

Alcohol and Gaming Commission of Ontario

Financial Statements

March 31, 2024

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Alcohol and Gaming Commission of Ontario

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Management's Statement of Responsibility for Financial Reporting

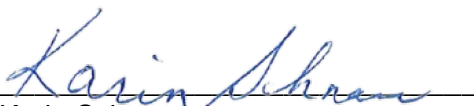
The accompanying financial statements of the Alcohol and Gaming Commission of Ontario have been prepared by management in accordance with the Canadian public sector accounting standards and, where appropriate, include amounts based on management's best estimates and judgements. The financial statements have been properly prepared within reasonable limits of materiality and are based on information available up to July 31, 2024.

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:


Karin Schnarr

Chief Executive Officer & Registrar

Date: July 31, 2024


Joseph Pittari

Chief Administrative Officer

Date: July 31, 2024



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, 2024, 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, 2024, 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.

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
July 31, 2024

Shelley Spence, CPA, CA, LPA
Auditor General

Alcohol and Gaming Commission of Ontario

Statement of Financial Position (\$'000)

As at March 31, 2024	Note(s)	2024	2023 Restated (Note 2b)
Liabilities			
Accounts Payable and Accrued Liabilities	3	\$ 18,198	\$ 9,465
Unearned Revenue	4	11,479	10,844
Other Employee Future Benefits	5	9,613	7,876
Customer Deposits	6	1,320	1,086
		40,610	29,271
Financial Assets			
Cash		—	—
Accounts Receivable		51	13
Due from the Province	13	25,813	12,472
Due from iGaming Ontario	14	1,316	2,703
		27,180	15,188
Net Debt		(13,430)	(14,083)
Non-Financial Assets			
Tangible Capital Assets	7	12,277	13,067
Prepaid Expenses		1,153	1,016
		13,430	14,083
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, 2024	Note(s)	2024 Budget	2024 Actual	2023 Restated Actual (Note 2b)
Revenue				
Licence and Registration Fees	8	\$ 63,393	\$ 43,622	\$ 43,948
Regulatory Charges - Gaming Sector	9	61,046	43,510	31,277
Cost Recoveries from iGaming Ontario	14	13,124	11,360	9,474
Regulatory Charges - Horse Racing Sector		9,578	7,185	7,180
Other Revenue		151	31	96
		147,292	105,708	91,975
Expenditures				
Salaries and Wages		85,418	88,678	74,805
Services		30,790	13,296	13,064
Employee Benefits	5	18,019	20,597	16,366
Amortization of Tangible Capital	7	2,405	2,117	1,942
Transportation and Communications		1,546	1,303	1,386
Supplies and Equipment		968	1,148	750
		139,146	127,139	108,313
Annual Deficit from Operations			(21,431)	(16,338)
Contribution by the Province	13		21,431	16,338
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, 2024	Note(s)	2024 Budget	2024 Actual	2023 Restated Actual (Note 2b)
Annual Deficit		\$	—	\$ —
Acquisition of Tangible Capital Assets	7	(2,557)	(1,327)	(795)
Amortization of Tangible Capital Assets	7	2,405	2,117	1,942
(Increase) in Prepaid Expenses		—	(137)	(644)
		(152)	653	503
Decrease in Net Debt		(152)	653	503
Net Debt, Beginning of Year		(14,083)	(14,083)	(14,586)
Net Debt, End of Year		\$ (14,235)	\$ (13,430)	\$ (14,083)

See accompanying notes to the financial statements.

Alcohol and Gaming Commission of Ontario

Statement of Cash Flows (\$'000)

For the Year Ended March 31, 2024	2024	2023 Restated (Note 2b)
Operating Transactions		
Annual Deficit	\$ —	\$ —
Non-Cash Items:		
Amortization of Tangible Capital Assets	7 2,117	1,942
Changes in Non-Cash Balances:		
Increase in Accounts Payable and Accrued Liabilities	8,733	167
Increase (Decrease) in Unearned Revenue	635	(4,139)
Increase in Other Employee Future Benefits	1,737	631
Increase in Customer Deposits	234	450
(Increase) Decrease in Accounts Receivable	(38)	409
Decrease in Due from iGaming Ontario	1,387	5,181
(Increase) in Prepaid Expenses	(137)	(644)
(Increase) Decrease in Due from the Province	(13,341)	(3,202)
Cash Provided by Operating Transactions	1,327	795
Capital Transactions		
Acquisition of Tangible Capital Assets	7 (1,327)	(795)
Cash Applied to Capital Transactions	(1,327)	(795)
Net Increase (Decrease) in cash	—	—
Cash, Beginning of Year	—	—
Cash, End of Year	\$ —	\$ —

See accompanying notes to the financial statements.

Alcohol and Gaming Commission of Ontario

Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'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 Canadian Public Sector Accounting Standards (PSAS) established by the Canadian Public Sector Accounting Board.

b. Changes in accounting policies - Implementation of PS 3400, *Revenues*

On April 1, 2023, the AGCO implemented PS 3400, *Revenues*, in accordance with the transitional provisions set out in the standard and the requirements for changes in accounting policies in PS 2120, *Accounting Changes*. The impacts of implementing PS 3400 are described below.

Alcohol and Gaming Commission of Ontario

Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'000)

2. Significant accounting policies (continued)

PS 3400 establishes standards on how to account for and report common types of revenues in the public sector that are not addressed in an individual standard in the PSA Handbook. Specifically, PS 3400 differentiates between revenue arising from transactions that include performance obligations (“exchange transactions”), and transactions that do not have performance obligations (“non-exchange transactions”).

The AGCO adopted the standard on April 1, 2023 and applied the requirements of the standard retroactively with restatement of the prior period.

Transactions with performance obligations

Under PS 3400, the AGCO recognizes revenue from exchange transactions when it satisfies a performance obligation by providing the promised goods or services to a payor. A performance obligation is satisfied over a period of time or at a point in time depending on the characteristics of the promised goods or services. Revenue is measured at the amount of consideration to which the AGCO expected to be entitled to in exchange for the promised goods or services.

Transactions without performance obligations

Under PS 3400, the AGCO recognizes revenue from non-exchange transactions when it has the legislative authority to claim or retain an inflow of economic resources and identifies a past transaction or event that gives rise to an asset. Revenue is measured at the amount of cash or cash equivalents received or receivable.

The implementation of PS 3400 had a significant impact on the AGCO’s accounting for licences and registrations. See below for a description of the impact on each revenue stream:

- Licences and registrations – Previously, the AGCO deferred and amortized revenue relating to licences evenly over the license term. PS 3400 requires the AGCO to recognize revenue upon issuance of the licence to the customer because there is no continuing performance obligation after the licence is issued. Unearned revenue relates to payments received from customers in advance of the issuance of licences.
- Regulatory charges – Previously, the AGCO deferred revenue for cost recoveries collected that exceeded the actual expenditures incurred during the fiscal year. Since these are non-exchange transactions with no performance obligations, PS 3400 requires that the AGCO recognize revenue when it has exercised its legislative authority by issuing an invoice to an organization.

The AGCO’s accounting policies for its revenue streams are disclosed in detail in [Note 2e](#). The amount of adjustment for each financial statement line item affected by the adoption of PS 3400 for the current and prior years is illustrated in the table below.

Alcohol and Gaming Commission of Ontario

Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'000)

2. Significant accounting policies (continued)

(i) Impact on surplus or deficit

	For the Year Ended March 31, 2023	
Annual deficit – as previously reported	\$	—
Increase (decrease) due to change in timing of recognition for:		
Licence and registration fees		2,171
Regulatory charges - gaming sector		(1,323)
Contribution by the Province		(848)
Annual deficit – as restated for adoption of PS 3400	\$	—

(ii) Impact on assets and liabilities

As at April 1, 2022	As previously reported	PS 3400 adjustments	As restated
Unearned revenue	\$ 32,958	\$ (17,975)	\$ 14,983
Customer deposits	7,720	(7,084)	636
Due from the Province	34,329	(25,059)	9,270

As at March 31, 2023	As previously reported	PS 3400 adjustments	As restated
Unearned revenue	\$ 37,296	\$ (26,452)	\$ 10,844
Customer deposits	7,317	(6,231)	1,086
Due from the Province	45,155	(32,683)	12,472

c. 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.

Alcohol and Gaming Commission of Ontario

Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'000)

2. Significant accounting policies (continued)

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

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. Actual results could differ from these estimates.

d. 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 without charge.

e. Revenue recognition

(i) Revenue from transactions with performance obligations

Licence and registration fees

Fee revenue from licences and registrations collected from the gaming, liquor, cannabis-retail and horse racing sectors is recognized when the licence or registration is issued to the customer. Revenue from the issuance of licences is recognized based on the transaction price specified in the terms of sale. Payment of the transaction price is non-refundable and is due when a customer applies to purchase or renew a licence. Refer to [Note 9](#) for a breakdown of licence and registrations fees disaggregated by regulated sector.

Cost recoveries from iGaming Ontario

The AGCO provides services to iGaming Ontario under a Shared Resources Agreement. The AGCO's performance obligations in connection with these services are satisfied over time through the rendering of services. The transaction price is equal to the costs incurred by the AGCO in providing these services. Refer to [Note 14](#) for further details.

(ii) Revenue from transactions without performance obligations

Regulatory charges - gaming sector

Regulatory Charges - Gaming Sector is primarily comprised of regulatory charges issued to the Ontario Lottery and Gaming Corporation (OLG), land-based casino operators and internet gaming operators. The AGCO has the legislative authority to

Alcohol and Gaming Commission of Ontario

Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'000)

2. Significant accounting policies (continued)

direct payments from the OLG and iGaming Ontario under the *Alcohol and Gaming Commission of Ontario Act, 2019*. Further, pursuant to operator agreements between the OLG and its land-based casino operators and operator agreements between iGaming Ontario and its internet gaming operators, land-based casino operators and internet gaming operators are responsible for paying costs charged by the AGCO in regulating these markets. The AGCO recognizes revenue when it charges these entities, which it does so by invoicing them. The revenue recognized is based on the amount specified in the invoice. Refer to [Note 9](#) for a breakdown of these regulatory charges for recovery of costs disaggregated by major type.

Regulatory charges - horse racing sector

The AGCO charges regulatory fees to the operators of racetracks in Ontario for the purpose of defraying part of the costs of regulating the conduct of horse racing in Ontario. These charges are primarily comprised of fixed annual fees charged to Woodbine Entertainment Group (WEG) on behalf of racetrack operators. The AGCO recognizes revenue when it recovers from WEG, which it does so by invoicing them. The revenue recognized is based on the amount specified in the invoice.

Monetary penalties

Under Section 14 of the AGCO Act, monetary penalties may be imposed with respect to contraventions of any of the alcohol, cannabis, gaming and horse racing statutes or any regulations made under them. Under Subsection 12 (2) of the AGCO Act, monetary penalties can be only used for education, training, and awareness purposes. Monetary penalties imposed are recorded as a liability until the resources are used for the purposes specified under the AGCO Act. Revenue is recognized in the period in which the resources are used for the purposes specified under the AGCO Act. The associated liability is recorded in unearned revenue in the Statement of Financial Position and the associated revenue is recorded in other revenue in the Statement of Operations and Accumulated Deficit.

f. 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.

g. Financial instruments

The AGCO's financial instruments are accounts payable and accrued liabilities, accounts receivable, due from the Province and due from iGaming Ontario. These financial instruments are all measured at fair value, which approximates their carrying values due to the short-term nature of these financial instruments.

Alcohol and Gaming Commission of Ontario

Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'000)

2. Significant accounting policies (continued)

h. 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:

	<u>Useful life</u>
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.

3. Accounts payable and accrued liabilities

	<u>2024</u>	<u>2023</u>
Accounts payable	\$ 1,519	\$ 1,134
Operational expenses accruals	13,150	5,249
Accrued other employee benefits	3,295	3,082
Capitalized assets accruals	234	—
	<u>\$ 18,198</u>	<u>\$ 9,465</u>

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. Unearned revenue

	<u>2024</u>	<u>2023 Restated (Note 2b)</u>
Licences and registrations	\$ 9,210	\$ 9,303
Monetary penalties	2,269	1,541
	<u>\$ 11,479</u>	<u>\$ 10,844</u>

Alcohol and Gaming Commission of Ontario

Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'000)

4. Unearned revenue (continued)

Licences and registrations

The changes in unearned revenue for licences and registrations, disaggregated by regulator sector, are presented in the tables below:

	2024			
	Balance, beginning of year	Received during year	Recognized during year	Balance, end of year
Gaming	5,037	20,451	(21,198)	4,289
Liquor	2,450	15,766	(14,435)	3,781
Cannabis retail	1,759	4,924	(5,596)	1,088
Horse Racing	57	2,388	(2,392)	53
	\$ 9,303	\$ 43,529	\$ (43,622)	\$ 9,210

	2023 Restated (Note 2b)			
	Balance, beginning of year	Received during year	Recognized during year	Balance, end of year
Gaming	7,269	18,939	(21,171)	5,037
Liquor	3,673	12,485	(13,708)	2,450
Cannabis retail	2,857	5,845	(6,943)	1,759
Horse Racing	57	2,126	(2,126)	57
	\$ 13,856	\$ 39,395	\$ (43,948)	\$ 9,303

Monetary penalties

The changes in unearned revenue from monetary penalties is presented in the table below:

	2024		2023	
Balance, beginning of year	\$	1,541	\$	1,124
Additions during the year		741		423
Revenue recognized during the year		(13)		(6)
Balance, end of year	\$	2,269	\$	1,541

Alcohol and Gaming Commission of Ontario

Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'000)

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 \$6,115 (2023 – \$5,613), 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.

	2024	2023
Separation entitlements	\$ 5,953	\$ 4,507
LTIP pension contributions	2,467	2,493
Time bank entitlements	1,193	876
	\$ 9,613	\$ 7,876

(i) 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.

Alcohol and Gaming Commission of Ontario

Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'000)

5. Employee future benefits (continued)

The separation entitlements were calculated using a discount rate of 4.14% (2023 - 3.64%) and expected average remaining service life of 11 years (2023 - 13 years). The estimated annual increase in salaries used in the calculation is 3% to 3.5% (2023 – ranged from 1% to 1.5%).

(ii) 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, 4.8% starting January 2023 (2023 - 6.3%). Each LTIP arrangement was evaluated individually, based on term and the corresponding discount rate using weighted average rate from Ontario bond yield curve rates.

(iii) 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 4.02% (2023 - 3.64%) and expected average remaining service life of 9 years (2023 - 10 years). The estimated annual increase in salary ranges used in the calculation was 3% (2023 - 1.5%).

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. Customer deposits

Customer deposits is primarily comprised of deposits for gaming eligibility assessments. 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. Revenue is recognized as the work relating to the gaming investigations are performed. Revenue of \$1,600 (2023 - \$2,117) is reported in regulatory charges - gaming sector in the Statement of Operations and Accumulated Deficit.

Alcohol and Gaming Commission of Ontario

Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'000)

7. Tangible capital assets

	Business application software	Information technology hardware	Construction in progress	2024
Cost				
Opening balance	\$ 17,679	\$ 4,607	\$ —	\$ 22,286
Additions	—	619	708	1,327
Disposals	—	(891)	—	(891)
Transfer from construction in progress	—	—	—	—
Closing balance	17,679	4,335	708	22,722
Accumulated amortization				
Opening balance	6,413	2,806	—	9,219
Additions	1,487	630	—	2,117
Disposals	—	(891)	—	(891)
Closing balance	\$ 7,900	\$ 2,545	\$ —	\$ 10,445
Net book value	\$ 9,779	\$ 1,790	\$ 708	\$ 12,277
2023				
	Business application software	Information technology hardware	Construction in progress	2023
Cost				
Opening balance	\$ 17,679	\$ 3,785	\$ 181	\$ 21,645
Additions	—	532	263	795
Disposals	—	(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
Disposals	—	(154)	—	(154)
Closing balance	\$ 6,413	\$ 2,806	\$ —	\$ 9,219
Net book value	\$ 11,266	\$ 1,801	\$ —	\$ 13,067

Alcohol and Gaming Commission of Ontario

Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'000)

8. License and registration fees

The table below presents licence and registrations fees disaggregated by regulated sector:

	2024	2023 Restated (Note 2b)
Gaming	\$ 21,199	\$ 21,171
Liquor	14,435	13,708
Cannabis retail	5,596	6,943
Horse racing	2,392	2,126
	\$ 43,622	\$ 43,948

9. Regulatory charges - gaming sector

The table below presents regulatory charges disaggregated by major type:

	2024	2023 Restated (Note 2b)
Land-based casino operators	\$ 25,525	\$ 17,197
Ontario Lottery & Gaming Corporation (Note 10b)	10,842	7,709
Internet gaming operators (Note 14)	5,543	4,254
Eligibility assessments – gaming applicants (Note 6)	1,600	2,117
	\$ 43,510	\$ 31,277

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:

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Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'000)

10. Related party transactions (continued)

- (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, 2024, the AGCO was charged \$19,022 (2023 - \$16,877) 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) provides the AGCO with network, telecommunication and administrative services. For the year ended March 31, 2024, the AGCO was charged \$1,295 (2023 - \$1,347) 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 (MTO) supplies the AGCO with leased vehicles that are used by employees to perform their duties. For the year ended March 31, 2024, the voted appropriation for these costs was transferred to MTO. The costs charged for the year ended March 31, 2023 was \$848 and included in Services in the Statement of Operations and Accumulated Deficit.
- (iv) For the year ended March 31, 2024, MAG charged the AGCO \$236 (2023 - \$315) 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.
- (v) MAG provides the AGCO with leased office space at 2 (2023 – 2) locations across the province. The costs of the leases are paid by MAG out of their voted appropriation. For the year ended March 31, 2024, the costs of rental were \$4,091 (2023 - \$3,893).

b. Ontario Lottery and Gaming Corporation (OLG)

The AGCO charges the OLG for the purpose of defraying the costs of regulating the OLG's lotteries, internet gaming (iGaming), charitable gaming (cGaming) and OLG land-based casino(s). For the year ended March 31, 2024, \$10,842 (2023 - \$7,709) was recorded in regulatory charges - gaming sector in the Statement of Operations and Accumulated Deficit.

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Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'000)

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 \$123 (2023 - \$122).

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.

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 recorded 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 in the Statement of Financial Position.

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Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'000)

14. iGaming Ontario

Nature of Relationship

iGaming Ontario was created on July 6, 2021 by *Ontario Regulation 517/21* under the *Alcohol, 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. 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, 2024, the AGCO and iGaming Ontario entered into a Shared Resources Agreement (SRA). Through the SRA, the AGCO provided iGaming Ontario with payroll, procurement, facilities, customer services, market research, and communication services on a cost recovery basis. The AGCO also directly paid expenditures (including salaries and benefits of iGaming Ontario employees and vendor invoices). 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 \$11,360 (2023 - \$9,474). As at March 31, 2024, the balance of \$1,316 (2023 - \$2,703) 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, 2024, the AGCO recognized \$5,543 (2023 - \$4,254) in recoveries from igaming operators to offset regulatory costs incurred during the year.

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Notes to the Financial Statements For the Year Ended March 31, 2024 (\$'000)

15. Other matters

Bill 124

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 AGCO, alongside the Ontario Public Service and several other agencies, agreed to a clause that would bring parties together to negotiate a remedy in the event that Bill 124 was struck down by a court of competent jurisdiction. In May 2024, the Commission resolved this matter through negotiated increases (retroactive salary adjustment totalling 6%) to remedy the impacts of Bill 124. The estimated incremental retroactive impact is included in Salaries and Wages and Employee Benefits in the Statement of Operations and Accumulated Deficit.

Liquor Retail Expansion

Subsequent to year end, the Province announced details on its plans to expand the beverage alcohol marketplace. The phased expansion and rollout will begin on July 18, 2024, where existing grocery stores that are currently licensed to sell beer, cider or wine will also be able to sell ready-to-drink beverages and large-pack sizes of beer. Eligible convenience stores will be able to enter the marketplace no earlier than September 5, 2024 and the remaining grocery stores no earlier than October 31, 2024. All participating grocery and convenience stores will be able to sell eligible beer, cider, wine, and ready-to-drink products.

The AGCO is responsible for regulating alcohol sale and service in Ontario, including licensing eligible grocery stores and convenience stores. The AGCO begins accepting applications for the new Convenience Store Licence and Grocery Store Licence on June 17, 2024.

16. Comparative figures

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