair value of \$676,092.

d) Currency risk

Currency risk arises on financial instruments denominated in a foreign currency. The NBLGC's management considers exposure to currency risk to be insignificant.

4. Accounts Receivable

a) Due from Province of New Brunswick (PNB) – Cash and Cash Equivalents

The NBLGC uses the provincial consolidated fund as its bank account. Funds are deposited to and cheques are issued from this account to meet NBLGC's obligations. The amounts in the table below are not available to PNB for general purposes. A receivable from PNB has been recorded for these amounts as detailed below:

	<u>2022</u>	<u>2021</u>
HST Payable	\$407,257	\$107,513
Deferred Revenue	249,338	106,081
Payables to First Nations	3,703,418	1,836,507
Payable to Sports Development Trust Fund	412,500	-
Due from Province of New Brunswick	<u><u>\$4,772,513</u></u>	<u><u>\$2,050,101</u></u>

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Note 4 continued

b) Accounts Receivable

	<u>2022</u>	<u>2021</u>
ALC Inc.	\$5,399,249	\$1,894,216
First Nations	14,743,049	14,743,049
GREC, Inc.	1,686,460	1,718,678
Great Canadian Gaming (New Brunswick) Ltd. (GCGNB)	802,217	203,776
	<u>22,630,975</u>	<u>18,559,719</u>
Less: Allowance for Doubtful Accounts	<u>14,743,049</u>	<u>14,743,049</u>
	<u>\$7,887,926</u>	<u>\$3,816,670</u>

5. Accounts Payable

	<u>2022</u>	<u>2021</u>
Distributions to Province of New Brunswick	\$7,887,926	\$3,816,670
Payable to First Nations	3,703,418	1,836,507
Payable to Sports Development Trust Fund	412,500	-
	<u>\$12,003,844</u>	<u>\$5,653,177</u>

6. Investment in Atlantic Lottery Corporation Inc. – Surplus

6.1 The following tables present condensed financial information of ALC Inc. and NBLGC's share of its investment in ALC Inc.

	<u>2022</u>		<u>2021</u>	
	<u>ALC Inc.</u>	<u>NBLGC Share</u>	<u>ALC Inc.</u>	<u>NBLGC Share</u>
Balance Sheet				
(\$ thousands)				
Assets	\$305,359	-	\$269,289	-
Liabilities	178,772	-	179,412	-
Shareholders' Equity				
Retained Earnings	124,332	35,239	90,367	25,049
Comprehensive Income/(Loss)	2,254	676	(491)	(147)
Share capital	1	-	1	-
	<u>\$126,587</u>	<u>\$35,915</u>	<u>\$89,877</u>	<u>\$24,902</u>
Total Retained Earnings				
Total Liabilities and Shareholders' Equity	<u>\$305,359</u>	<u>-</u>	<u>\$269,289</u>	<u>-</u>

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Note 6.1 continued

	2022		2021	
	ALC Inc.	NBLGC Share	ALC Inc.	NBLGC Share
<u>Statement of Operations</u>				
(\$ thousands)				
Gross Profit	\$619,240		\$525,931	
Expenses	(131,915)		(133,613)	
Other income (expenses)	(159)		(640)	
Taxes & Payments to Federal Government	(48,998)		(45,104)	
Net profit	\$438,168	\$139,346	\$346,574	\$118,606
Investment Income from ALC Inc.		\$139,346		\$118,606
<u>Changes in Retained Earnings</u>				
(Calculation of Retained Earnings)				
(\$ thousands)				
Retained Earnings, Beginning of Year	\$90,367	\$25,049	\$66,865	\$17,995
Net Profit	\$438,168	\$139,346	346,574	118,606
Change in Actuarial Assumptions	33,935	10,181	23,881	7,164
Distributed to Shareholders	(438,138)	(139,337)	(346,703)	(118,648)
Dividends Paid	-	-	(250)	(68)
Retained Earnings, End of Year	\$124,332	\$35,239	\$90,367	\$25,049
<u>Changes in Accumulated Other Comprehensive Income (Loss)</u>				
(\$ thousands)				
Accumulated Other Comprehensive Income (Loss), Beginning of Year	\$(491)	\$(147)	\$(1,423)	\$(311)
Mark to Market Instruments				
Change in Fair Value	2,745	823	932	164
Accumulated Other Comprehensive Income(Loss), End of Year	\$2,254	\$676	\$(491)	\$(147)
Investment in ALC Inc.		\$35,915		\$24,902

As of March 31, 2022, New Brunswick's share of ALC Inc.'s debt is \$23.6M (2021 - \$28.7M)

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6.2 Investment Income from ALC Inc.

The profit of ALC Inc. is distributed to each of the four provincial shareholders. The NBLGC's share for the current year, as illustrated in Note 6.1 (Statement of Operations table) represents the calculated profit of ALC Inc. in New Brunswick as determined by the *Amended and Restated Unanimous Shareholders' Agreement* ("the Agreement") signed August 8, 2000. Under the Agreement, ALC Inc.'s costs incurred for NBLGC activities such as VLT's, investments, interest costs, and overhead costs are deducted from the allocation of revenue for NBLGC.

The following table illustrates the net ALC Inc. profit distributed to NBLGC. Withholdings are reimbursements back to ALC which in turn increase ALC Inc.'s shareholders' equity, and increase NBLGC's investment in ALC.

Investment Income From ALC Inc.:	2022	2021
(\$ thousands)		
NBLGC's share of Net Profit (Note 6.1)	\$139,346	\$118,606
Unallocated Profit	(8)	(9)
Change in accounting policy	-	51
Dividend from Subsidiary	-	68
Net Distribution to NBLGC	\$139,338	\$118,716

7. Casino Operations

7.1 Agreements with Casino Service Providers

In 2008, the NBLGC signed a casino service provider agreement (CSPA) with Sonco Gaming New Brunswick Limited Partnership (Sonco). In October 2015, as permitted under the CSPA and approved by the NBLGC, Casino New Brunswick was sold and the CSPA transferred to a new casino service provider, Great Canadian Gaming (New Brunswick) Limited (GCGNB), a wholly owned subsidiary of Great Canadian Gaming Corporation (GCGC), a publicly traded gaming company.

On December 20, 2020 Apollo Global Management Inc. agreed to acquire all the outstanding shares of Great Canadian Gaming Corp. Final approval was received in September of 2021 and there is no material impact on the current CSPA or the operations of GCGCNB.

In September 2014, the NBLGC signed an agreement with Grey Rock Entertainment Center Inc. (GREC, Inc.) regarding the establishment of a casino facility at Madawaska Maliseet First Nation. The Grey Rock Casino opened on March 1st, 2015.

Under the terms of the casino service provider agreement, Casino New Brunswick is entitled to receive 51% of the gross gaming revenue while NBLGC retains the remaining 49%. In fiscal 2021-22, casino gaming revenue from Casino New Brunswick operations to NBLGC was \$16,476,963 (2020-21- \$3,340,957). Total allocation of revenue to GCGNB for operational services at Casino New Brunswick was \$18,297,958; this included \$562,748 representing the retention of leased slot machines.

Under the terms of the Agreement, Grey Rock Entertainment Center Inc. is entitled to receive 80% of the gross gaming revenue while NBLGC retains the remaining 20%. In fiscal 2021-22, casino gaming revenue from GREC, Inc. operations to NBLGC was \$1,331,564 (2020-21 \$457,781). Total allocation of revenue to

New Brunswick Lotteries and Gaming Corporation
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Note 7 continued

GREC, Inc. for operational services was \$5,687,961; this included \$72,341 representing the retention of leased slot machines.

8. Revenue Sharing Agreements with First Nations

8.1 Payments to First Nations

Pursuant to provisions under the *Gaming Control Act*, as at 31 March 2022, First Nations have agreements with the Minister of Finance and Treasury Board and have active gaming commissions and thereby receive a payment with respect to video lottery and/or breakopen ticket lottery schemes conducted on reserve. Payments to First Nations under Revenue Sharing Agreements are as follows:

	<u>2022</u>	<u>2021</u>
St. Mary's First Nation	\$3,735,541	\$4,368,251
Madawaska Maliseet First Nation	8,351	2,577
Woodstock First Nation	1,877,156	1,913,991
Oromocto First Nation	1,699,306	1,803,125
Metepenagiag First Nation	1,183,749	1,186,969
Kingsclear First Nation	350,179	237,730
Eel River Bar First Nation	897,773	787,899
Esgenoôpetitj First Nation	797,680	828,093
Retroactive Payments- Note 8.2	2,432,998	-
Total	<u>\$12,982,733</u>	<u>\$11,128,635</u>

A review by management of the payments to First Nations identified calculation errors that resulted in overpayments of \$14,743,049 for the period 2003-2016. A provision for uncollectable accounts has been set up for the full amount of overpayments made before January 1, 2016. As of January 1, 2016, the calculation errors which lead to the overpayment have been corrected and no overpayments have been made thereafter.

8.2 Retroactive Payments to First Nations

Subsequent to year end, there were two events that stipulated retroactive revenue sharing payments. These payments have been accrued in these financial statements and are included under Retroactive Payments in the table above.

On May 20, 2022, the Province signed a new revenue sharing agreement with Elsipogtog First Nation. The impact of the retroactive payment for January 1 to March 31, 2022 is included in the table above.

On January 12, 2023, the New Brunswick Court of Appeal found that Madawaska Maliseet First Nation should have been paid its share of the net profit from video lottery revenues generated at Grey Rock Casino. The impact of the retroactive sharing of net profits that will be required from March 1, 2015 to March 31, 2022 is included in the table above.

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9. Trust Funds

Annual lottery profits designated for the Arts Development Trust Fund and the Sports Development Trust Fund are prescribed in Regulation 2008-110 under the *Gaming Control Act*. The amounts are \$1,200,000 and \$1,000,000 respectively.

10. Taxes

As a prescribed HST registrant, the NBLGC makes tax payments to the Government of Canada pursuant to the *Games of Chance Regulations* under the *Excise Tax Act* (the Regulations). An imputed tax on gaming expense is calculated according to a formula set out in the Regulations. The NBLGC is not currently involved in non-gaming commercial activities.

11. Related Party Transactions

The NBLGC is related to the Province and all departments, agencies, commissions, and Crown corporations under common control of the Province of New Brunswick.

Inter-entity transactions (transactions between commonly controlled entities) are recorded at the exchange amount when they are undertaken on similar terms and conditions as if the entities were dealing at arm's length.

Transactions with the Province of New Brunswick and entities under common control of the Province of New Brunswick have occurred and been settled on normal trade terms, with the exception of office space, information technology, human resources, legal, operational and financial administration services which NBLGC receives from the Province of New Brunswick at no charge.

The NBLGC transfers revenues in excess of its expenses to the Province of New Brunswick. The distribution to the Province of New Brunswick is recorded as an expense on the Statement of Operations and was \$139,575,152 in 2021-22 (2020-21- \$108,908,025).

The Statement of Financial Position contains the following related entity amounts:

	<u>2022</u>	<u>2021</u>
Due from Province of New Brunswick	\$4,772,513	\$2,050,101
Due to Province of New Brunswick	7,887,926	3,816,670
Net Due to Province of New Brunswick	<u>\$3,115,413</u>	<u>\$1,766,569</u>

The Statement of Operations contains the following amounts that were paid to the Province of New Brunswick related entities:

	<u>2022</u>	<u>2021</u>
Distribution to the Province of New Brunswick	\$139,575,152	\$108,908,025
Contribution to the Arts Development Trust Fund	1,200,000	1,200,000
Contribution to the Sports Development Trust Fund	1,000,000	1,000,000
	<u>\$141,775,152</u>	<u>\$111,108,025</u>

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Note 11 continued

Related parties also include key management personnel having the authority and responsibility for planning, directing, and controlling the activities of the NBLGC, their close family members, and any entities closely affiliated with these individuals. Key management personnel for the NBLGC have been identified as members of the Board of directors along with the officers of the corporation. For the year ended March 31, 2022, there were no transactions to report between the NBLGC and key management personnel, their close family members, or any entities affiliated with them.

12. Contingent Liabilities

There are currently outstanding claims and potential claims against the Corporation. The likely outcome of these legal actions cannot be determined at this time.

13. Budget

The budget figures included in these financial statements have been derived from the estimates approved by the Board of Directors of the NBLGC.